

ALIXPARTNERS' 2024 HOME DELIVERY SURVEY

DON'T LET ME DOWN
- OR ELSE



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E-commerce merchants have only themselves to blame. At the cost of countless hours and billions of dollars, retailers and direct-to-consumer brands have fine-tuned the online shopping experience, slashed order delivery times, and removed most of the friction from product returns.

Their efforts to get e-commerce right have been so successful that online shoppers now take for granted that their orders will be fulfilled accurately and arrive on time, every time—for free. And what is the retailers’ reward for amassing such an impressive track record? The certainty that their customers will desert them without a backward glance if retailers fail to meet their expectations.

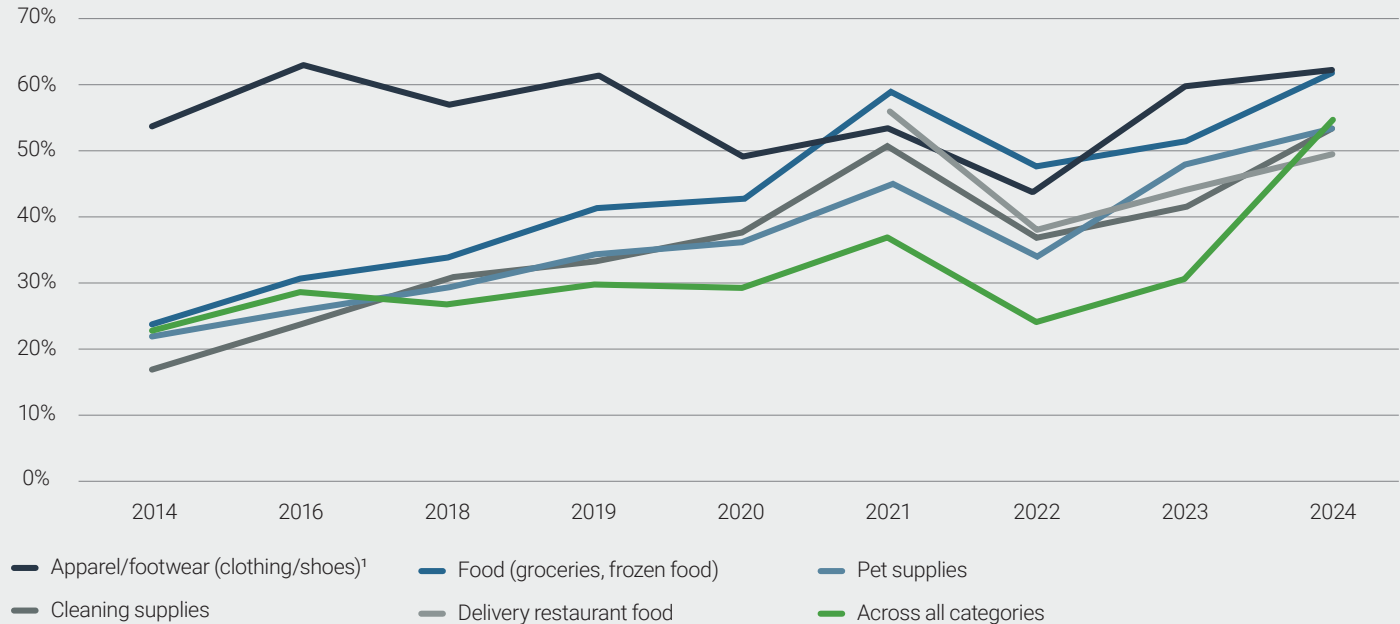
Welcome to the unforgiving world of digital retailing. The results of AlixPartners’ 2024 survey of over 1,100 consumers across the U.S. reveal that customer expectations haven’t diminished even as retail demand softens, revenues decline, and per-package shipping costs press ever upward. Demand for home delivery hasn’t diminished either. Overall retail demand might

be flagging, but online shopping continues its inexorable upward trend (Figure 1). Groceries, cleaning supplies, and health and medical supplies posted the strongest annual growth in consumers purchasing these products online; home delivery demand also picked up in such key categories as apparel, pet supplies, and cosmetics.

FIGURE 1: ALL CATEGORIES SAW AN INCREASE IN DELIVERY VERSUS 2023, WITH GROCERIES, CLEANING SUPPLIES AND HEALTH/MEDICAL SUPPLIES LEADING THE WAY

Q: Please select all of the product categories you have purchased for delivery in the last 12 months

Percent of consumer respondents who purchased categories online



1. 'Clothing/Shoes' was used prior to 2020
 Source: AlixPartners’ Home Delivery Survey, 2021-2024

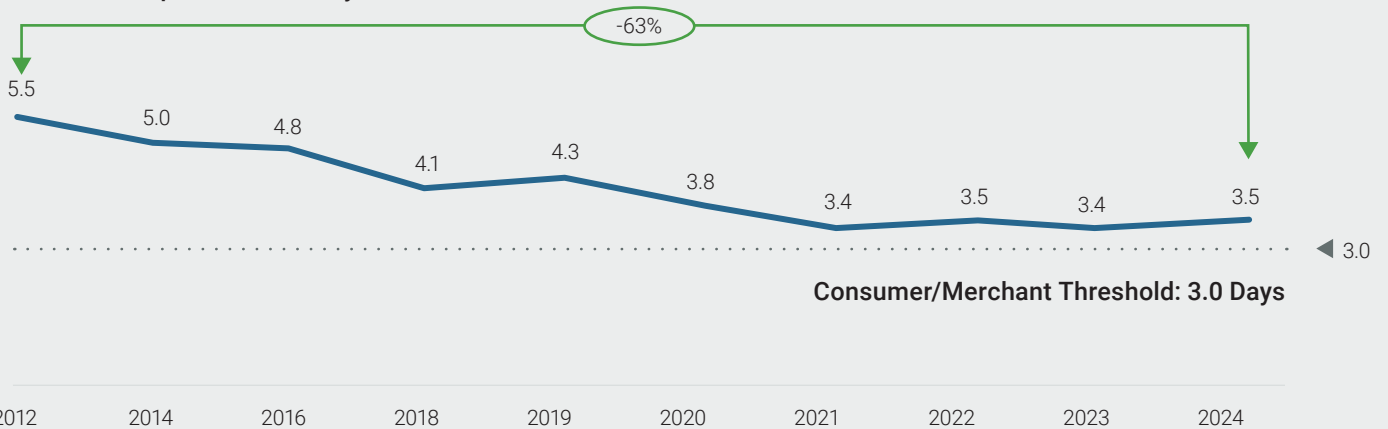


Not only do consumers expect their orders to be delivered (on average) 3.5 days from order placement (compared with 5.5 days in 2012, when AlixPartners conducted its first annual home delivery survey), but they also favor, by an overwhelming margin, retailers that offer free shipping (Figure 2). More than 9 in 10 (92%) of survey respondents said that the availability of free shipping impacts their purchase decision. Yet despite such strong and clear indications of consumer preferences, nearly half (47%) of executives surveyed reported that they lack the capability to commit to a 3.5-day delivery timetable.

FIGURE 2: FOR FREE SHIPPING, CONSUMERS ARE WILLING TO WAIT JUST 3.5 DAYS, VS. 3.8 DAYS IN OUR 2020 SURVEY (AND 5.5 DAYS IN OUR 2012 SURVEY)

Q: When buying an item for delivery, what is the maximum delivery time you are willing to accept in order to receive free shipping?

Consumer expectations in days



Source: AlixPartners Home-Delivery Survey, 2012, 2014, 2016, 2018-2022

E-shoppers continue to hold retailers and their shipping partners to a high standard.

Ominously for e-commerce companies, the consumers surveyed made clear that retailers pay a high price for tardiness. A delayed order today, say 92% of respondents, will affect their next purchase decision. And about 25% say that if a retailer can't satisfy their need for speed, they will take their business elsewhere. The message to retailers: if you can't hit that 3.5-day target, you're severely limiting your potential revenue.

YOU NEVER GIVE ME YOUR MONEY

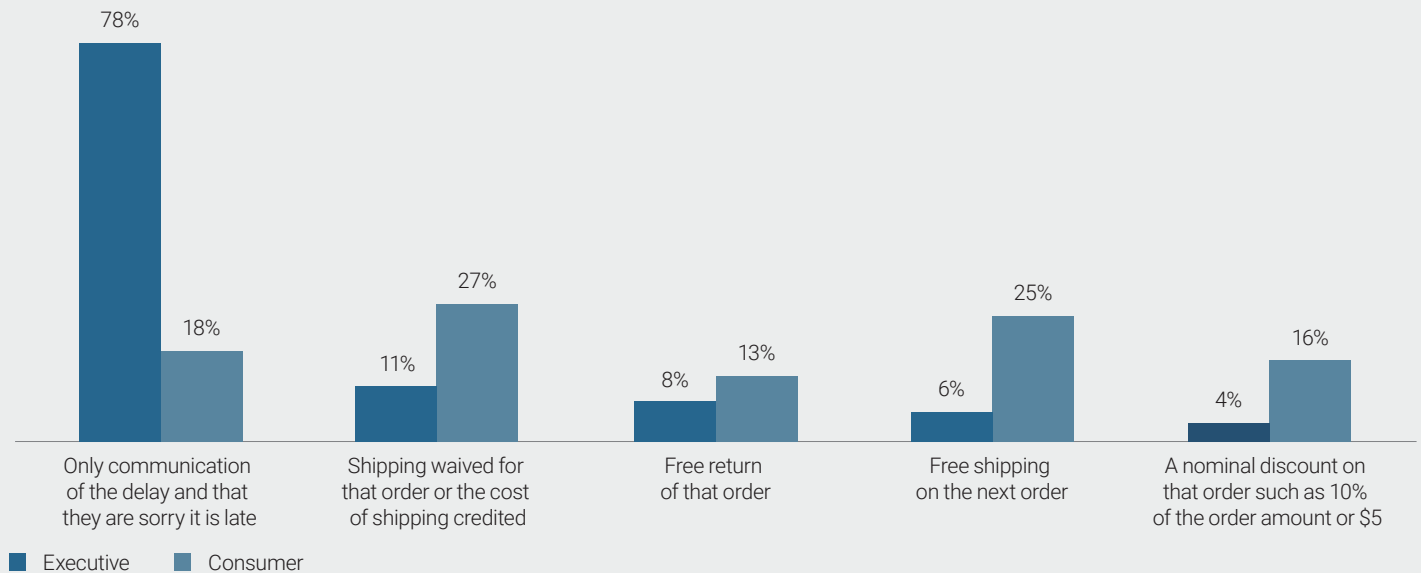
Those customers aren't necessarily lost for good. More than a quarter (27%) of respondents to the consumer survey said that a waiver of shipping costs or a refund of fees paid would be fair compensation for an order that's a day or two late. Almost as many (25%) said that free shipping on the next order would make them whole. Only 18% said they'd be satisfied with an emailed notification of late delivery and an apology for the service shortfall (Figure 3).

But that's all most retailers are offering. The companion to the consumer survey, a survey of over 100 North American executives in the transportation, logistics, and supply chain functions, shows that the sole compensation offered by 78% of respondents is an emailed notification of late delivery and an apology. That's a considerable gap and suggests that retailers may be missing an opportunity to win back disaffected customers.

FIGURE 3: THERE IS A SIGNIFICANT GAP BETWEEN RETAILERS' OFFERINGS AND SHOPPERS' EXPECTATIONS REGARDING COMPENSATION FOR LATE DELIVERY

Q: Executive – Do you offer any compensation if you miss a delivery window for a client order?
 Consumer – If a retailer does deliver a day or two later than the delivery promise, which of the following do you feel is a fair response to you?

Compensation for late delivery



Source: AlixPartners' Home Delivery Survey, 2024

There's also a less pronounced gap between consumers and retailers where product returns are concerned. A plurality of consumer respondents (42% in 2024, 44% in 2023) say their preferred return method is to drop off their returns at a store location within a 30-minute drive of their home. Second-favorite, at 35%, is free drop-off at a delivery provider location within a 15- to 30-minute drive. Nearly half (48%) of respondents to the executive survey, by contrast, say their return option is a free print label and drop-off at

a delivery provider location, and 38% offer free return to a store location. In other words, a lot of customers must settle for what they consider second-best.

Free returns, however, are not as critical to consumers as free delivery—40% of consumers surveyed said their return frequency wouldn't change even if they were charged a fee to return a package to the sender. Merchants thus have an opportunity to boost store traffic by offering shoppers incentives to bring their returns to a store location.

FIXING A HOLE

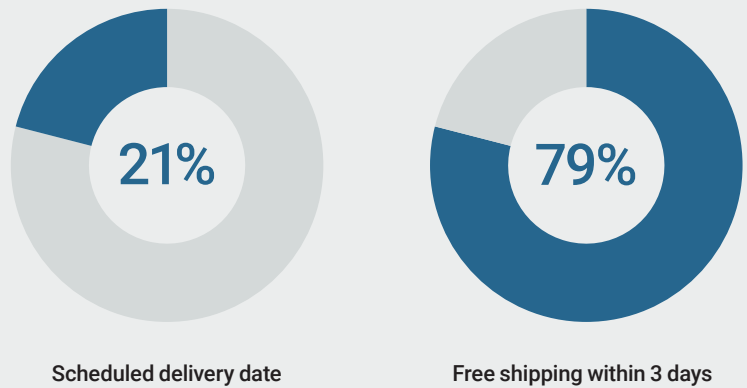
A large majority (79%) of executives reported that their per-package delivery costs had increased year over year in 2024. Eighty-five percent of respondents cited reducing the total cost per order of last-mile delivery as their preferred lever for controlling those costs, and 47% cited reducing split shipments.

Retailers are also turning to other expedients to reduce pressure on shipping costs. One increasingly popular tactic, cited by 46% of respondents, is to offer shoppers scheduled delivery dates rather than free shipping within three days. Another tactic, cited by 42% of executive respondents, is to offer in-store pickup for items bought online (a service known as BOPIS, for Buy Online, Pick Up In-Store). However, consumer uptake of those services is underwhelming. About 9% of customer orders are fulfilled through BOPIS, a level that has held steady in recent years, and only 21% of consumer respondents say they would prefer a scheduled delivery date to three-day delivery (Figure 4).

FIGURE 4: COMPARED WITH SCHEDULED DELIVERY DATE, FREE SHIPPING WITHIN 3 DAYS IS MORE DESIRED BY ONLINE SHOPPERS

Q: What is more important to you: free shipping that is less than 3 days, or the ability to pick the exact delivery date more than 3 days from the order date?

Free shipping versus scheduled delivery



Source: AlixPartners' Home Delivery Survey, 2024



Executives seem to have abandoned the search for a magic technological cure for their delivery-cost headaches: only 7% of respondents say they're investing in robotics and new-to-market equipment such as drones and unmanned delivery bots, down from 16% a year earlier. In short, executives are relying on improved execution rather than gee-whiz quick fixes to address their cost issues.

A growing number of e-commerce executives are looking to AI to help them in their efforts. Relevant AI use cases include optimizing driver schedules based on shopping and traffic patterns and regulatory requirements across different regions, minimizing fuel consumption and emissions, and adapting to real-time traffic and road conditions. By leveraging AI in these areas, retailers and carriers aim to streamline operations, improve delivery timelines, and ultimately provide customers with a more responsive and environmentally sustainable service.

Some retailers are raising their operational game not just to control costs but also to enable same-day delivery, which 32% of executive respondents say they offer or plan to offer in the future. However, successful execution will require retailers to fulfill more of their same-day orders from their store locations than at present; one-third of executive respondents say that today they fulfill 25% or less of online orders from their own retail locations.



PLEASE PLEASE ME – IF YOU WANT TO KEEP MY BUSINESS

Whatever the state of the overall economy, consumer adoption of e-commerce continues to grow, as the 2024 home delivery survey confirms.

That makes operational excellence an imperative for merchants seeking a piece of that growth. The challenges are considerable and intensified by consumer expectations, but merchants have little choice but to continue their efforts to raise service levels while keeping a tight grip on costs. Whether they rely on network optimization, improved technology, optimized inventory placement, or other levers to meet those objectives, e-retailers face a stark choice: make customers happy or lose them for good.



About our research

Administered in May 2024, this year's consumer survey was completed online by over 1,100 respondents aged 18 years and older in the U.S. across all regions, demographic groups, and income levels. As with surveys from previous years, the goal was to gain insight into consumers' behaviors and preferences when ordering products online for home delivery. Administered online in May-June 2024, our executive survey included responses from over 100 U.S.-based executives in Transportation, Logistics, and Supply Chain functions from companies with \$100M+ in revenue. In its third year, the purpose was to understand their companies' home delivery offerings and preferences, the challenges they are facing, and the actions taken by these executives to improve operations.

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ABOUT US

For more than 40 years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges – circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation.

These are the moments when everything is on the line – a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA – so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done, and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.

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