Retail and logistics – the view of the shopper

DEMAND

Retail is as much about the logistics network as it is about the store. A different retail environment has been created as a result of the undeniable growth of online retailing. Retailers that didn't exist 20 years ago are now mainstays of the industry. We are seeing expansion into product areas that would have been unthinkable a few years ago.

The spectre of competition looms large over the retail sector. There are a number of areas across which the different brands can compete. One of these areas is in delivery, what delivery options will appeal to the shopper the most? Is there a solution to the challenge of getting the product to the shopper that gives a retailer a competitive edge?

There are many deliveries / fulfilment options now and these seem to be growing by the week. We see technology coming more to the fore with talk of drone deliveries and driverless cars. Technology within retail logistics centres is growing to keep pace with demand. The growth in robotics is likely to bring cost savings and efficiencies that benefit the shopper.

There are now a number of permutations that relate to the purchase and receipt of the item in question.

The choice of where to purchase remains relatively simple – in store or online. The options for receipt of the purchased item are now extremely varied. The purchase can basically be delivered to a direct location, a third party for collection / delivery, be collected in store or even from a locker.

Product returns are also an issue that has to be addressed. Whereas customers would be 'happy' to return an item to the store in which it was purchased this is no longer enough. An expectation that items bought anywhere (online or in store) can be returned anywhere is now commonplace.

The different delivery and return options that are available have different cost considerations for the retailers. The shopper has been hardwired to expect cheaper and faster delivery with every passing year. Whilst the optimum model may be one that has the shopper collecting direct from a warehouse this is not an option that would typically be engaged with. Every additional step added to the delivery journey increases the cost to the retailer.

Whilst the grocery market in the UK is still at a relatively low level of online purchase and delivery other sectors have seen a significant impact. The reasons for this are relatively straightforward. A large proportion of food items are bought on the same day as their intended use. Non-food items, notwithstanding impulse purchases tend to be more planned. As retailers compete with one another the breadth of the range offer tends to increase. The inelastic walls of physical stores have given way to the seemingly endless SKU count that can be offered online. Each of these SKU's may be delivered in a different way. Whether direct from manufacturer or via the retailer's logistics network this adds further complexities.

WHAT DO SHOPPERS WANT?

CBRE recently carried out research to understand what shoppers want from their retailers.

What are the most important factors when choosing where to shop and what role does delivery play?

- Only 16% of people said the ability to click and collect was very or extremely important in deciding where to shop
- 31% went so far as to say click and collect was not important at all

IMPLICATIONS:

For a retailer click and collect gets people into a store, it creates potential for additional purchases and it reduces the complexity of the delivery.
Shoppers would rather visit a shop and buy there and then than click and collect. The incentive to go into a store to click and collect is limited. Many now see click and collect as inconvenient, taking time and effort

WHAT IS MOST APPEALING TO A SHOPPER WHEN IT COMES TO SHOPPING AND DELIVERIES?

- A third stated they wanted to be able to shop in-store for home delivery
- Almost half said that free same day delivery for in-store purchases is extremely/very appealing
- Fully integrated online and offline services (ability to buy and return via any route they want)

IMPLICATIONS:

Increased costs for retailers, logistics challenges, more congestion on the roads, even greater demands from consumers

HOW DO PEOPLE PREFER TO SHOP?

•46% prefer to shop online
•46% prefer to shop in-store

IMPLICATIONS:

The understanding of the role of the store is increasingly important. Shoppers still want to visit stores to see the products but they also want integration of online. Delivery options become ever more important – 'whenever, wherever and however I want'

WHY DO PEOPLE PREFER TO SHOP ONLINE?

- A third of people shop online because they can decide how they get their purchase
- 6 out of 10 people that prefer to shop online say it's just generally easier

IMPLICATIONS:

Online has portrayed itself as being easier and more consumer friendly. It doesn't offer an 'experience' but people don't seem to care – they want life made easier. Can stores offer both an experience and ease of purchase?

IF SHOPPING ONLINE FROM A RETAILER THAT HAS PHYSICAL STORES WHAT DO THEY HAVE TO OFFER AS STANDARD?

- They have to allow goods bought online to be returned to any store for a refund or exchange
- If retailers have an online presence they need to do click and collect in all stores

IMPLICATIONS:

The increased pressure on retailers to offer an integrated solution is not going away. Customers don't want there to be a line drawn between online and offline, it's the same retailer so why would they be different?

The role of the store is changing. Many retailers recognise this and rather than fighting against showrooming they are actively encouraging it. Online retailers have opened physical stores, some of which do not even allow a purchase to be made in-store. Retailers have to embrace the opportunity created by having a better logistics network than the competition.

The competition for logistics space is fierce. Retailers are not only fighting for the best unit on the high street, they are fighting for the optimum warehouse location. Shoppers want their retailers to be fully integrated between their stores and their websites.

Shoppers do not care about the complexity of operating stores, warehouses and websites. They simply want the products to be available where they want and when they want them.

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