



The UK  
Ecommerce  
Association



# IMRG Delivery Service Index

State of the Delivery Nation, 2023



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# Meet The Experts



## About

We help our members understand and improve their online retail performance through a busy programme of performance benchmarking, data analysis, insight, best practice-sharing, and events. We have been tracking online sales since 2000 – and now measure over 120 individual metrics in a series of indexes, providing in-depth intelligence on online and mobile sales, delivery trends, marketing ROI and channel performance.

## Editorial:



Andrew McClelland, DSI Consultant at **IMRG**



Ellie-Rose Davies, Content Executive at **IMRG**



Andy Mulcahy, Strategy and Insights Director at **IMRG**



## About

nShift is the global leading provider of cloud delivery management solutions enabling frictionless shipment and return of almost one billion shipments across 190 countries annually. nShift's software is used globally by e-commerce, retail, manufacturing and 3PL shippers. The company is headquartered in London and Oslo. It has over 500 employees across offices in Sweden, Finland, Norway, Denmark, United Kingdom, Poland, the Netherlands, Belgium, and Romania.

## Editorial:



Sean Sherwin-Smith, Product Director Post-Purchase at **nshift**

# Methodology

During May 2023, a selection of 370 retail websites were surveyed against 25 delivery-related criteria. A proportion of these criteria included reviewing how delivery-related information appeared in the user experience and customer journey, for both desktop and smartphone rendered versions.

Websites were chosen to represent a broad selection of the market, including all contributors to the IMRG Online Sales Index.

The results were consolidated into a database for identification of trends. Observations were also made by the survey team to identify good practices, unique approaches, and poor operational processes.

The findings of this 'state of the nation' overview are corroborated with other data sources to provide actionable insights for retailers. Suppliers to this vital part of the value chain will also find opportunities to develop solutions to issues highlighted.



# The Big Picture

How retailers present their delivery and returns propositions can be key to customers first purchasing decision, irrespective of the point of entry; home page or product page. Converting that purchaser to a repeat customer will often hinge on the level of service they receive when something doesn't quite go to plan.

IMRG's Delivery Service Index (DSI) reports on the types of delivery and returns services retailers provide, how the information is presented, and areas for improvement. By creating a benchmark of core industry behaviours, the reader can determine how their brand fits into the competitive landscape.

Expected outcomes of this process will include an increase in the lifetime value of existing customers, an improvement in customer retention, and the commercial benefits that arise from more efficient stock controls.

### nShift Comments:

*"In many respects, the work for retailers begins the moment the customer leaves the checkout because post-purchase is more than just 'distribution centre to doorstep.'*

*"Customers today check out the delivery and return options before they shop. If one online retailer can't fulfil their need now, they'll simply shop elsewhere. However, if a vendor can provide a first-class customer experience through excellent delivery and seamless returns, it can build loyalty with its customers. This increases the chance of repeat purchases and recommendations which, in turn, leads to greater revenue."*



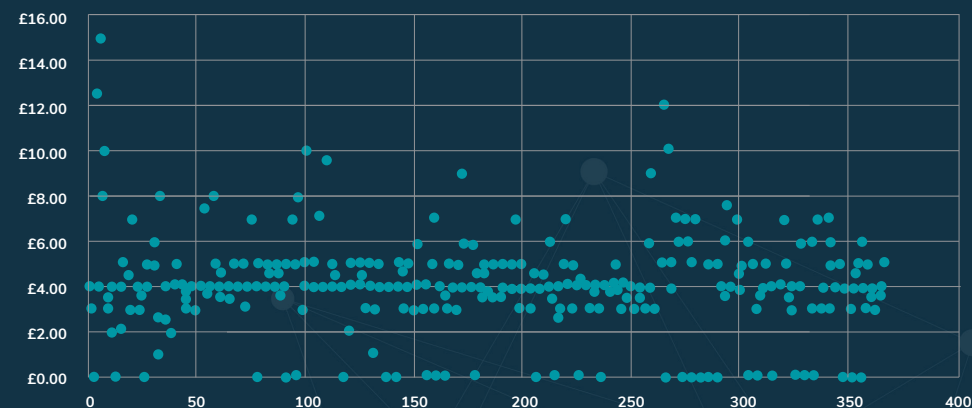
# Delivery Offering

## Standard Delivery Charges

Delivery charges are based on margin, volume discounts, quality of service, size and weight of the product, and customer expectations. Whilst some retailers in the DSI sample had a broad selection of pricing due to their product mix, most simplified the offering to make it easier for the customer to understand.

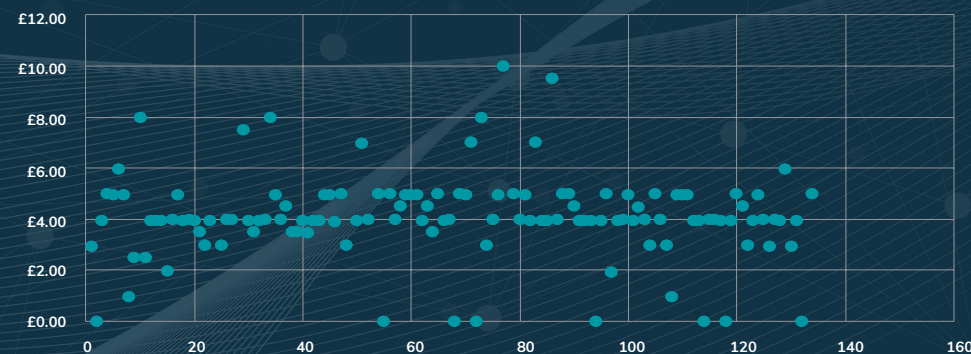
Those with a broad selection were usually in the Home & Garden category, where products range from a small post-able packet to large items requiring a 2-person delivery. Standard delivery has two main price points: around £3.99 and £5.00. There are no significant differences between categories, but higher-priced items tend to have higher delivery fees. Premium brands may charge more for standard delivery, but it includes additional benefits such as next-day or tracked delivery.

### Distribution of delivery charges across all categories



Data points at £0.00 denote retailers who offer unconditional free delivery, usually because of the price point of individual products.

### Typical charge for standard delivery service by Fashion retailers in survey sample



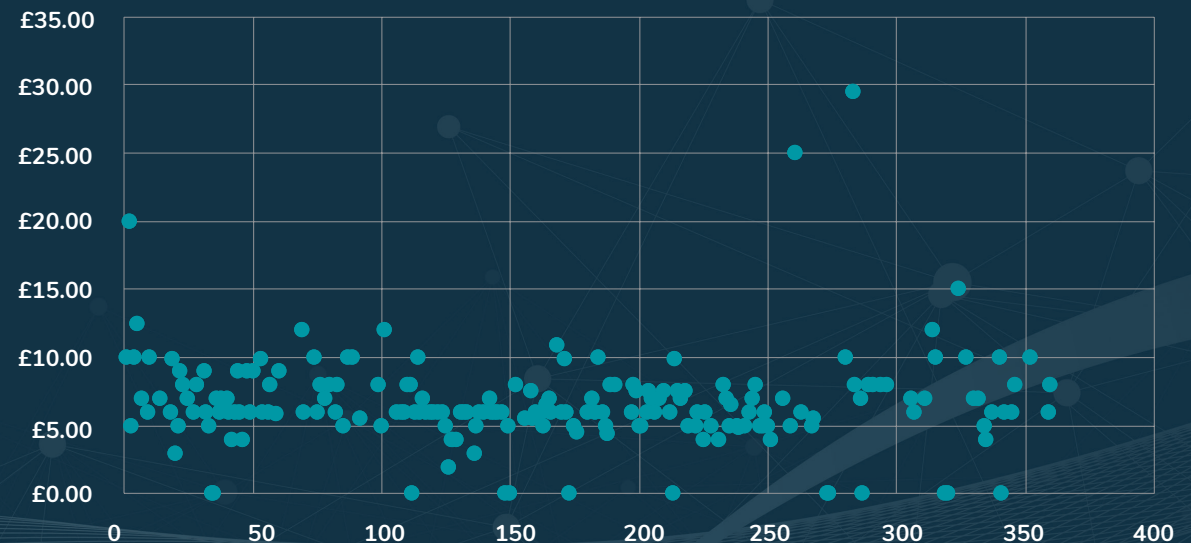
Fashion brands typically charged around £3.99 for standard delivery, with 2-3 days being the service provided.

## The Average Cost Of Next Day Delivery

There is a roughly 50/50 chance that a retailer will offer next-day delivery, with more (57%) offering it than not. We can expect this to increase in a competitive market, especially when online growth is difficult.

Despite largely depending on product and price point, next-day delivery usually costs between £6 and £8. Premium brands often charge at the lower end of this range while absorbing the extra cost in their margins, providing a premium service that their customers expect.

### Next- Day Delivery Charges across DSi Sample, June 2023



43% of the retailers studied do not offer next-day paid delivery, and just 5% offer free next day delivery with conditions; 1% offer this without conditions.

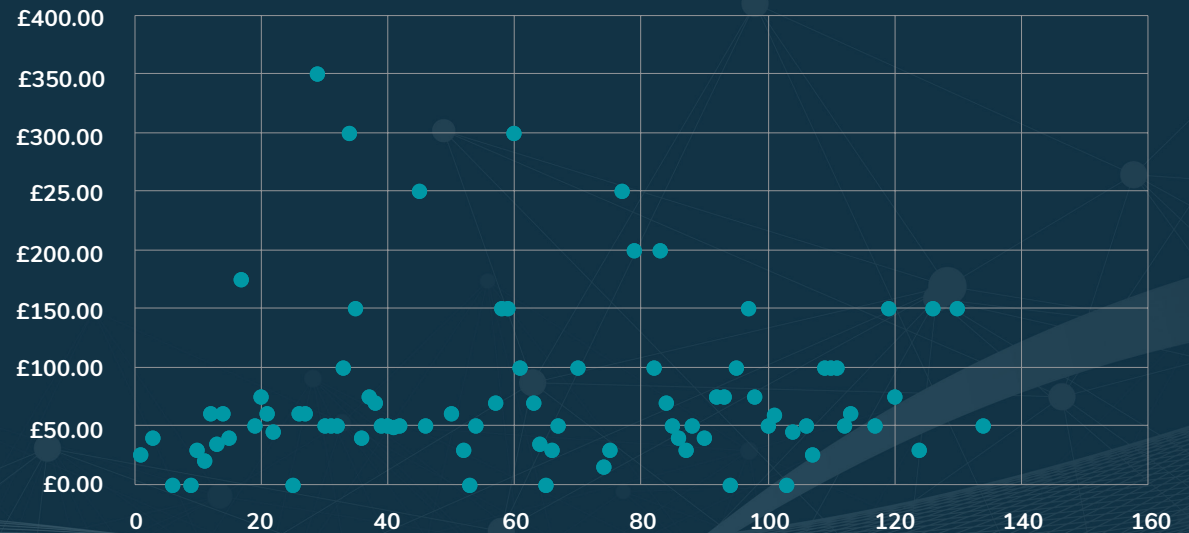


## Free Delivery Trends: Fashion Focus

According to recent IMRG research<sup>1</sup>, 28% of customers expect Free Delivery when they spend around £20-£30. An additional 24% expect it at around the £10-£20 mark. At this price point, the charge for delivery is 27% of the order value; a representation of how little customers can value the delivery proposition, and an area in which retailers can work to provide a better perception in the value of the delivery proposition.

The free delivery threshold across fashion appears to be around £50, which is interesting as it falls significantly below the Average Basket Value (ABV) for the sector at £78.64 (May 2023)<sup>2</sup>. Therefore, while free delivery is set at a level to promote additional spending, it appears that the sector is 'giving away' free delivery.

Free Delivery Threshold in Fashion Sector



Fashion is probably one of the most susceptible sectors to the 'free delivery' pressure from customers, and where a customer proposition around a subscription service is most prevalent.

## Free Delivery Trends: Total Market & Category Differences

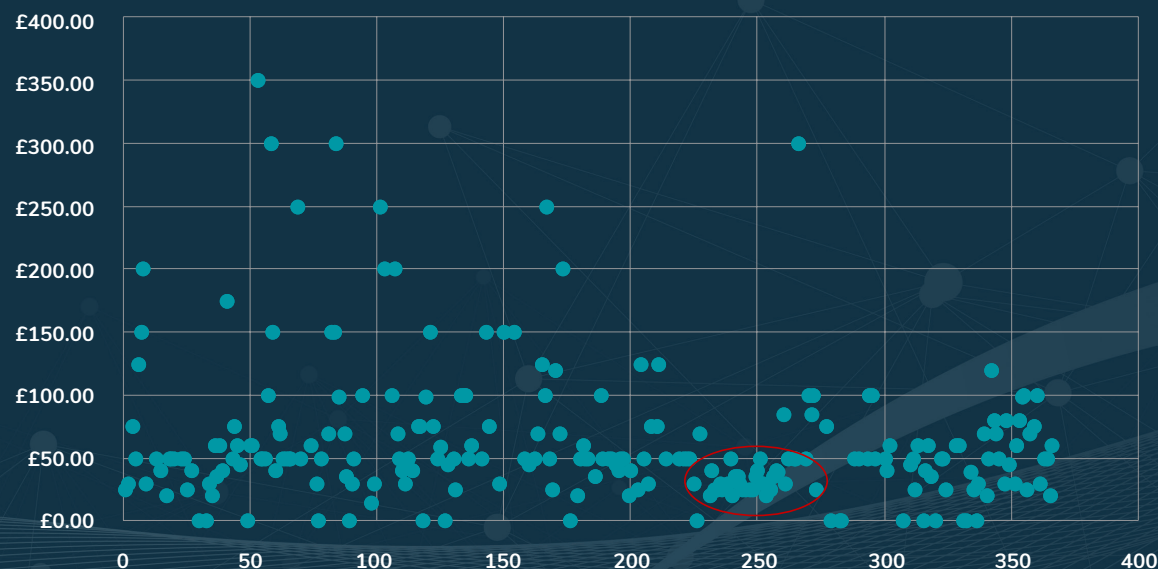
Although many feature Free Delivery as a base line to compete, 56% of the retailers surveyed for the DSI don't offer free delivery.

Of those that do, most set the free delivery threshold at £50. Health & Beauty sector retailers have set it at £30, despite an average basket value of £46.52. Is this a consequence of the delivery offer, or should the sector increase the threshold to align with the average basket value?

The average free delivery threshold for footwear retailers in the DSI, excluding premium brands, is £72.78, while the ABV for May 2023<sup>3</sup> is £65.51. However, increasing basket value in this sector is difficult as customers are unlikely to buy extra shoes just to qualify for free delivery.

In the Sporting Goods sector, only 6% do not offer free delivery. However, the threshold for free delivery varies widely due to the diverse nature of products in the category. The lowest is £25, and the highest is £120 for a footwear brand. Sporting Apparel averaged at £70 to qualify for free delivery.

### Free Delivery Threshold - Total Market



Graph showing distribution of Free Delivery Thresholds in the DSI sample across all categories, with Health & Beauty retailer cluster highlighted.

## 11 Delivery Service Index

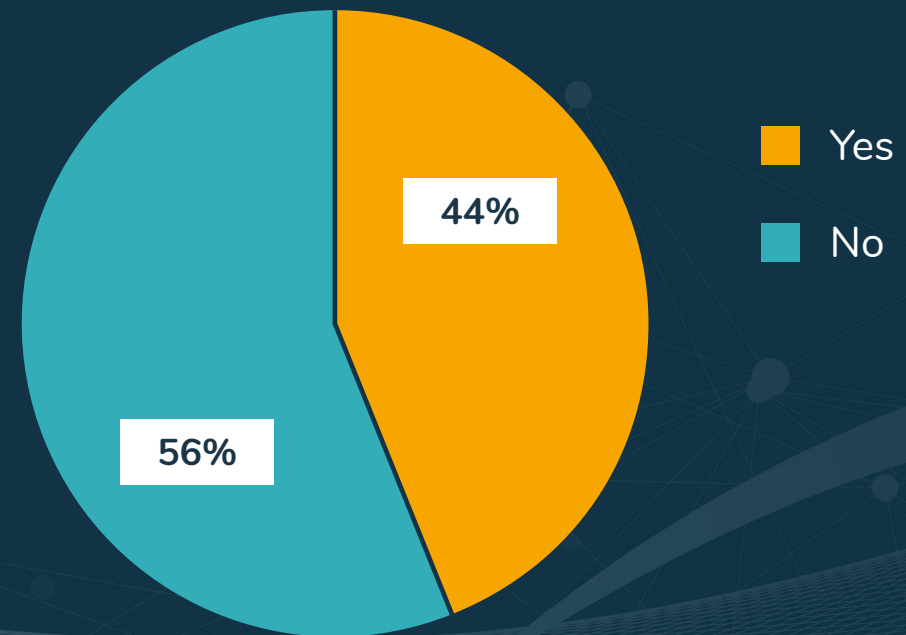
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Interestingly, of the fashion sites reviewed, 27% don't offer a free delivery proposition. However, there is no such thing as free delivery. It's just a customer proposition achieved through presentation in the retail price or as a marketing cost that erodes margin.

Would customers notice that they are paying a bit extra for the product to get 'free delivery,' or does your product offering allow you to set the threshold at a level that would allow for sensible up- or cross-selling?

*Assess your Free Delivery threshold. Are you giving away margin, and is it set at a level that can increase incremental spend?*

### % Of Retailers That Offer Free Delivery



# Ecommerce Returns Proposition

IMRG data<sup>4</sup> shows that 70% of customers expect to receive Free Returns. Yet, as with Free Delivery, they don't want to pay extra. At the same time, retailers also have an incentive to ensure unwanted products are bought back into stock so that they can be resold.

Analysis of the DSI data indicates that 10% of retailers do not offer a dedicated page, or even a place on the delivery page, for returns information. Some even make the customer look through the website's Terms & Conditions to find returns and refund information.

Although nearly 50% of retailers prioritise reducing return rates<sup>5</sup>, increasing friction in the customer journey is not the best solution. Researching returns processes is regularly noted by customers as an essential part of the shopping journey. In 2022, 15.5% of customers were put off shopping online because they couldn't easily find returns information, according to IMRG research<sup>6</sup>.



### Implementing Free Returns

42% of retailers offer free returns with pre-paid labels, which 68% of customers prefer over a self-service returns portal. However, as these labels are becoming more common, the benefits need to be better communicated to customers.

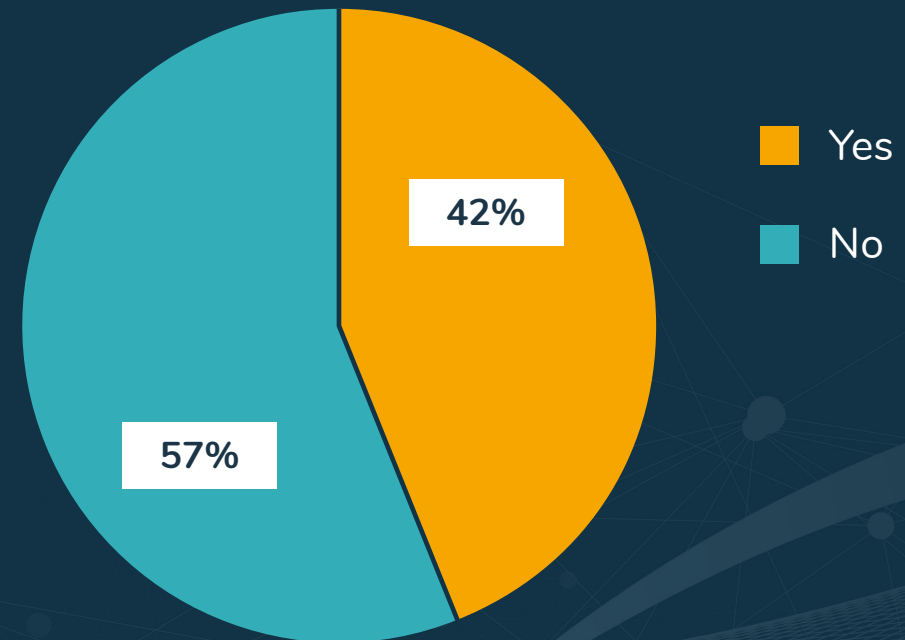
The debate was about whether to offer free returns, with 70%<sup>7</sup> of customers expecting it. Like free delivery, this is facilitated either by margin erosion or increased prices, but it helps to protect margins by reselling returned goods at full price. This reduces stock capital, improves customer experience, and increases LTV.

Many retailers that offer free delivery make a distinction between full-price and sale items, with the latter often incurring return costs. This suggests a desire to reduce the volume of sale items being returned.

#### nShift Comments:

“One company that has used the returns effect to great impact is Hunkemöller, Europe’s fastest-growing lingerie specialist. By using nShift Returns, it has been able to offer customers a seamless reverse ecommerce experience and has seen a spike in sales driven by a change in customer behaviour, shifting online to warehouse returns towards a more profitable return to store experience. This 15% increase has resulted in retained revenue (with items being exchanged in-store) along with an increase in average basket value for those orders as customers also make additional purchases in the same visit.”

#### Retailers offering free returns

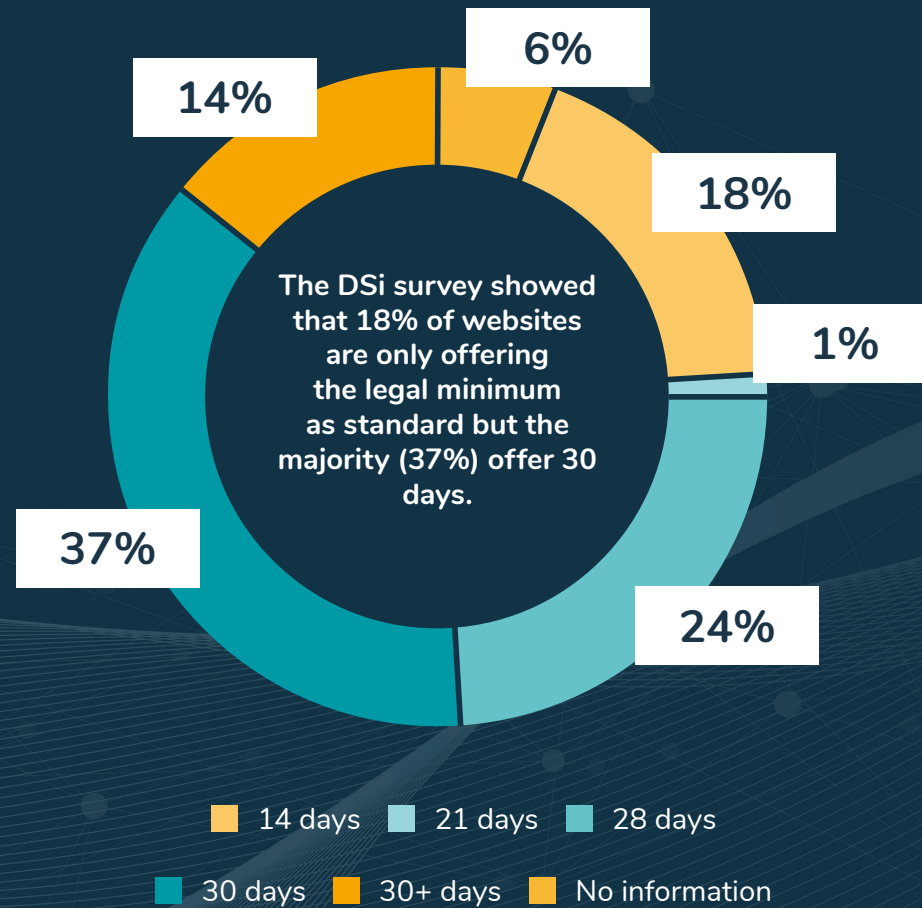


## Returns Timeframes

Timeframes are another important element of the returns proposition. Under consumer rights legislation, retailers are required to offer a 14 day 'cooling off period' as a minimum. There are some exemptions though, mainly for health and hygiene reasons. For multi-category retailers, we would caution that the no-returns doesn't extend to products outside of these exemptions.

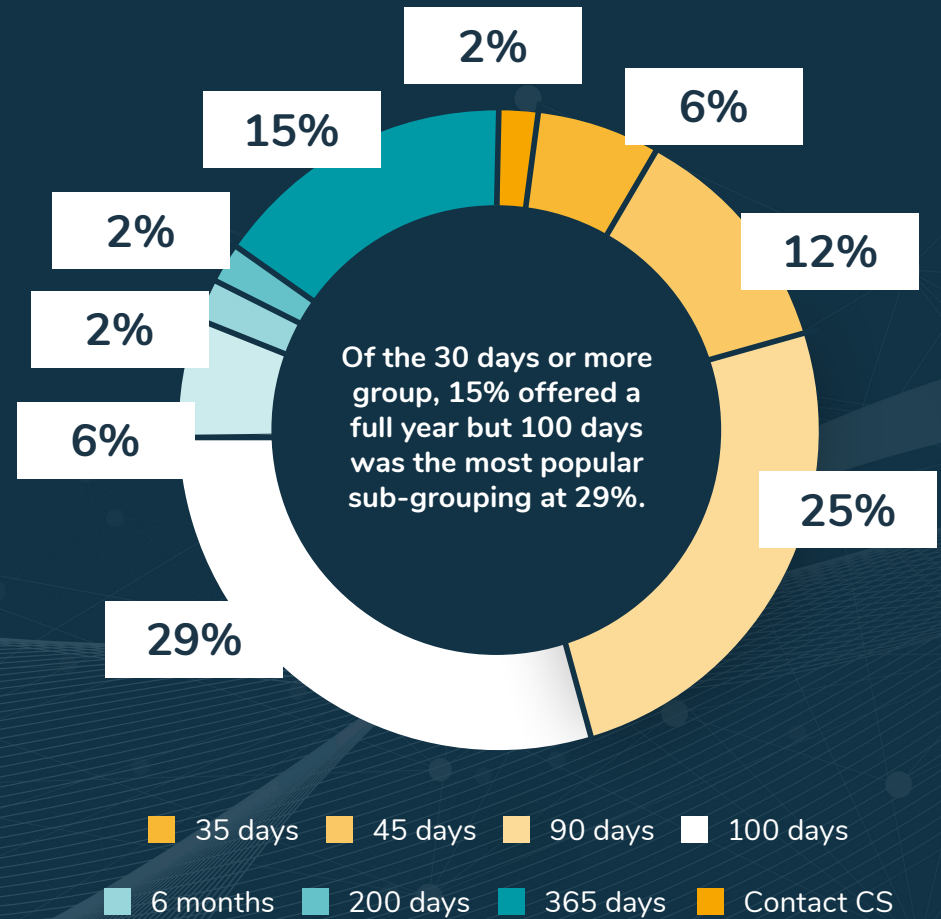
The DSi survey showed that 18% of websites are only offering the legal minimum as standard but the majority (37%) offer 30 days.

### Returns periods in days offered by retailers



Does your product mix lend itself to free returns? If so, make the criteria around the returns process and refund amounts clear and easy to access and structure the commercial case around inventory management, customer service savings, and potential for LTV.

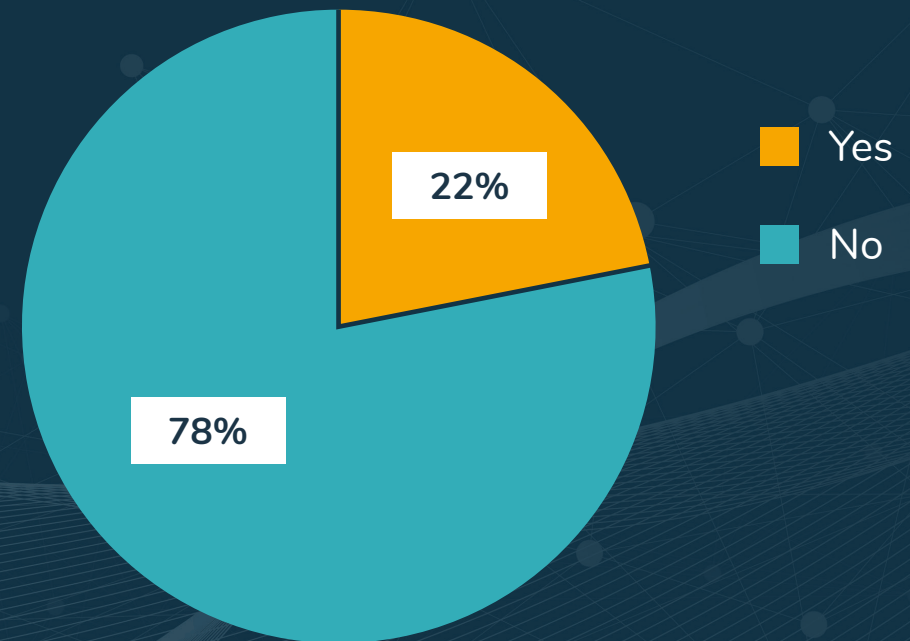
Returns periods offered by retailers in excess of 30 days



# Click, Collect, Pick-Up, Drop-Off

Pure-plays have no choice, and many multi-channel retailers struggle with Click & Collect (C&C) and in-store returns. Even MC retailers with a store portfolio can find it challenging to process in-store returns and restock the items. It's often easier to have the customer return the item via courier to the distribution centre themselves. However, the combination of these services, collectively known under the acronym of Pick-Up, Drop-Off (PUDO), has the potential to provide both customers and retailers with a range of options, improving convenience and the customer proposition.

Retailers offering third-party C&C

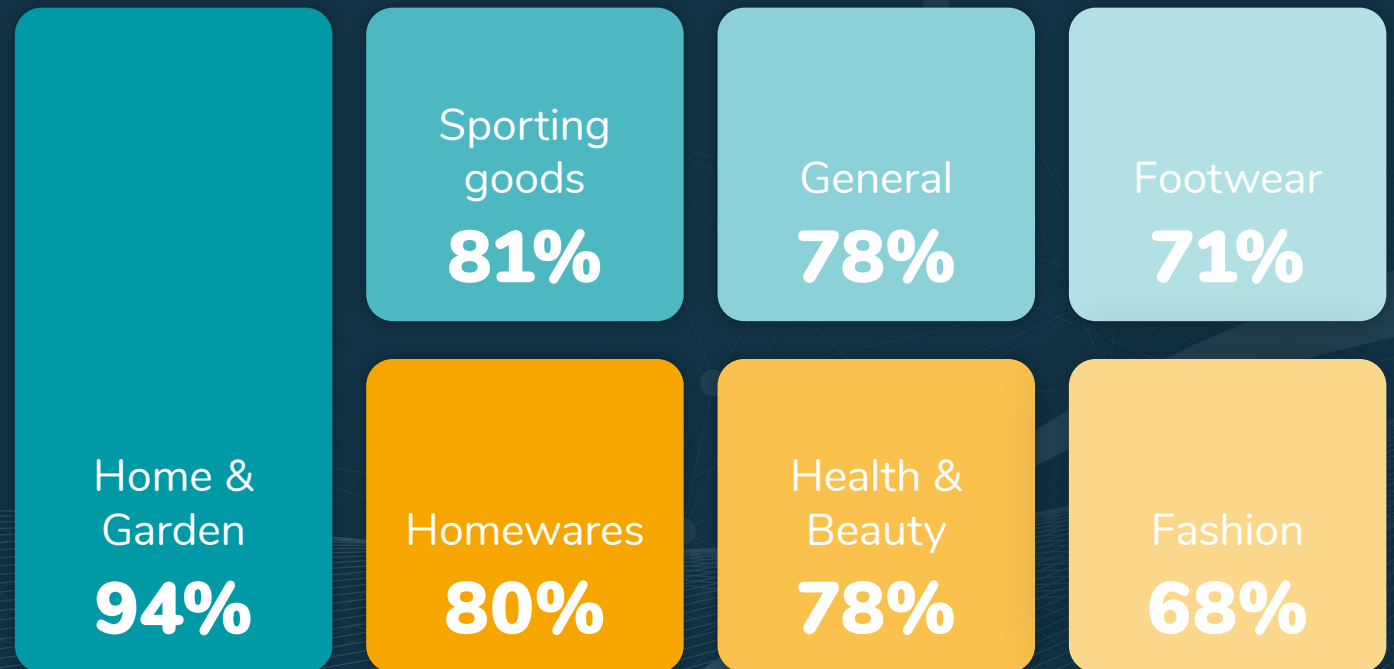




## Click & Collect (C&C) Trends By Product Category

Only 22% of the DSI survey sample offered third-party C&C services, indicating a missed opportunity for the industry. These services may not be appropriate for the Home & Garden category, where 98% of retailers don't have an offering. However, it has strong potential to improve the customer experience for other categories.

### Retailers not offering 3rd party C&C by category



### Third-Party Drop-Off Returns

38% of retail websites surveyed are using third-party returns locations. Often these are the local Post Office, parcel drop-shop, or the increasing network of locker box locations.

62% of retailers don't offer third-party returns, and 78% don't offer access to delivery third-party services. However, customers can make these arrangements themselves by using a courier's delivery app to redirect a delivery to an alternative address, for example. This could be a missed opportunity for retailers to enhance their customer proposition with minimal effort.

For those retailers that do promote these third-party services, there were several examples where videos were used to help customers understand the process. However, when these had played, other video content was visible within the retailer's website, with no control over these recommendations!

#### % of retailers offering third-party returns services

NO  
62%

Yes  
38%

Review how a PUDO offering might benefit the customer experience of your brand and the associated operational benefits.

# User Experience

## Delivery Subscription Propositions

Delivery subscriptions promote customer loyalty and remove friction in decision-making. Assessing their commercial value is difficult as their success rests on several factors, such as eliminating delivery cost as a purchase decision factor and offering a returns proposition.

Subscription services included in the DSI survey had price points varying between £9.99 and £15.00, and are based on using the standard delivery offering, usually 2-3 days.

IMRG research<sup>8</sup> also indicates that a customer lifetime value to average order value has a ratio of 4.9, with a typical 'lifetime' lasting 40 months or 3.3 years. On these metrics, a customer shopping 1.5 times per year would spend £5.98 on shipping per year, based on the typical average standard delivery of £3.99, but £9.99 (or more) on a subscription service. However, this does not include the price a customer may pay for returns, which are often included as part of the programme.

### % of retailers offering a delivery subscription service



Currently, only 9% of retailers in the DSI survey sample provide a delivery/returns subscription model, and most are in the fashion category. This contrasts with the 60% of customers who say that they have an active membership of one of these services<sup>9</sup>. The prevalence of Amazon Prime is probably reflected in these responses, but it shows customers are open to considering these programmes.

Is a subscription programme right for you? Consider delivery and returns costs to the business against annual subscription level. Balance these against customer LTV, purchase patterns, and more importantly, returns behaviour. Does a subscription offer encourage multiple purchases and increased returns – affecting stock availability? Finally, extend the value proposition with other loyalty benefits, such as early access to new season collections, to mitigate the impact on margin. This will also move the service into a loyalty programme which may fit better with your brand values.



### nShift Comments:

“Research shows that frequent shoppers are 2.5 times more likely than occasional buyers to take their business elsewhere when something goes wrong with the delivery. This means that when the delivery experience falls short, a retailer’s best customers are the most likely to shop around. But a great customer experience at each stage of the delivery journey can encourage repeat purchase and brand advocacy.”

## nShift's Top Tips For Offering An Excellent User Experience

Here's five top tips for delivering the best possible customer experience:

1

Provide and clearly display a range of delivery options at checkout – some shoppers seek swift deliveries. For others, price is paramount. Offering a range of options at checkout increases conversions, but it's essential that these options are clearly and intuitively badged.

2

Ensure transport capacity – during busy periods, it's crucial that retailers ensure they can keep their promises. This is best achieved through relationships with multiple carrier companies and ensuring that the company's tech stack can quickly facilitate these relationships and accommodate sudden changes in a carriers' network.

3

Maximise delivery success – giving shoppers the opportunity to identify and choose alternative Out Of Home (OOH) collection options is a welcome alternative to having to wait at home for a delivery. Parcel shops, parcel lockers, and the store itself offer shoppers a more substantial choice.

4

Keep in touch – relevant communication keeps the customer engaged and helps contain any negative feedback. If a retailer distributes communication in their own look and feel, it helps build the brand in the moments that matter. This makes it easier to remarket to shoppers when they are most engaged.

5

Make returns easy – countless consumers simply won't complete their purchase if it's not clear how they can return a product-reinforce the ease of returns even in the checkout. Operating a simple digital returns process gives shoppers confidence in the brand. It also makes it easier for the retailer to track patterns and work out why items are being sent back. This can reduce the volume of returns or understand how to incentivise customers to return orders quicker to maximise the resale of those items.

# All Part Of The Journey

## Delivery Information Placement Management

We know from IMRG research that in 2022, 48% of all orders to retailers' websites were from new customers. A part of the discovery process for these new users is to understand the delivery and returns options. In a recent IMRG customer survey, multiple delivery and returns options available was the top experience customers want prior to purchase, chosen by 64.5% of respondents<sup>10</sup>. Offering this experience is particularly important for less-well-known or smaller brands.

With this in mind, the DSi survey took note of where and how retailers displayed information relating to delivery, returns, and refunds.

The first metric assessed was whether delivery options were mentioned above the fold<sup>11</sup> and linked to further information, either as a splash page that highlighted the key offering, or as a dedicated delivery page. The link behind the delivery CTA was used to compare how pages would render on different devices, with mobile being harder to highlight the key information required to make a purchasing decision; small screens do not suit text heavy copy.



<sup>10</sup> IMRG Epsilon Build Lasting Customer Connections With Better Digital Experiences Report

<sup>11</sup> In the context of this report, 'above the fold' is the initial page content on a screen of 1920 x 1080 resolution or without scrolling on a mobile device

### Key takeaways

- **18%** of smartphone customer journeys<sup>12</sup> start on the Home Page.
- **57%** of retailers have a clickable delivery message on the homepage and, often, the message promoted free delivery thresholds or time left to meet a certain deadline, such as a bank holiday.
- However, only **29%** of these messages were 'above-the-fold'. With delivery ranking as one of the important components of a purchasing decision, making this information easy to access with little scrolling, by mouse or thumb, eases the buying process.
- Just **7%** of retailers surveyed didn't have a link to a delivery page in the footer. Interestingly, with many mid-sized and smaller retailers using one of a few platform providers, much of the site layout is driven by the templates of these providers.
- On average, **36%** of customer journeys start on the product page, usually from deep linking search results or marcomms. Retailers are typically reflecting this with 77% showing delivery information at this point. Again, there appears to be some resistance from the brands to display the information/links above the fold, forcing shoppers to scroll and look for the service offering.

### Please Note...

That many of the brands surveyed had a delivery offer call-to-action in the header of the site, but many of these didn't link to further information.

It should also be noted that whilst not above the fold, most of this sample did make the information easy to find on these pages.

*Make it easy for customers, especially new visitors, to find your core delivery and returns propositions. It is a false economy to make them either hard to find or understand as it can put off customers making the initial purchase. Likewise, returns can be a point of distress, so making the process easy and frictionless isn't about increasing return rates, but rather providing good customer service and potentially increasing lifetime value.*

# Delivery & Returns Options

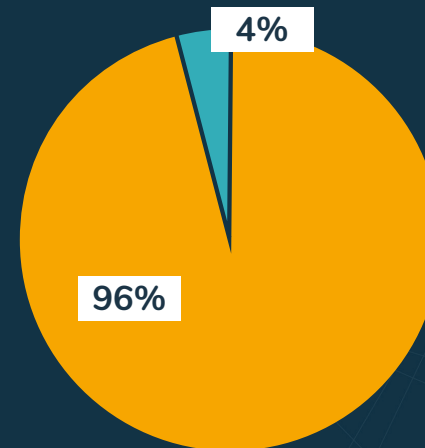
With very few exceptions, retailers generally had dedicated or shared pages for delivery and returns information.

There are some key observations around the layout of this information. Table formats make it much easier to digest the various options around delivery and conditions for returns; including examples of 'splash' pages that showed key options at points of purchase or decision.

Some retailers have it set that delivery costs are calculated during the checkout process. Whilst this might be understandable for two-person or large deliveries, most products would comply with price bands used elsewhere, and 'hiding' the delivery costs in the basket process introduces unnecessary steps and friction in the buying process. It will also increase basket abandonment.

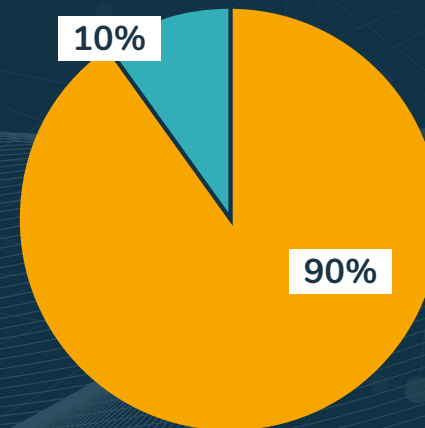
## nShift Comments:

*"As shoppers become more discerning, and increasingly conscious over how and where they spend their money, being able to provide them with a memorable, best-in-class service from checkout to returns is absolutely essential to attracting and retaining their custom. This means offering a choice of shipping options, branded tracking updates, and clear and easy returns procedures. Indeed, if they can't see how they can send back a product, many shoppers simply won't complete the purchase in the first place".*



Dedicated page for delivery options

■ Yes  
■ No



Dedicated page for returns options and processes

■ Yes  
■ No



# How To Get Value Out Of Returns

### nShift Comments:

Strategies ecommerce companies can use to improve the user experience in the returns process include:

- 1. Converting returns to exchanges** – a consumer-friendly returns interface makes it easier for the customer to exchange the item they are sending back for something else from the brand or retailer. nShift Returns customers typically convert 30% of returns to exchanges, helping retailers retain revenue.
- 2. Gaining crucial returns data** – manual returns processes make it difficult to gather information about items being sent back. But when the process operates digitally, it creates a wealth of data for businesses to analyse.
- 3. Creating remarketing opportunities** – emails about returns have significantly higher open rates than other retail communications. By weaving marketing messages into these emails, ecom companies can create additional sales opportunities.
- 4. Driving customers in-store** – a digital returns process makes it easier to give customers the opportunity to take their items back into the store. Here they will speak with a member of staff who can encourage them to exchange the item.



# Delivery Service Levels

There was a notable difference between the definitions of service level across the DSI survey sample. Standard Delivery for many retailers is 3-4 days. However, others offered 2-3 days as the SLA for standard, whilst this would be a premium service for others.

Free Next-Day often included an 'order before' cut-off. Only 5% of the survey sample offered Free Next Day and most of these operated in the premium market category. Many of the 67% of retailers who offered a Paid for Next-Day service, listed 1-2 days as the SLA.

30% of retailers surveyed offered a nominated day delivery but, in most cases, this was limited to a Saturday or Sunday.

*Review delivery and returns information and ensure that it is displayed in a clear format that doesn't involve the customer having to search for it. It is also a good idea to clarify the SLA's associated with the various offerings which will reduce contact with customer services and improve customer decision-making.*

# Conclusion

## Closing thoughts from IMRG

**Customers expectations around delivery have become more complex, and there is an overarching desire for choice.**

While it is crucial to create a delivery and returns proposition that reflects industry standard, it is equally important to ensure that the offerings you provide are beneficial to your brand rather than a hindrance. Here's a summary of the top action points to consider:

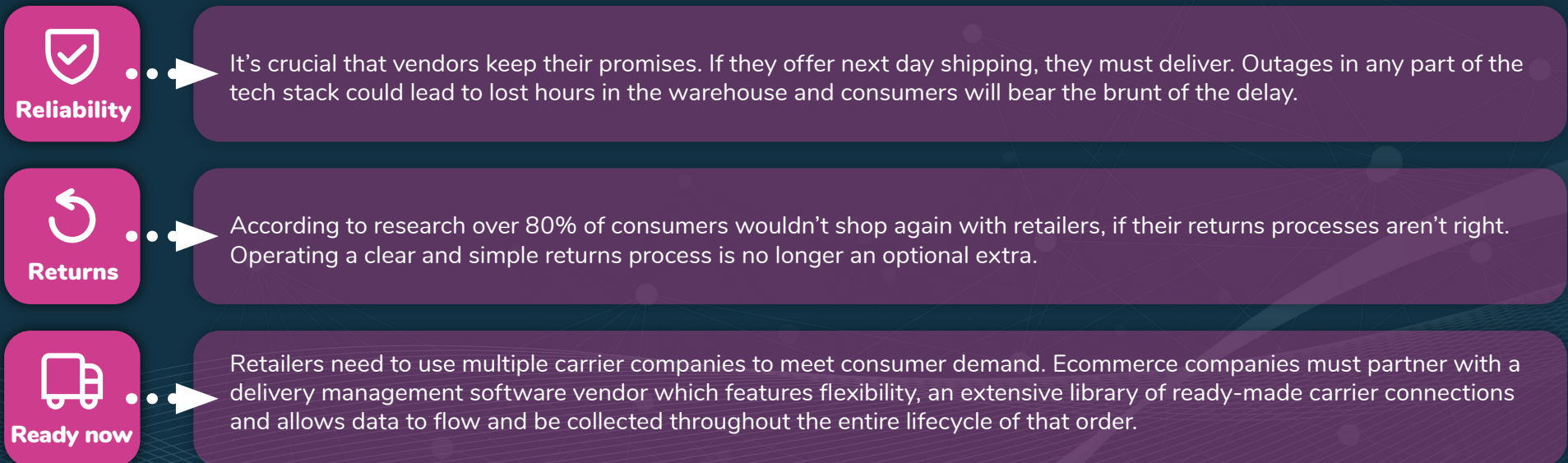
- **Free delivery** – If you wish to, or already offer, free delivery, ensure that you are not giving away margin. Analyse the data you have to see how much customers spend with you to get that free delivery, and if it is much higher than the minimum spend threshold, consider increasing that threshold.
- **Clear information** – Ensure your delivery and returns information is easy to find and easy to understand.
- **Consider a subscription programme** – If you already have a subscription programme, make sure it is working; compare your costs versus profits + other business benefits. Also consider extending the value proposition with other loyalty benefits e.g., early access to sales.
- **Industry differences** – Remember that not all delivery and returns offerings will suit your business type. Compare what you offer against your competitors to see where you may be leading or falling behind.



### Closing thoughts from nShift

Consumers expect more than ever before from the online shopping experience. They increasingly seek a range of delivery options and relevant communication. However, when retailers get this right, they can build loyalty with customers, encourage repeat purchase, and grow incremental revenues. Getting it right is something we refer to in nShift as 'the three Rs of delivery management.'

#### The three Rs of delivery management:





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