

DeliveryApp

**THE STATE OF
THE PARCEL
DELIVERY
INDUSTRY**

June 2024

Delivering
for better

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1.0

Introduction and landscape.

The courier, express and parcel (CEP) industry has undergone a dramatic change over the last five years. Fuelled by the unprecedented surge in online ordering brought on by the Covid-19 pandemic, consumer behaviour has fundamentally shifted. Today's consumers expect convenience and speed, with large retail players such as Amazon, leading the way with innovative customer centric delivery methods, meeting consumers' need-it-now mentality.

Unlike trends of online buying, which have seen more fluctuating change, the CEP market has continued in its upward trajectory since the pandemic; the UK Express delivery market value in 2023 was still 15% above pre-pandemic levels ¹. The growing popularity of omnichannel retail features, such as click and collect, are driving market growth.

Whilst next-day deliveries make up a huge proportion of the demand across market types, B2B and B2C, the same day delivery market is experiencing explosive demand; with 80% of shoppers want to see same-day delivery available ².

Unlike trends of online buying, which have seen more fluctuating change, despite steadily growing demand. Ongoing disruptions with the global supply chain and volatile inflation rates have increased the need for companies to be agile and resilient to remain competitive in the market.

The same-day logistics industry is highly fragmented, with the key locations being large UK cities with some companies, such as [DeliveryApp](#), Royal Mail and City Sprint offering services outside of this, with nationwide same day services ³. However, research from Citizens Advice suggests that despite rapid growth and continuing supply, the parcel market in its current form is not working for consumers ⁴.

The following report will delve into the parcel market, its successes, downfalls and what the future of the industry looks like.

80%

of shoppers now want to see same-day delivery available ²

2.0

Same-day for e-commerce: Worth the hype?

Same-day delivery has transcended futuristic predictions and is now a rapidly growing trend in the e-commerce landscape. Market projections anticipate a significant rise, reaching £21 billion by 2027. The growth is fuelled by a fundamental shift in consumer expectations - 78% now expect same-day or next-day options ¹².

For retailers and e-commerce brands, same-day delivery presents a unique opportunity to differentiate themselves within a competitive market. Industry leaders implementing this service have witnessed a positive increase in key metrics, with over 75% seeing an increase in net new sales and nearly 80% reporting a boost in repeat purchases and a higher average order value overall ¹⁴. These results underscore the growing consumer desire for immediate gratification and convenience.

The demand for same-day delivery is further substantiated by consumer behaviour, largely driven by what some refer to as the Amazon Effect ¹⁵, whereby 88% of consumers report that Amazon's shipping options have raised their expectations for shipping speeds. Research indicates that 96% of customers define "fast delivery" as same-day service, and in specific product categories, the absence of this option can lead to cart abandonment rates as high as 40% ¹⁴. Furthermore, a recent study by McKinsey & Co. suggests a growing willingness to pay a premium for this convenience, with 50% of consumers expressing a readiness to pay up to €7 for same-day delivery ¹⁴.

Integrating same-day delivery into the checkout process presents a compelling strategy for e-commerce businesses. It has the potential to significantly increase conversion rates, elevate customer satisfaction, foster brand loyalty, and ultimately, deliver a high-quality post-purchase experience that adds significant value.

3.0

Is faster delivery delivering? A look at industry challenges.

Poor delivery experiences are not only frustrating to manage but they directly impact on business success. 84% of shoppers claim that they'd stop buying items from a retailer after just one poor delivery experience and 94% of consumers said that they would actually blame the retailer directly, for any problems ¹¹. In contrast, nearly 8 in 10 companies see more repeat purchases due to the launch of same-day delivery, with some seeing increases as high as 10% ⁵. These astounding stats show the importance of resolving delivery challenges, but despite these it seems there is still a long way to go.

94% of consumers said that they would blame the retailer directly, for any delivery problems

Research from 2023 states that despite previous reports, minimal improvement has been made in the parcel industry, with 1 in 3 people reporting they experienced a problem with their last delivery ⁴.

Of these, 22% said their parcel arrived late and 27% said the driver left before they could get to the door ⁴.

3.0

In addition to these challenges, nearly 1 in 5 people had a delivery problem relating to accessibility ⁴. Of those consumers who had accessibility needs and wanted to share them with their delivery provider, almost half were unable to do so ⁴.

But, it's not just the drivers involved in difficulties, it's also with customer service teams; of those consumers who tried to resolve their delivery issue, 40% said they had difficulty doing so ⁴.

To overcome these challenges, ensuring a smoother fulfilment process benefitting both businesses and consumers, there needs to be a combined, co-ordinated effort to reshape the industry, offering the best in order to delight consumers.

This is not meant to be all doom and gloom, it's an opportunity to innovate and develop new solutions to make a difference across the industry.

27%

had their driver leave before they could answer the door ⁴

22%

have had a late parcel ⁴

4.0

The macro trends redefining delivery.

To begin to understand what has led to this level of service becoming the norm, it is appropriate to consider the drivers in the CEP and wider logistics industry. We may all be sick of hearing about them, but rising operational costs have drastically increased the cost of moving goods and led to huge fuel cost fluctuations. Further adding to these challenges have been supply chain disruptions caused most notably by natural disasters and ongoing conflict, with previous disruptions still causing a headache.

More locally, the UK industry continues to experience labour shortages particularly related to drivers, warehouse staff and skilled technicians. This paired with rising demand has led to increased pressure on existing teams.

All of these challenges have led to huge constraints on the industry leading to a disconnect with customers. With the lack of a mutual understanding, customers cannot appreciate the impact industry challenges have and the delays they may cause. Businesses can't always see the impact this has on their reputation and customer relationships.

It is unlikely these challenges will ever disappear and if they do, they'll quickly be replaced by a different selection of hurdles to take on. Instead, the future of the industry needs to look past the challenges and understand how it can adapt to offer high quality service whilst managing industry challenges.

5.0

Delivery decoded: A customer-centric future.

The landscape of the courier, express and parcel industry is undergoing a seismic shift. Customer expectations are rapidly evolving, driven by a desire for greater convenience, transparency, and sustainability in the delivery experience. To thrive in this industry, businesses need to adopt a customer-centric approach, maximise innovation to overcome challenges and remain agile to keep up with the pace of change.

Digitisation.

Digitisation is already playing a huge role in advancing the CEP industry, through capabilities such as route optimisation software and real-time tracking. As capabilities advance and tools become more accessible for businesses, digital solutions are essential for offering the best solutions to customers, across the CEP industry.

The digital transformation goes beyond just efficiency. Automation of repetitive tasks such as order fulfilment and inventory management will become increasingly widespread, with some companies already turning to fully automated warehouses, freeing up human workers for more strategic or skilled tasks. Innovative delivery mechanisms, such as drones, are enabling faster and more convenient deliveries. Additionally, digital tools will also be able to offer increasingly personalised experiences and empower companies to offer exceptional customer service, enhancing the consumer's experience for the better.

5.0

Transparency.

In the age of technology we live in, customers not only crave information, they have come to expect it. One source stated more than 90% of consumers prefer to be updated throughout the delivery process but more consequentially around 50% stated they will not repeatedly return to a brand with poor delivery visibility ⁶.

The future of deliveries looks to be one that encourages transparency, with some businesses already upping their game to meet consumer expectations. Today, companies offer frequent, bespoke emails, SMS and push notifications. Some, like DeliveryApp display real-time tracking via a map in the app, allowing businesses and customers to watch their parcel on its journey to its destination.

Added value.

The continued pricing pressure impacting the CEP industry, partly owing to the expansion of price comparison sites and the increasing saturation of the market ⁷, is leading to some companies getting creative with providing additional value to their customers, rather than slashing their prices. This may come in the form of offering white-glove services, rewards schemes, business integration support or additional tracking availability. Businesses are learning that consumers are willing to pay extra for value added offerings.

5.0

Efficiencies.

Modern consumers are prioritising convenience, especially when it comes to receiving parcels. In response, multichannel delivery options, such as click-and-collect, and locker deliveries are becoming increasingly popular.

Out-of-home deliveries such as these offer several advantages that enhance the customer experience. Faster delivery times and exceptional convenience are key benefits, whilst also minimising the risk of missed deliveries. Ultimately, these options empower customers to choose the delivery method that best suits their needs, creating a frictionless and customer-centric delivery experience.

Sustainability.

It goes without saying, the future of the CEP industry must become more sustainable. Not only for the safekeeping of the planet but looking to sustainable solutions is essential for businesses to meet their needs. Recent studies show that over 80% of customers are willing to pay a premium for zero-carbon shipping and, more customers are reporting they will be more loyal to brands offering zero-carbon shipping ⁸.

This mirrors wider consumer trends and it is widely reported that over half of consumers are willing to change their purchasing habits to help reduce negative environmental impact and a third are choosing brands that showcase positive social impact.

5.0

Drivers.

Delivery drivers continue grace our news screens regularly, as the rights of workers comes into question. We are hopeful that the position of drivers in the CEP industry will continue to change in the future, improving working conditions and formalities, reducing the risk of accidents, burn-out, stress and job insecurity ⁹.

With the increase of technology, delivery drivers are gaining capabilities to streamline their workflows and improve productivity. Tools such as electronic signatures, mobile barcode scanners and user-centric apps, are supporting drivers by automating menial admin tasks and offer instant access to data and insights ¹⁰.

These technological advancements are also working to foster enhanced communication with customers and drivers ¹⁰. This increased communication can help to reduce the disconnect between the two parties, often responsible for friction and frustrations during the delivery process.

Whilst the increase in technology will make life easier for drivers, the rise of autonomous vehicles may make the driver job market more and more competitive, thus requiring drivers to specialise their skills and offering to stand out and provide added value.

5.0

A transformed delivery landscape.

The courier, express and parcel industry is at a crossroads. Consumer expectations for speed and convenience have never been higher, but ongoing challenges threaten to derail industry progress. However, as this report has highlighted, there is opportunity to build a future that is brimming with opportunity. By embracing innovation, prioritising customer centricity, and fostering a sustainable outlook, the CEP industry will not only overcome current hurdles but redefine the delivery experience for the better.

Through digitization, transparency, and added-value services, the delivery experience can be redefined for the better. Technological advancements will streamline operations, empower customer service, and personalize deliveries. Consumers will be kept informed throughout the process, fostering trust and loyalty.

The path forward requires a collaborative effort. By working together, businesses, policymakers, and technology providers can reshape the CEP industry into a customer-centric powerhouse, delivering exceptional experiences while navigating the challenges that lie ahead.

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