

# IMRG UK Click & Collect Review 2020

This is the fourth in the IMRG Click & Collect series which has been updated to incorporate the latest trends and relevant market developments. The IMRG Click & Collect Review presents an objective and pragmatic view of click & collect for multichannel retail stakeholders, to develop understanding of the solution of its use and potential.

*Research partners*



**Magento Commerce**

|  |    |
|--|----|
| 1. Introduction.....                                   | 1  |
| 2. Methodology.....                                    | 1  |
| 3. Executive Overview.....                             | 2  |
| 3.1 Coronavirus 2020.....                              | 3  |
| 4. Insight.....  | 4  |
| 5. Defining Click & Collect.....                       | 5  |
| 6. The Strategic Importance of Click & Collect.....    | 6  |
| 7. Market Trend.....                                   | 9  |
| 7.2 Christmas Peak.....                                | 11 |
| 8. Supply and Demand.....                              | 13 |
| 8.1 Retailer Offer.....                                | 14 |
| 8.2 Shopper Demand.....                                | 15 |
| 9. Access to Click & Collect.....                      | 16 |
| 10. Shopper Motivation, Expectation and Behaviour..... | 20 |
| 11.1 Parallel Applications.....                        | 23 |
| 11.2 Returns.....                                      | 23 |
| 11.3 Consumer Dispatch.....                            | 25 |
| 12. Retailer Experience.....                           | 26 |
| 12.1 Promotion.....                                    | 26 |
| 12.2 Operation.....                                    | 27 |
| 12.3 Some General Questions.....                       | 31 |
| 13. The Bigger Picture – Sustainability.....           | 35 |
| 13.1 Environmental Impact.....                         | 36 |
| 13.2 Urban Impact.....                                 | 40 |
| 14. Future Drivers for Click & Collect.....            | 42 |
| 14.1 Emerging Alternatives to Click & Collect.....     | 44 |
| 14.2 Still room for click & collect.....               | 49 |
| About the Authors.....                                 | 50 |
| Reference Sources.....                                 | 52 |
| Annex – UK Click & Collect Network Summary.....        | 54 |

# 1. Introduction

The IMRG UK Click & Collect Review 2020 is designed to present an objective and pragmatic view of the evolving click & collect landscape from primarily a logistics perspective. However, positioning it specifically as an e-logistics innovation doesn't give the full picture because it also has a clear influence on sales conversion, customer satisfaction, operational costs and even store design and location.

The aim of this review is to help retailers stay current with their understanding of the solution, its use and potential. It is not intended to produce specific conclusions or direct recommendations – as each retailer's individual circumstances will determine how they might deploy click & collect taking account of:

- Customer profile and demographic
- Store network footprint or required reach
- The desired customer experience

The review provides the foundation for retailer strategies and signposts areas for consideration when making decisions about the deployment of click & collect solutions.



## 2. Methodology

This review initially calls upon IMRG's considerable datasets but also references additional published information to provide a comprehensive view of click & collect.

Clearly each different piece of information calls on different data sources, sample sizes and methodologies so not all results will perfectly align but we believe that this approach produces checks and balances leading to objective insight.

All data sources and research are attributed and a full list, with relevant details can be found at the end of this review.

Should any eCommerce stakeholder have information that will enhance the review for the benefit of all, we will be delighted to hear from them and include what we can in future issues.

### 3. Executive Overview

Click & collect has been an important part of the UK eLogistics scene for the past ten years but there are signs that the growth of market share for the value and volume of orders being delivered by this channel, may be slowing down.

At its height it was estimated that as much as 40% of multi-channel retailer value and perhaps 10% of all retailer volume was moving through the click & collect channel. However, over the past two years there is evidence that this has fallen back to perhaps 25% of multi-channel value and 5% of all retailer volume.

That is not to say that overall volume has not increased because UK eCommerce has continued to grow during this period, but it is likely that the demand for click & collect in its current forms is plateauing.

The reasons for this are:

- Reaching an initial level of maturity, experiencing the first stage of the 'double S curve' of demand - where a solution sees rapid growth driven by early adopters and circumstances, followed by a slow-down as a level of initial optimum use is reached
- Changes in the click & collect offer – recognising that in-store click & collect comes with costs attached, many retailers now apply a charge for this service beneath a value threshold and this will limit demand
- Improvements to home delivery services – many carriers are now able to predict a time window in which they will deliver and give the customer the option to change the delivery day, specify a safe-place or neighbour or select an alternative delivery location. This provides a level of convenience to compete with click & collect especially as the cost difference is often marginal
- The general retail malaise and demise or reduced performance of some leading click & collect retailers

The strategic and commercial rationale for deploying click & collect still hold good, however. Those of Capacity, Cost of Delivery, Contingency, Customer Choice and Convenience and Conversion are at least as valid today as in the past.

In addition, there are two other important themes to which click & collect can lend itself. Environmental Sustainability and Urban Congestion. In both cases click & collect's inherent feature of Consolidation allows:

- More parcels to be delivered with fewer vehicle movements
- Deliveries to be made outside of normal congestion times
- Consumers to collect orders without, necessarily, adding to their carbon footprint

There is still a great deal of scope for click & collect in the UK and for more retailers to offer a wider range of click & collect alternatives alongside parallel applications such as returns and consumer dispatch. However, to move into its next phase of maturity click & collect needs to address the fundamental issues of how to be universally cheaper than home delivery and how to allow customers to collect most of their click & collect orders from fewer locations.

The current market fragmentation with carrier specific networks is a barrier to these goals.

### 3.1 Coronavirus 2020

As we started to compile this review, Covid-19 (the Coronavirus) was an abstract issue on the far side of the world that was barely making the news in the UK. As we approach publication, it is the only news and all normality has been suspended.

That does take away from the information, analysis and insight in this review of the UK click & collect market, but it does mean it will need to be viewed with fresh eyes once the current crisis has passed.

- For the time being most in store click and collect has ceased because stores simply cannot open, and the high streets are empty
- Customer behaviour will have changed as they are forced to use different delivery options. New habits will be formed
- Long standing retail trends and ways of working have been interrupted which may present an opportunity to introduce new commercial and operational models

At the time of writing (early April 2020) the click & collect landscape is fluid:

- More people are at home and able to receive deliveries when they would otherwise have been at work or elsewhere – Less demand for click & collect?
- Key workers are home even less and sometimes not able to go home at all – More demand for click & collect?
- In store click & collect has virtually stopped (with few exceptions e.g. Argos / Sainsbury), pushing that volume towards home delivery but also third party click & collect? – Could customers form new habits once they have used local third-party locations?
- Delivery carriers are continuing with home delivery but have introduced contact-less delivery protocols. These include active promotion of safe place delivery and even mandatory safe place delivery – Will safe place become more widely adopted in the future?
- As the crisis evolves delivery resource could be hit as hub, depot and delivery workers succumb or are forced to self-isolate – Could click and collect provide a safer, more efficient way of maintaining online delivery with fewer drops required?
- Although at least one carrier intends to attempt delivery to neighbour, social distancing will stop neighbours meeting up, – Could this create a barrier to neighbour delivery now and in the future?
- Some click & collect options (lockers) are being promoted as contact-less or at least lower risk – Will this give a much-needed boost to the take up of lockers?
- Some click & collect networks remain largely operational, subject to the (essential) nature of each location (food, fuel, transport etc.) albeit with restricted opening hours and employing contact-less handover protocols. However at least one major carrier has suspended its click & collect operation and most have some locations closures – could this mean that some locations / networks will not come back online after the crisis has passed? Could this lead to some natural consolidation and better economies of scale?



As with most things at the moment, it would be foolish to predict how things will evolve. However, we hope that once some level of normality returns, this review will help provide the basis for a fresh look at click & collect in the UK.

## 4. Insight

### Adobe, Magento Commerce

As the ecommerce industry becomes increasingly saturated and competitive, giving the customer what they want— when and where they want it has never been more important. A critical element of the buyer journey has always been the delivery phase with consumers overwhelmingly favouring merchants that offer them free, fast and easy ways to obtain their items. This final step is often the biggest factor in cart abandonment or choosing one retailer over another.

While it is a major factor for consumers, the decision to offer click and collect as an option is also not a simple one for merchants. There are costs and logistics associated with making this service successful, but the benefits can include increased customer loyalty, lower cart abandonment rates and upsell profits (to name just a few) if implemented correctly.

Most importantly, click and collect offers customers the freedom, choice and convenience that most have now come to expect from their favourite brands. Magento has a history of integrating digital and physical commerce together to create amazing shopping experiences which is why we wanted to be a part of this review with Vaimo and IMRG.



Magento Commerce

### Vaimo

Vaimo works with retailers, brands and manufacturers all over the world to drive digital success. A key part of being able to drive this, is understanding exactly what customers in each sector and channel need and want. The underlying driving factor in this growth is often around rapid technological advancement in eCommerce where click and collect forms a large part.

Some of the biggest benefits of click and collect include being able to reduce operational costs and leverage impulse purchases. Retailers find that in-store collection also provides the opportunity to connect with customers and enhance the customer experience. A critical area when trying to merge the online and offline spheres.

It is in this space that Vaimo creates a strong focus to help drive digital, and physical success for our clients. We have seen many successes, and rapid growth of digital in businesses by connecting these two worlds and ensuring that they interact seamlessly in the customers eye.



## 5. Defining Click & Collect

Without wishing to dumb down the subject and tell readers what they may already know it is important, at the outset, to have a common understanding of the solution's different formats and characteristics.

Starting from first principles click & collect describes the process where an online shopper can arrange to collect their order rather than have it delivered to home or other personally relevant address, (work, neighbour, etc). The generic term 'click & collect' now covers several options:

### In-store click & collect

In-store click & collect is where the shopper pays for the order at the website checkout and chooses to collect the order from one of the retailer's own stores.

### In-store reserve & collect

Where the shopper asks the retailer, at checkout, to hold the order for them at a store but the payment is made only at the time of collection.

These in-store 'own brand' solutions are generally not retailer agnostic in that they are only available for that retailers' own orders / customers. However, there are cases where some retailers are willing to provide click & collect facilities for orders from other companies.

The main issue with this click & collect format is that product is delivered to the store, or assigned from in-store stock, for collection, but the customer does not collect. Research from Barclays<sup>1</sup> reports that 15% of all click & collect shoppers have failed to pick up an order. Reasons given are:

- 'Hassle' – 30%
- Long wait times – 25%
- Poorly staffed collection points – 25%
- Struggling to find the click & collect area – 17%
- Paying for the service – 15%

This research covers all in-store click & collect, even when payment has been made but not having paid in advance gives the customer little incentive to carry through with the order or even cancel it should they change their mind for the reasons above or locate the same product elsewhere.

### Third-party click & collect

Where the shopper pays for the order at the website checkout and selects collection from a:

- **Parcel-point network** – usually convenience stores, petrol stations, supermarkets or other retail outlets, where parcels can be stored and handed over to the collecting customer by a member of staff. Of course, orders can only be picked up when locations are staffed so outlets selected tend to have extended opening hours. Some of these form closed networks, allowing only parcels carried by a specific carrier, but some are carrier agnostic where any subscribing carrier can deliver.
- **Parcel-locker network** – locker boxes (accessed by QR or PIN code) usually situated on a street site or within a building / transport location (train station etc.) but now being placed in other retail environments (shopping malls, supermarkets) etc.). These are unmanned and automated and, when located in open access areas, are effectively 'always open'. Some of these are closed networks allowing delivery by specific carriers and some are carrier agnostic where any subscribing carrier can deliver.

<sup>1</sup>Reported in Internet Retailing September 2019

## 6. The Strategic Importance of Click & Collect

Although click & collect has been around for more than twenty years in various forms, it is in the past ten years that it has fully emerged to form a key component of retailers' delivery offers in the UK. It has also moved up the e-logistics agenda to meet some specific strategic market needs.



### Capacity

Over recent years, the UK eCommerce sector has been blessed by consistent double-digit volume growth (volume of orders and deliveries made) and before click & collect these deliveries were always to the door (home, work, neighbour, etc.). However, it became apparent that the capacity for UK carriers to deliver everything to customer homes was becoming stretched, particularly during the Christmas peak.

This issue came to a head just before Christmas 2010 when, due to extreme weather conditions, parcels were stuck in hubs, depots and on trailers and in desperation carriers and retailers asked shoppers to come and collect their Christmas orders when and where possible – from stores, depots and even ad hoc collection sites (village halls etc.), set up just for this 'emergency' period. Many did so, and this sparked an awareness of future customer demand for a more structured solution.

This capacity issue surfaced again during the 2014 peak when Black Friday discounting created significant spikes in demand and put the UK e-logistics supply chain under intense pressure creating bottle-neck problems for both carriers and retailers. Once again, click & collect provided an additional outlet.

Initially motivated by these experiences, UK retailers started setting up their own in-store click & collect offers and carriers have also invested in their own third-party parcel-point and locker networks or teamed up with independent click & collect solution providers.

These moves have created significant new 'final mile' capacity.

### Cost

With the annual double-digit growth, the eCommerce delivery market cannot be ignored, and in the UK, there are many delivery companies undertaking B2C delivery (Business to Consumer) even though it is generally a low margin activity for carriers. Competition is tough and any means to maintain efficiency and preserve margins must be adopted.

Innovative employment models have been introduced and parcel handling automation and optimal routing technology has been deployed. Yet, if this investment is to be maintained to cope with increasing demand and rising retailer and customer expectations, the rates charged for home delivery cannot go too low.



Click & collect provides options to create more B2C delivery and collection economies by allowing multiple parcels to be consolidated and delivered to / picked up from, fixed commercial locations (effectively B2B) often as part of an existing delivery schedule. These deliveries are certain to be accepted first time so avoiding repeat delivery attempts.



## Contingency

Brought sharply into focus by the problems of 2010 and 2014, UK retailers realised that they could no longer rely on the home delivery option alone. Click & collect provides an additional way in which they can manage demand and pressure points within their supply chain and give shoppers the chance to specify and anticipate the receipt of their online order.

## Customer experience

The UK's online shoppers are arguably the most sophisticated in the world with the highest spend per capita over an extended period of years. In other words, UK shoppers know what they want and increasingly that is the option to specify the right delivery solution for each individual order.

The latest IMRG UK Consumer Delivery Review - 2020 provides ample evidence of the importance shoppers place on having the control to select the right service that allow them to get their online order at a time and place convenient to them – not the delivery company. Click & collect provides an important option with consistently two thirds of the review's respondents confirming they have made use of it or intend to do so in the future.

As retailers began to invite customers to collect their orders, they discovered that, especially in-store, they could better manage the customer experience and handle returns more efficiently.

The consistent challenge from retailers to their delivery partners is that the delivery agent must represent the retailer's brand on the doorstep. Carriers make considerable efforts in this respect, but in-store own brand click & collect provides retailers an opportunity to take direct control of the hand-over experience. Third-party click and collect can also provide additional brand control with retailer specific messaging.

## Conversion

Over recent years, retailers have found that click & collect has become more than just another delivery channel, driving in-store footfall and incremental spend. It has become a marketing device for both retaining existing customers and attracting new ones. As evidence:

- Magento Commerce reports that click & collect is a loyalty driver and that 24% of UK shoppers will become repeat customers if a retailer offers Buy Online and Pick-up In Store<sup>2</sup>
- Click & collect customers will make additional purchases when they collect their original order:
  - 58% of customers collecting or returning a parcel in one of Duddle's partner locations in early 2018 went on to make an incremental in-store purchase<sup>3</sup>
  - GlobalData's 2018 research<sup>4</sup> reports that 39.2% of shoppers make an additional purchase when collecting an order in-store noting that this varies substantially by sector and that the most popular additional items fall under the food and grocery category
  - Metapack reports in its latest research that 41% of consumers have bought an additional item when collecting an order in store<sup>5</sup>

<sup>2</sup>Magento Commerce – UK Customer Preferences Report

<sup>3</sup>Data from Duddle customer feedback survey, March – July 2018. 8000 responses

<sup>4</sup>GlobalData - 'Click & Collect in the UK 2018 – 2023'

<sup>5</sup>Metapack's Global eCommerce Consumer Research Series 2020.

- Click & collect can drive new footfall:
  - Magento Commerce reports that deploying Buy Online Pickup In Store (BOPIS) for its client Rural King (USA) increased store traffic in 95% of stores<sup>6</sup>
  - Barclays report that 89% of retailers offering click & collect have seen footfall increase over a two-year period and 97% report additional revenue<sup>7</sup>

In 2017 GlobalData produced a finding from a review of 10 of the top UK multi-channel retailers that 41% of click & collect shoppers went on to purchase additional items instore with an average basket value of more than £20 – detailed results below.



Fig 1 - Source: GlobalData – Click & Collect in the UK 2017 – 2022

Clearly consumer feedback and survey data allow for some subjectivity and the retailers in question will have their own data which we cannot have access to, but these results do support the view that click & collect does support incremental sales and conversion and that shoppers do have this in mind when making a click & collect visit.

### Sustainability and Urban Impact

Looking ahead new strategic issues present themselves and at now, at the top of the logistics agenda are the issues of environmental sustainability and urban impact. Click & collect has a part to play in addressing these issues and because of their emerging importance we will cover these opportunities in more detail in section 14.



<sup>6</sup><https://magento.com/case-studies/omnichannel-rural-king>

<sup>7</sup>Reported in Internet Retailing September 2019

# 7. Market Trend

Although click & collect has become more popular over the last decade, the past two years has seen the rate of adoption plateau. We estimate that currently, perhaps 25% of the value of orders from larger multi-channel retailers (those with own store networks) are fulfilled through the click & collect channel, although with some notable outliers that may inflate this figure.

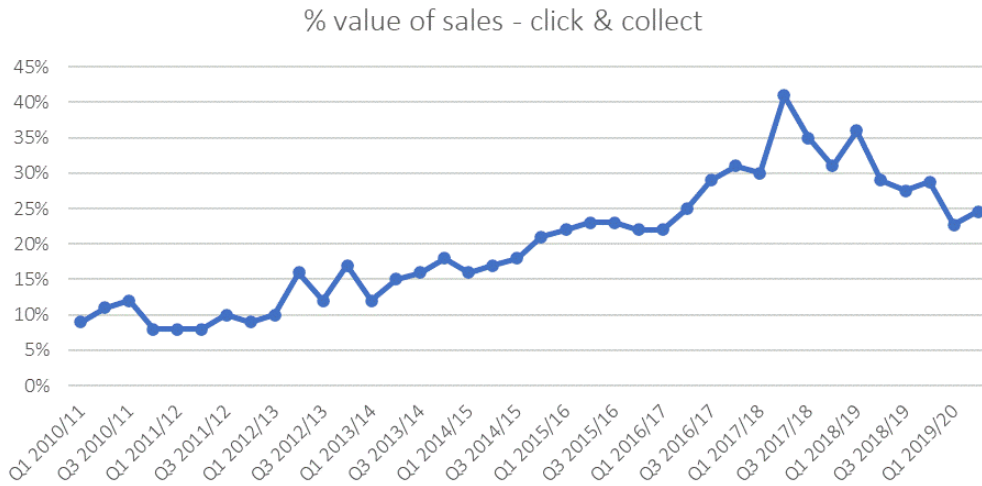


Fig 2 - Source: IMRG Capgemini Quarterly Benchmarking

This would be consistent with the fact that UK consumers confirm that 'home' is where orders are delivered in more than 80% of cases.

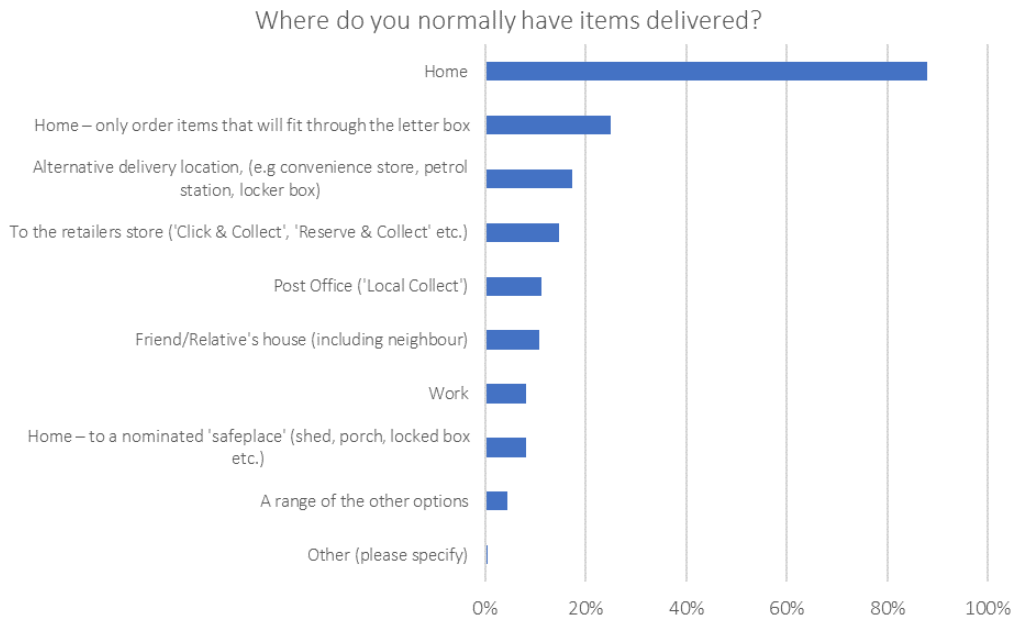


Fig 3 – Source: IMRG UK Consumer Delivery Review 2020

The UK's preference for home delivery is high when compared with other geographic markets but even in markets where click & collect is more established, home delivery remains the most popular as shown by the latest parallel but independent IPC and UPS research:

- UPS - Pulse of the Online Shopper notes that 'Globally, just 20% of shoppers prefer an alternative delivery location (ADL) to a home delivery'. Although they do see notable exceptions in China (42%), Hong Kong (46%) and Poland (40%).
- IPC - Cross-Border E-Commerce Shopper Survey 2019 reports that the ability to select the delivery location is very important to 46% of its respondents and that in the past 12 months some 27% have used click & collect (red) as we have defined it but if post office and carrier depot pick-up (orange) is included this figure is much higher.

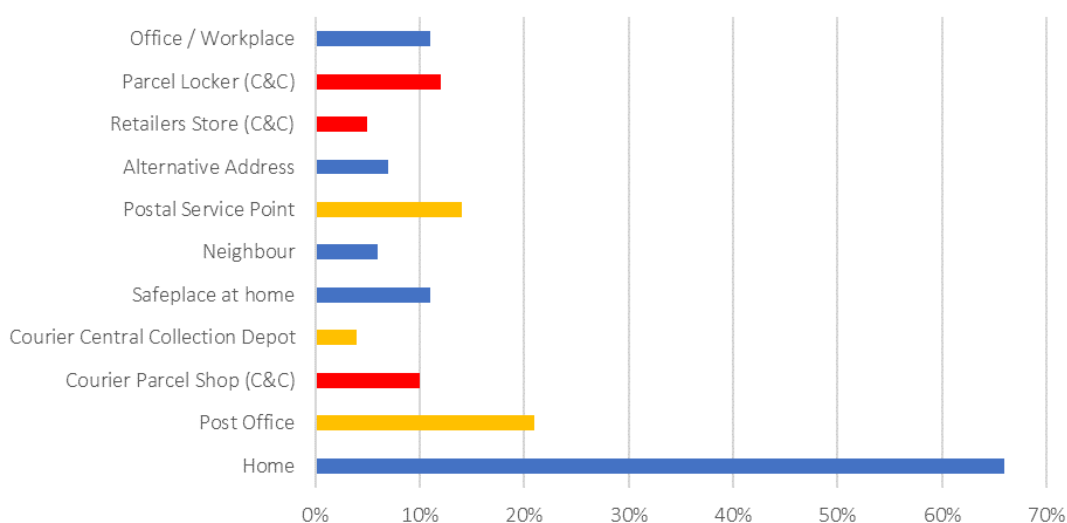


Fig 4 – Source: IPC Cross-Border E-Commerce Shopper Survey 2019 – 41 markets, 35,737 respondents  
Considering your online shopping experiences of the past 12 months, where have your parcels been delivered to?

In the UK this click & collect share of value has fallen back from the 2017 high point shown in figure 2, probably because of a combination of factors including:

- Changes in the click & collect offer – recognising that in-store click & collect comes with costs attached, many retailers now apply a charge for this service beneath a value threshold
- Improvements to home delivery services<sup>8</sup> – many carriers are now able to predict a time window in which they will deliver and give the customer the option to change the delivery day, specify a safe-place or neighbour<sup>9</sup> or select an alternative delivery location
- The demise or reduced performance of some leading click & collect retailers
- Click & collect reaching the first stage of maturity<sup>10</sup>

Looking at the volume of orders rather than the value, when we consider all retailers, including smaller players and those without their own store networks, we estimate that only about 5% of all UK delivered volume currently moves through the click & collect channel<sup>11</sup>.

<sup>8</sup>GlobalData – 'Click & Collect in the UK 2018 - 2023' reports that 89.5% of consumers were satisfied with their home delivery experience in 2018 compared with 79.9% for click & collect

<sup>9</sup>Hermes SafePlace Photo service, launched in September 2018 provides photographic evidence and geo-coordinates (to a radius of 10m)

<sup>11</sup>Also see section 14

<sup>12</sup>This is down from an estimated 9.5% in late 2017. Source: IMRG Quarterly Operational Review

Although the proportion of online value and volume may have fallen back over the past two years, overall value and volume has still increased given the underlying, double digit market growth, although under current market conditions this is also slowing down.

Given these relatively modest levels of use we believe there is still considerable scope to increase the adoption of click & collect and good reasons to do so – the strategic reasons covered in section 6 still apply and the present retail environment means that any channel that can help with customer choice, experience and cost to serve should be exploited.

‘Click & Collect in the UK’ by GlobalData confirms this view, estimating that despite slowing down the UK click & collect market will grow (by order value) by 45% between 2018 and 2023, driven primarily by the fashion sector which accounts for approximately 60% of click & collect order value.

## 7.2 Christmas Peak

One period when click & collect is particularly in demand is during the pre-Christmas peak, in part because of reasons already explained – capacity and contingency, with carriers and retailers using click & collect to facilitate the handling of more orders. However, this is also due to shoppers spending more time in the high street at this time, combining several activities into one trip (trip-chaining) – including picking up their on-line orders.

To illustrate this fact, the chart below shows the difference between the general dispatch trend (as measured by the Metapack peak index) and the collection trend measured by Doddle over the 2017 Christmas peak.

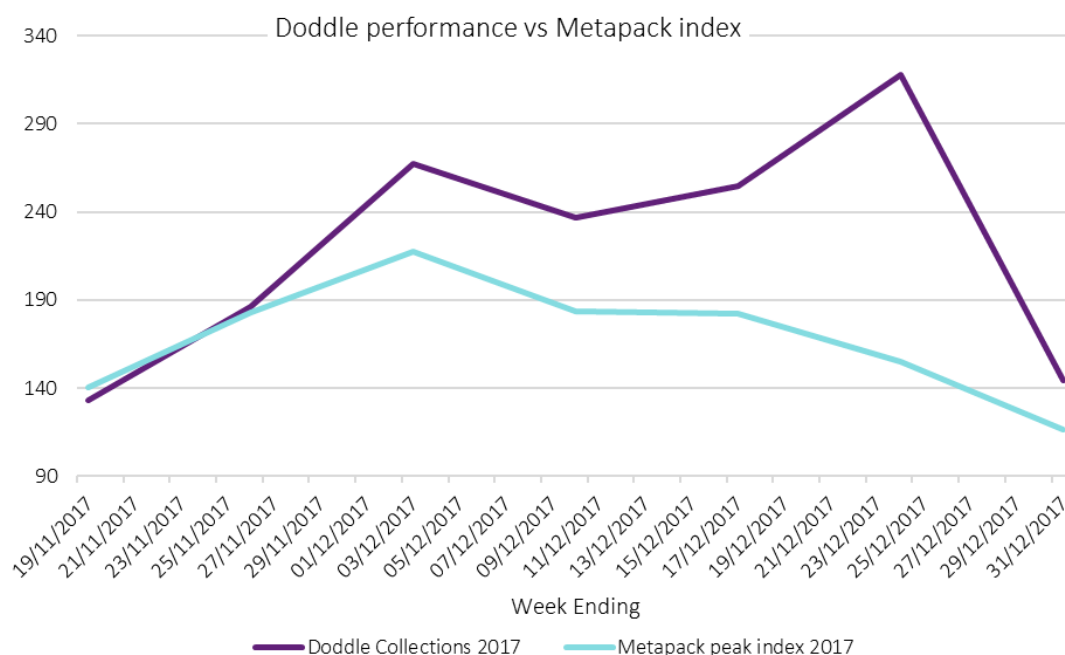


Fig 5 - Source: Doddle

More recently Doddle reported a week-on-week uplift of 76% during the Black Friday week of 2018<sup>12</sup>.

<sup>12</sup>Reported in Internet Retailer January 2019

Click & collect is a time and place defined option so shoppers can generally be certain that they can get their order when they want it (even at the very last minute), which is a key consideration with Christmas deadlines approaching. Some shoppers even use click & collect as a way of keeping their purchases secret. Delivery to another location negates the risk of the someone actually signing for their own Christmas gift.

In the past we have seen online sales volumes fall back after the last Monday before Christmas – often known as Panic Monday as it is typically the last day retailers can accept orders for home delivery. However, click & collect now enables a final spike in demand with shoppers placing orders that they know they will be able to collect, potentially even on Christmas morning.

The chart below is an extract from IMRG Christmas and Black Friday Review for 2017 and shows the relative performance of retailers who could offer next-day click & collect in 2017, compared with those that could not and it is clear that click & collect help drive sales much later into that final week before Christmas.

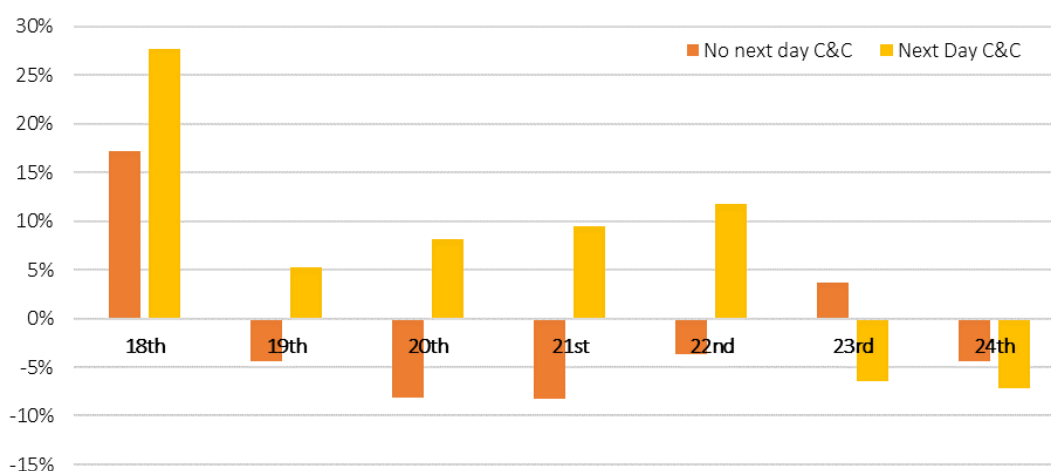


Fig 6 - Source: IMRG Christmas and Black Friday Review for 2017

It is likely that this is one of the reasons why multi-channel retailers were able to sustain their Christmas trading for longer than online only retailers.

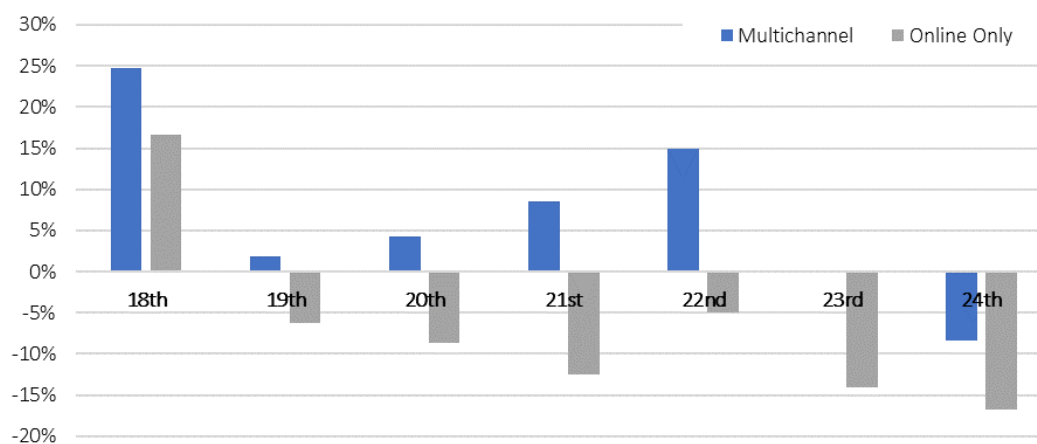


Fig 7 - Source: IMRG Christmas and Black Friday Review for 2017

# 8. Supply and Demand

Currently not all retailers offer click & collect as a delivery option and of those that do, not all provide more than one click & collect variant, which it is important to do to provide consumers with adequate choice and access.

Many retailers still only offer the 'in-store' option and do not extend beyond their own networks to take advantage of third-party parcel-point and locker providers to extend their coverage and evidence provided by Temando from research in 2017 shows that gap apparently exists between consumer demand and retailer supply<sup>13</sup>.

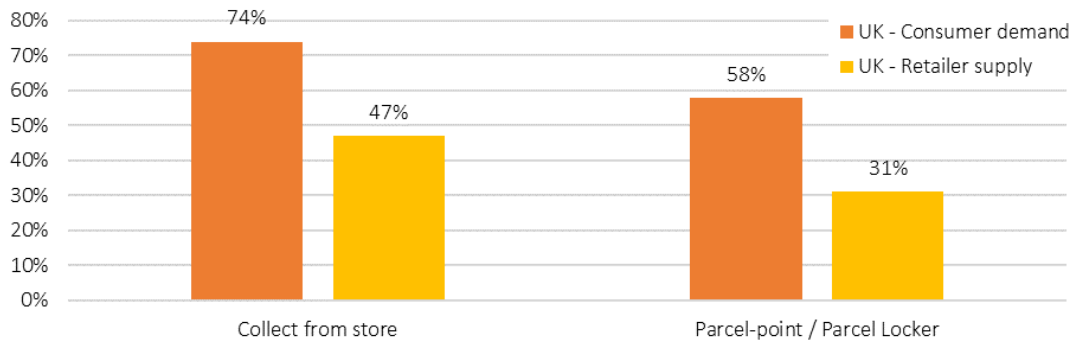


Fig 8 - Source: 'State of Shipping in Commerce – UK 2017' -  
Extract from - % of shoppers who want certain shipping options vs the % of retailers who offer them

This also confirms that in-store click & collect is the most offered option and is one reason why the in-store options are reported as most used by shoppers. We currently estimate almost 90% of all click & collect volume is picked up in-store, fulfilled either from existing stock, taken to the store for collection as part of the retailer's stock normal replenishment activity (65%) or delivered to the store by carrier (26%). The remaining volume (9%) is delivered by carrier to third-party click & collect networks<sup>14</sup>.

The latest IMRG consumer research does show a gradual rise in the recalled use of third-party locations but that there is still plenty of scope to increase this.

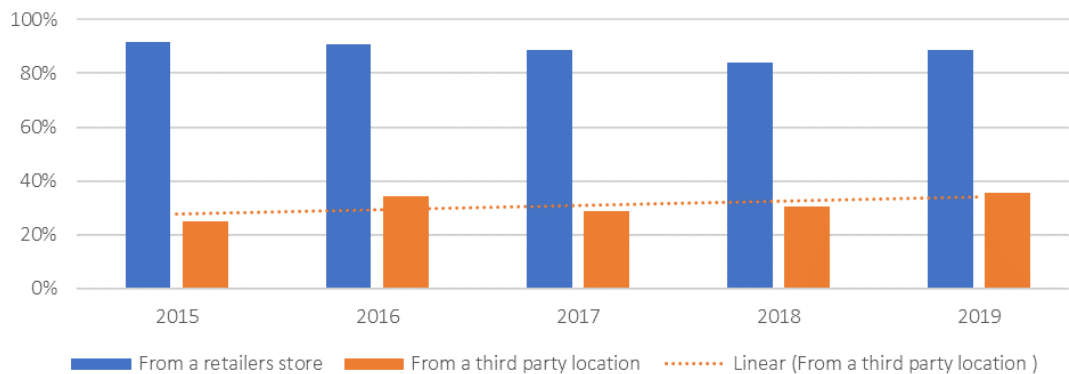


Fig 9 - Source: IMRG UK Consumer Delivery Review 2020 – Of those shoppers who report having used click & collect - What click and collect options have you previously used? (Select all that apply)

<sup>13</sup>The State of Shipping' report series, commissioned by Temando was based on independent survey data from Research Now – Survey of UK-based online shoppers and retailers across a variety of categories in February 2017, in total generating responses from 1298 online shoppers and 275 retailers

<sup>14</sup>Source: IMRG Quarterly Operational Review Q4 2019

## 8.1 Retailer Offer

The supply of click & collect not only applies to what services are offered but how they are offered which directly effects demand for the service

Clearly multi-channel retailers are best placed to offer in-store click & collect options and we might expect that retailers with large store networks would have the highest levels of click & collect orders. Although there is some correlation this is by no means the only driver as IMRG research from 2018 reveals.

The graphic below shows that some retailers with the highest click & collect rates did have larger store networks, but this was not the single deciding factor. Promotion is important and service availability needs to be combined with:

- A competitive price offer when compared to home delivery
- Prominent and early promotion of the click & collect option
- Next day availability to reduce the need for the customer to plan the pick-up and be able to fit it in with other activity

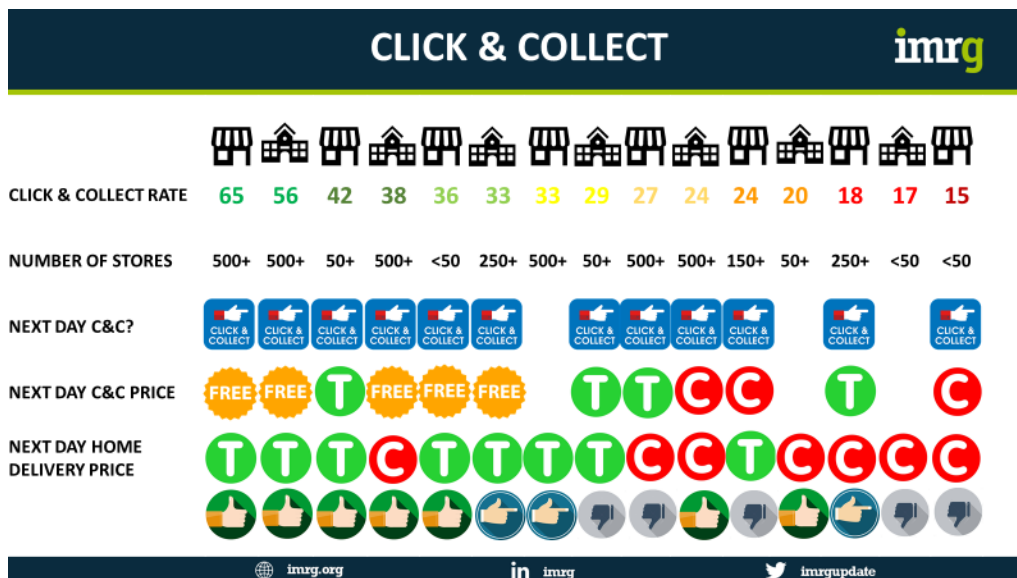
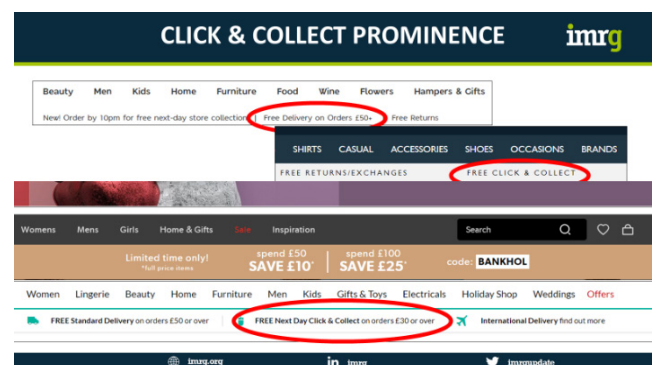


Fig 10 - Source: IMRG data study, multichannel and online-only propositions, September 2018<sup>15</sup>

### Key

- T** free over a given basket value threshold
- C** a charge regardless of basket value
- [Thumbs up]** click & collect promoted on the home page navigation bar
- [Thumbs up]** click & collect promoted on the home page below the fold



<sup>15</sup>Conducted in August 2018, based on various datasets from 200 IMRG retailer index participants



Leaving details of the click & collect offer too late in the buying process will damage take up of the solution. The same IMRG research shows that in a third of cases where 'delivery cost' was given as a reason for check out abandonment, this applied to the additional cost of click & collect.

## 8.2 Shopper Demand

Even when retailers offer click & collect, there has to be customer demand and the recent evidence is that this may be flattening off.

We previously mentioned that, consistently two-thirds of consumers have used, or may use click & collect as a means of receiving orders. This figure has been consistent for the past five years which suggests we may have reached a natural level of awareness and acceptance with the click & collect solution as it stands.

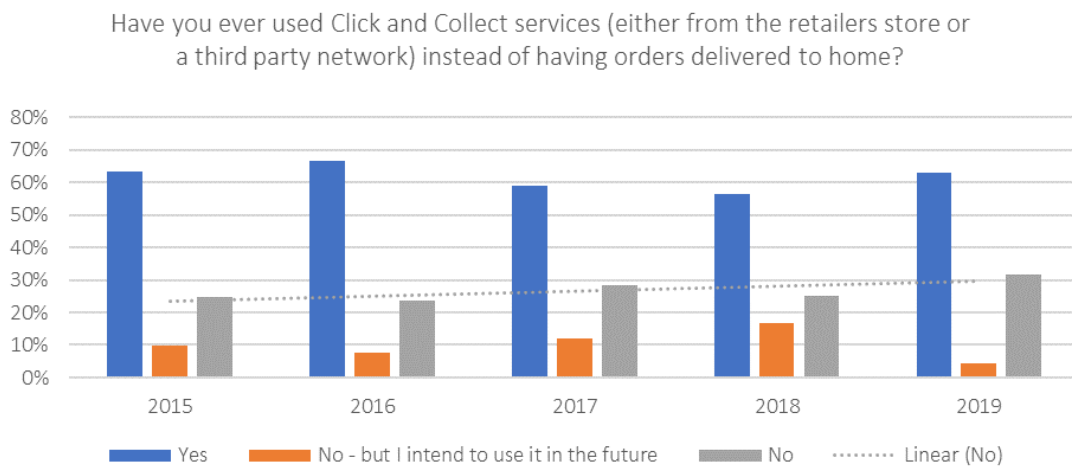


Fig 11 – Source: IMRG Consumer Delivery Review 2020

The fact that more than 31% of this years' survey say they will not use click & collect – the highest ever score against this measure – suggests that improvements in other delivery channels and charging for some click & collect may be acting as a brake on adoption even though there is still considerable capacity to develop this channel. This is further evidenced by the fact that fewer respondents to the survey reported using click & collect, from a range of convenient delivery solutions, than in previous years.

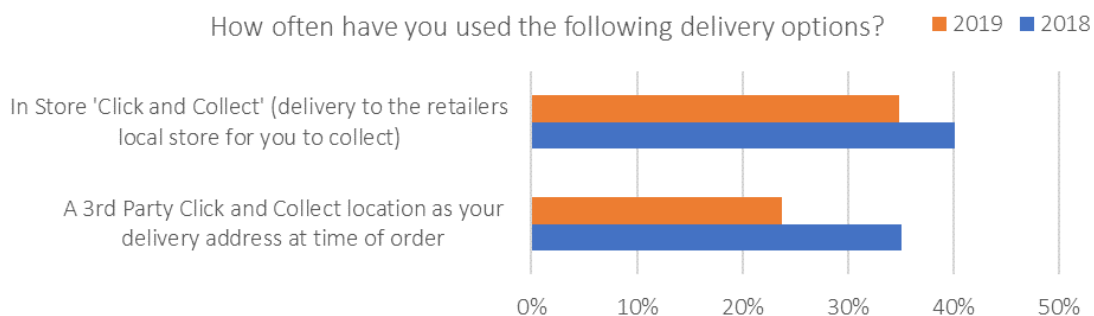


Fig 12 – Source: IMRG Consumer Delivery Review 2020

If this is truly the case the click & collect model needs to innovate and evolve again to create more consumer demand.

## 9. Access to Click & Collect

A major supply factor directly influencing click & collect demand is network coverage and level of convenient access afforded to shoppers.

Should retailers wish to extend their coverage beyond their own store networks and should shoppers want to collect and send their parcels from more local locations (to home, work or places and routes frequently used) there is no reason why they should not be able to because the UK has excellent network coverage. The UK now has extensive coverage of third-party parcel shop and locker locations numbering more than 35,000 if all operators and variants are considered.

A key access element is the distance a shopper is prepared to travel to collect / drop off a parcel and our research consistently shows that more than three quarters would consider a 2 to 5-mile round trip – a current average distance of about 3.6 miles, especially as many would combine the job with other activity (trip chaining).

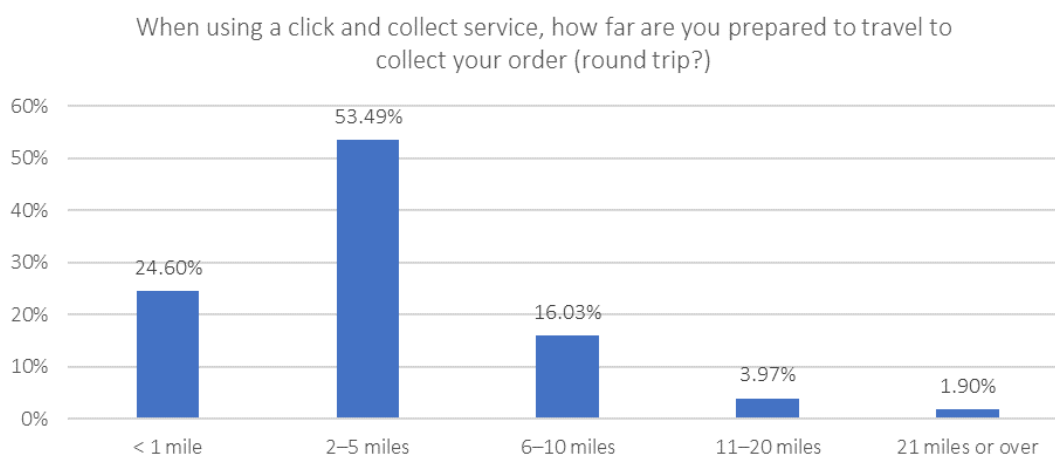


Fig 13 - Source: IMRG UK Consumer Delivery Review 2020 - Average miles - round trip for a click & collect

This is confirmed by independent Citizens Advice research that finds 'on average, consumers are willing to travel 3 miles to collect and return items'.

### Citizens Advice

*'Citizens Advice is the official consumer watchdog for the postal sector. Our role is to ensure postal services and post offices meet the needs of consumers in a way that is fair and accessible for all, with particular regard for vulnerable consumers'*

A 2018 Citizens Advice report goes on to show that 66% of UK consumers live within one mile of 5 parcel-point / locker locations served or provided by 5 distinct operators, so giving considerable choice and access - 90% live within three miles.

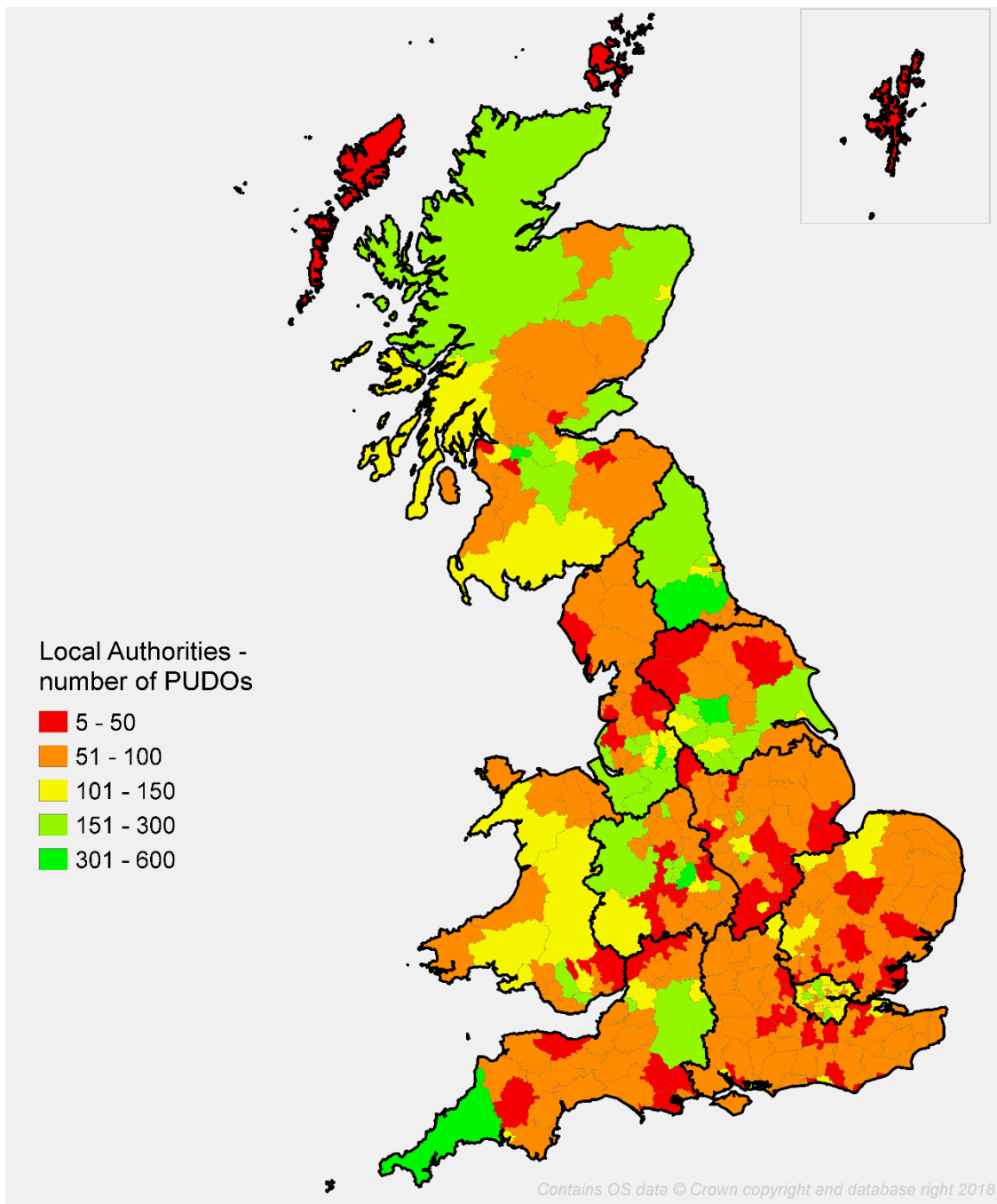


Fig 14 - Source: Citizens Advice - Mapping Parcel Shops - Understanding consumer access to pick up and drop off locations in Britain<sup>16</sup>

Demographically there is an interesting split with 81% of consumers aged 18 – 34 having access to 5 distinct parcel-point / locker services within one mile, whereas for older shoppers above the age of 65, this drops to 57%.

Other industry research does generally show that younger consumers are more likely to use click & collect as a delivery solution and purchase more in store when using a click & collect service, so this balance works well in support of click & collect adoption.

<sup>16</sup>Based on analysis of click & collect location data provided by 16 UK operators and covering 35,000 locations.

This dynamic may also be due to a higher proportion of ‘working age’ consumers living in urban areas and it is not surprising that urban areas are best served by third-party click & collect services, with 79% of the urban population living within one mile of 5 distinct locations.

London has the highest level of cover with 5,000 locations and 97% of its population is within this one-mile radius, but more generally against this measure:

- England is best served – 68% of population
- Scotland – 56% of population
- Wales – 45% of population

Regionally the picture looks like this:

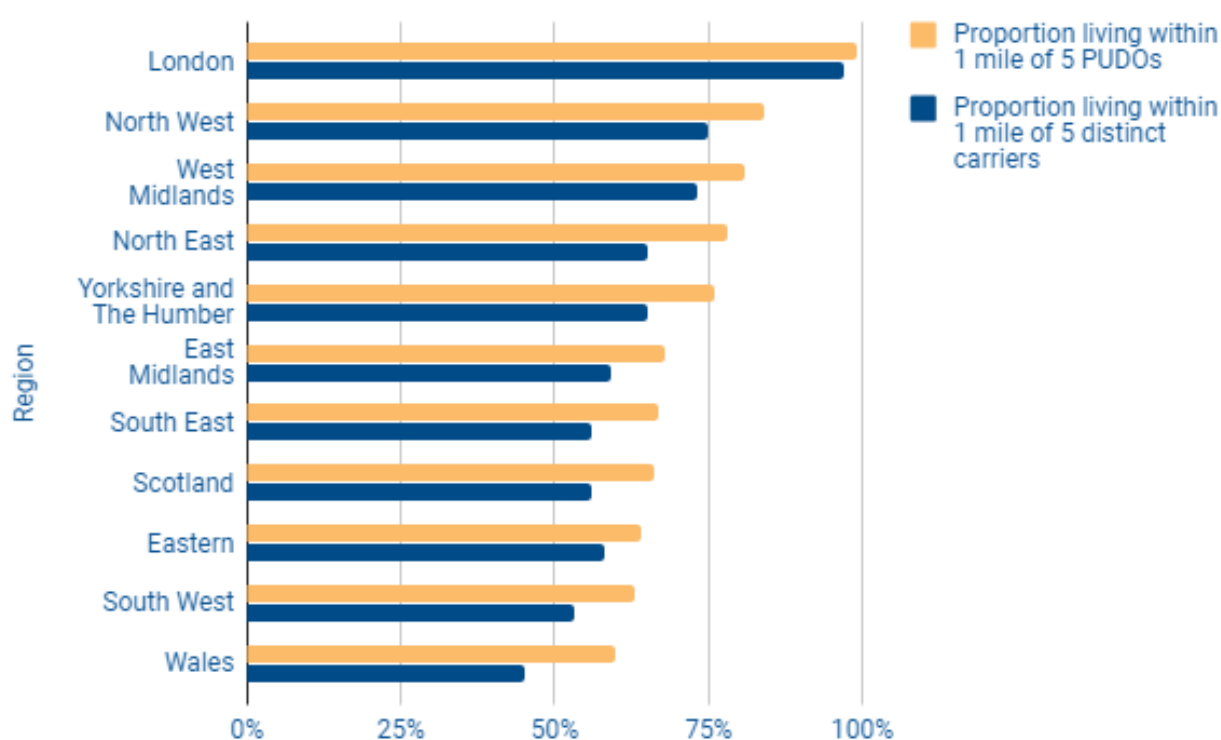


Fig 15 - Source: - Citizens Advice - Mapping Parcel Shops - Understanding consumer access to pick up and drop off locations in Britain

Demand per location is also likely to be higher in London than in other major cities because the population per location is higher.

- In London, Bristol and Sheffield there are currently an average of 5 parcel-point / locker locations for every 10,000 people.
- In other cities the ratio is higher – Glasgow almost 7 and Manchester more than 6.

This demand per location could have an impact on a consumer’s pick-up experience (busy or less busy) and, for an operator could influence levels of footfall per location and available capacity in a location at busy times.

Citizens Advice have very usefully provided an interactive map of the locations in their review - [click here to find out more.](#)

The interactive map enables consumers to enter a location (place, postcode etc.) and be shown the click & collect locations (covered in the review) in the immediate vicinity. Of course, Citizens Advice cannot promote any single operator, so the map does not show which is operating the parcel-points and parcel-lockers, it simply shows the number and location, but this is a useful aid to helping consumers become familiar with the local options available to them.

Annex A summarises the range of third-party operators currently providing third-party click & collect locations in the UK.

## Sales Channels

The other access element that might be used to influence the use of click & collect is the sales channel, noting that how people choose to buy may be an indicator of whether they will choose to collect.

In the past there has been a hypothesis that smart phone orders are more likely to be collected (people on the move) than orders made from home on a static device (perhaps suggesting a preference for home delivery). That may once have been the case but analysis of IMRG's most recent click & collect data suggests that this no longer has a bearing.

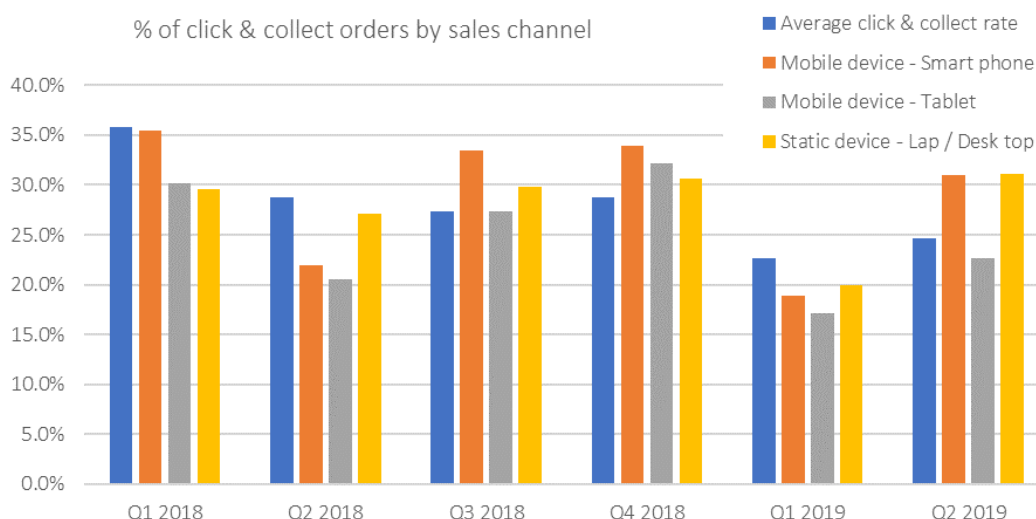


Fig 16 – Source: IMRG Capgemini Quarterly Benchmark Index

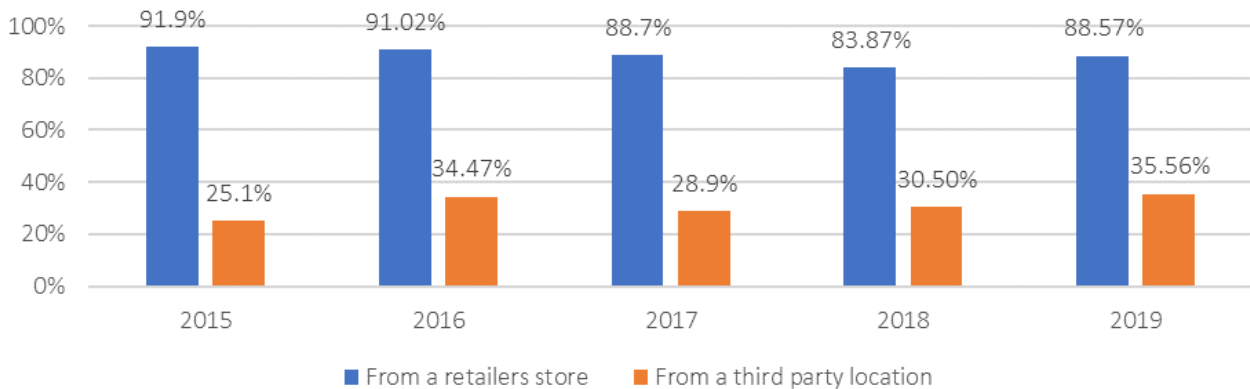
The data suggests that although smart phone orders tend to produce the highest proportion of click & collect orders, this is not always the case and the gap between the other channels is not consistent or large enough to be material. We must conclude that all shoppers may use any device for their orders and that click & collect works for all.

That said, smart phones are a key enabler allowing customers to be alerted to the availability of their order in real time and to help them navigate to the location and show the necessary authority to receive their order.

Central to the use of click & collect is what consumers think of it; generically as a market solution, and specifically by network or location and having noted that overall demand may be flattening out we should examine what drives shopper to use / not use the solution.

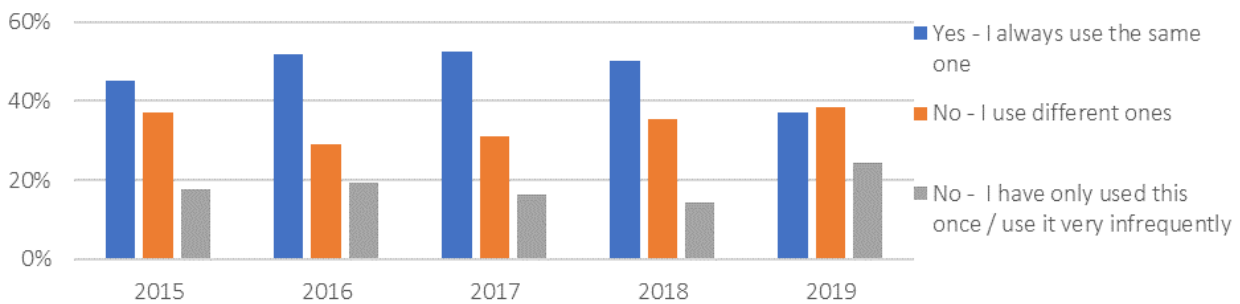
The type of click & collect is important with in-store most used but the use and acceptance of third-party networks have increased marginally over the past five years, but not to the detriment of in-store click & collect. This suggests that shoppers are prepared to be more versatile but also that more retailers are providing the third-party option.

What click and collect options have you previously used?



Also showing consumers increased flexibility and confidence is the shift from using the same click & collect locations to using whichever is offered or is convenient.

When using a third party click and collect location (convenience store, petrol station etc), do you have a regular/preferred location?



When using a third party click and collect location, do you prefer...

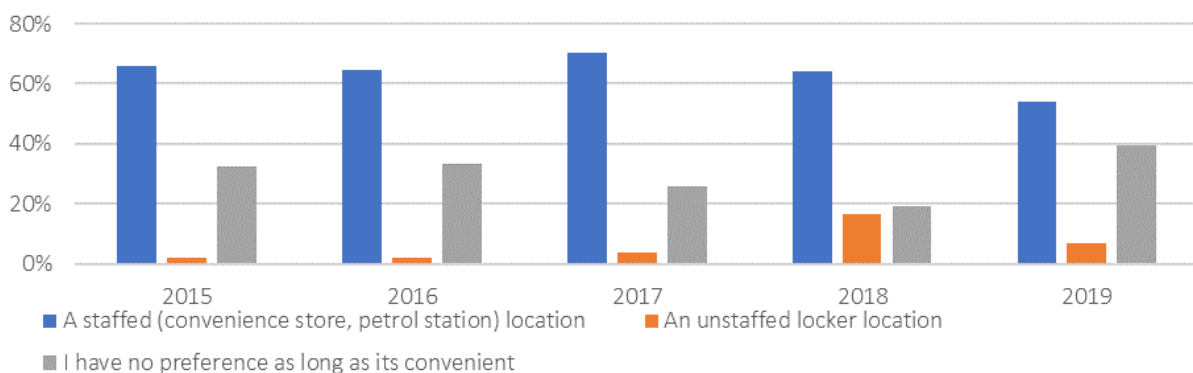


Fig 17 and 18 and 19 – Source: IMRG Consumer Delivery Review 2020

The reasons for this, aside from general consumer confidence, may be because several major carriers now offer collection from a local pick-up point as a deferred delivery option and with each using different locations, the customer may have to be familiar with several.

This fragmented customer experience also exists because most retailers offer a maximum of one or two third-party networks which means a shopper selecting click & collect from different retailers has no choice but to use different pick-up locations.

Within these networks, convenience stores / supermarkets and local shops are most popular, but the use of lockers is increasing most likely due to the greater supply of these locations, especially at train stations and supermarkets, by the likes of Amazon.

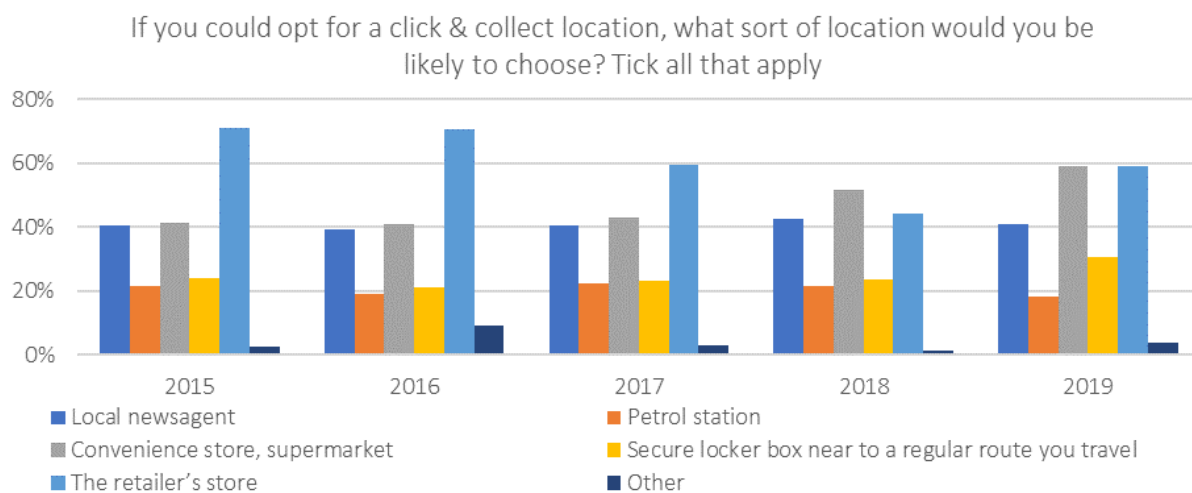


Fig 20 – Source: IMRG Consumer Delivery Review 2020

It is clear from this that some third-party options are closing the gap on in-store collection, but this retains its popularity mainly because most in-store click & collect is 'free'<sup>17</sup>, at least above a value threshold, whereas most third-party collections come with a fee attached.

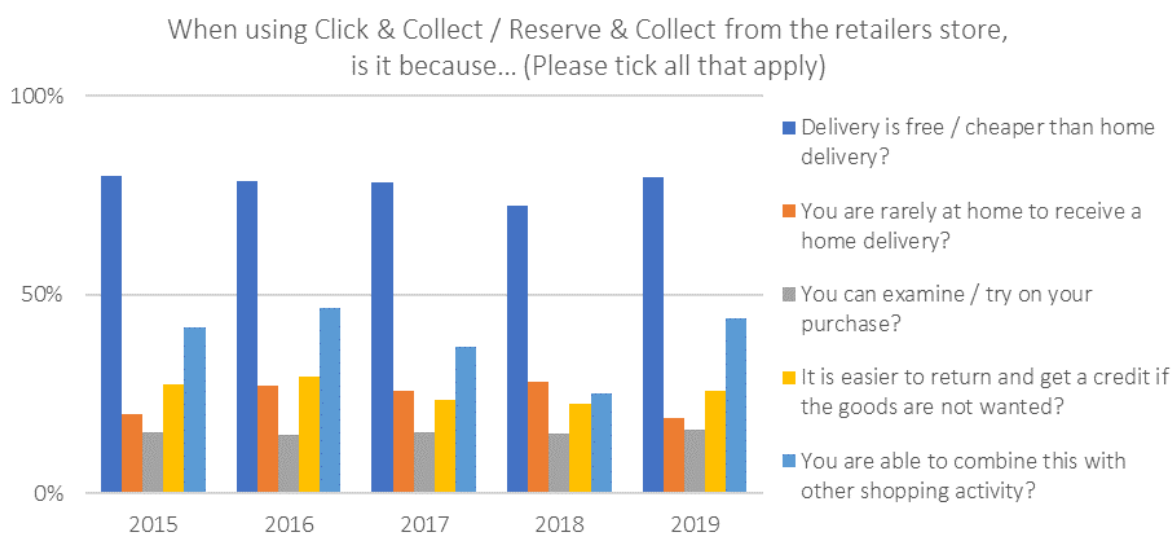


Fig 21 – Source: IMRG Consumer Delivery Review 2020

<sup>17</sup>Magento Commerce reports 61% of UK shoppers will become repeat customers if a retailer offers Free Delivery – Source: Magento Commerce UK Consumer Preferences Report 2019

So, the main driver for using click & collect is lower / no cost, if this can be combined with the ability to fit the collection is with other routine or planned activity - convenience.

However, the problem for click & collect in general, but especially for third-party networks, is that its convenience benefit is decreasing while shoppers desire for a free service, is increasing.

In the IMRG Consumer Delivery Review for 2019:

- 47% of respondents were happy to pay up to £1 extra for click & collect
- 32% of respondents were happy to pay up to £2 extra for click & collect
- 22% of respondents were happy to pay up to £3 extra for click & collect

These results were consistent with previous years, but the 2020 review shows a change to:

- Up to £1 – only 18%
- Up to £2 – only 8%
- Up to £3 – only 3.5%

The detailed breakdown is shown below:

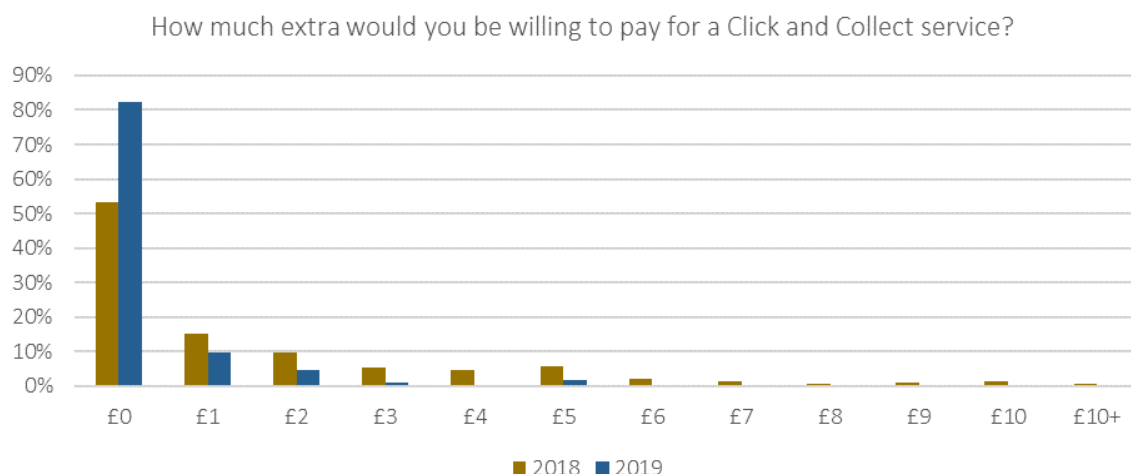


Fig 22 – Source: IMRG Consumer Delivery Review 2020

At the same time other delivery options are providing higher levels of predictability, real time communication on the location and status of a delivery and the flexibility to change delivery arrangements even after dispatch.

If click & collect is to increase market share and not rely on overall market growth for its prosperity, service providers and retailers must give shoppers a new and compelling reason to use it. However, the opportunity for retailers to charge less for some click & collect is limited. The most recent data available to us shows no gap between charges applied by carriers for next day home delivery and for click & collect with standard home delivery even cheaper<sup>18</sup>:

- Next Day Home Delivery average circa £3.90
- Next Day click & collect circa £3.90
- Standard Home Delivery average circa £2.50

<sup>18</sup>Source: IMRG – Route Genie Quarterly Operational Review Q4 2019 – Average costs charged to retailers



# 11. Parallel Applications



If the growth of click & collect market share has stalled, other applications to recruit users and volume become more important.

Click & collect does not stand alone as a delivery solution and other applications which attract consumer demand can be supported in parallel, using virtually the same networks and resource - notably Returns and Consumer Dispatch.

## 11.1 Returns

It is a fact that eCommerce sales will produce returns. Different sectors produce different returns rates, but across all parcel type orders, in the UK an average of 22% produce a return.

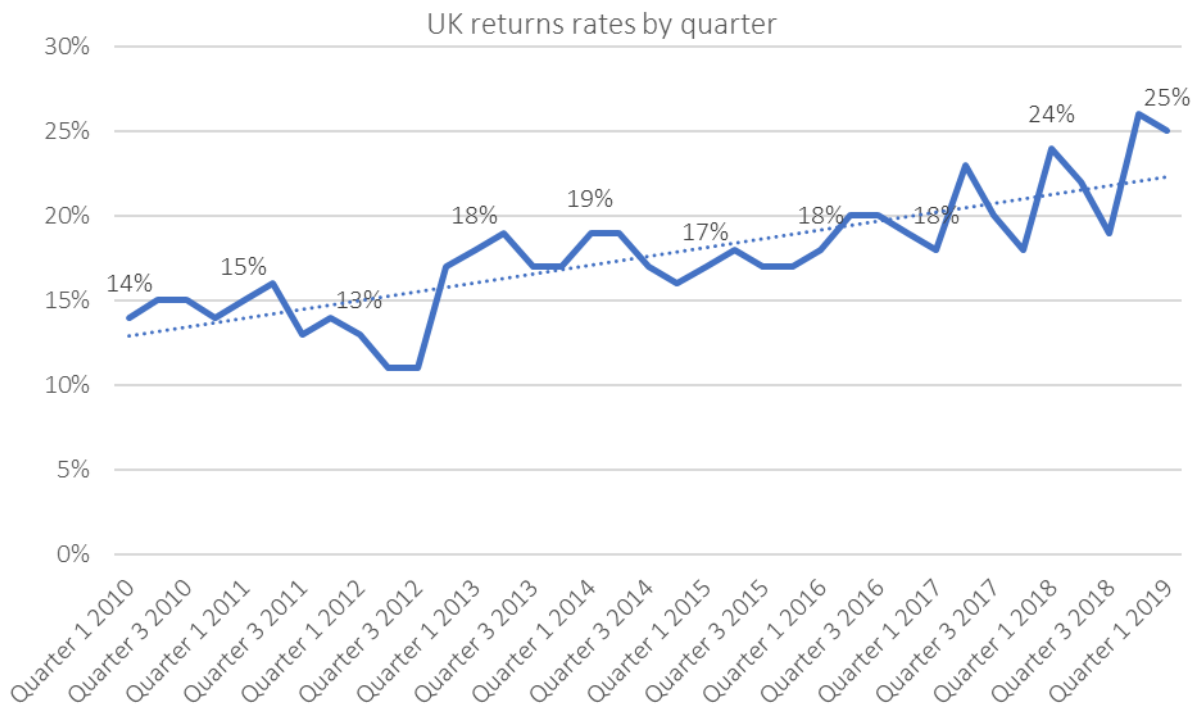


Figure 23 - Source: IMRG Capgemini Quarterly Benchmark Index

A return may not represent the entire order but if only one item from a multiple product order is not wanted, the customer must be able to send it back. Not only is it the law, it is necessary to facilitate sales and provide a positive customer experience.

- Over two-thirds of shoppers said an easy returns process was an essential factor in their choice of retailer and over a quarter said they would spend more - Klarna Rethinking Returns 2019
- 79% of shoppers rate the quality of the returns service they receive as important or Very Important when selecting the retailers they will shop with in the future – IMRG Consumer Delivery Review 2020
- 49% of shoppers say that multiple returns options and channels are key to providing a good shopping experience - Barclays Return to Sender research - June 2018
- 42% of UK shoppers will become repeat customers if a retailer offers free returns – Magento Commerce UK Consumer Preferences Report 2019

This final data point signposts the need for convenient returns channels which the latest IMRG consumer research can support, showing that of the various means to make a return, dropping it off at a convenient location is consistently preferred.

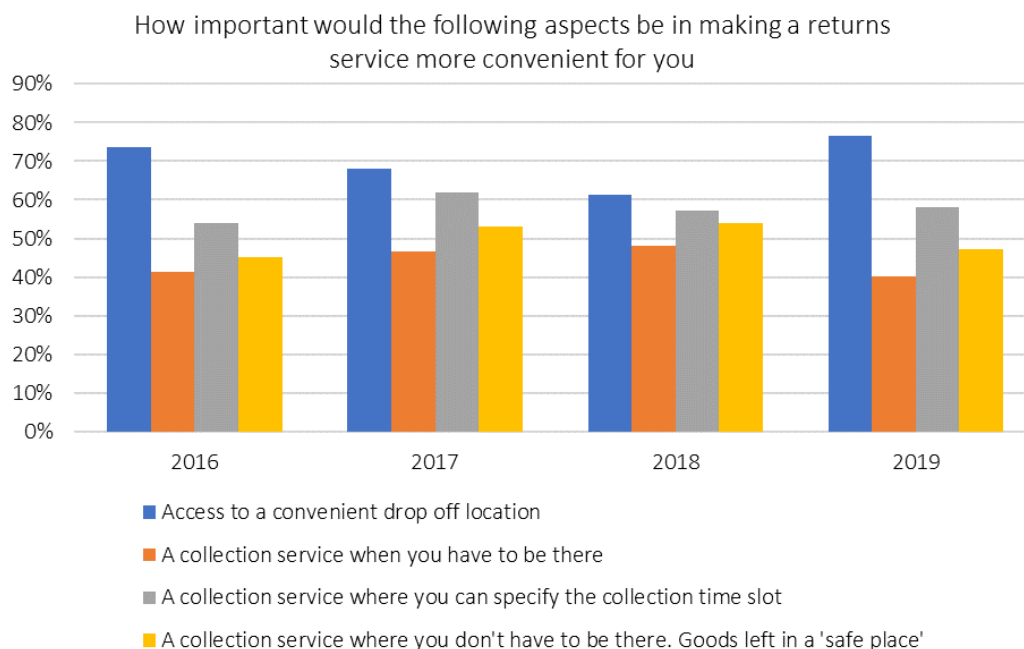


Figure 24 - Source: IMRG Consumer Delivery Review 2020

Aligning the initial click & collect proposition with the returns proposition makes perfect sense and may be used to encourage customers to return orders to the same place they collected them from. If in-store, this provides an additional customer touch point and increased footfall as well as reducing delivery and returns costs.

A strong incentive for in-store returns is the speed of refund with over half (52%) of UK shoppers saying they are happy to go in-store to return an item if they could get an immediate refund<sup>19</sup>. Once a refund is made, shoppers can be tempted to exchange, trade up or re-spend immediately, especially with clever promotions and sales support.

Creating a compelling joint click & collect / returns proposition to bring the customer repeatedly to the store should be looked at but many retailers treat to the two activities entirely separately.

Even if an in-store click & collect / returns combination is not possible because the store is too far away or the retailer does not operate a store network, promoting this connection can show the customer how convenient it could be collecting and returning their orders through the same third-party locations.

Even those customers who will always choose home delivery, many still prefer to drop their returns off at their local post office or click & collect outlet and they could be converted to become click & collect users.

<sup>19</sup>Metapack Returns webinar September 2019

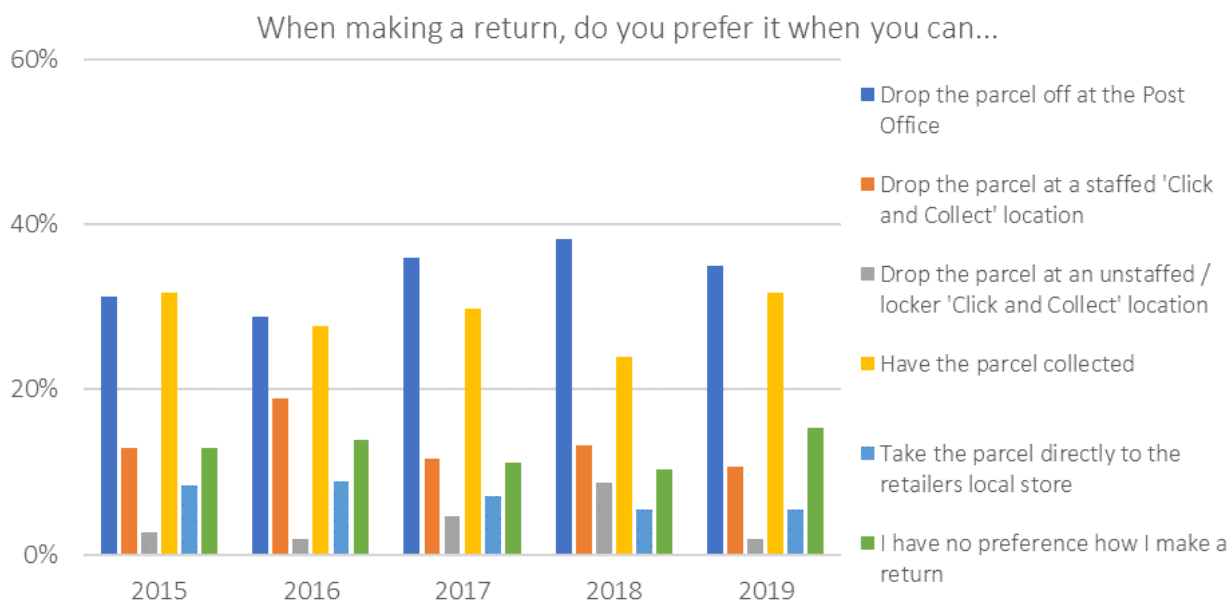


Figure 25 - Source: IMRG Consumer Delivery Review 2020

## 11.2 Consumer Dispatch

The other reason customer call into click & collect locations is to dispatch parcels, independent of any retailer.

Carriers operating third-party click & collect networks use them to handle returns and consumer dispatches but there seems to be no reason why retailers could not offer their own click & collect / returns facilities for the same purpose.

In partnership with their contracted carriers they could accept consumer dispatches for onward delivery, promoting this service to in-store and on-line customers and, as do the carriers, through parcel brokers.

Such a service could easily be combined with click & collect, especially at Christmas when items ordered are often taken home to be wrapped and then sent onto someone else. This could all be kept in-house by the retailer, adding value to the customer and creating another reason to use click & collect.



# 13. Retailer Experience

The awareness and acceptance of click & collect is now such that all retailers should provide this option, for risk of losing orders for the lack of it. It may provide a cheaper or more convenient option for the customer and address one of the key reasons for delivery related basket abandonment.

Have you ever abandoned an online purchase at the check out stage specifically because of delivery concerns Why was this?

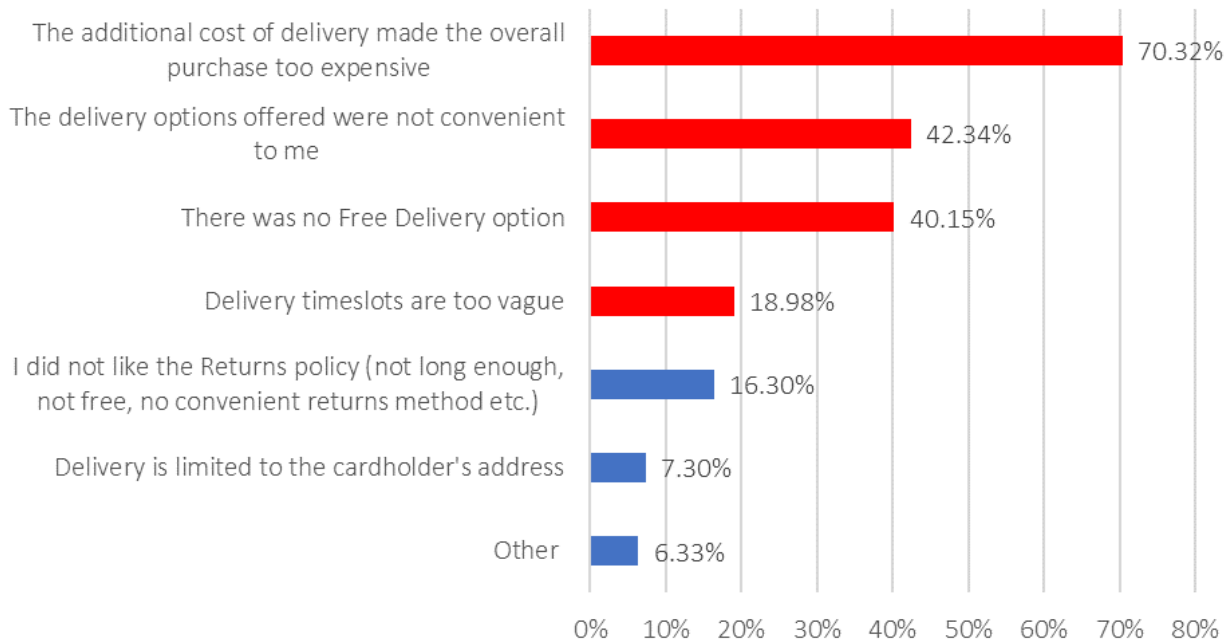
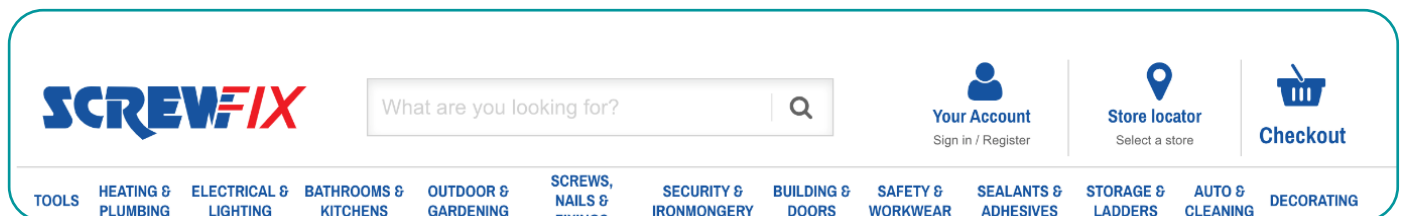


Figure 26 - Source: IMRG Consumer Delivery Review 2020

## 12.1 Promotion

In section 8.1 we saw how the provision of click & collect, how it was offered and promoted, could contribute to overall performance for a retailer. Summarised below are a few useful tips provided by Vaimo and Magento Commerce:

- It is important to make the option of click & collect known from the start of the customer journey – so have it on the homepage of the website



- Ensure click & collect can also be seen as an option on the checkout page, especially where free delivery is not offered. This will help reduce cart abandonment
- When launching click & collect, make sure it is promoted through traditional marketing channels, such as email, social, paid media, etc to ensure your customers know it is an option
- Perhaps offer a discount for the first order picked up via the service – customers are more likely to use the feature again after they use it once

- Ensure clear communications in store. Customers arriving in the store to pick up orders assume you are expecting them. Click and collect points should be clearly demarcated, and dedicated staff allocated to this particular process. This is the crux of the connection between the customers online and offline experience. If customers cannot find the point where to collect goods and no one is available to assist, the efforts around offering click and collect become lost and you easily create a bad experience whilst undoing any of the good work you have done.

## 12.2 Operation

The operational issues to consider will depend on whether the click & collect offer will be:

- |  |     |                                       |
|--|-----|---------------------------------------|
| • In-store only  | AND |                                       |
| • Third-party only                                       |     | • Collection only                     |
| • A combination of third-party and in-store environments |     | • Collection and Returns              |
|  |     | • Collection and Returns and Dispatch |

Below are some ideas for consideration and for discussion with service partners.

### In-Store

Most in-store click & collect offers start with simply directing the customer to the payment point or customer service desk, but as volumes increase this will not lead to a good customer experience and will create issues for store operations:

- Staff not trained in the click & collect process
- Staff having to multi-task
- Queuing and long pick-up time<sup>20</sup>
  - Store congestion – pinch points
  - Click & collect orders not within easy (secure) reach – long recovery time
- Inconvenient location of click & collect point adding to customer pick-up time
  - This is often deliberate in order to require customers to spend more time in the store with the aim of prompting some unplanned purchases, but in reality, is just an inconvenience to the customer

Click & collect needs to be a specific activity designed to make the collection as quick and easy as possible.

- If the shopper only has a few minutes to spend during their trip-chaining day, this is welcomed.
- If the time saved can be used for additional in-store activity, then so much the better.

Best practice for in-store click & collect includes:

- Specific click & collect locations conveniently located for easy customer access
  - Clear signage
- Dedicated dressing rooms / try out areas
- Capacity and resource monitoring to identify pinch points (especially at peak)
  - Including diversion of orders to third-party locations if necessary
- Trained staff on hand to help if required

<sup>20</sup>A 2016 survey revealed that a quarter of shoppers thought that staff took too long to locate orders on internal systems and took too long to retrieve them from storage – JDA – YouGov – Centiro – Christmas Customer Pulse Report 2016

- Arrival scan – the shopper has arrived and order retrieval commences
- Pick-up time advice – how long will the shopper have to wait<sup>21</sup>
- Automated recovery of click & collect orders<sup>22</sup>
- Self-serve kiosks
- Drive thru – orders brought to the customers car
- Fulfil from store stock or as part of the normal fulfilment cycle, potentially from an adjacent store (requires very good inventory visibility and management and currently few retailers (Schuh, Currys PC) can do this with confidence):
  - Allows same day / next day collection
  - Keeps distribution costs down
  - Allows unwanted orders to be returned to store stock or central distribution as part of the normal fulfilment cycle

### Case Study – Gabor Shoes and Magento Order Management

With more than 3,000 designs in each collection, 100K SKUs, and hundreds of retail outlets, Gabor Shoes needed a revolutionary fulfilment and order management system to catapult past competitors.

Gabor became the first brand in Europe to use Magento Commerce, Magento Order Management (MOM), and Magento Business Intelligence together to unify its inventory across owned stores, franchise operations, and multi-brand retailers.

Gabor uses MOM as a stock management system, linking existing its IT infrastructure (ERP), with its physical stores and logistics. All stock information, orders, and order processing are centralised in MOM and forwarded to the appropriate channels, using highly configurable rules, and available in real time.

This digital extension of the storefront allows customers in-store to access the entire Gabor collection on a tablet – creating the ‘endless aisle.’



<sup>21</sup>Target time of under three minutes – Quail Digital – Internet Retailing Issue 71 July 2018

<sup>22</sup>For example: Walmart / Asda has PackRobots that allow automatic retrieval of parcels in 60 seconds and Zara the fashion retailer opened a refurbished store at Westfield Stratford (UK) in May 2018 that includes two automated online order collection points from which customers can collect their online orders. The store is serviced by a small warehouse which is manned by a robot arm, cutting out the need for human intervention.

## Third-Party

Each third-party network has its own benefits and characteristics and retailers will do well to look at each operator in the context of its own strategic and operational goals and capabilities. None of these considerations stand alone and all should be taken in the context of a wider customer experience and e-logistics strategy. The following headings may provide a useful aide.

### Customer experience

- Can the customer experience be consistent with the retailer's brand? E.g.:
  - Can the network be consistent with the retailer's own access times?
  - What tracking and customer communication is provided?
- Can information about when and where customers collect from help predict future use?
- What type of network will suit the customer demographic?
  - A degree of common sense can be applied here and click & collect is likely to appeal to working age families, millennial singles, multi-occupancy / 'no safe place' residents, frequent purchasers, socially active (with lots of trip-chaining opportunity), etc.:
  - Early adopters attracted by technology and innovative solutions, or late adopters wanting a more traditional approach?
    - ◆ Younger / mobile shopper – parcel-lockers?
    - ◆ Older shopper – parcel-store?
  - Commuter – transport related locations?
- For returns, can labels be printed at the handover point, for customers without home printers?
  - Is the network compatible with browser free technology for ease of use?

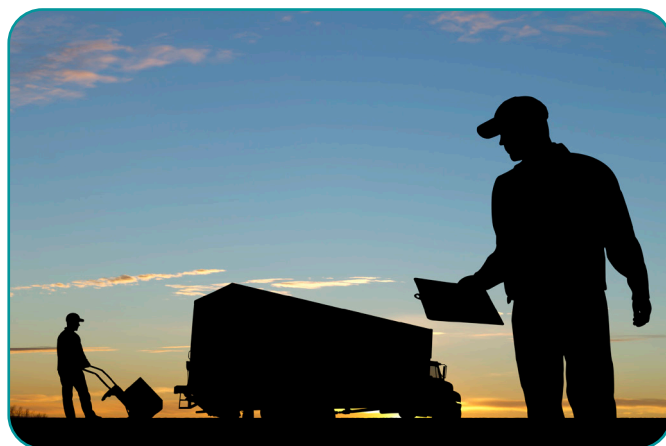
### Coverage and Reach

- Is the network coverage sufficient to place locations within easy reach of customers?
- Could the network overlap with the retailer's stores and deprive them of footfall, both digital and physical? Can the operator tailor the network to avoid overlap?
  - Ideally a third-party operator should have the ability to tailor its network to fit in with the store network of a multichannel retailer. This is done by 'masking' third- party outlets that are within a given radius of the retailer's store so that if a click & collect or return is required by a customer within that area, they are directed to the store.
- Can the network reach cross-border customers?
- Likely customer awareness of network brand and locations?
  - What promotional support will the operator provide or require?



## Delivery Channel

- Does the retailer use multiple carriers /dynamic carrier selection?
  - Can the third-party network accommodate all carriers used? Is it carrier agnostic?
- Does the operator deliver to its locations 7 days a week?
- Does the operator deliver at any particular time?
  - Early AM will allow collection by the customer that day
  - Later delivery may mean the customer can only collect the following day
- What is the latest acceptance time for orders to enter the network?
  - What proportion of orders will fit within the operational limits of the service offered to provide next day / two day click & collect?
- How and when will orders be collected or must the retailer deliver to the network?
- Speed of delivery – how fast will orders be in location and ready to collect



## Returns offer

- What is the speed of the returns service<sup>23</sup>?
  - This is important because the returns stock is effectively in inventory limbo until delivered back to the returns centre. The sooner it is delivered the sooner it can be processed and sold on or otherwise disposed of<sup>24</sup>.
- Is there likely to be a high level of returns and will a 'two-way' proposition through a common network be attractive?
  - Having the same third-party network handle both delivered click & collect and returns may provide some operational and contractual advantages but may limit consumer choice
- How are returns delivered back to the retailer?
  - Consolidated or individually? Especially important for cross-border returns
  - Can the network arrange local inspection?
  - Can the network arrange local disposal?
  - Does the network provide pre-notification of returns to allow resource planning and inventory management?



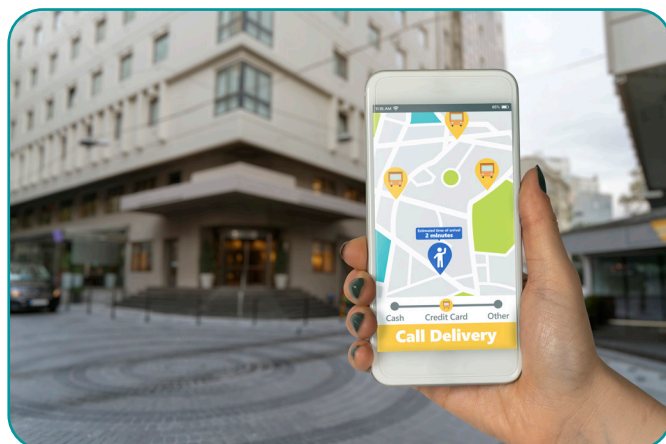
<sup>23</sup>Doddle Research (2017) suggests that the returns offer through third party networks can differ considerable, taking between 2 and 8 days to return an item to a retailer's distribution centre.

<sup>24</sup>This problem is eased by the adoption of returns portals that ask shoppers to register returns, providing advance notice of the item being returned, the reason for return etc. Combined with a tracked returns service that can confirm the handover and progress of the return, this can help inventory and resource planning and customer credit management



## Management

- What tracking capability is provided?
- What management information is provided?
- Can information about when and where customers collect from help predict future use?
- What integration options are available to make the service available on the retailer's website and to produce labels and routing instructions?
- How long will integration take and at what cost?



## Cost

- Does the pricing model allow click & collect to be offered at a lower rate than home delivery?
- Are there are pricing benefits as a result of delivery consolidation?

A summary of third-party networks and their key service features are provided in Annex A in approximate order of network maturity and service coverage.

## 12.3 Some General Questions

*Can click & collect lower distribution costs and avoid costs associated with home delivery?*

The opportunity to lower distribution costs using click & collect certainly exists. As far back as June 2013 The Grocer reported research that claimed '10% of retailers have reduced fulfilment costs by a third through offering click & collect'. With the evolution of the solution this is likely to be understated now.

With the right inventory management systems retailers can optimise their distribution operations to supply the order from existing store stock or have it delivered to the store as part of the usual fulfilment cycle. This works for in-store, but even for parcel-store and locker solutions, cost benefits should also be available:



- The carrier can make consolidated deliveries of a number of parcels to a single address rather than to individual homes. This delivery is effectively a multi-parcel B2B consignment which should provide the opportunity for a lower 'final mile' cost per parcel than for individual home delivery, subject to the operational model used by the third-party operator
- The carrier is assured a first-time delivery which should contribute to the opportunity for a slightly lower rate than for home delivery

The avoidable costs associated with home delivery are fully explained and quantified in the IMRG Netdespatch Valuing Home Delivery Review 2018.

### What incremental costs can click & collect incur and what implications are there for store operations?

Additional / alternative costs require consideration when deploying click & collect, subject to the options selected:

**In-store** - Often free to the customer so a full understanding of incremental costs is important:

- Service specific staff training. Retailers should not take for granted that their store teams will know what is required when serving a click & collect customer. The customer may be there as part of a trip-chaining visit and have time to wait. However, for many click & collect transactions, the customer will expect immediate and prompt service and a wait time of under 3 minutes
- Store layout and signage - traditionally for many retailers, any collection or returns activity is directed to the customer services desk. Especially in larger stores this has been located deep within the store, presumably:
  - To give the shopper the opportunity to browse and impulse purchase whilst in the store
  - To avoid disrupting the layout of sales areas
  - To position it with access to 'back office' functions and storage facilities



Given the need to provide shoppers with the option for a fast turnaround, new layouts need to be used for click & collect.

- Dedicated collection points - the volume of click & collect orders, especially at peak times may require dedicated collection points to maintain customer satisfaction and avoid collecting shoppers being delayed by customers with more complex requirements
  - External parcel-lockers – An option may be to invest in parcel-lockers placed externally or at the entrance to the store to give shoppers the option of a fast collection / drop off
  - Some retailers, notably grocery retailers and those associated with them, offer 'drive thru' click & collect facilities which do not even require the customer to leave their car
- Shopper queuing and order retrieval systems - Click & collect orders tend to come in waves; at lunch time or immediately before or after work. These peaks can create queues which can be a problem and it is worth investing in systems which mitigate this problem.
  - Allowing the customer to register (manually or automatically) on arrival and be advised when their order has been retrieved
  - Parcel-lockers located in-store can avoid queues because there is no retrieval and collection times are measured in seconds

Subject to volumes and fulfilment methods, what starts as an acceptable in-store cost can escalate and some leading retailers now apply a small charge for in-store click & collect orders under a certain value threshold to help offset this.

## Parcel-Points and Parcel-lockers:

- Integration - this is the process by which the third-party operator provides information to allow the retailer to access the network and then accepts information to allow the management of parcels through its network
  - The operator will provide collection point location details, directions, opening hours, availability etc. to allow the retailer to dynamically offer these to the customer through its website
  - The operator will require details about the customer, the order, the location selected etc. to manage the parcel in transit including alerting the customer when it is available for collection

Operators will offer a range of integration options but dependent on the retailer's systems some cost, and time may be involved.

- Promotion - to get the benefit of click & collect the service will have to be widely promoted to customers by the retailer. This will involve:
  - In-store (if appropriate)
  - Website – homepage, delivery and returns options and policy, product page, FAQs, check out etc.
  - Other marketing – digital, social, direct mail, in parcel, etc.
- Training - customer service teams will need to understand the solution and how to help customers get the best from it



The evolving technology, customer experience expectation and additional store costs that come with click & collect are reasons why some retailers are turning to third-party operators to offer an in-store solution with joint branding<sup>25</sup>.

### *How can retailers square the circle of online click & collect competing with in-store purchasing?*

Some retailers are structurally organised with store and online operations as different cost and profit centres. This has the potential to cause each to view the other as competitors and at least does not motivate stores to support online sales.

The most common problem is when store resource is used to provide a click & collect service, but the store gets no credit for the sale. In the case of returns, which can be a time-consuming activity, the store may have to credit the order against its own P&L and additionally accept the goods back into its own store stock whether it has need for them or not.

Most retailers solve this problem and encourage multichannel behaviour for stores by allowing click & collect orders and online returns to be allocated to both the online operation and / or the store whose catchment area covers the customer's home address. John Lewis advises: 'Establishing catchment sales KPIs for retail and online selling teams will ensure both sales channels complement rather than compete'.

<sup>25</sup>For example: Marks & Spencer use the 'Powered By Doodle' retail technology platform to enable M&S.com collections and returns across 280 of its Simply Food stores



*Can click & collect support cross-border online retailing?*

Two issues that retailers first face when selling to customers in other countries are brand recognition and trust. Employing a click & collect solution that has an established presence in the destination country can help with this.

The shopper may come across the product they want, at an attractive price on a non-domestic website but with a brand they do not recognise or have experience of in terms of delivery service. However, if the shopper is familiar with the parcel-point or parcel-locker solution the retailer uses, any concerns are reduced.

This can be combined with a consolidation solution. Some retailers are reluctant to dispatch to customers in some locations, perhaps because of additional costs, for example the Channel Islands, Eire, etc. One way to address this is to provide a consolidation hub in the country of dispatch (UK mainland) and to take orders over in bulk to then be inserted into the local parcel store or locker network for the customer to collect (or to deliver to the home if the customer is prepared to pay).

To enable cross-border click & collect, there are integration solutions which allow access to international multi-operator networks through a single interface. wnCollect is one such service connecting retailers with in-country PUDO and locker networks with local language translation, calculation and payment of duties and providing for returns through the same route.

*Can click & collect provide an opportunity for online fraudsters?*

The nature of click & collect is that the online order is not taken to the cardholder's address. It is therefore possible for an order to be placed by someone using a stolen / cloned credit or debit card and with similarly fraudulent identification, collect goods from a parcel store or locker or even in-store.

CCTV in stores and parcel-points can act as some deterrent and locker locations often have front and rear CCTV for this reason as well as for customer security and parcel-lockers provided by the likes of InPost and Packcity have security cameras in-built. However especially for first time customers, retailers should consider measures to mitigate this risk.



## 13. The Bigger Picture – Sustainability

It has long been argued by some that the eCommerce final-mile delivery model is inefficient in its current form. The process of using multiple commercial vehicles to deliver single parcels from different retailers to individual domestic addresses seems illogical. If we were designing the system from scratch it is unlikely we would do it this way if only because the last link of the eCommerce supply chain accounts for 50% of the entire supply chain cost<sup>26</sup>.

The present way of working was founded on the fact that the UK has historically had a ‘home delivery’ culture. Our geography and population density supported by a world-leading postal service (that used to deliver twice a day!) gave rise to the home shopping industry (catalogues and local agents) bringing goods and services to our doors.

When home shopping volume increased, delivery evolved with it and private companies moved into home delivery - Parcelnet (now Hermes) and Home Delivery Network (now Yodel) to name two of the early players – developing scale and services as the market moved online. As the market grew, traditional business to business (B2B) delivery companies could not ignore the opportunity and entered the market bringing new services and capacity, perpetuating this way of working and maintaining consumer demand for home delivery.

The result is that UK consumers, perhaps more than in most other eCommerce markets around the world, expect home delivery as the norm. See section 7.

Over the past ten years the delivery offer has become an important part of any retailers marketing approach, and the trend has been to offer ‘free’ and ‘fast’ delivery to win and keep customers and to maximise the value of each order.



In order to meet customer and retailer demand, this is the model we have persisted with; improving vehicles, enhancing route management, introducing new employment models and using better customer communication to avoid missed deliveries and improve delivery efficiency. However, the question must be, is this sustainable:

- Can the relatively low prices charged for home delivery, be maintained?
- Can carriers and fulfilment companies continue to build more delivery capacity?
  - Property suitable for fulfilment and distribution centres is already at a premium
  - Brexit may put more pressure on an employment pool that is already running dry
- Can urban environments continue to support fragmented, multi-drop delivery operations?
- Is this delivery model environmentally sustainable, even with vehicle emission innovations and will the next generation of consumers continue to support it?

*“By 2020 millennials are forecasted to make up 35% of the global workforce. Millennials and Gen Z’s prefer to live in city centres and have higher expectations in terms of service delivery, flexibility and delivery options”. Yet “These 2 groups also place a higher value of importance on the environment and socio-economic factors than other generational groups. A Deloitte survey on Millennials and Gen Z’s showed climate and the environment as their top concerns. They are less trusting of businesses and more fickle when it comes to loyalty, 42% say they have “begun or deepened a business relationship because they perceive a company’s products or services to have a positive impact on society and/ or the environment”<sup>27</sup>.*

<sup>26</sup>SHD Logistics January 2020 - Research from Cushman and Wakefield which also reports that the closer the final handling point is to the customer, the more money can be saved

<sup>27</sup>Extract from Vaimo eCommerce Delivery Solutions - Expectations & the Future - Georgia Barry – August 2019

### 13.1 Environmental Impact

When online delivery was first introduced UK shoppers generally considered it more environmentally friendly than high street shopping because it avoided private car journeys, but that perception has been changing.

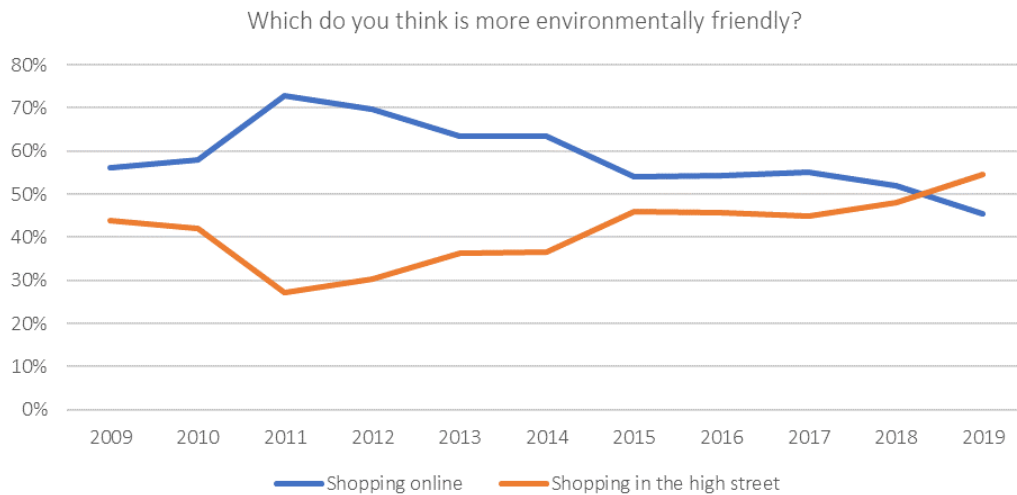


Figure 27 - Source: IMRG Consumer Delivery Review 2020

UK consumers have been interested in more sustainable delivery options for some time.

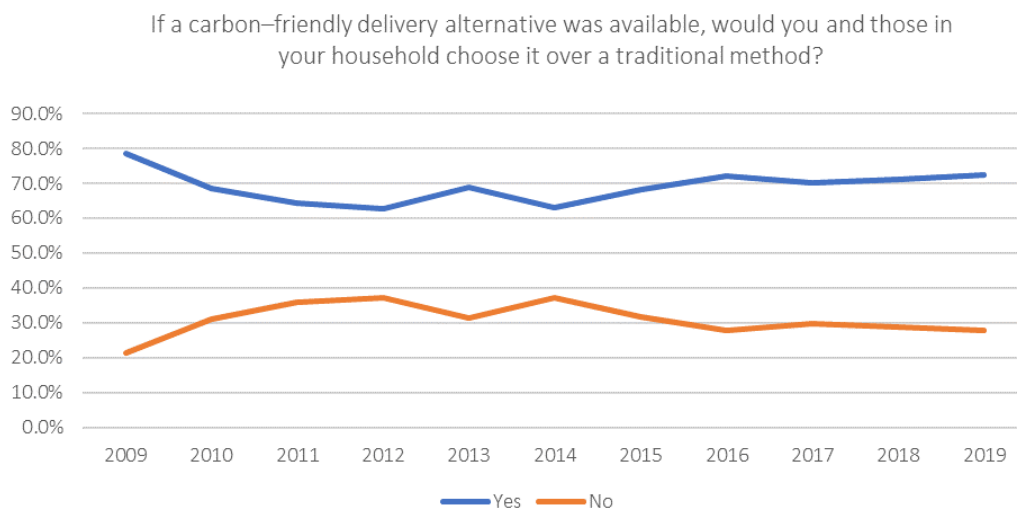


Figure 28 - Source: IMRG Consumer Delivery Review 2020

This finding is consistent with the wider view provided by Metapack’s Global eCommerce Consumer Research Series 2020, which covers 11 countries and reports that 68% of consumers across all 11 markets say they’re conscious of the impact on the environment or ‘care a great deal’ about it when thinking about how to receive their orders.

The International Post Corporation (IPC) looks even further afield in its 2019 survey<sup>28</sup>, reporting that 28% of its respondents strongly agree that they would prefer carbon-neutral delivery of their online orders.

However, as with many things relating to the environment, most are not prepared to pay extra to facilitate this change. IPC reports that 42% of its respondents would be unlikely to pay any extra for carbon-neutral delivery and the latest IMRG research suggests an even higher figure for the UK.

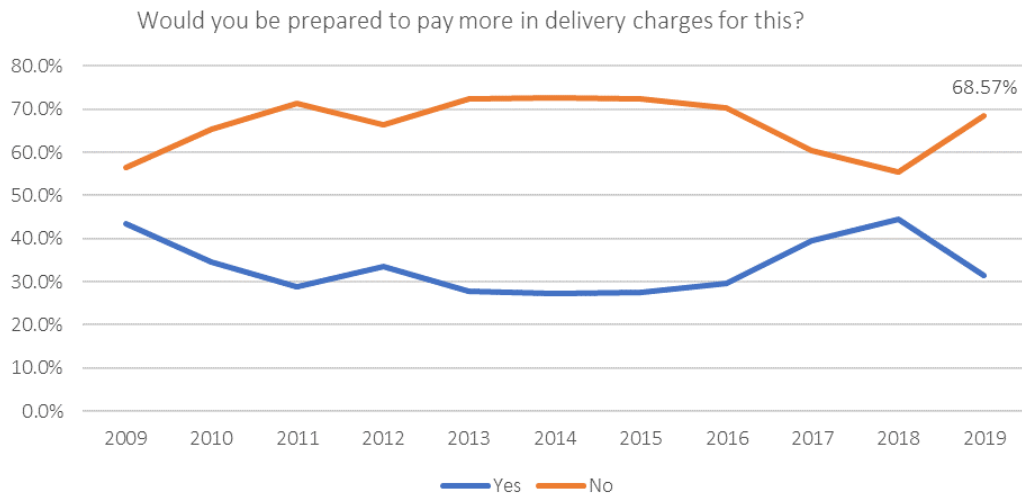


Figure 29 - Source: IMRG Consumer Delivery Review 2020

And those that would consider this, seem prepared to pay progressively less.

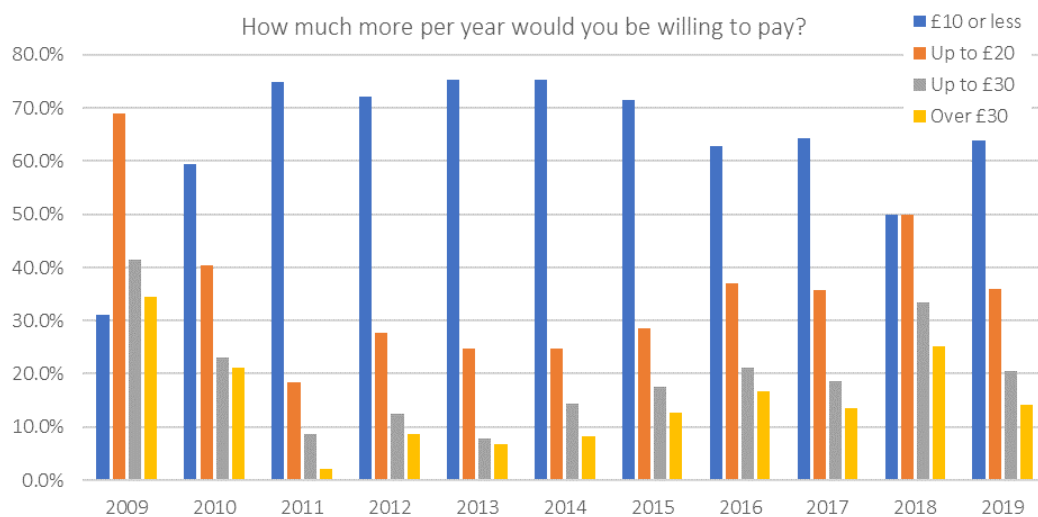


Figure 30 - Source: IMRG Consumer Delivery Review 2020

<sup>28</sup>IPC Cross-Border E-Commerce Shopper Survey 2019 - 35,737 consumers in 41 different countries

We are left with the dilemma of providing a more environmentally friendly delivery solution that, in order to generate enough demand to make a difference, must be cheaper than low cost home delivery.

The fact that consumers may now perceive high street / collection of orders to be environmentally favourable (when combined with other activity) does provide an opportunity to present click & collect as an environmental solution, especially when the collection point is nearby as in the case of most third-party networks.

This positioning is strengthened when adding the consolidation benefit, of delivering multiple parcels to one pick up location rather than single parcels to individual homes. The Metapack report across 11 markets shows that a slower consolidated delivery at lower cost would, for many shoppers be an acceptable way of achieving more environmentally friendly delivery - more than half (57%) say they would opt to pay less, wait longer and receive all items in a single delivery.

The larger IPC survey across 41 markets also supports this view with 28% of its respondents strongly supporting the idea of taking longer to receive orders in exchange for reduced environmental impact.

Although not from an environmental perspective, UPS also signposts this opportunity noting that now speed is negotiable. In its most recent Pulse of the Online Shopper report (2019) it notes that global shoppers will consider, if offered:

- Cheaper but slower shipping alternatives – 51% of respondents
- Consolidating multiple items into one delivery – 35% of respondents

The main challenges to effective large-scale consolidation in the UK are the current cost model and the fragmented nature of the click & collect third-party market.



### Cost

Unless the click & collect service is materially cheaper than the home delivery alternative the customer will choose the latter. In eco-conscious Scandinavian countries, where some leading carriers apply a surcharge to home delivery, third-party PUDO (Pick Up Drop Off) click & collect adoption is approaching 70%<sup>29</sup>. Cost differential is not the only reason for this, but lower unit costs should be possible with click & collect because the carrier is making a multiple parcel B2B drop.

There is the additional cost to be paid to the network operator / parcel location that must be added but if a new pricing model can be developed fundamental change in adoption rates can follow.

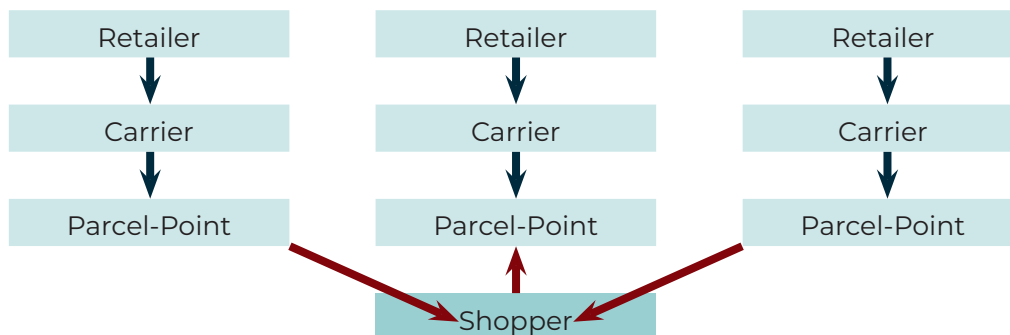
<sup>29</sup>Reported in SHD Logistics – February 2020



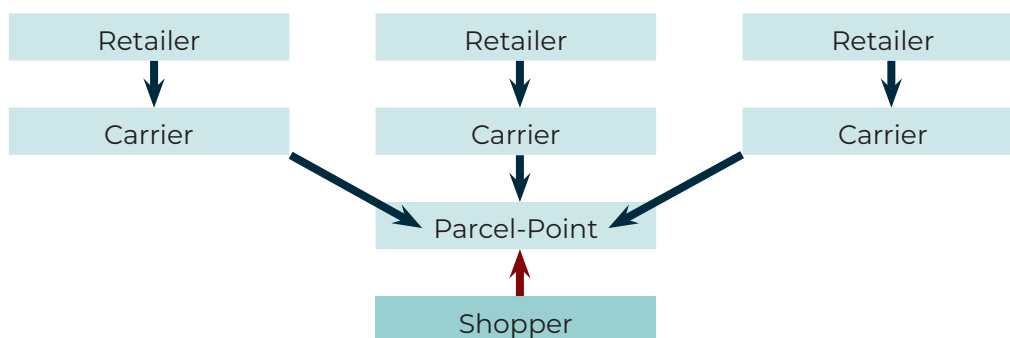
## Fragmented third-party market

The way the click & collect third-party market is currently structured means there are:

Carrier specific networks - where the parcel location can only handle parcels for the host carrier - This means that a shopper may buy from several retailers using different carriers and be required to visit different pick up locations.



Carrier agnostic networks - where the parcel location can handle parcels from any subscribing carrier - This means that a shopper can buy from several retailers using different carriers and have a reasonable chance of being able to select one pick up location where all parcels can be delivered.



Could increased consolidation deliver lower costs, increase shopper convenience and demand and facilitate a new cost model? There does seem to be a strong argument for this economic and operational pressures have brought about changes in this direction already:

- In the UK
  - The largest independent click & collect network, Collect+ is now a carrier agnostic network joining those existing such as Duddle and InPost
  - Some retailers are prepared to accept other retailers order through their in-store click & collect facilities. E.g. Waitrose (John Lewis Partnership) / Boden (Oct 2019)
- In Europe we are starting to see moves in this direction with the likes of the Post-Nord / Swipbox carrier agnostic locker network
- In North America, while InPost failed to establish an agnostic network in Toronto 7-Eleven has teamed up with Parcel Mate to test the concept on a small scale

However, there is still a strong proprietary approach with Royal Mail, DPD, Hermes, UPS and Amazon all maintaining their own networks. Yet the environmental argument is now so prominent, it may act as a further catalyst for change.

### 13.2 Urban Impact

The environmental issue comes even more sharply into focus in the urban environment, when combined with congestion issues.

In April 2019 London introduced an Ultra Low Emission Zone, increasing delivery costs for:

- Lorries not meeting Euro VI standards - £100 per day
- Vans not meeting Euro 6 (diesel) and Euro 4 (petrol) emission standards - £12.50 per day



This sort of initiative will extend to other cities to meet targets set out in the UK's Clean Air Strategy and cities globally are including eCommerce delivery in the list of issues they must address when dealing with these issues.

New analysis released by the World Economic Forum (WEF)<sup>30</sup> looking at the top 100 cities globally suggests that growing demand for eCommerce delivery will result in 36% increase in the number of delivery vehicles in inner cities by 2030 without effective intervention, leading to a rise in both emissions and traffic congestion.

- Emissions could reach 25 million tons of CO2 emitted annually by 2030
- Traffic congestion is expected to rise by over 21%, the equivalent of adding 11 minutes to each passenger's daily commute.

The report suggests a range of potential solutions that could intervene to combat these trends. They cover:

- Vehicle change – Fuel type, electric vehicles, delivery by airborne drone, autonomous vehicles
- Location change – Delivery to customer's vehicle or secure locations outside of the city
- Delivery change – Traffic systems and regulation, routing and timing (night-time access only)
- Delivery method change – AGVs (Autonomous Goods Vehicles - either on street delivery drones / parcel trams or mobile parcel lockers), micro hubs allowing on foot or cycle local delivery
- Consolidation – Urban hubs, load pooling where different carriers combine loads onto a shared final delivery vehicle
- Customer change – Changing customer behaviour to accept orders in a different way

This final point includes the increased promotion and use of click & collect through parcel shops and lockers, ideally carrier agnostic / multi branded. It notes that this is a live solution with considerable potential to scale.

And, of course, it is complimentary to many of the other interventions listed:

- Click & collect parcels can be delivered by electric / fuel efficient vehicles, even autonomous vehicles
- Click & collect lends itself to early morning / late evening delivery and collection, removing vehicles from peak congestion times

<sup>30</sup>The Future of the Last-Mile Ecosystem

- Click & collect locations can double as micro hubs allowing local delivery should the customer decide not to collect
- Larger click & collect locations can lend themselves as urban hubs and vice versa

Click & collect lends itself to urban delivery because home delivery can be particularly challenging when no-one is home. Safe place or neighbour options are more limited.

Click & collect also provides the potential to develop retail models in urban environments:

- Virtual stores or 'show rooming' stores are those with a limited amount of inventory on site. The customer is invited to browse the store's wider inventory online while in store, supported by trained sales assistants and additional technology that provides a video or virtual reality element.
  - Toward the end of 2014 John Lewis opened such a store at St Pancras railway station, in part as a commute & collect location.
- Pop-up stores are set up for a finite period, often using vacant (and therefore lower cost) retail premises. They may hold some stock but there is clearly an opportunity for pop-up stores to be equipped with tablets to provide access to a wider range.
  - When a purchase is made the product is fulfilled from a DC for subsequent collection from the store
  - Third-party operators can facilitate this. Collect + for example, provided a collection point at the "V" Festival for Shop Direct's Very brand.



Both store models can be used as a click & collect location, inviting the customer back to collect / inspect / try on their purchase; managing the returns process efficiently should any of the order not be required.

# 14. Future Drivers for Click & Collect

Professor Merlin Stone talks of the 'double S curve' of demand - where a solution sees rapid growth driven by early adopters and favourable circumstances, followed by a slow-down as a level of initial optimum use is reached. There is then a second surge in demand as consumers and more service providers adopt the solution and new technology, applications, operational and cost models are applied to the original solution until it reaches full maturity.

This can happen at micro (retailer) level for both value and volume as demonstrated by these examples where different rates of maturity have clearly been achieved:

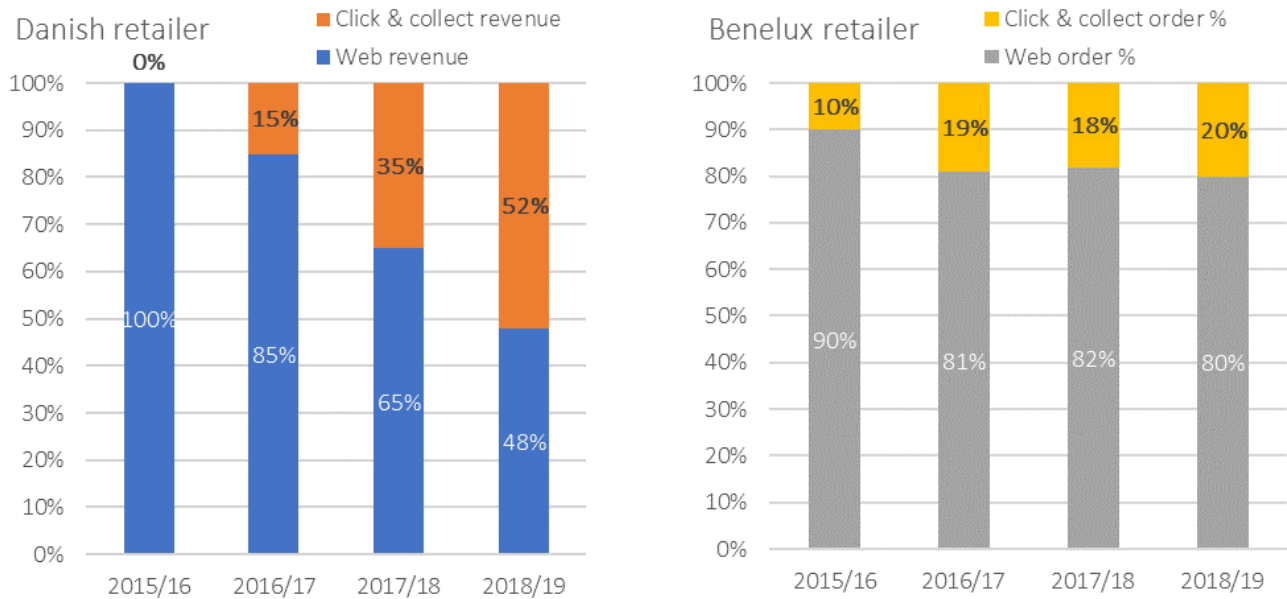


Fig 31: Source Vaimo

And at market level and we believe that in the UK click & collect has reached its first point of maturity, where initial growth has slowed and that, to reach the next level requires new impetus and innovation.

We have suggested that for click & collect to reach its full potential and take significant market share from home delivery requires:

- New cost models to allow the consumer cost of click & collect to be clearly differentiated from that of home delivery
- A more customer centric approach that will allow the shopper to consolidate more orders in fewer pick up locations. This will require the adoption of carrier agnostic / multi-brand networks

We have also suggested that the increased awareness of environmental sustainability, especially in urban areas, provides a window of opportunity. However, the strategic drivers introduced in section 6 remain relevant as look ahead.

## Capacity

As online delivery volume continues to grow, the industry needs to find ways to accommodate it. So far it has managed this, but challenges are increasing:

- Changing employment environment – fewer trained delivery drivers, greater reliance on gig workers, shortage of seasonal staff (Brexit impact)<sup>31</sup>
- Commercial property landscape – shortage of locations for distribution centres, changing nature of the high street



## Cost

The constant challenge in keeping delivery charges at an acceptable level for retailers and shoppers whilst at the same time maintaining efficiency and performance:

- Investment and innovation maximise delivery efficiency
- Investment in retailer in-store layouts, resourcing, processes and support systems

## Contingency

Especially at peak, online delivery needs to be flexible using more channels to help to cope with short-term spikes in demand.

## Customer Experience

Customer expectation evolves with technology, experience of service from other sectors and a changing demographic and what was acceptable last year, will not be next year. As younger generations become the primary customers so different delivery options will become more popular. Over two thirds (69%) of shoppers age 25-34 claim to be more likely to shop with a retailer that was enhancing their shopping experience with innovative tech<sup>32</sup>. In the not too distant past, television was the main entertainment channel; now it is streaming. Smartphones are now the main communication devices and landlines less common. Consumers are becoming ‘mobile’ in all aspects of their lives and over time, home delivery may dominate less.

What may accelerate this transition will be a more dynamic and proactive approach to pre-delivery advice<sup>33</sup>. Customers now expect to be provided with options that can be selected on an order-by-order basis and changed ‘in-flight’. What works for one order may be inconvenient for the next and in the same way retailers have developed omni-channel selling – the same product and price, regardless of the sales channel selected, so delivery offers need to be as seamless.

## Conversion

With the evidence that click & collect does drive footfall and incremental spend, retailers can use click & collect locations as focal points for sales, promotions, product launches etc.

- The click & collect pre-advice channel could also become a promotional channel, perhaps offering a discount code or loyalty bonus if the customer makes an additional purchase from the retailer or the third-party location whilst in store.

<sup>31</sup>Studies in Germany (published January 2019 – Post and Parcel Technology International) suggest the number of delivery drivers needed to meet eCommerce delivery demand will increase from 90,000 to 200,000 by 2028 if current delivery models persist

<sup>32</sup>Hitachi Capital – July 2018

<sup>33</sup>Delivery Battleground – Survey of 50 retail leaders conducted by Retail Week Connect on behalf of Sorted, which sought the opinions of retailer leaders. Only 30% of those retailers surveyed ask for an alternative delivery location in the event of an unsuccessful initial delivery

## 14.1 Emerging Alternatives to Click & Collect

Like all solutions click & collect does not stand alone and is part of a complex mix of options available to both retailers and shoppers alike. The development of click & collect will be influenced by the development and take-up of other solutions. We have already suggested that the apparent slow-down of click & collect is in part due to better customer communications and delivery day / time prediction for home delivery.

Therefore, when considering how click & collect might develop we should also keep an open mind on some other ideas that may impact the world of final mile delivery. Some will assist and some will be barriers.

### Multi-function parcel-lockers

Automated consumer interface points already provide functions including banking, mobile phone top up, messaging and advertising services. Services such as these can be added to parcel parcel-lockers increasingly making them destination locations which will further drive their use as online collection and returns points. For example:

- Singapore's SingPost has concept stores known as POPStations, accessed through an 'auto-lobby' which allows customers to use a range of mail and parcel services, including click & collect parcel-lockers
- InPost has expanded the function of its parcel-lockers by combining features such as refrigeration and adding ATMs



In the UK we may see more of these locations as traditional retail and Post Office locations struggle. According to a recent survey by the National Federation of SubPostmasters (NFSP) about 20% of Post Offices are at risk of closure over the next five years as a result of falling incomes, higher costs and a migration to online services.

The full self-service concept is already being tried in countries like Finland (Posti - Helsinki) and Canada (Canada Post – Ottawa) where the first self-service post office, opened in 2015 even provides changing rooms.

In the UK uneconomical locations could be replaced with multi-functional, self-service installations and the Post Office is already supporting its operation in this way and has more than 650 self-service parcel kiosks in 220 branches.

### Home Lockers and Remote Entry

A number of locker manufacturers have moved into the area of affordable parcel-lockers for single or multi-occupancy addresses to allow first time delivery even when the customer is not home. As with all locker solutions, the demand for this will depend on local market conditions and the local consumer culture.

So far, in the UK, these installation solutions have failed to take hold in the UK, but new variants keep emerging, the latest being Delbox which is a low-tech, low-cost solution that can take one parcel at a time. In the USA BoxLock uses a scanner enabled a padlock and in China, Cainiao (the logistics arm of Alibaba) is taking a more hi-tech approach using facial scans and a wall mounted, adjustable size, temperature controlled Cainiao Box connected to the customers smartphone.

These solutions now find themselves competing with another installed solution. Remote entry systems that allows the delivery driver to access the customers premises. PostNord InDoor and Key by Amazon are two examples of trials underway with the Amazon solution requiring a smart lock, a cloud-based security camera and a smartphone app to make it possible.

It is too early to say whether customers will allow this level access to delivery drivers and will consider the problem of unattended delivery to be a big enough problem to invest and undertake the installation. Amazon already admits that this is harder than envisaged with many doors not compatible and electrical rewiring required.

### Retailer direct third-party networks

In the 2016 Review we mentioned the future development of in-store agnostic networks. As we have shown in the 2018 review this is becoming a reality.

- Argos handles eBay click & collect through its store network nationwide, although it has stopped the pilot service which enabled eBay consumer sellers to dispatch their items by dropping them off at participating Argos stores
- Duddle has extended its parcel-point concept into other retail environments, including across Morrisons supermarket store network
- ASDA has launched its ToYou network which uses its logistics capability alongside its store network to provide click & collect locations to non-ASDA customers
- InPost with parcel-lockers located at retailers such as Morrisons
- A joint venture between Clipper Logistics and multi-channel retailer John Lewis offers a multi-retailer next-day delivery service into high street stores
- Quadiant has developed its Packcity solution which provides retailers (and other organisations) the chance to host parcel-lockers (with all the back-office controls they need to offer click & collect including dashboards and reports) to which other retailers can have their orders delivered to. The locker installation can be configured to fit the available space and can be branded as required.



Other such relationships will not only increase the number of parcel store locations available to customers but will challenge the service standard provided by conventional third-party operators.

### In Car

This solution enables the driver of their car to remotely authorise a delivery agent to securely access the boot of their car (at work, the train station etc.) to leave a parcel. This creates a hybrid safe place / click & collect service. Although parcel-lockers placed in car parks / park and ride locations would serve the same purpose the car boot allows more location flexibility.

These services are being piloted and rolled out by the likes of Volvo (in Scandinavia, where click & collect is more established and is for many households a trusted delivery method), in Spain with Volkswagen and in Germany with collaboration between DHL and Audi and by Mercedes-Benz with its service called Chark.

Chark operates in Stuttgart and recently extended to Berlin, using the Mercedes app to provide a digital key to the car, set a delivery time window and parking location. Once within 500 metres the driver can use GPS to locate the vehicle. The customer receives a notification that the delivery is underway and a photograph and delivery report when it has been completed.

Amazon is now delivering to customers' car boots in 37 US cities, although the 'connected' car must be parked near to an eligible Amazon delivery address. The customer must add their car details and description to the Amazon Key app and can change delivery locations or block access at any time.

Of course, there is the question of customer acceptance. The most recent IMRG UK Consumer Delivery Review suggests that fewer than 15% of UK shoppers would be prepared to receive their online orders in this way in the future.

## Same day delivery

One way of ensuring that a delivery will not be missed is to have it delivered immediately – same day and perhaps within one or two hours.

There are a number of home / workplace delivery options available to some regions including:

- Amazon for its own orders
- Argos FastTrack for its own orders
- Citysprint OnTheDot for orders from any retailer

These final mile delivery solutions rely on the stock being available for dispatch reasonably close to the final delivery address. Amazon has established regional depots as forward stock locations and the Argos business model naturally lends itself to this with each store being a mini warehouse. However, same day delivery often must come at a premium and the proportion of UK volume delivered by this method remains consistently below 2% of the total<sup>34</sup>.

From a click & collect perspective, same day in-store is easier if the order can be fulfilled from store stock. For third-party click & collect this is more difficult and the only operator to attempt same day click & collect as the norm was Pass My Parcel (Connect Group)<sup>35</sup>. Unfortunately, the demand was not sufficient, and the service stopped in June 2018 with the network subsequently adopted by DHL Parcel UK and absorbed into its ServicePoint operation. DHL has now partnered with PayPoint and migrated its ServicePoint offer into that network.



## Airborne drones

Flying drones are much talked about as a way of providing low cost home delivery. Most likely limited by carrying capacity (perhaps 5 kilos) and range, the use of drones may be restricted to high density delivery areas and to where orders can be collected from forward stock locations although UPS has been testing drones that use a delivery vehicle as its home base, to be dispatched as an ancillary delivery vehicle on the same route.

Of course, third-party click & collection locations are close to the final customer and it is possible that drones could provide

a way of making a final mile delivery should the customer choose, after all, not to collect the parcel but rather have it brought to them within a specific time window.

- DHL Express China has been trialling an automated 'cabinet' that can be stocked with parcels and intelligently loads and unloads drones which are used to make deliveries and collections<sup>36</sup>
- Cleveron has begun trialling parcel-lockers that use drones for pick-up and drop-off

<sup>34</sup>IMRG Metapack Delivery Index

<sup>35</sup>Smiths News, also part of Connect Group, delivered publications to news outlets (convenience stores, newsagents, train stations etc.) and visited these locations several times a day as part of its core operation. Retailers able to inject their click & collect orders into this schedule could offer same day collection.

<sup>36</sup>Post and Parcel Technology International June 2019



On the question of customer acceptance the most recent research from three independent surveys - the IMRG UK Consumer Delivery Review 2020 (25.6%), from the Institute of Mechanical Engineers (IMechE) (23%)<sup>37</sup> and Metapack's Global eCommerce Consumer Research Series 2020<sup>38</sup> (20%) - suggests that perhaps fewer than a quarter of shoppers would be prepared to receive deliveries by drone in the future.

The IMechE research cites worries over theft from drones and safety in flight and notes that it is 18 – 24-year olds who fewer concerns (45%). Most (75%) felt that drones should be used for emergency service response and the delivery of urgent medical supplies rather than general eCommerce delivery.

In the short-term widespread delivery by drone seems even more unlikely as Temando reports in its UK State of Shipping in Commerce survey with:

- Only 14% of consumers having any expectation of drone delivery within the next three years (compared with 20% for the same 'State of Shipping' survey in the US)
- AND
- Only 8% of retailers expecting to be able to offer drone delivery within the next three years

### Autonomous Ground Vehicles (AGVs)

Like airborne drones, these ground-based autonomous vehicles are seen as a way of reducing the cost of final mile delivery and avoiding the cost and strategic risk of relying on manned delivery solutions using traditional transport. AGVs can be used:

- For direct delivery to the end consumer<sup>39</sup>
- An aide to an 'on foot' delivery agent (carrying parcels to increasing their capacity)
- As mobile click & collect parcel-lockers – moving to be close to the customer<sup>40</sup>.



Several delivery organisations (DHL, Hermes etc.) are trialling these AGV solutions and the Co-op already uses them in the UK for grocery delivery from two stores in Milton Keynes, from which it has made 15,000 AGV deliveries in the 12 months to April 2019.

However, capacity, range and journey time does limit the application and although AGV solutions will certainly develop, it is likely that they will be limited to certain delivery circumstances and environments.

### Precise geo-location

One thing that complicates home delivery is the need to find the address. Even in the UK where there is an average of 15 homes per postcode, time is wasted in finding the exact delivery location. In other countries the problem is worse

- In France there are 200,000 homes to each postcode
- In Oman there is no post code system, no formal address protocols and no consistent street signage
- In India delivery is often guided by description rather than a recognised address

<sup>37</sup>A poll of 2010 adults carried out by ICM Unlimited during August and September 2019

<sup>38</sup>A survey of 8,500 consumers across 11 countries

<sup>39</sup>E.g. January 2019 - Udelv (USA) is testing fully electric autonomous vehicles with a 60-mile range and flexible cargo area, allowing customers to meet the vehicle at an agreed time and location using a purpose- built app

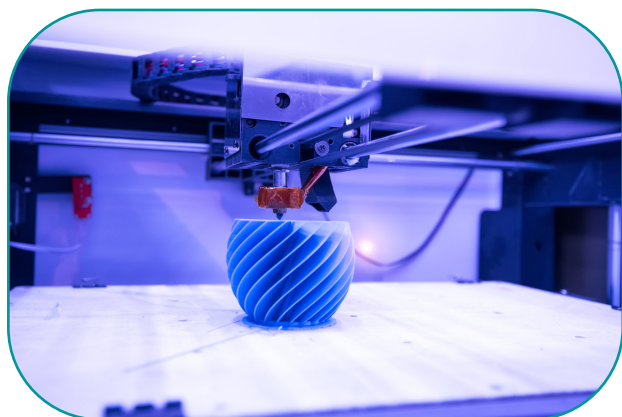
<sup>40</sup>E.g. January 2019 – Norwegian postal operator, Posten Norge, is testing a self-driving parcel locker that can serve 100 households per trip. It travels to a prearranged location and notifies recipients via smartphone, that their parcels can be collected. It then moves on to the next location

The result is that efficient delivery and good customer experience relies too heavily on the skill and knowledge of the delivery agent. In the days when the same agent was always on the same round, this knowledge could be built up, but at peak, during holidays and with flexible employment models (gig economy), this reliance on local knowledge is not enough.

We must add to this the need to capture exact delivery coordinates for access points, specified safe places and specified (willing and friendly) neighbours to avoid wasted time in finding the correct delivery location and to avoid failed first time deliveries.

The emerging answer is geo-location, allowing the recipient to exactly specify where and how they want their delivery made. There are solutions emerging (What 3 Words, Posttag, and Locpin to name a few) and some UK carriers are trying to develop precise delivery location and preference databases, in-house.

This location and these preferences could, of course, feature click & collect and be used to guide delivery drivers and shoppers to parcel-point and parcel-locker locations which may otherwise be individually unaddressed – for example, within shopping centres, train stations and other large complexes.



### 3D printing

3D printing has been talked about as a threat to online shopping with visions of every home having a printer and supply of plastic sufficient to make a wide range of products on demand. The reality is likely to be that 3D printing will be able to be used to bring the supply of certain products closer to the eventual destination.

In a manufacturing sense it will be easier to ‘print’ a million plastic components in a white goods factory in the UK rather than have them manufactured and transported from a components factory somewhere else in the world.

That approach could be applied to the provision of certain products using click & collect locations near to the final point of demand for the siting of a 3D printer and a stock of consumables. Then when an order is made it can be printed on demand for immediate collection by the customer (or fulfilled via drone delivery?).

As with all developments the question will be ‘what products?’ and ‘what will be the demand?’

### Shipping Loyalty Schemes

Shipping loyalty schemes are those that offer level of free or enhanced delivery for a subscription, the most known example being Amazon Prime. There has been some controversy over the service promise and whether it is clear and sustainable, and Amazon has had to re-word its offer following a judgement by the UK Advertising Standards Authority.

The issue with such loyalty programmes is that they do not stand alone. They are reliant on the supply chain being able to meet the delivery promise, be that next day delivery or unlimited free delivery, at all times and for a fixed fee. Given the cost and capacity issues already explained in this review that may not always be possible.

One area that loyalty schemes could be used for is to encourage the use of click & collect. Perhaps unlimited next day click & collect for a fixed subscription, compared with a ‘paid by use’ home delivery offer would be a viable way of differentiating between the two channels.

The most recent IMRG research suggests that about 40% of its respondents are users of such schemes<sup>41</sup> and recent research from UPS<sup>42</sup> reports that in the UK, consumers join loyalty schemes to save money:

- Collecting reward points – 46%
- Free delivery – 20%
- Members only discounts and offers – 13%

#### 14.2 Still room for click & collect

With all these potential options to choose from we might question whether click & collect has already had its day, but although it will undoubtedly need to evolve and compete, it remains a front-runner with consumers.

The most recent research to support this view comes from Metapack in its eCommerce Consumer Delivery Report 2020 which states *“Overwhelmingly, the service that most appeals to shoppers is delivery to a local pick-up point: 65% of French, 56% of Spanish and Russian, 47% of Dutch, 44% of UK, 39% of Canadian, 37% of German consumers and 40% of consumers on average say they’d be likely to use it in the future”*.



# About the Authors

## IMRG

For over 20 years, IMRG (Interactive Media in Retail Group) has been the voice of e-retail in the UK. We are a membership community comprising businesses of all sizes – multichannel and pureplay, SME and multinational, and solution providers to industry.



We support our members through a range of activities – including market tracking and insight, benchmarking and best practice sharing. Our indexes provide in-depth intelligence on online sales, mobile sales, delivery trends and over 40 additional KPIs.

Our goal is to ensure our members have the information and resources they need to succeed in rapidly-evolving markets – both domestically and internationally.



### Andrew Starkey

For over 10 years Andrew has been retained by IMRG as its Head of e-Logistics to run its e-retail Delivery and Logistics programme for the benefit of all IMRG members. He is the founder of the strategic e-retail and postal consultancy *Spiral4...* with a unique background in the in the world of parcels, packets and postal logistics with over 40 years' experience gained from the commercial sector and the regulatory environment.

He is a 40-year member of the Chartered Institute of Logistics and Transport and is a recognised expert on the UK postal and e-retail home delivery markets. He can be contacted at [andrew.starkey@imrg.org](mailto:andrew.starkey@imrg.org) or [andrew@spiral4solutions.co.uk](mailto:andrew@spiral4solutions.co.uk).

## Adobe, Magento Commerce



Magento Commerce, which powers Adobe Commerce Cloud, is the leading ecommerce platform for brands of all sizes that support B2B, B2C and B2E use cases. Magento Commerce boasts a strong portfolio of cloud-based omnichannel solutions, integrating digital and physical shopping experiences and powering \$155 billion in gross merchandise.

### About Adobe Commerce Cloud

Adobe Commerce Cloud, part of Adobe Experience Cloud, makes every brand interaction personal and every experience shoppable. Built on Magento Commerce, Adobe Commerce Cloud deeply integrates with Adobe Analytics Cloud, Adobe Marketing Cloud and Adobe Advertising Cloud.

Tailored to the needs of global B2C and B2B companies to support multiple brands, sites and countries and to orchestrate commerce across every channel, Adobe Commerce Cloud provides a highly customizable and scalable end-to-end platform to manage, personalize and optimize the commerce experience across every touchpoint.

[More information can be found here.](#)

### About Adobe

Adobe is a global leader in digital experiences. Magento Commerce helps merchants create shoppable digital experiences and commerce innovations. Magento Commerce boasts a strong portfolio of cloud-based omnichannel solutions, integrating digital and physical shopping experiences and powering \$155 billion in gross merchandise.



Adobe is changing the world through digital experiences. For more information, visit [www.adobe.com](http://www.adobe.com).

## Vaimo

Vaimo is one of the world's most respected experts in digital commerce on the Magento and Adobe Commerce Cloud platform. As a full-service omnichannel agency, we deliver strategy, design, development and managed services to brands, retailers and manufacturers all over the world.



Our sharp focus, broad experience and deep expertise within B2B, B2C, PIM, Order Management and ERP integrations makes us a key partner for driving success in digital commerce. Our 10+ years track record of technical excellence coupled with our proven results in helping our clients succeed with business development, digital strategy and customer experience design is proudly manifested in our status as a Magento Global Elite Partner.

With local offices in 15+ markets across EMEA, APAC and North America and over 500 employees, we provide an international presence that allows us to cultivate close, long-term relationships with our clients.

[More information can be found here.](#)

## IMRG

**IMRG UK Consumer Delivery Reviews** - Over the past 11 years this 'deep-dive' review has established a unique place in the area of online delivery research, asking more than 2,000 consumers over 50 questions, consistently focussed around online fulfilment and delivery. It not only provides a snapshot of the current position but offers this in the context of the evolving landscape. The 2020 review is supported by GFS, with the survey undertaken by IMRG's research partner Maru/Matchbox.

**IMRG Capgemini Quarterly Benchmarking** - Tracking over 40 key performance indicators across 7 categories, leading to unique insights into the performance of the UK online retail sector.

**IMRG Christmas and Black Friday Review for 2017**

**IMRG Data Study September 2018** - Multichannel and online-only propositions of 200 retailers

**IMRG - Metapack Delivery Index** - Designed to enable the e-retail industry to track a range of key benchmark metrics including parcel volumes, order values, delivery services employed, and destinations served. The data is derived from dispatches representing more than 10 million orders in any single month and £6 billion order value in any 12 months.

**IMRG Quarterly Operational Review (QOR)** - Captures data on key operational metrics from expert sources using transactional data covering several million orders per metric. The weighted average for the % of click & collect orders is derived from a sample of 9 million orders covering 20 different carriers. Produced with the support of iForce / Route Genie and Metapack

## Magento Commerce

**Magento Commerce UK Consumer Preferences Report 2019** - The wider research was completed in partnership with YouGov, interviewing 18,037 respondents online, from 15 countries. The UK report focuses specifically on the 2,119 UK respondents. Fieldwork was undertaken between 14th June and 3rd July 2019. All figures, unless otherwise stated, are from YouGov Plc. The figures have been weighted and are representative of all UK adults (aged 18+).

## Metapack

**Metapack's Global eCommerce Consumer Research Series 2020** - Based on surveys of more than 8,500 consumers across 11 countries — Australia, Canada, China, France, Germany, Japan, the Netherlands, Russia, Spain, the UK and the US.

## International Post Corporation (IPC)

**2019 IPC Cross-Border E-Commerce Shopper Survey** - Survey (September 2019) researching 35,737 consumers in 41 different countries, including Argentina, Austria, Australia, Belgium, Brazil, Canada, Chile, China, Croatia, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Indonesia, Ireland, India, Italy, Japan, Latvia, Lithuania, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Russia, Slovenia, South Korea, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

## Doddle

**Customer feedback survey** - 12 March – 5th July 2018. 8000 responses

**Doddle Christmas 2017 analysis**

## Temando

**The State of Shipping** - A report series based on independent survey data from Research Now commissioned by Temando, a division of Quadient Shipping - The UK survey targeted UK-based online shoppers and retailers across a variety of categories in February 2017, in total generating responses from 1298 online shoppers and 275 retailers

## Citizens Advice

**Mapping Parcel Shops** - Reviewing the location of just under 35,000 locations to understand the extent to which PUDO points can provide legitimate delivery and returns solutions for consumers and operators.

**Breaking Blue, The future of consumer needs for postal services** - Research report 2016

## GlobalData

**Click & collect in the UK 2017 – 2022 and 2018 – 2023** - Interviews with 10,000 online shoppers throughout the UK to build up a profile of internet use and online buying behaviour.

## UPS

**UPS Pulse of the Online Shopper – Global survey 2019** - The survey was administered online to 18,000 consumers in 10 languages across 15 countries between December 2018 and January 2019

## World Economic Forum

**The Future of the Last Mile Ecosystem – January 2020** - Report presenting an integrated perspective on the future of the last-mile delivery ecosystem, developed jointly by the World Economic Forum, McKinsey & Company, the World Business Council for Sustainable Development (WBCSD), Leaseplan and more than 20 public- and private-sector partners who contributed related data, expertise and case studies.

## Other Reference Points

**Sorted - Delivery Battleground** - A survey of 50 retail leaders conducted by Retail Week Connect, which sought the opinions of retailer leaders, including chief executives, financial directors, chief information officers and marketing directors.

**Klarna – Rethinking Returns 2019** - Over 2,000 interviews with UK shoppers.

**Institute of Mechanical Engineers (IMechE) – ICM Unlimited** – Poll of 2010 adults in August and September 2019

**Barclays Return to Sender research June 2018** – Merchant research was conducted by Opinium surveying 302 UK retailers from 25/05/2018– 01/06/2018. Consumer research was conducted by Opinium surveying 2,002 adults (18+) from 25/05/2018 – 1/06/2018.

| AGNOSTIC            | Reach  | Services offered   | Access times   | Dwell time   | Limits weight and size  |
|---------------------|--|--|--|--|---|
| Doddle              | 400 parcel-points in high footfall retail locations nationwide, Morrisons (over 180 locations)<br>White-label technology powered by Doddle to allow retailers to run and manage their own service  | Carrier agnostic click & collect, returns and ship from store<br>Consumer dispatch through partners  | Subject to individual store opening hours  | 5 days but flexible to retailer's requirements     | 16 kilos – 50cm x 50cm x 40cm   |
| InPost              | 850 parcel-locker locations in UK including 250 Morrisons stores - plans for 6,000 locations by 2022<br>UK carrier partners – Hermes and DHL<br>Present in 19 countries with 6,000 own brand locker locations and 1,500 provided for carrier clients | Next day click & collect (excluding weekends) in-flight diversion, returns and consumer dispatch   | 24 x 7 x 365   | 3 days with reminder to the recipient on day 2     | 15 kilos<br>Max 38cm x 38cm x 64cm  |
| Packcity (Quadient) | Launched in the UK September 2018.<br>210 locations in the UK (Feb 2020) but not yet offering click & collect / returns  | Click & collect and returns services to commence in 2020   | 24/7 for open access areas<br>Store opening hours for internally located lockers | The client retailer can specify                    | The largest locker box size is 352 x 440 x 610mm – 20 kg  |
| Parcelly            | UK - 2500 parcel point locations<br>Also operate in Bahrain, Kuwait, Dubai, Saudi Arabia with a total of 240 locations<br>Piloting in Spain and Germany  | Consumer subscription service so retailer agnostic through integrated carriers<br>Click & collect, leave safe, returns, cross-docking / local mini warehousing | 7 days a week<br>High % 24/7   | 7 days standard but up to 14-days by agreement     | 70 x 70 x 70cm<br>25 kilos  |
| Paypoint / Collect+ | Over 7,000 Collect+ parcel-points<br>Currently supports Yodel, DHL, Amazon, FedEx and eBay shippers  | Click & collect, In-flight redirection<br>Returns<br>Consumer send services (currently provided by Yodel)  | 7am until late.<br>Stores are open on average 6.5 days and 106 hours per week.   | 7 to 14 days - can be specified by client retailer | 10kg max, and 60 x 50 x 50cm max size.<br>Allow a small (5%) of 'oversized' parcels which can be 15kg max and up to 90 x 60 x 60cm. |



| SEMI-AGNOSTIC                                       | Reach  | Services offered   | Access times   | Dwell time        | Limits weight and size              |
|---|--|--|--|-------------------|-------------------------------------|
| Asda – ToYou<br>Retailer agnostic<br>– Own delivery | UK only - 620 locations  | 24 and 48-hour collect in-store and returns.<br>'Label-less' and 'Label print In-Store'<br>Real time tracking to individual item level<br>Return drop-boxes (integrated printer / scanners) from mid 2020 in 300 locations | 7 days a week<br>08:00 – 22:00<br>Larger locations are open 24 hours (except Sunday) | 10 days           | 90cms x 60cms x 60cms & up to 25kgs |
| Amazon<br>Retailer specific                         | Amazon Lockers – >2,500 (2019)<br>Amazon Counters – launched 2019 – located at Next and PayPal outlets | Click & collect<br>Returns   |  | 3 days<br>14 days | 42cm x 35cm x 32cm<br>maximum 4.5kg |

| NON-AGNOSTIC                           | Reach   | Services offered   | Access times  | Dwell time                        | Limits weight and size                          |
|--|---|--|---|-----------------------------------|---|
| DPD Pick Up                            | >2,500 UK<br>Cross-border service to some European markets  | Click & collect and in-transit divert through Predict alert. Allows pick-up location to be set for default delivery. Consumer dispatch 2-day tracked returns                           | In line with store opening times but invariably 6 or 7 days a week                                      | 7 days<br>Reminder on day 3       | 20 kilos<br>No two sides combined<br>> 120cm    |
| Fastway / Parcel Connect               | Republic of Ireland and NI<br>1000 Parcel-Points<br>Customer pays Parcel Connect to accept their parcel   | Next day in Ireland and NI<br>3 days from mainland UK  | Typically, 06:00 to 23:00   | 10 days                           | 20 kilos / cubic equivalent<br>Max length 150cm |
| Local Collect Royal Mail / Parcelforce | 10,000 Post Offices + 1,500 Royal Mail service points<br>UK mainland only   | Royal Mail / Parcelforce<br>Click & Collect for Tracked 24, 48 and Special Delivery<br>Returns<br>Consumer dispatch  | 8,000 open longer hours including Saturday 09:00 – 17:30<br>4,000 open on Sunday                        | 18 days<br>15 days<br>Parcelforce | 20 kilos<br>46 x 46 x 61cm                      |
| myHermes Parcelshop Hermes             | 5,500k parcel-point locations including 500 InPost locker terminals   | Delivery by Hermes<br>2 to 3-day click & collect<br>Returns<br>Consumer dispatch   | By location but all are early - late, 7 days a week. 80% open until 22:00                               | 10 days                           | 15 kilos<br>Max 120cm long<br>H + W + L < 245cm |
| Yodel / CollectPlus                    | Over 7k parcel-points through the Paypoint network  | Click & collect<br>Returns<br>Consumer dispatch<br>Print labels in store (including with Alexa integration)  | Over 98% of the Collect+ parcel-points are open 7 days a week, early 'til late. Exact times by location | 10 days with reminders            | 10 kilos<br>60 x 50 x 50cm                      |
| UPS Access Points                      | 2,800k UK parcel-points<br>Networks in Spain, France, Belgium, Germany, Luxembourg, Italy, the Netherlands, Poland, Sweden, Denmark, Finland, Norway, Austria, Switzerland, Canada, USA, Mexico, Puerto Rico. Currently deploying Portugal, Czech Republic, Hungary | 1 to 2 day excluding weekends<br>Returns (Label-less option available)<br>Consumer dispatch<br>Default delivery location<br>'Not at Home' in some markets<br>Divert option 'My Choice' | By location but all are early 'til late, 7 days a week  | 7 calendar days (UK)              | 20 kilos<br>40cm x 55cm x 53cm                  |



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