

Data.
Analysis.
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Delivery
Week
2020

Rethinking delivery
and returns during
and after the
coronavirus crisis



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Foreword

Access to **global markets** presents a significant **growth opportunity** for companies.

We live in a world where products can be manufactured anywhere, distributed from anywhere and supplied to customers around the world through distribution, retail, marketplace and direct commerce channels.

Supporting international commerce requires a supply chain infrastructure that can meet local market expectations, ensure local and international trade compliance and manage complex tax and regulatory requirements.

The international trading environment is itself undergoing significant challenges with:

- Changes in global trade agreements and tariff structures
- Changes within EU markets structures that will be triggered by Brexit
- External market disruptions from Covid-19 and climate related disruptions
- Growth in consumer privacy and sustainability regulatory requirements
- Shifting retail, marketplace and eCommerce landscape

Against this backdrop, **Avalara** was delighted to be the headline sponsor of **IMRG's Delivery Week 2020**, which assessed in detail the major challenges and opportunities facing retailers when it comes to fulfilment at home and abroad.

As illustrated by this roundup of the event, there is much for the industry to consider right now. As we emerge from the current health emergency, face up to a new business environment, and the retail industry reboots after lockdown, **Avalara** is here to provide organisations with technological support and expertise to manage their sales tax and VAT automation needs.

Jake Estes, Solutions Engineer, **Avalara**
(the global leader in sales tax and VAT automation)



Introduction

Retail delivery and returns propositions continuously **evolve**, but the coronavirus has shifted customer fulfilment patterns like nothing seen before.

Home delivery has become the norm, returns windows have been stretched, and click & collect options for non-essential products have largely been abandoned as a result of temporary shop closures.

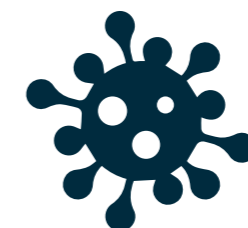
But what will stick and what will change as retail reboots?

These issues were under the spotlight during IMRG's first ever virtual **Delivery Week**, which ran between **18-22 May 2020**. The event, featuring senior representatives from global retailers and solution providers, and containing unique IMRG insights, assessed what has been learnt during the crisis in order to look forward.

The Covid-19 pandemic has fast-tracked many industry developments and delivery innovations that have long been discussed. Despite the devastating impact it will have on certain aspects of the retail industry, many businesses will emerge on the other side with new propositions and find themselves stronger than before.

Success will rely on closely monitoring customer behaviour, and keeping one step ahead of consumers. And as this report suggests, there's a chance for the wider industry to collaborate and bring positive change for the entire retail and fulfilment ecosystem.

This report captures what was relevant to the industry at the heart of the crisis, what is important now, and what will be vital to consider in the future.



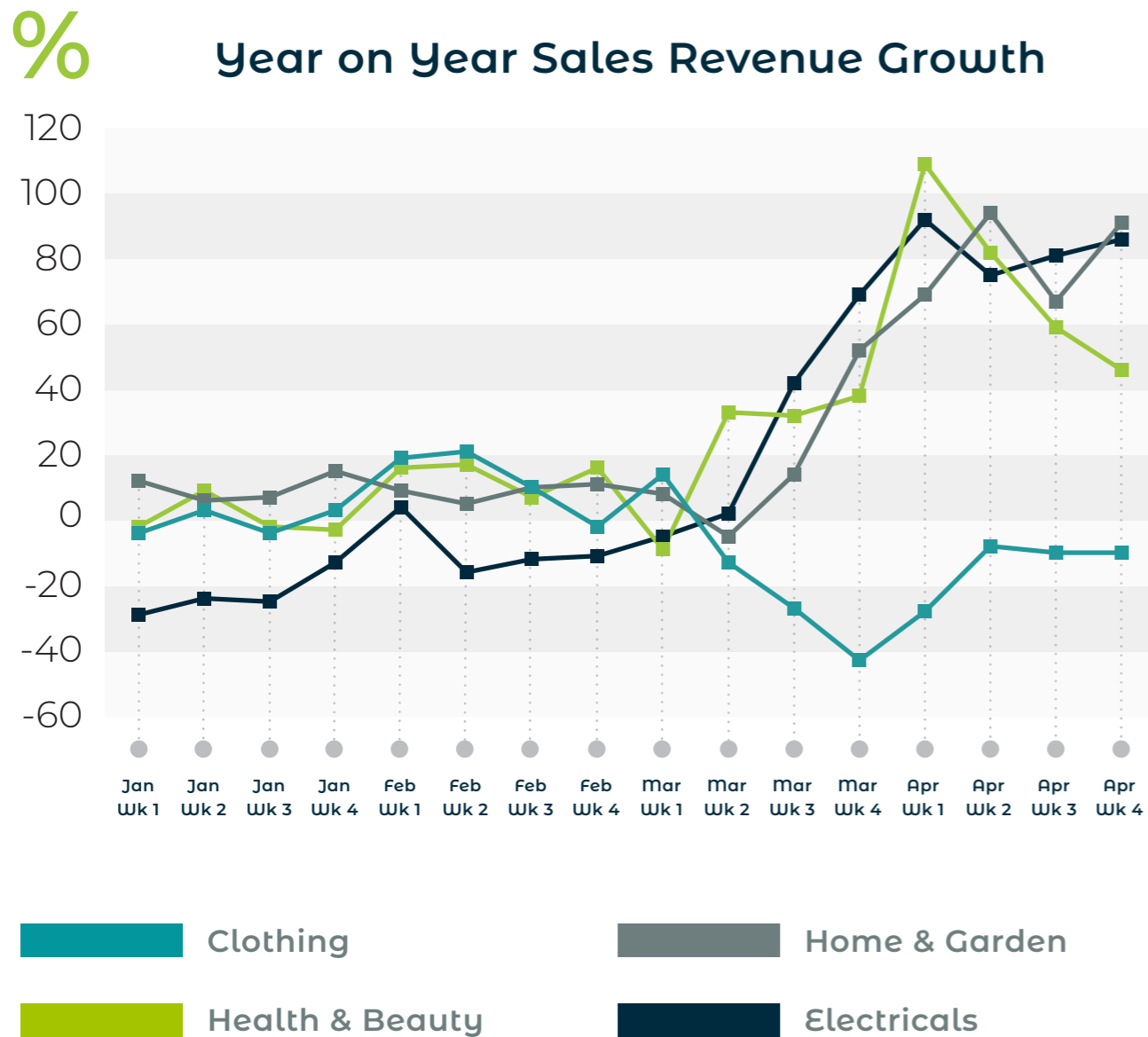
COVID-19
Coronavirus

Supply & Demand

Online retail growth has slowed considerably over the last 18 months. But then the coronavirus hit the UK, and that situation changed dramatically.

April and May 2020 online retail sales are well up on the equivalent months in 2019 – with April sales alone increasing by **24%**, which represented a ten-year high, and May up **32%**, an 11-year high.

During this unprecedented time of temporary shop closures and societal lockdown the grocery, electricals, home and garden sectors have performed strongly. Clothing and accessories, on the other hand, have reported the opposite – with the demand for footwear, new fashion, and occasion wear unsurprisingly limited.



So, what has this all meant for the delivery and logistics sector, and what might it mean for the future?

With grocers reporting new online customers, many consumers opting to reserve and collect DIY products, and the online wine market experiencing a surge, for example, retailers and their delivery partners have acted differently because of Covid-19. Returns windows have been expanded – sometimes to 90 days or more – and rapid delivery promises have been honed in, with many high street businesses suggesting five to seven days for fulfilment.

“There’s quite a strong possibility that behaviours are going to be shaped here, and the way that people get their orders and prefer to fulfil goods maybe going through some period of change,” said IMRG strategy & insights director, **Andy Mulcahy**.

“If you think about how popular click & collect was, at the moment it’s just kind of stopped.”

With restrictions on going out, home delivery has become the favoured fulfilment method. And with the prospect of many companies encouraging staff to remain at home, even as coronavirus lockdown measures are lifted, carriers might find themselves achieving close to 100% success rates with parcel drops for some time.



The **new** online shopper

Rory O'Connor, founder & CEO of Scurri, remarked: ***“Most people now have broken a habit and will continue to shop online in some way after the pandemic.”***

“And what does that mean? More deliveries, more demand for delivery and certainly growth opportunity in the online sector.”

The event discussed the likely requirement of **“handholding”** new customers through the online and delivery process, by avoiding jargon in messaging and not assuming people will know what to expect once they have ordered an item.

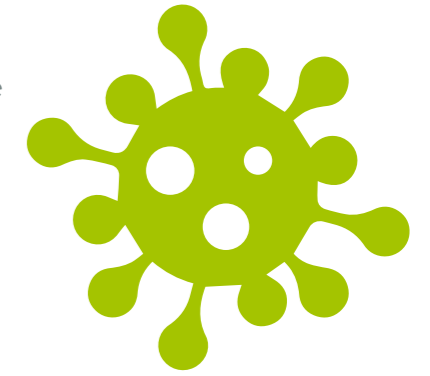
Chris Haighton, head of outbound logistics at The Very Group, said: ***“We don’t seem to be able to overcommunicate in delivery.”***

“The more emails and texts sent at different parts of the journey, the happier customers are. That’s something we’re going to be focused on an awful lot.”

And whether customers are old or new to online and parcel delivery/collection, **IMRG** predicts social distancing measures such as contactless delivery will retain relevance and stay in demand for some time to come. People are cautious, and suddenly more aware of their mortality.

Talking points

Delivery drivers’ capacity to impress shoppers had reduced before the crisis took hold. People have got used to online shopping, and – as Haighton noted – delivery is a **“hygiene factor”** in customer relationships; receipt of product = **really good**, any problems = **really bad**.



But the coronavirus crisis has elevated the role delivery drivers play in society. From the start of the lockdown they’ve been classified as key workers – battling on and continuing to work as the majority of society shut itself away.

Is there an opportunity now for the industry to capitalise on this outpouring of respect?

That remains to be seen, as does the extent to which click & collect returns to its pre-Covid popularity. Will retailers lean on this fulfilment method as stores reopen with restrictions on footfall, or will consumers want to steer clear of shops?

Delivery Week retailer participants acknowledged customers have been understanding and sympathetic during the lockdown period, and therefore willing to wait longer for deliveries or accept delays. But will this attitude last?

“The leniency will fall away over a period of time,” predicted O’Connor.

“Customers are not so forgiving over the long term.”



What the **retailers** say...

From peak-like levels of demand and changes in product selling patterns to strengthening inter-departmental partnerships – the retailers taking part in **Delivery Week** had different experiences to share.

On retailing in a time of coronavirus...

Guy Meisl, former supply chain director for EMEA, China, & Canada at Deckers Brands, said *“the company’s Ugg division has performed well during the lockdown period, partly due to consumers wanting “cosy feet” and slippers while restricted to their homes.”*

“It’s running at a similar line to peak sales – which for March sales of a winter product is a relief, especially as last year was warm without a proper winter so this has given us an opportunity to move quite a lot of slippers,” he noted.

Deckers also owns road running and endurance sports brand, Hoka, and the hot weather in the UK coinciding with lockdown has aided sales of these products.

Giving an indication of how strictly China dealt with lockdown and subsequent reopening, Meisl said *“the message from authorities was “you will close, you will close now and you’re not allowed back until you’ve been inspected”*.

James Scutt, head of customer experience (CX) & deployment at Post Office, said *“there has been less focus on assessing branches on numerical targets during the recent period ‘because numbers don’t mean much to people at the moment’”*.

“Now is the time to go big on customer experience so we can come out of this in as good a place as we can,” he commented.

Meanwhile, sales at Moo.com dropped dramatically in the immediate aftermath of lockdown, but have picked up again – although the product mix for this predominantly B2B retailer switched from business cards to postcards.

According to **Lana Jackson**, supply chain director at Moo.com, this has had an impact on costs in the US, where deliveries are charged by weight and volumetric. *“No more parcels were going out but the volumetrics are so much higher than before.”*



On customer **behaviour**...

Sarah Garvin, head of logistics at Amara, says buying patterns have changed for the homewares e-tailer.

“We used to gain a lunchtime rush – that’s started to decrease,” she explained.

“We’ve pushed more orders into 5-7pm time period and now we’re starting to see over the last month that weekend sales are really making up a larger proportion than beforehand.”

Garvin also acknowledged that newly arranged regular meetings between logistics and the customer service team, as a result of the crisis, have boosted efficiency and transparency. She is confident this relationship will continue in the long term.

Rosie Duffy, Amara’s head of customer care, added: *“We are getting more dispatch enquiries – customers are just nervous. They place an order and want to make sure [of it].”*

For Houghton, customer attitudes in lockdown have reflected the more extreme versions of what the business experiences all year round – namely, either shoppers are really positive or really negative about delivery.

“Covid-19 drove an even more set of extreme responses as we absolutely delighted customers by delivering to them when they weren’t expecting it or let them down even more badly,” Houghton said of recent delivery experiences based on internal NPS data.”

Remembering the forgotten crisis

Before the coronavirus crisis took hold, the retail and the delivery industries were laser focused on improving their environmental impact.

The climate crisis, carbon footprint concerns, and the need to reduce plastic in the supply chain were top of mind. The global health emergency has taken much of this conversation off the front pages but it shouldn't mean issues around environmental matters are now forgotten.

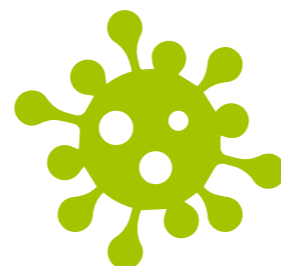
In fact, there is an opportunity for positive change as a result of the coronavirus. The removal of non-essential traffic from the roads, skies, and railways has already had a marked benefit on air quality – as retail reboots, it would be unwise to contribute to a major reversal of this state of affairs.



“The smart retailers will have to work out how to balance the environmental message with the service delivery message.”
– Guy Meisl

As IMRG’s Andy Mulcahy said, this period of disruption and different ways of operating will see many new organisations emerge. Market competition will grow as a result, and green business will be their raison d’etre.

“New companies will be environmentally focused,” explained Mulcahy, before asking retailers and delivery companies: “Where will you be if they do it and you haven’t?”



From lockdown to lockers?

Deckers Brands’ Meisl is confident online retail will rise in popularity as result of customer adoption during lockdown. But he said any rise in its penetration of the overall retail market needs careful consideration and planning.

“You don’t want hundreds of vans turning up at your door delivering hundreds of parcels,” he said.

“There is the environmental aspect that has to be considered within the eCommerce world to make sure there is a balance between the service provided and what a person wants and the impact of that delivery.”

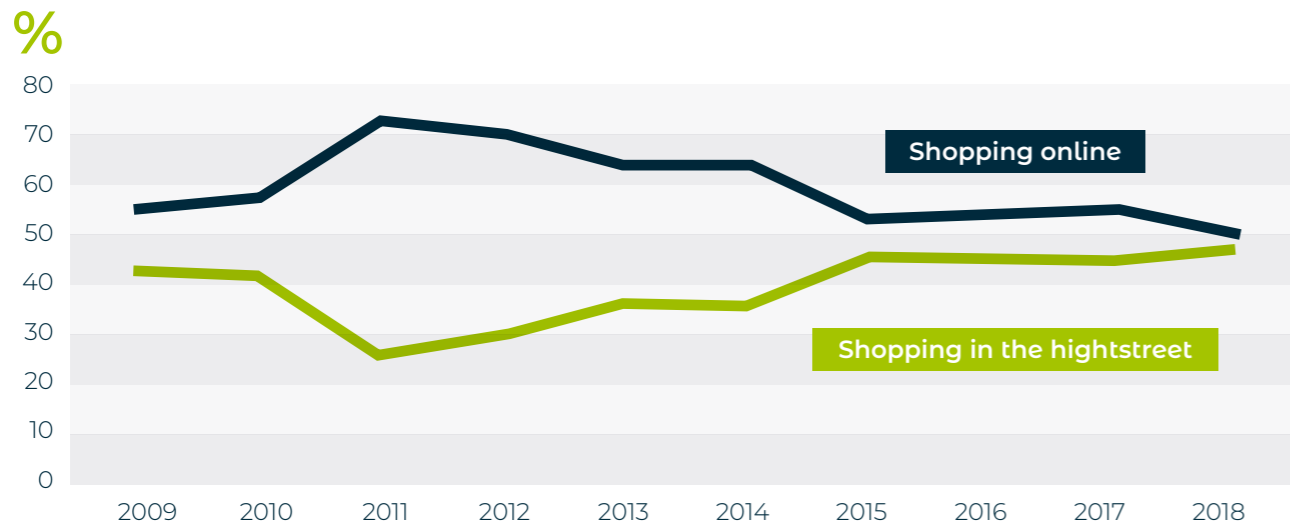
Meisl added: *“The smart retailers will have to work out how to balance the environmental message with the service delivery message.”*



More communication between brands and customers about environmental impact may become the norm. Meisl also said some UK shops could become pickup/drop-off locker destinations, which will help reduce vans on the road.

Georgia Barry, digital strategy consultant at Vaimo, added: *“Parcel lockers is going to be the future of click & collect. Some retailers will not have room to make changes as quickly as others, so we need to adjust our thinking and cater for that.”*

Which is more environmentally friendly, shopping online or in the high street?



Smart eco moves

On 1 June, Boots announced that all medicines being collected in store will be fulfilled in 100% recycled brown paper bags by the end of 2020. The week before, Zalando said it was rolling out new environmental standards for brands selling on its platform.

Both examples suggest the green agenda has not been forgotten as retail ramps up its operations following lockdown.

IMRG's Delivery Week shone a light on best practice sustainability, with Charlotte Monk-Chipman of Rebound Returns suggesting significant cost savings and waste reduction can be achieved by removing paper returns forms from deliveries. Her company helped Asos move to a digital returns platform to good effect.

“They took this really open and honest approach with customers about what they were up to as part of their commitment to reducing their carbon footprint,” she explained.

Meanwhile, Moo.com’s Jackson predicted new home delivery options will emerge from the crisis, including potentially more consolidation in the network, in light of people spending more time in their homes.

“I think people are more open to that,” she noted, saying the **“kindness economy”** mantra that has arisen in the crisis could result in partnerships and competitors with similar values working together for the good of consumers and the environment.

Key Takeaways



Online on the rise

E-tail’s share of the retail market will grow as a result of Covid-19, and therefore deliveries will rise with it. The sector needs to find the most efficient, green, and customer/business-friendly way of managing expansion.



Customer care to the fore

The best retailers have always been customer centric, but post-lockdown will need to consider the health and safety, and convenience, consumers require more so than ever.



Newfound respect

Delivery businesses and many retailers have been recognised as the key workers they are, on a national scale. There’s a chance for the sector to capitalise on this position, and push through the long talked about changes and improvements.



New use for stores

With temporarily closed stores set to reopen with footfall restrictions and social distancing measures in place, the use of ‘dark’ stores, pick-up/drop off locations, and lockers to serve online shoppers and maintain capacity will be crucial to retail’s success.

Summary

IMRG thanks its **partners** for their support, and for their contribution to the success of the inaugural virtual **Delivery Week**.

HEADLINE PARTNER



Avalara helps businesses of all sizes get tax compliance right. In partnership with leading ERP, accounting, ecommerce, and other financial management system providers, Avalara delivers cloud-based compliance solutions for various transaction taxes, including sales and use, VAT, GST, excise, communications, lodging, and other indirect tax types. Headquartered in Seattle, Avalara has offices across the U.S. and around the world in Canada, the U.K., Belgium, Brazil, and India. More information at www.avalara.com.

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Colin Stansbury, EMEA strategic alliance manager at Avalara: *"Covid-19 has changed the way business is done forever. It is forcing businesses to look into their internal processes and understand what is driving value and where the money can be saved and value can be driven forward."*



"As a result of Covid-19, there have been VAT deferrals and VAT sales tax holidays for retailers. Stansbury said this process has been simplified during the crisis, but "it's going to be a lot more stringent".

"We're going to be seeing a much stricter and regimented process of where your transactional data goes from your import system all the way to your tax authority," he said.

"Because of these changes best-in-class in technologies are becoming first and foremost to the frontline."

Other Contributors

