



INDUSTRY REPORT

# Sharpening the Focus: Eye on Last- mile Delivery





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# About This Report

## State of the Industry

Amid long-term e-commerce growth forecasts and short-term economic uncertainty, retailers and logistics providers are faced with surging demand for delivery and pressures to reduce its cost. Further, increased competition within both the retail and logistics industries has created an environment where last-mile delivery has become a strategic competitive advantage.

Our analysis examines the relationship retailers, logistics providers and consumers have within last-mile delivery and the challenges, opportunities and strategies companies are taking to create superior delivery experiences. Technology and innovation now enable organizations to enhance their delivery processes to reduce costs and enhance customer experiences. For those looking to gain market share, the status quo of last-mile delivery is no longer an option.

## The Importance of Research, Data and Insights

Research provides data, unlocks insights and drives strategy. Understanding the current state of last-mile delivery and how leading organizations are improving operations can help you create competitive benchmarks to plan your future.

For retailers, understanding what your consumers want from their delivery experience and how retailers around the world are improving last-mile delivery can benefit your operations. For logistics providers, understanding the challenges retailers have when outsourcing deliveries can help you deliver a superior service.

**Let's explore the current state of last-mile delivery and how technology is shaping the deliveries of tomorrow.**





## OVERVIEW

# Last-mile Delivery

Consumers are increasingly having products delivered to them, driving greater last-mile delivery volumes and complexities for retailers and logistics companies. Because of this growth, the last mile has become an important extension of a retailer's brand and a significant revenue driver for logistics providers.

Both last-mile delivery costs and consumer expectations are on the rise. Reducing costs and exceeding these expectations are critical for last-mile superiority, as our research shows.

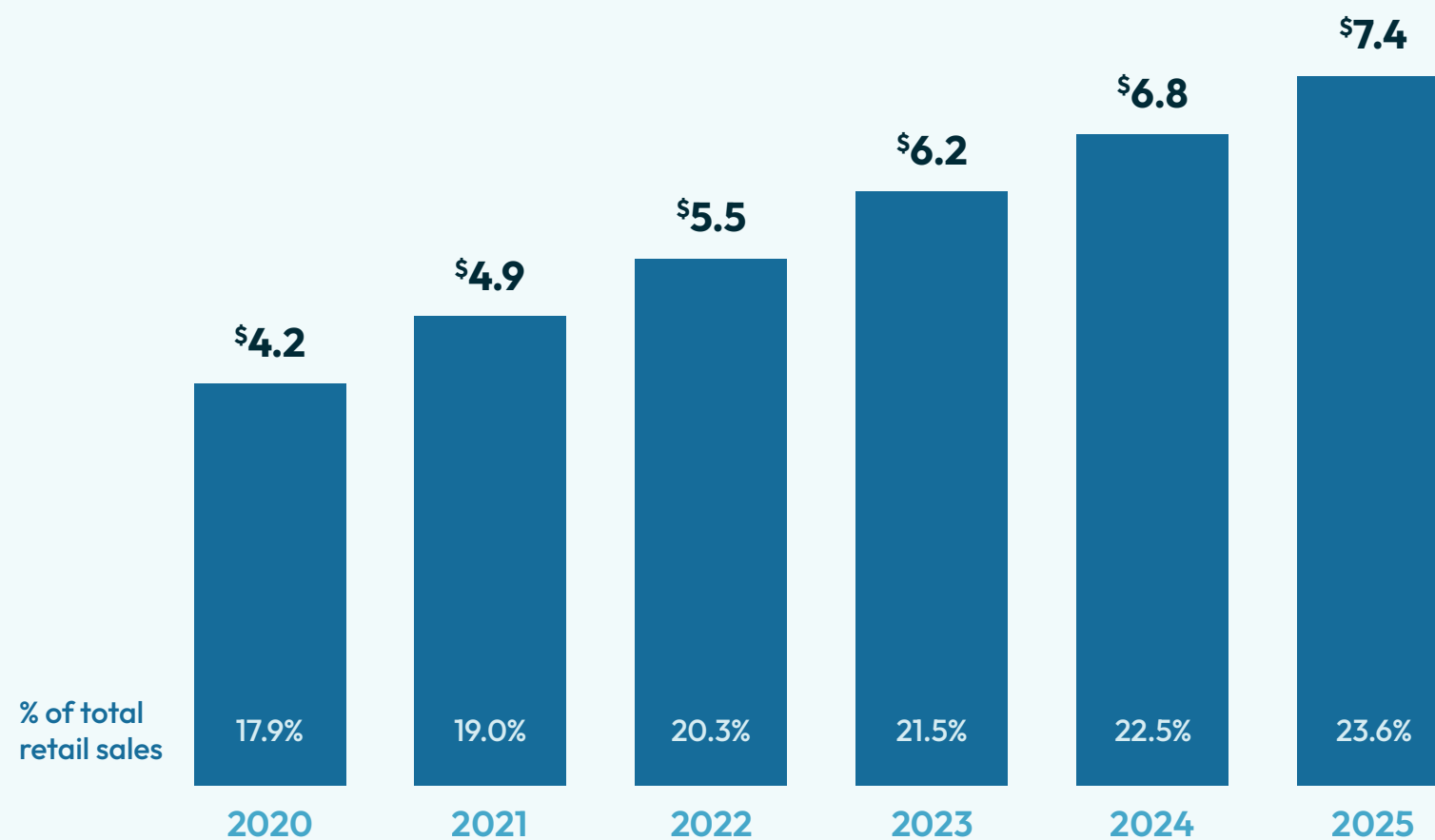
Although retailers and logistics providers are both concerned with last-mile deliveries, their involvement, strategies and challenges within are nuanced. The end consumer, however, drives the entire supply chain.

The last mile is where retailers, logistics providers and the end consumer meet.

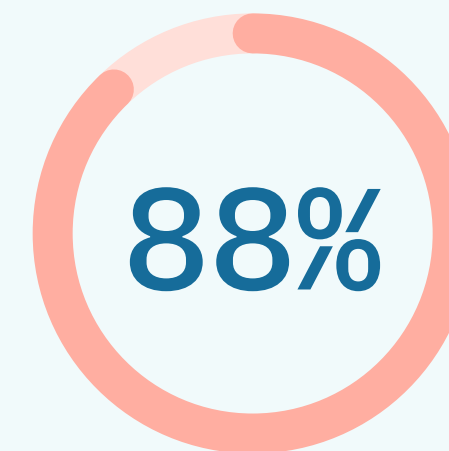




# The Importance of Last-mile Delivery



Retail e-commerce sales worldwide, \$T<sup>1</sup>



have abandoned an online shopping cart because of poor delivery terms



will not shop with a retailer again after having a poor delivery experience

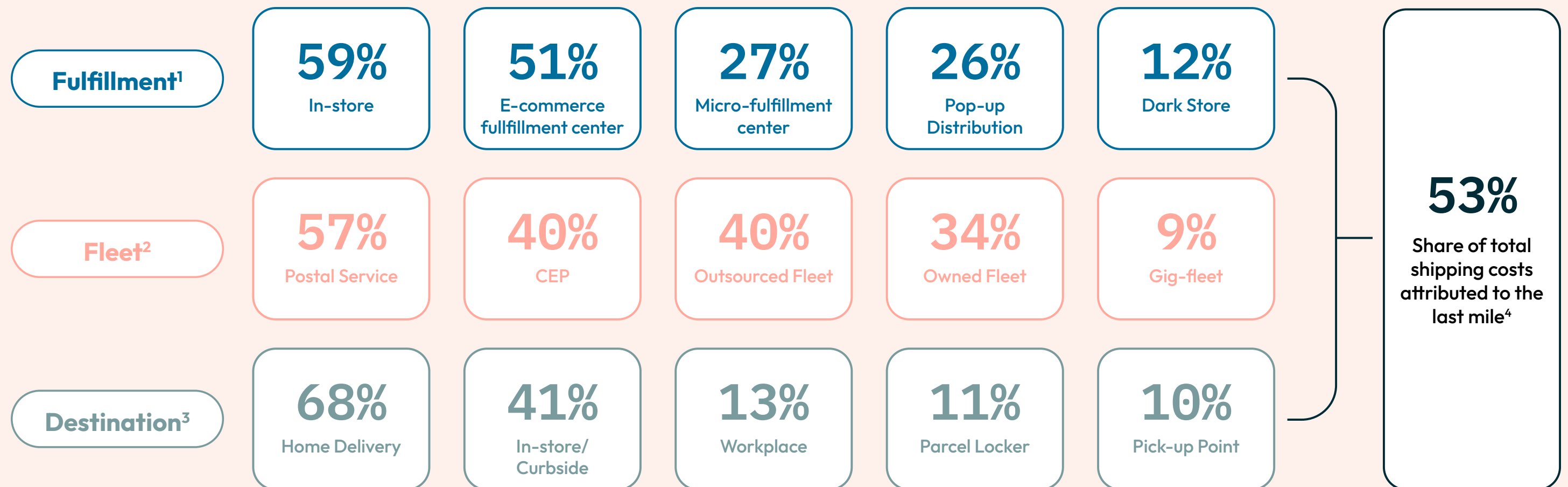
U.S. online consumer behavior, % claiming<sup>2</sup>

Sources: [1] eMarketer. [2] FarEye Last Mile Mandate Survey. June 2022. n=1,264 U.S. consumers.



# The Last-mile is Costly and Complex

Fulfillment, fleet and destination types used by retailers and consumers, % claiming



Sources: [1] Blue Yonder “Fulfillment options retailers worldwide plan to have in the next 2-3 years.” [2] FarEye. “Fleet types retailers use for last-mile delivery.” [3] FarEye. “Delivery destinations U.S. consumers have used in the past.” [4] Business Insider.



# Achieving Superior Deliveries



## Superior deliveries defined



**Low Cost**



**Visible**



**Fast & On-time**

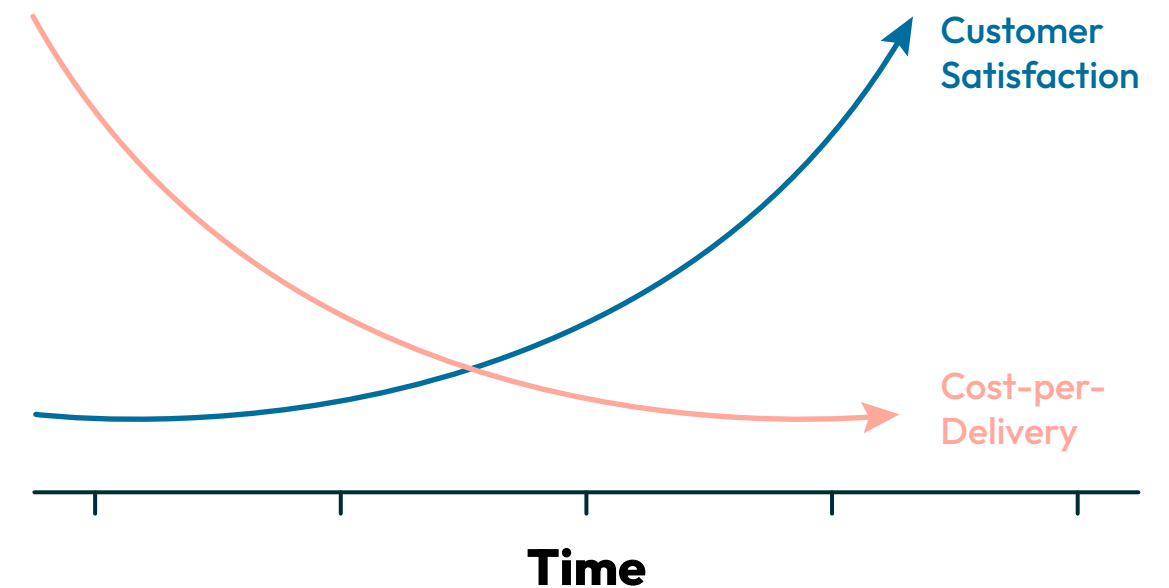


**Sustainable**



**Flexible & Adaptable**

## The Long-term Goal



For retailers and logistics companies alike, the key last-mile delivery priorities are reducing cost-per-delivery and improving customer satisfaction.

**Successfully doing so can generate competitive advantages.**



# Achieving Superior Deliveries



## Retail & e-commerce

For retailers, last-mile delivery is only one piece of a much larger order-to-door picture, and they may view last-mile delivery as a cost center rather than a strategic advantage.

And while this is generally true, a great delivery experience can be a revenue driver.

As e-commerce continues to grow, last-mile deliveries will play an even more important role in retailers' business strategies.



## Logistics

For logistics companies, last-mile delivery is the heart of their operation. Many are focused on reducing last-mile delivery costs and enhancing customer experiences.

As technology and connectivity improve, retailers are beginning to outsource delivery networks with more choices than ever before.

Competition is heating up.





**“To create superior delivery experiences, retailers today are most focused on reducing the cost-per-delivery and improving customer satisfaction.”**

# Retail & E-commerce

## LAST-MILE DELIVERY

In a world where online shopping has grown in popularity, retail consumers are increasingly evaluating shipping terms and delivery experiences when deciding where to shop. Getting the last mile right is critical for retailers. Poor delivery terms prevent consumers from shopping. Poor delivery experiences prevent them from returning.

To create superior delivery experiences, retailers today are most focused on reducing the cost-per-delivery and improving customer satisfaction.

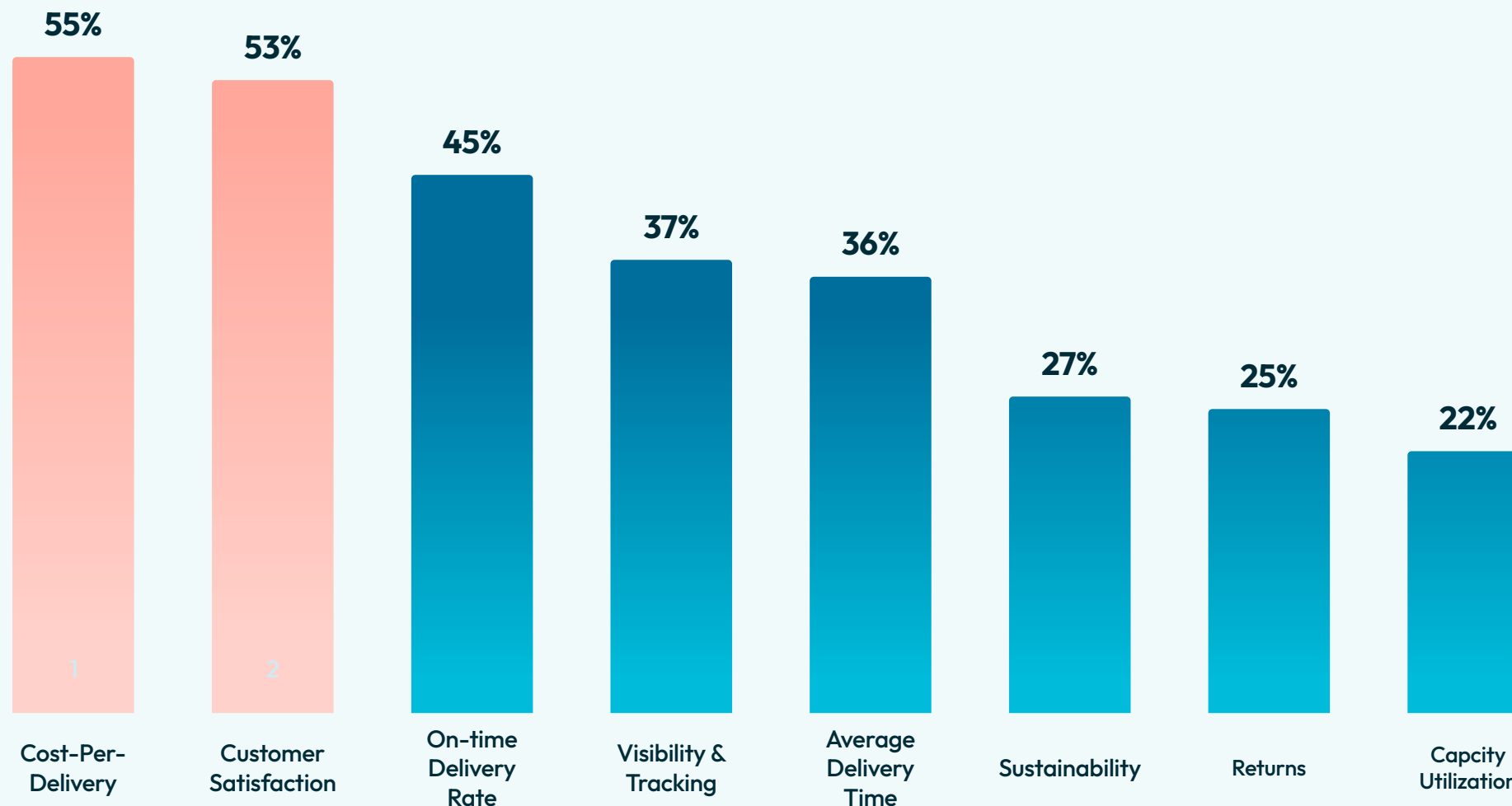
Retailers are diversifying and outsourcing their delivery networks, partnering with postal services, couriers and gig-fleets to expand their footprints and enhance service. In doing so, they cede control of the delivery process and consumer experience.

And the last mile is not just a one way street. Retailers are heavily focused on creating more efficient online returns processes - which can be detrimental to the bottom line.



# Superior Retail Last-mile Deliveries

Retailers are focusing on simultaneously reducing delivery costs while enhancing consumer experiences

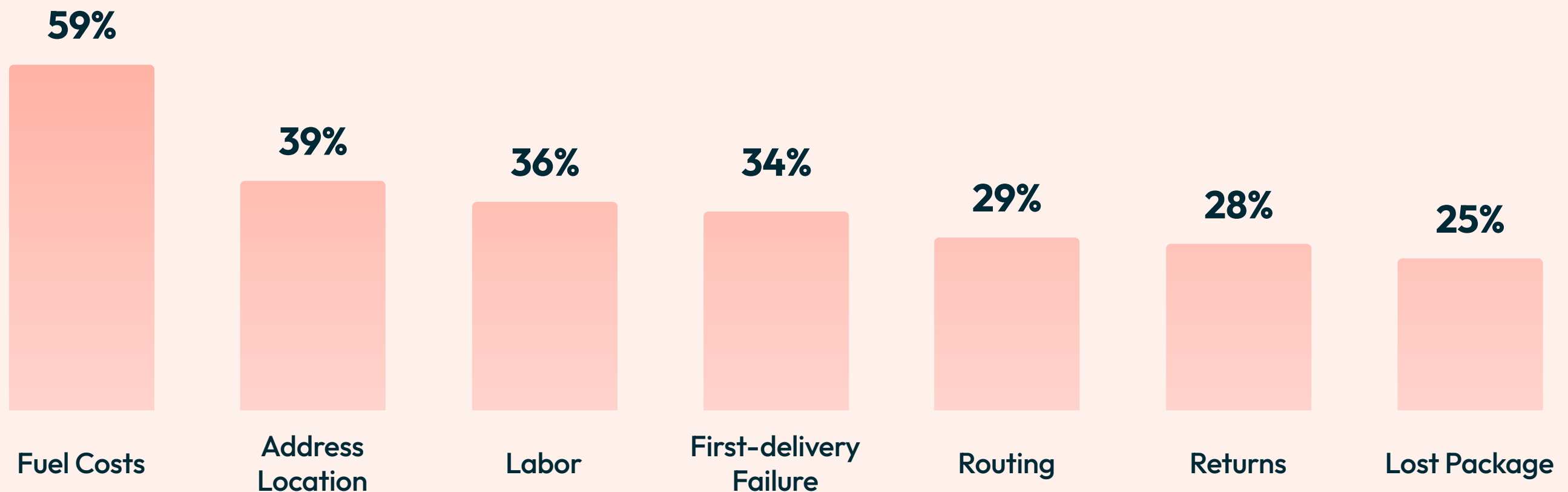


**Last-mile delivery KPIs retailers are most focused on improving**



# Delivery Cost Drivers

Major factors retailers claim contribute to high last-mile delivery cost





# Achieving Consumer Satisfaction

Elements that create a positive delivery experience – ranked, among U.S. consumers

- 1 **Fast delivery**
- 2 **Low shipping costs**
- 3 **Delivery tracking**
- 4 **Easy return process**
- 5 **Sustainable deliveries**
- 6 **Ability to select delivery windows**

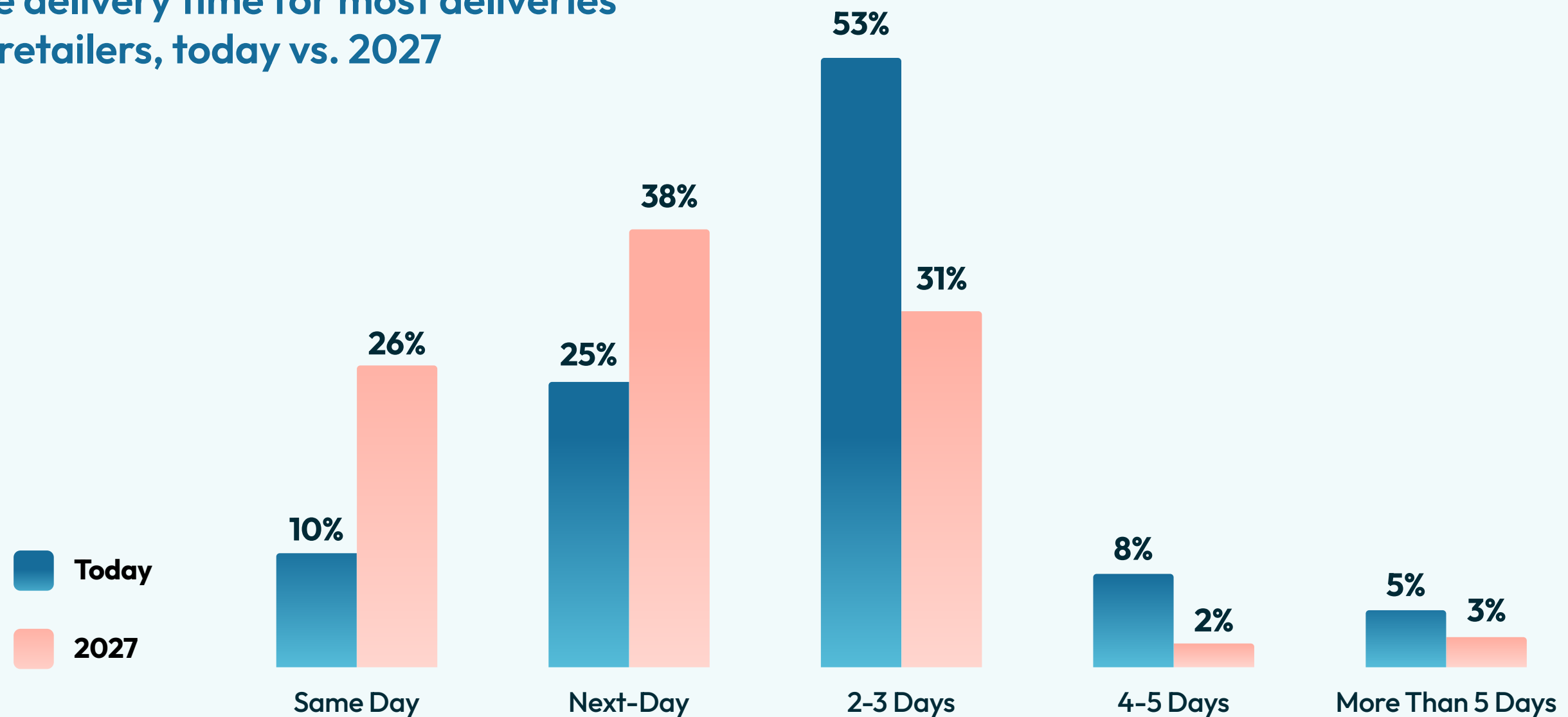






# Majority of Retail Deliveries Made Within 3 Days

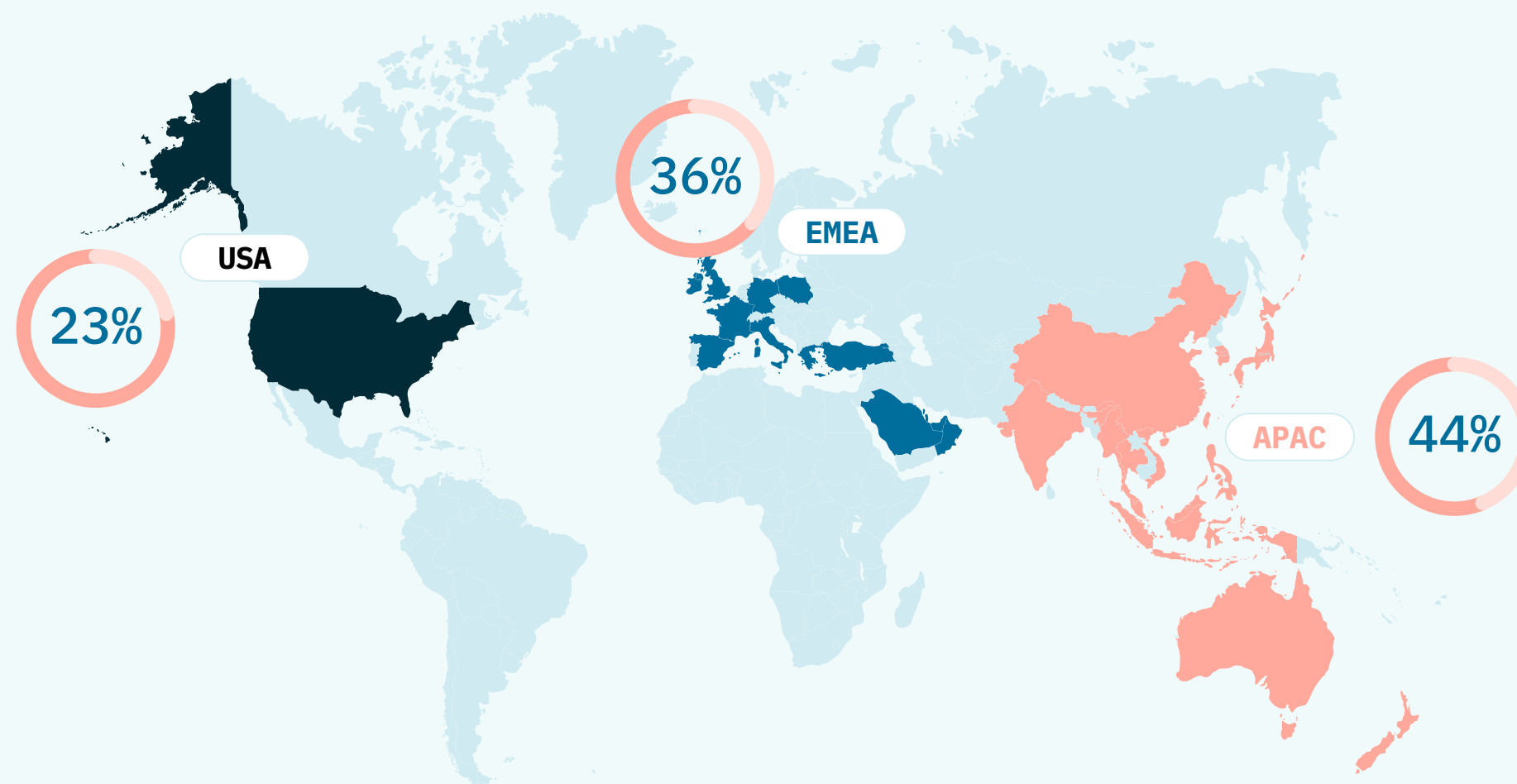
Average delivery time for most deliveries among retailers, today vs. 2027





# The U.S. Has Room for Speedier Delivery

Same-day or next-day average delivery time today, %  
retailers claiming by region





# Delivery Networks are Diversifying

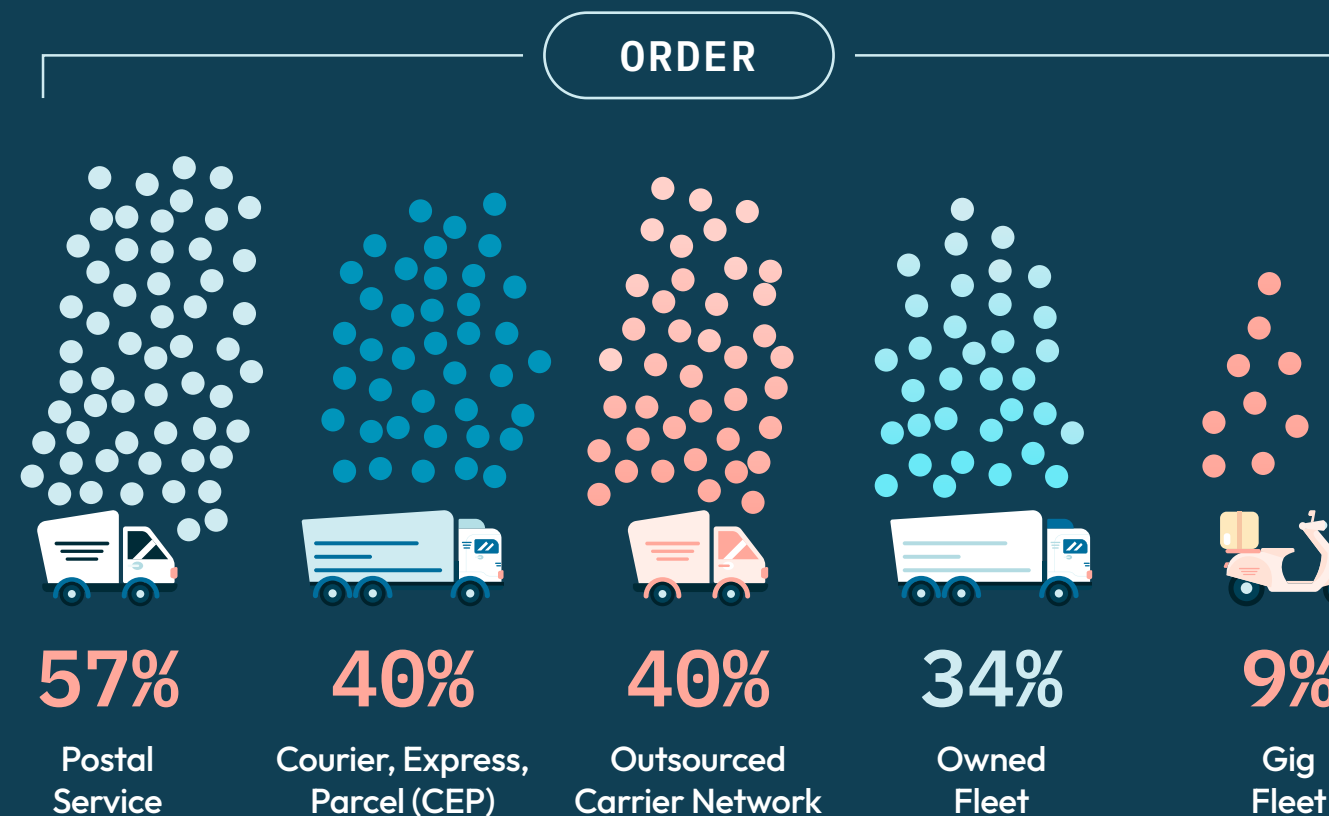
## Fleet types retailers use for last-mile delivery today

**57%**

of retail last-mile delivery networks have become more outsourced in the past 5 years

**59%**

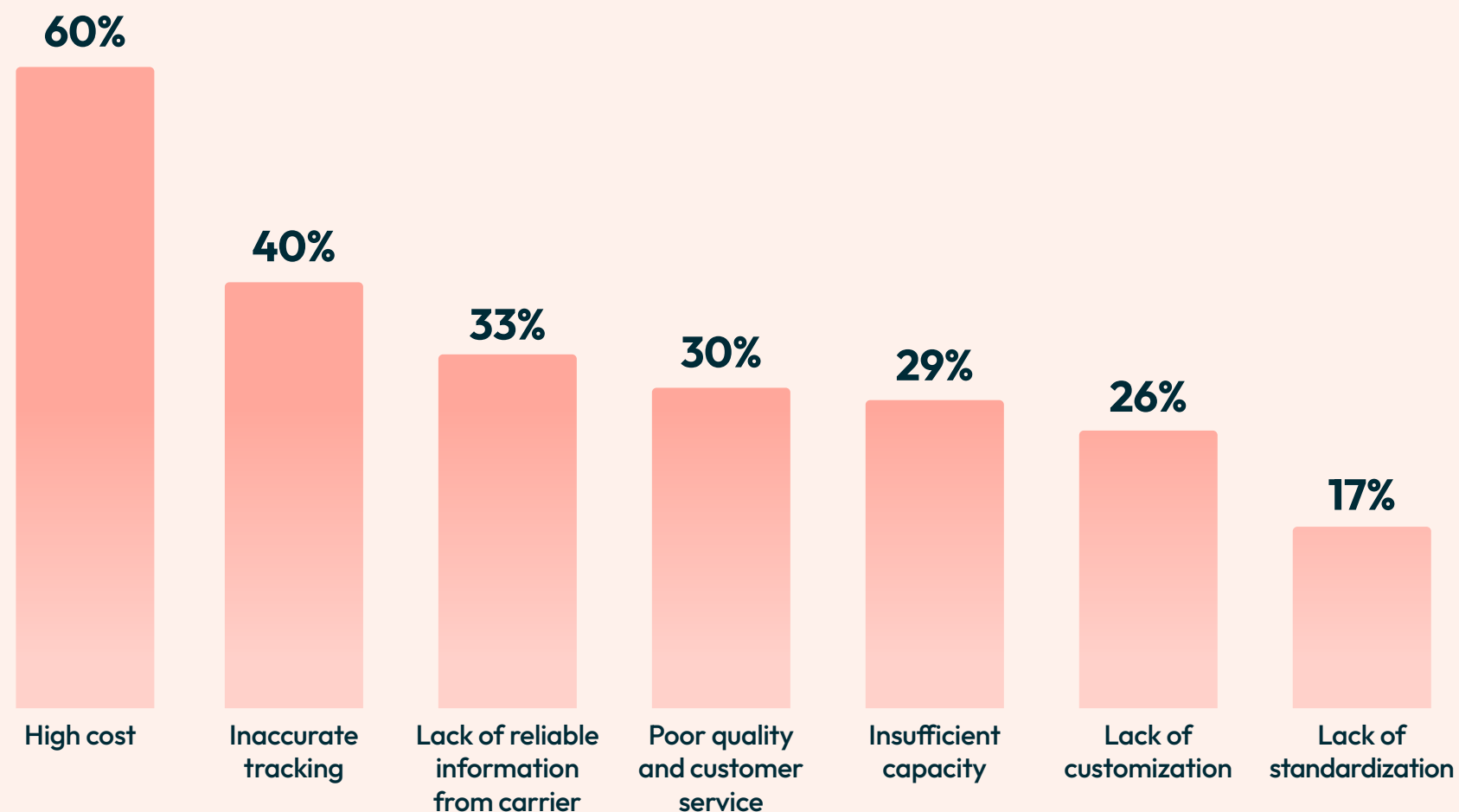
of retailers anticipate their last-mile delivery networks to become more outsourced in the next 5 years





# But Retailers Need More Control

Challenges retailers have with outsourced delivery networks, % claiming:



# 84%

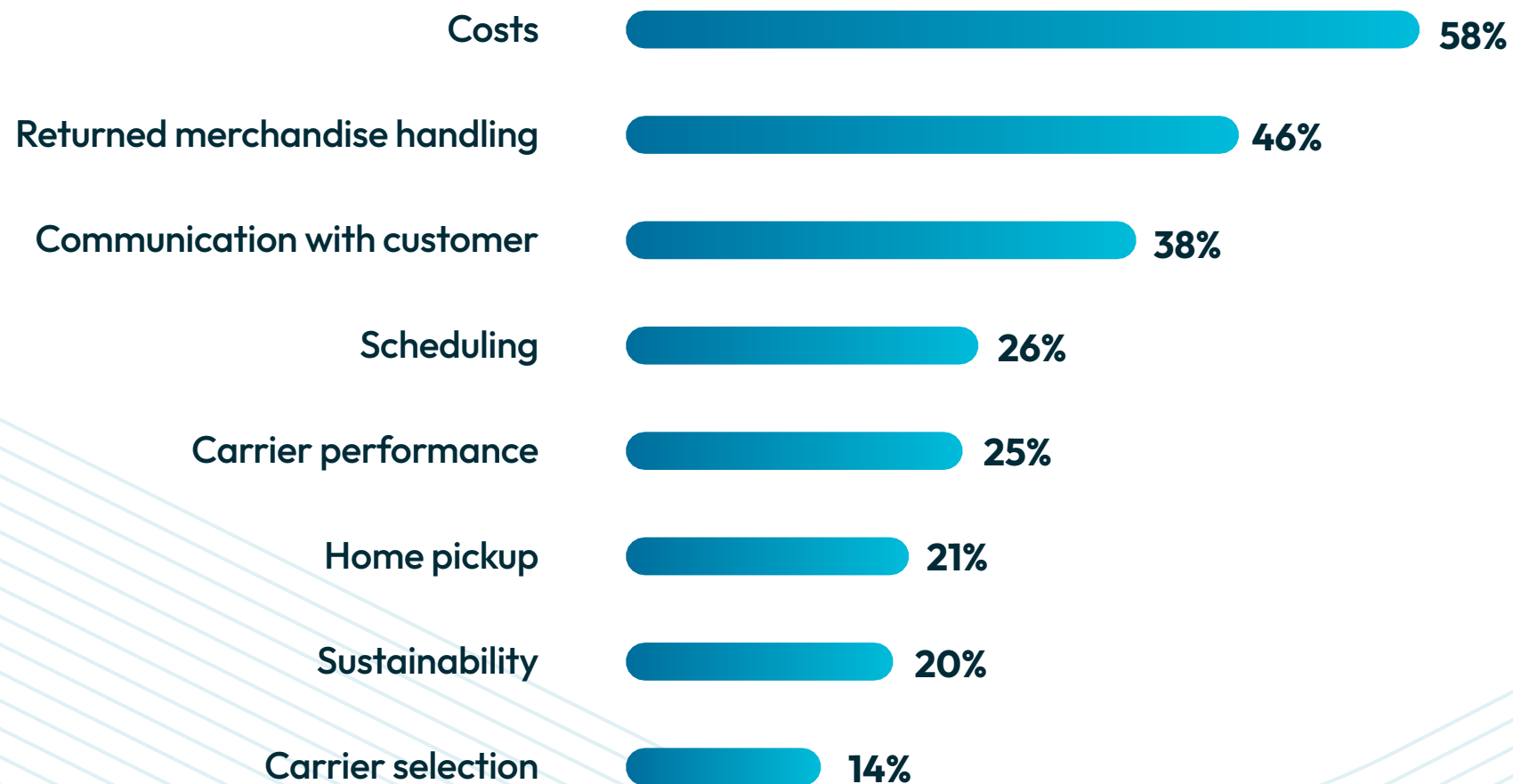
of retailers claim their organization needs more control of their outsourced delivery networks than they currently have



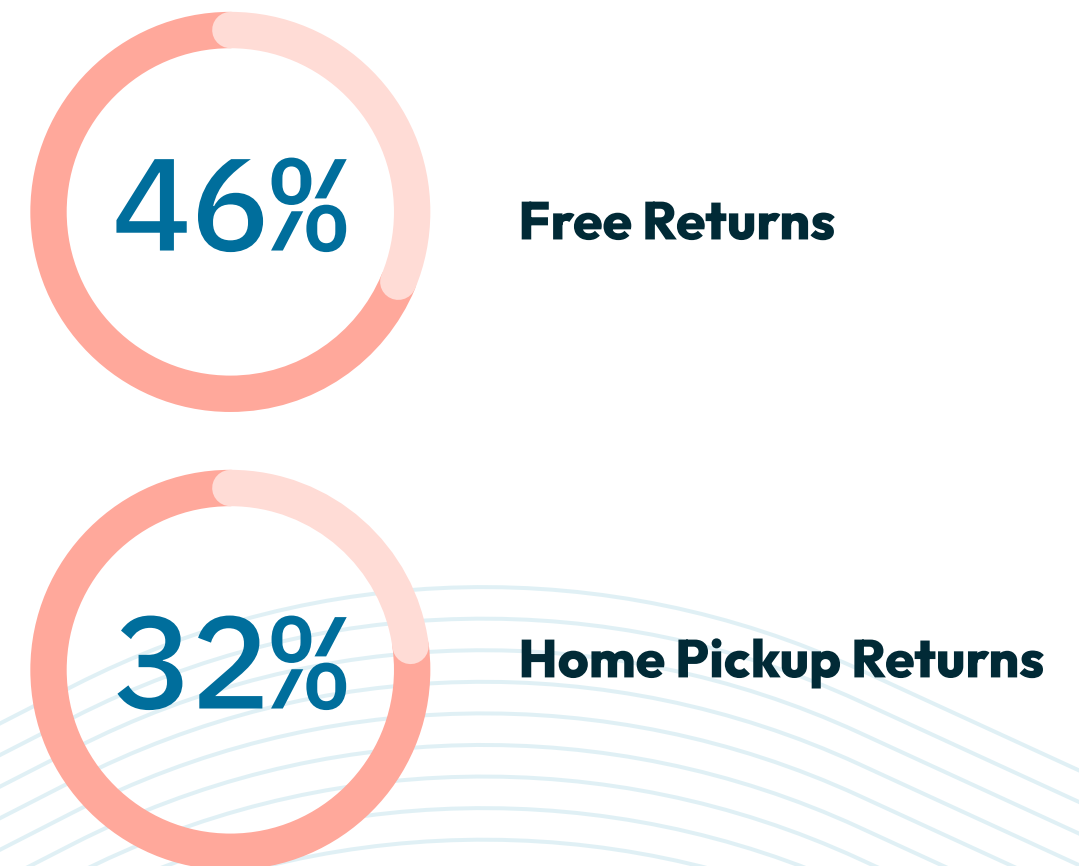


# Despite Costs, Many Retailers Offer Free Returns

Major challenges retailers experience regarding returns:



% of retailers that always or almost always offer the following:





# Reverse Logistics Math

The trust cost of online returns

## Industry Statistics

**30%** Online order return rate<sup>1</sup>

**4%** \*Forward Logistics Cost as % of Sales






**60%** \*\*Reverse Logistics Cost as % of Sales<sup>2</sup>

**25%** of Returned Orders Thrown Away<sup>3</sup>

\* Assumes \$2 shipping cost to company on standard \$50 order

\*\* Customer Care, Transportation, Processing, Discounting and Liquidation Cost

## \$1B Retailer Example

	SALES RETURNED <b>\$300,000,000</b>
	DELIVERY COST <b>-\$12,000,000</b>
	RETURN COST <b>-\$180,000,000</b>
	INVENTORY COST <b>-\$75,000,000</b>
	TOTAL COST <b>-\$267,000,000</b> <b>27% of total sales</b> 89% of sales refunded



**“Logistics companies are heavily focusing on improving their on-time delivery rates, which can impact both costs and customer satisfaction.”**

# Logistics

## LAST-MILE DELIVERY

Logistics providers are the backbone of the last mile and most retailers today rely on them to complete deliveries to consumers. But many retailers experience challenges with their logistics partners. Improved integrations between the two parties can help mitigate these challenges.

Like retailers, logistics providers are most concerned with reducing costs and improving customer satisfaction in the last mile. But logistics companies are also heavily focusing on improving their on-time delivery rates, which can impact both costs and customer satisfaction.

As logistics providers expand and scale, their priorities change. And for larger providers, new technologies such as electrified and autonomous fleets are on the horizon.



# Retailers Outsource Deliveries for Speed, Flexibility

Benefits retailers have with outsourced delivery networks, % claiming:



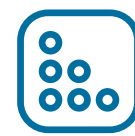
**64%**

FASTER  
DELIVERY



**46%**

FLEXIBILITY



**43%**

INCREASED  
CAPACITY



**37%**

REDUCED  
COST



**36%**

SCALABILITY





# But Many Retailers Have Challenges with Carriers

Select challenges retailers have with logistics carriers



**46%**

Of retailers claim a lack of reliable information from carriers as a challenge with outsource delivery networks



**#1**

Retailers rank carrier performance as the top factor that inhibits delivery speed



**25%**

Of retailers claim carrier performance is a challenge for returns



# How Logistics Providers are Improving Service

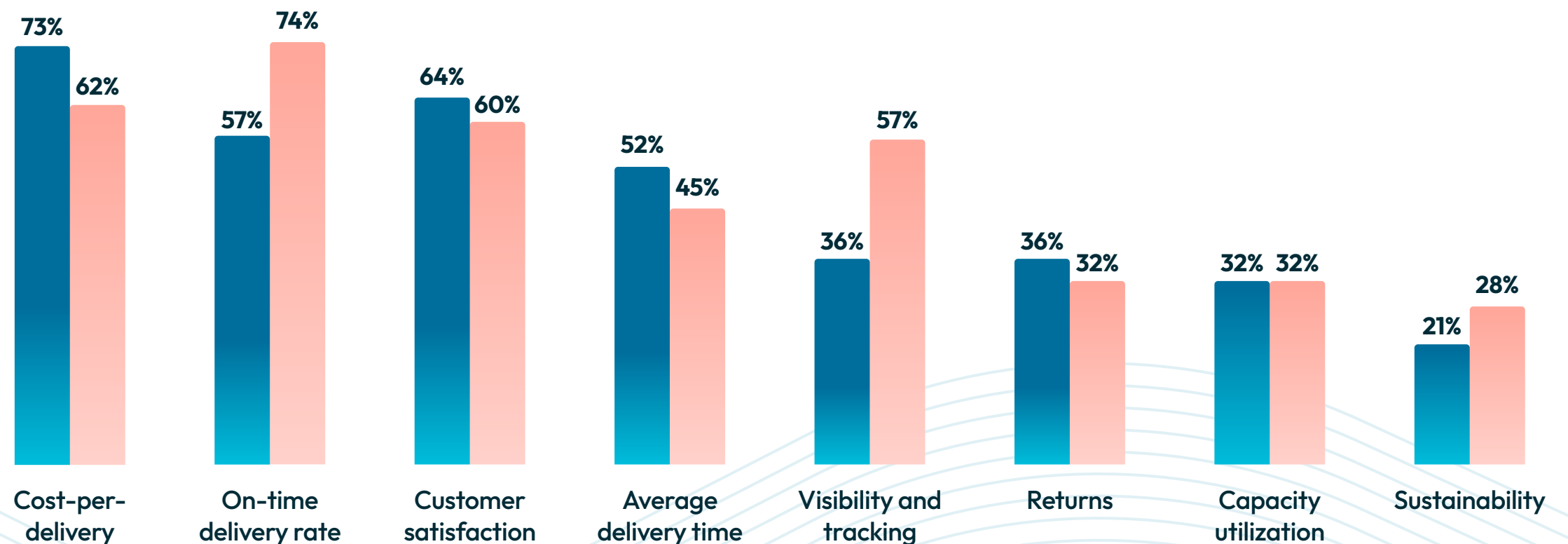
Last-mile delivery KPIs most focused on improving, among logistics providers by revenues

■ Under \$100M    ■ \$100M or more

As logistics companies scale, priorities change.

For larger operations, on-time delivery and tracking become greater focuses, while increased scale improves cost-per-delivery.

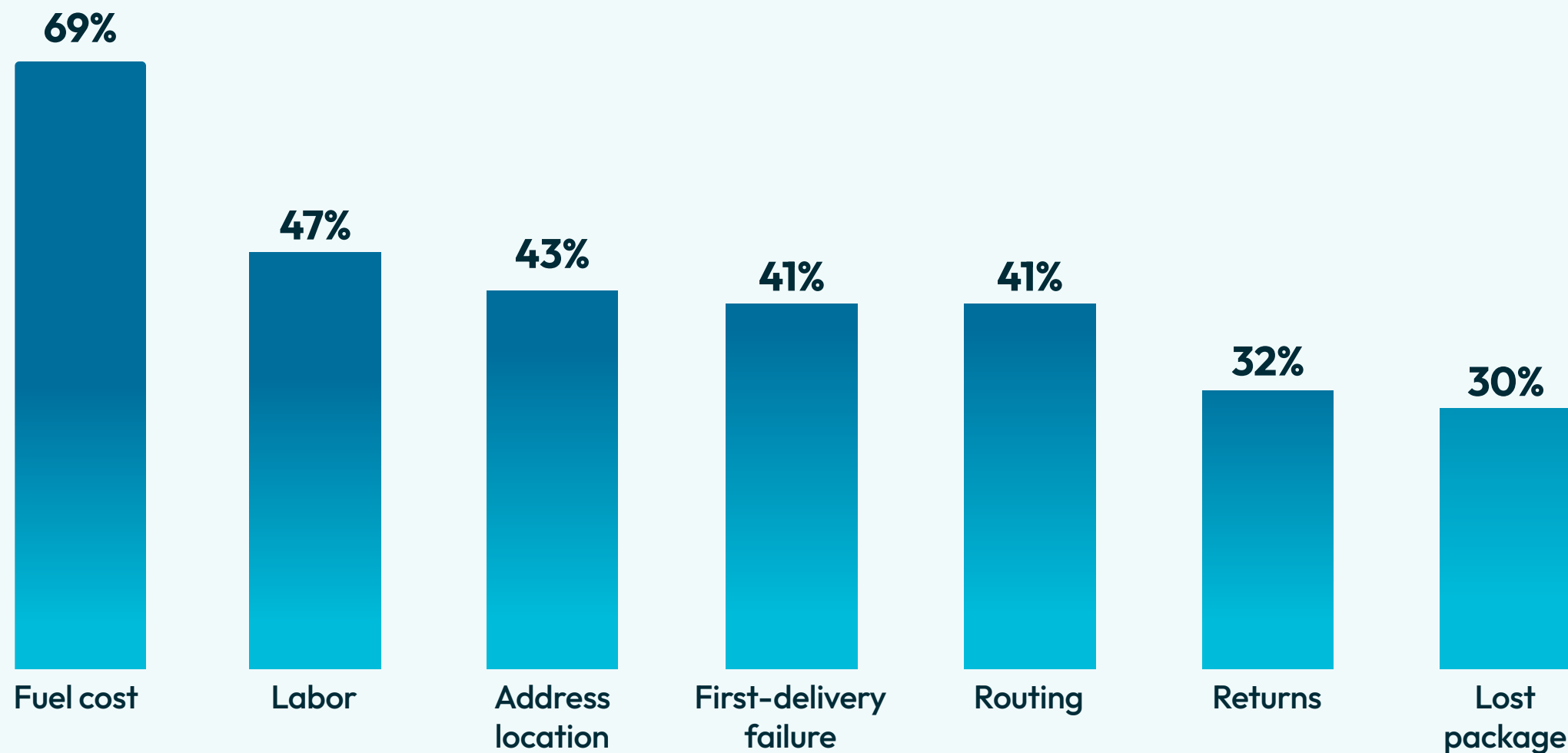
With size comes complexity.





# High Delivery Costs Driven by Multiple Factors

Major factors that contribute to high last-mile delivery cost, among logistics providers

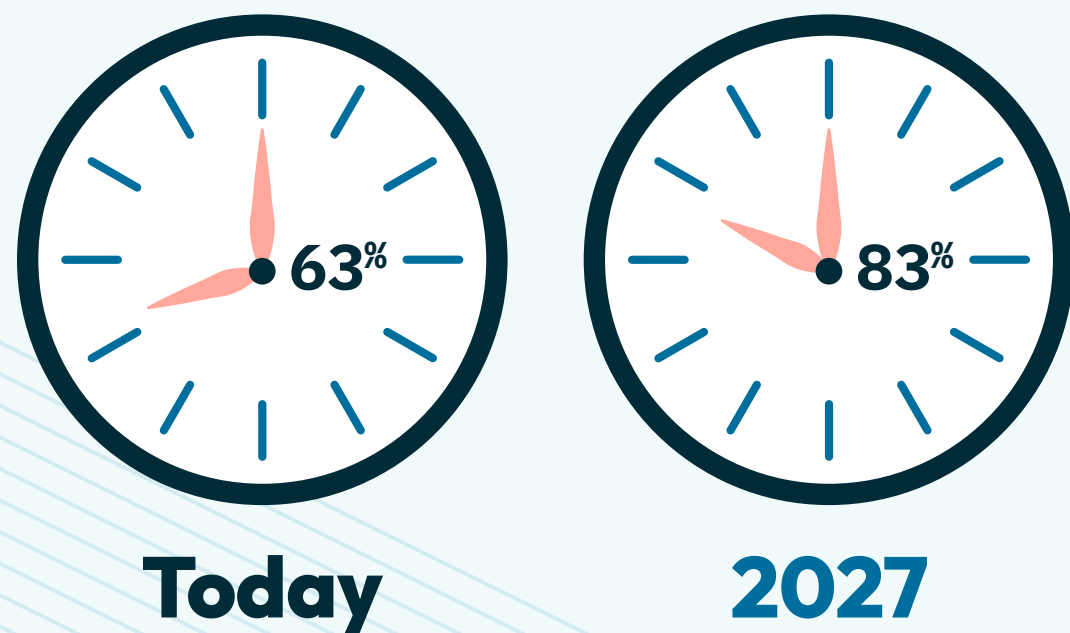




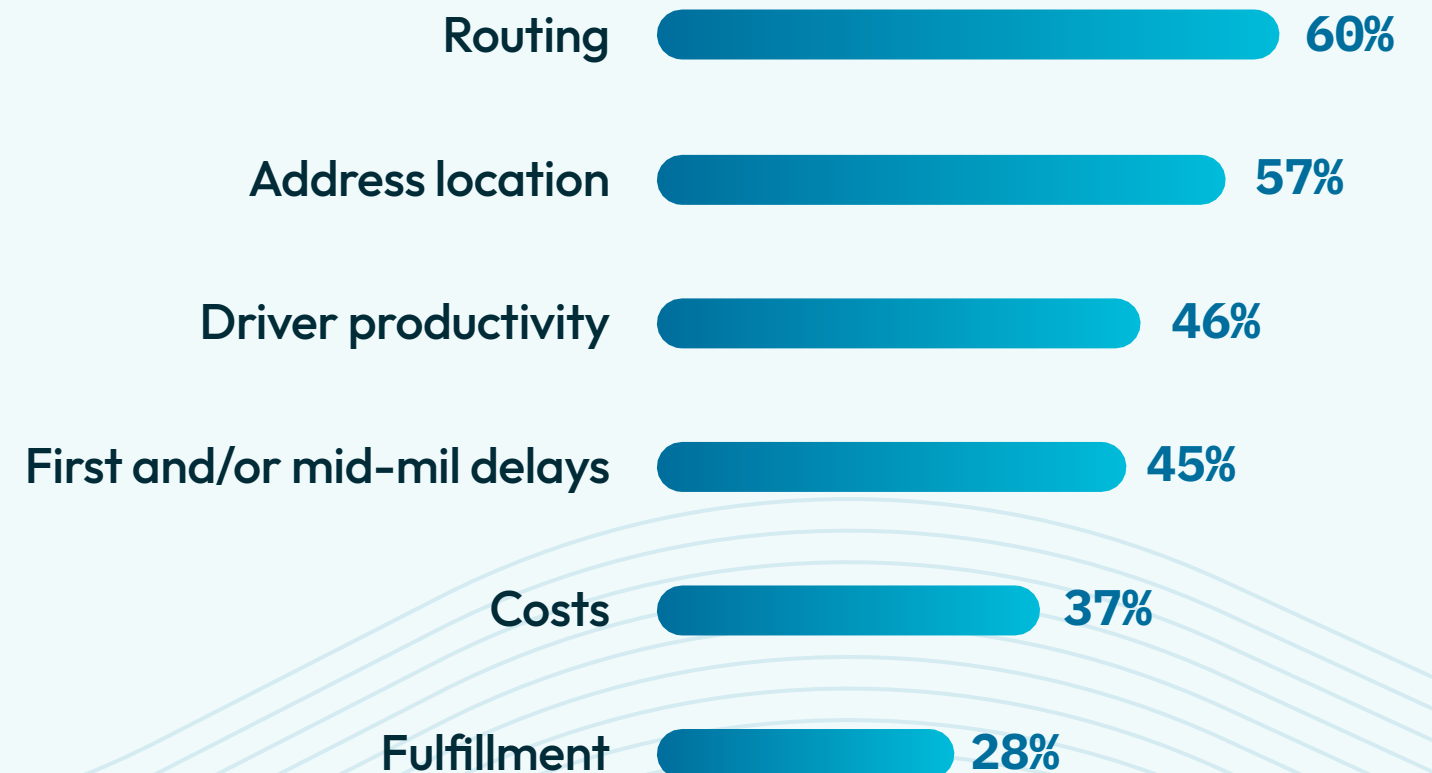
# On-time Delivery Hindered by Routing, Address Location

Major factors that contribute to high last-mile delivery cost, among logistics providers

% of logistics providers claiming all or almost all deliveries made on-time, today vs. 2027



Major factors that inhibit delivery speed, among last-mile logistics companies

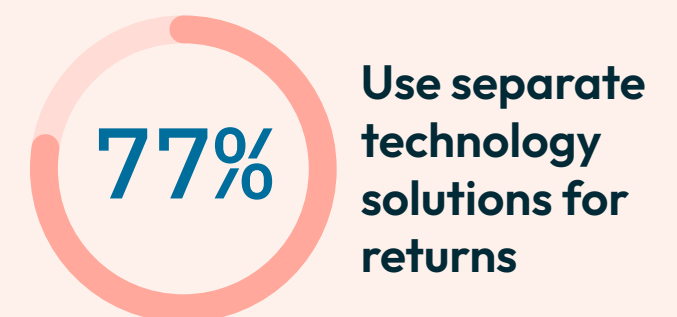
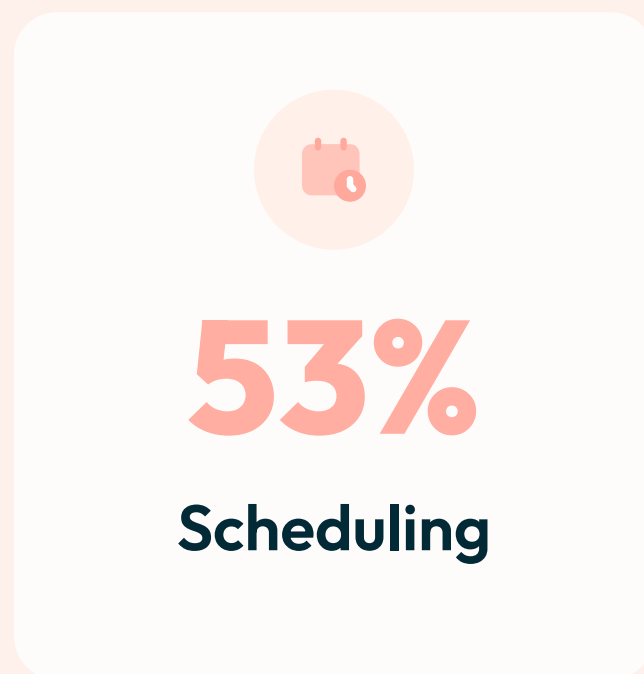






# Scheduling, Communication and Cost are Top Returns Challenges

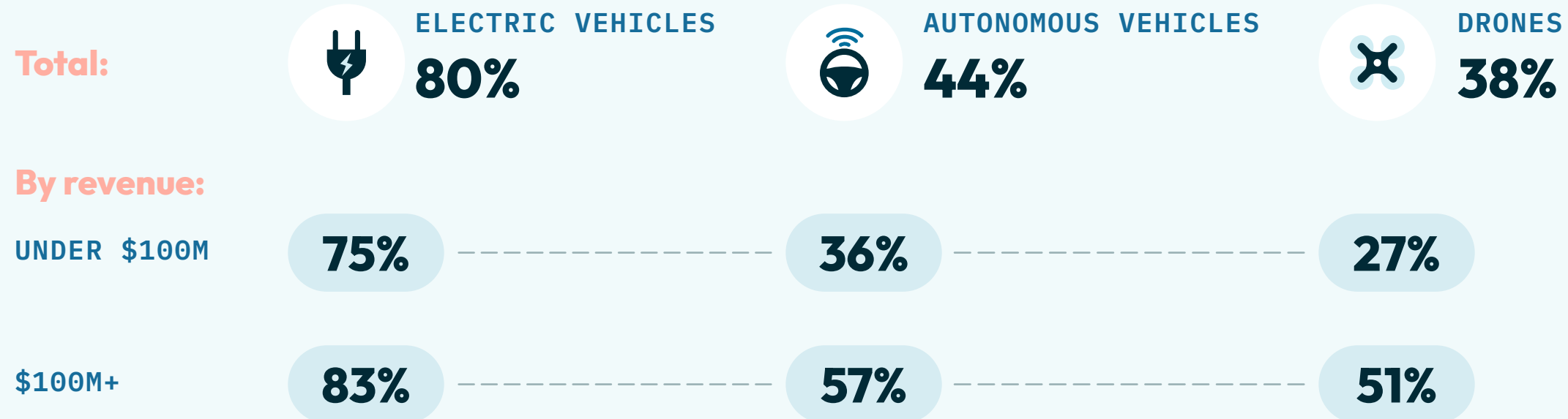
Top 3 challenges logistics providers have regarding returns





# EVs on the Horizon; Larger Logistics Providers Eyeing Autonomous Technology

Future fleet technologies logistics providers are considering using in the future, % claiming





**“Last-mile delivery platforms today allow retailers and logistics providers to simultaneously reduce delivery costs and enhance consumer delivery experiences.”**

# Last-mile Delivery Technology

Despite recessionary pressures and budget reductions across many aspects of their businesses, a majority of retail and logistics companies indicate they plan to spend on last-mile delivery technology in the coming years.

Last-mile delivery platforms today allow retailers and logistics providers to simultaneously reduce delivery costs and enhance consumer delivery experiences, creating competitive advantages that translate to increased market share.

Organizations cite many challenges with their current last-mile delivery technology partners however, and they express a large interest in adopting single-platform solutions that allow for more seamless control of complex logistics processes at a reduced cost.



# Appetite For New Technology Solutions Amid Growing Budgets

Claim they will likely change or buy a new last-mile delivery solution in the next 1-2 years

Expect budgets for last-mile technology to grow in 2023



Retailers

78%

66%



Logistics Providers

82%

77%



# Organizations Prefer to Combine Multiple Solutions on One Platform

Use multiple technology solutions for various aspects of last-mile delivery, % claiming

Believe it is extremely or very beneficial to merge all technology solutions into one platform, % claiming



**Retailers**

**73%**

**72%**



**Logistics Providers**

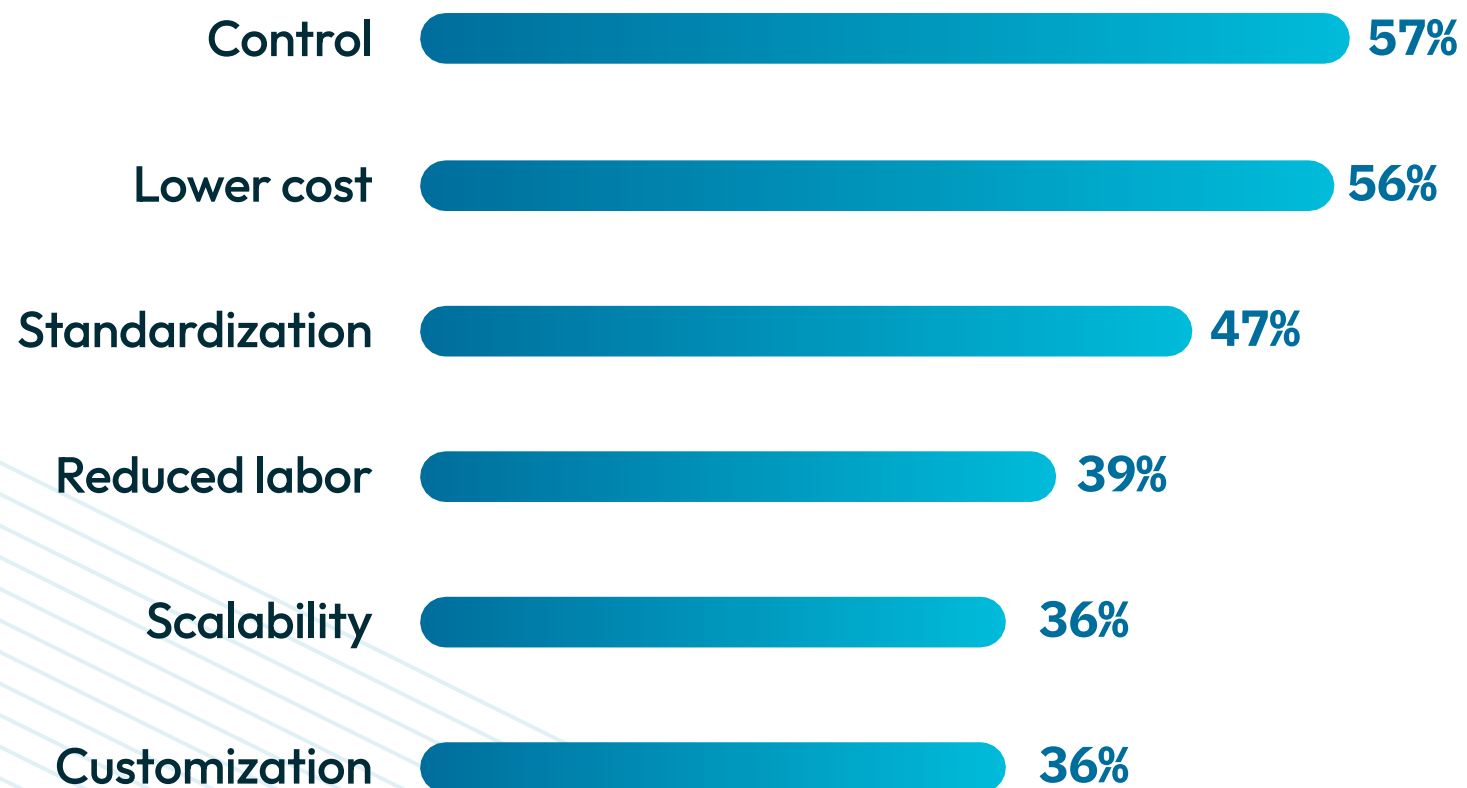
**78%**

**80%**



# Benefits of Centralizing Operations on One Platform

## Benefits of merging, % claiming among retail and logistics providers



Most organizations use multiple last-mile solutions across different platforms. This becomes more evident as companies grow larger and expand their capabilities.

A single platform allows for a centralized, standardized process that increases control and reduces overall technology spend.

### The challenge?

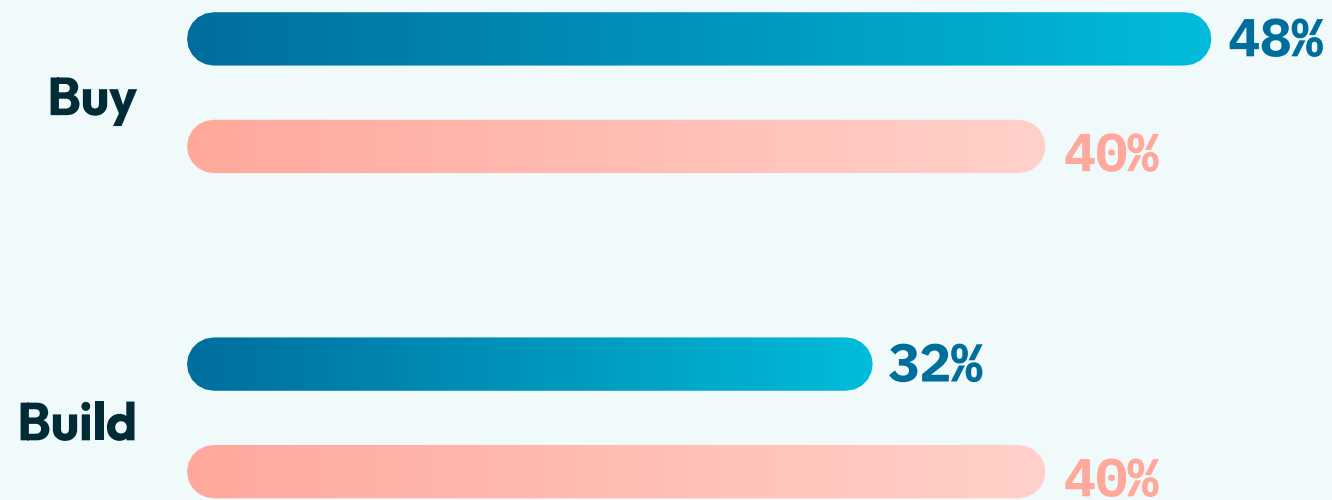
- ▶ High up-front costs
- ▶ Security and data concerns
- ▶ Difficulty in changing existing processes





# Retailers More Likely to Buy Last-mile Technology

Likelihood of buying vs. building next last-mile technology solution, % claiming among retail and logistics providers



"Unsure" removed

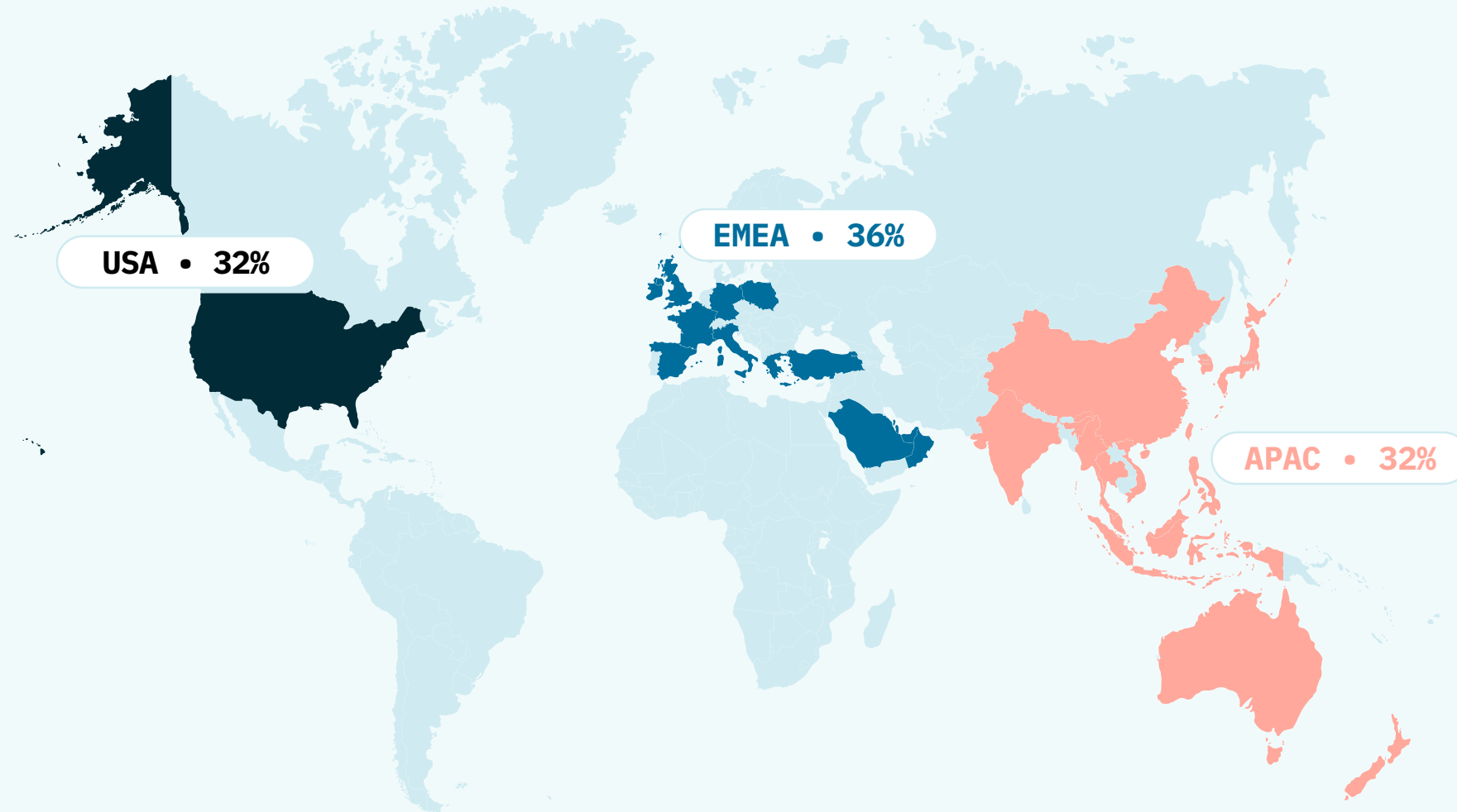
Decision Matrix: build vs. buy

Existing Platform Available to Buy	In-House Resources Available to Build	Cheaper to Buy	Decision
⊖ No	⊖ No	N/A	Outsource
⊖ No	✓ Yes	N/A	Build
✓ Yes	⊖ No	✓ Yes	Buy
✓ Yes	⊖ No	⊖ No	Buy
✓ Yes	✓ Yes	✓ Yes	Buy
✓ Yes	✓ Yes	⊖ No	Buy

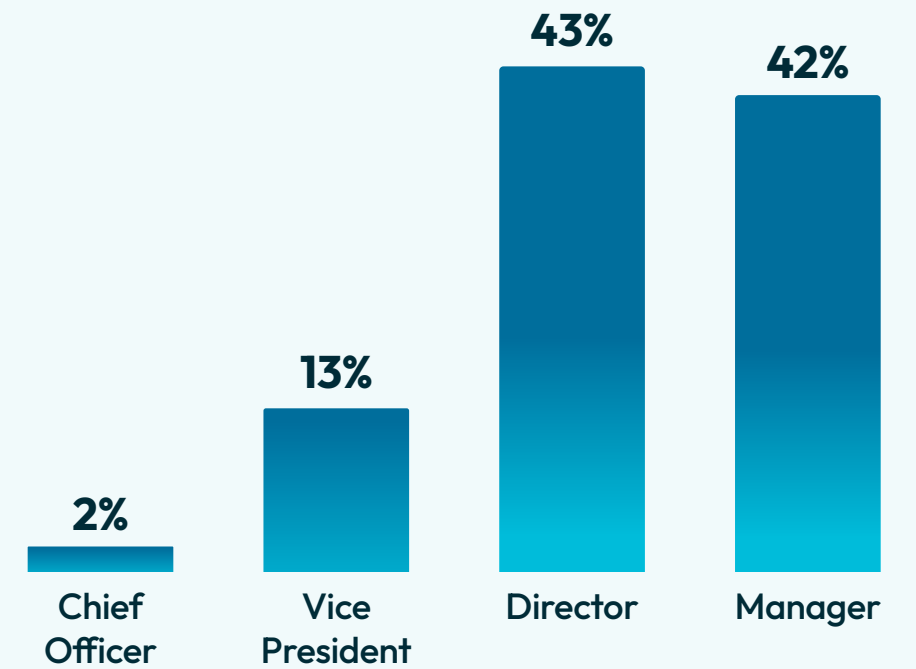


# Methodology

Online survey conducted among retailers and last-mile logistics providers across the U.S., EMEA and APAC. The survey was conducted in partnership with Researchscape International, November 2022.



n= 312 Retail and Logistics Providers  
Job Title Distribution:





# About FarEye

FarEye's Delivery Management platform turns deliveries into a competitive advantage. Retail, e-commerce and third-party logistics companies use FarEye's unique combination of orchestration, real-time visibility, and branded customer experiences to simplify complex last-mile delivery logistics. The FarEye platform allows businesses to increase consumer loyalty and satisfaction, reduce costs and improve operational efficiencies. FarEye has 150+ customers across 30 countries and five offices globally. **FarEye, First Choice for Last Mile.**