

IS SAME-DAY DELIVERY THE FUTURE OF ECOMMERCE?

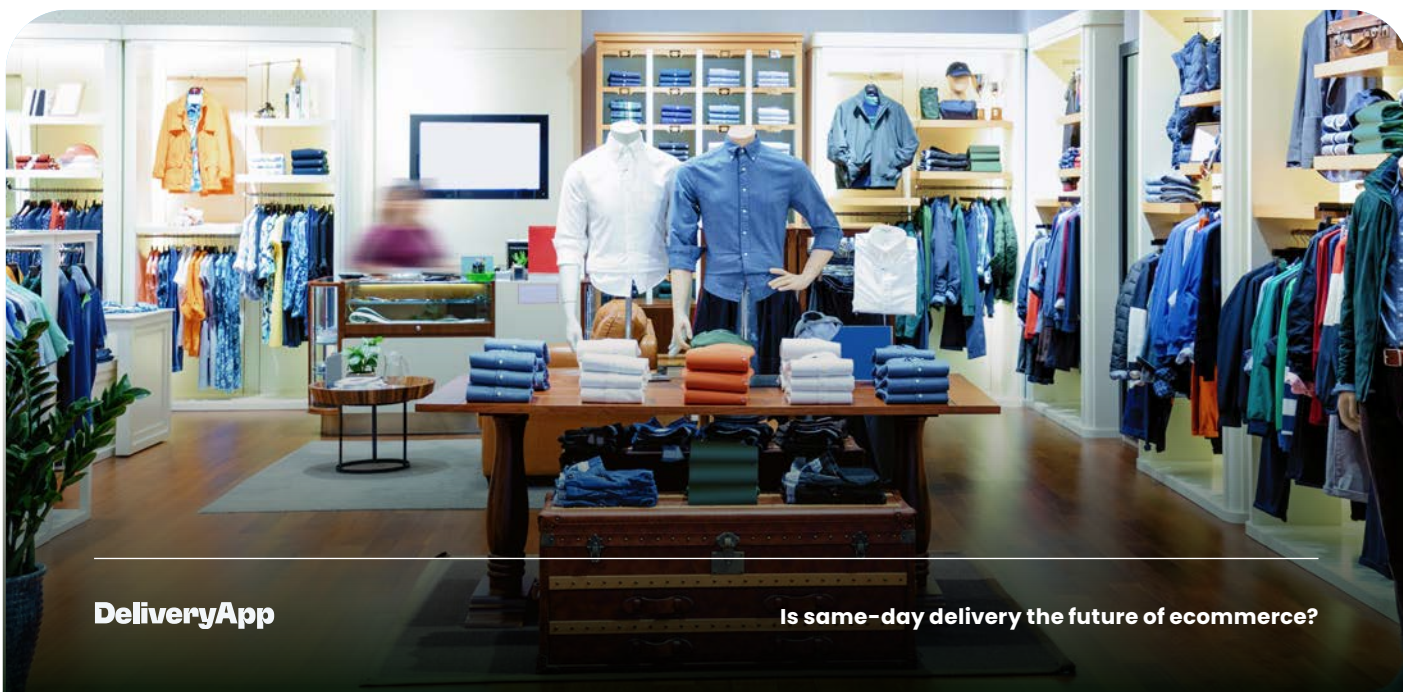
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OPENING STATEMENT

In an era where immediacy and convenience reign supreme, the retail landscape is undergoing a profound transformation driven by the rise of same-day delivery services. This report, **“Is Same-Day Delivery The Future of Ecommerce?”** explores the dynamic evolution of ecommerce fuelled by the increasing consumer demand for rapid delivery options. As the global ecommerce market continues its remarkable growth trajectory, projected to reach £55.4 trillion by 2028, businesses are recognising that offering same-day delivery is no longer a mere competitive edge but a crucial component of their survival strategy.

The adoption of same-day delivery is reshaping consumer expectations and retail operations alike. Major players like Amazon, Walmart, and Alibaba have set a high bar, integrating same-day delivery into their offerings and pushing the boundaries of what consumers anticipate when shopping online. This shift should not be limited to large corporations; retailers across the category are seizing the opportunity to enhance their customer experience and operational efficiency through strategic partnerships and innovative logistics solutions.

This report delves into the opportunities and challenges presented by same-day delivery in the UK market, highlighting its potential to boost sales, improve customer satisfaction, and redefine the future of retail. By examining key trends, consumer behaviour, and logistical advancements, we aim to provide a comprehensive understanding of how same-day delivery is poised to become a standard expectation in ecommerce. Through this analysis, we uncover the transformative power of rapid delivery and its implications for businesses striving to meet the ever-evolving demands of today’s consumers.



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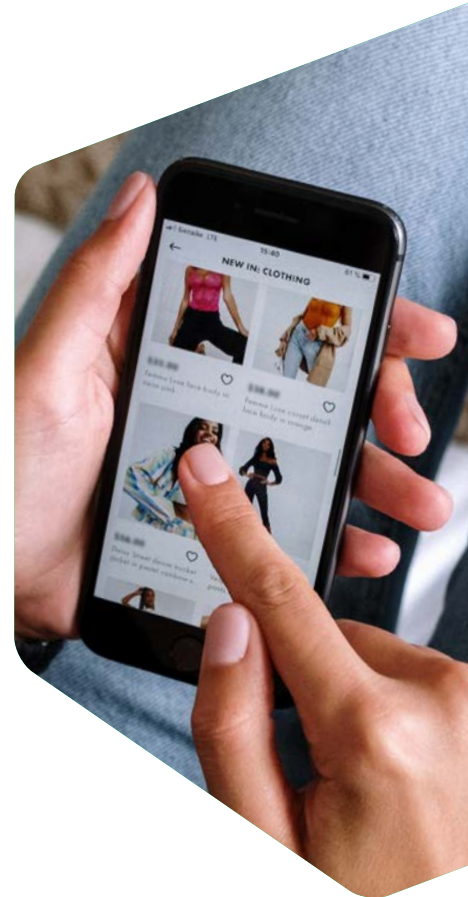
1.0

The perfect storm: evolving retail landscape fuels same-day delivery

In today's fast-paced world, consumers expect instant gratification, which extends to their online shopping experiences. It's no secret that the global ecommerce landscape has seen unprecedented growth over the past decade, as the market has transformed times over to continue to meet and anticipate consumer demands. The market is expected to continue its upward trajectory and grow by 27%, reaching a market value of £55.4 trillion by 2028. It's no surprise the ecommerce landscape is one of the most competitive, with a multitude of businesses competing for a small piece of the vast opportunity.

A significant driver of ecommerce growth has been the explosion of marketplaces, with large players such as Amazon and Alibaba taking the lead. These have been a pivotal catalyst in the growth of the ecommerce market, with marketplaces expected to account for 45-50% of US ecommerce spend by 2025. These online superstores connect millions of consumers to sellers in seconds, providing an endless array of options with unparalleled ease. The growth of these platforms has hugely contributed to changing consumer expectations. Customers have learned to look for more value from their shopping experiences. Marketplaces maximise shopper purchasing power by empowering them to compare prices and offerings for a single product across multiple vendors.

These changing expectations have led to the acceleration of the omnichannel revolution. Consumers expect to be able to buy what they want, whenever they want and however they want. Whether that be delivery, in-store purchase or in-store pickup, consumers want convenience, flexibility and variety. Businesses that have stayed resilient in the turbulent and competitive landscape, deliver a truly cohesive omnichannel strategy, creating shopping experiences that excel at every touchpoint.



1.0

Amidst the ecommerce transformation is the growing popularity, and necessity of same-day delivery. Once considered a luxury, same-day is now taking over the retail scope, with the overall market expected to reach £21 billion by 2027. The speedy service is no longer a nice-to-have, it is emerging as a pivotal factor influencing consumers purchasing decisions in the online shopping space, with 80% of consumers expecting to see same-day as an option at checkout. Same-day delivery is gaining traction with consumers as it combines the convenience of online shopping with the instant gratification of brick-and-mortar shops.

Some of the world's largest retailers are leading the way by offering same-day delivery as an attainable option for consumers. Amazon, the largest online retailer in the world, pledged to transform into a truly customer-centric organisation and the active promotion of same-day delivery is at the heart of that pledge, with the service available in several cities across the globe. Many other organisations have also successfully trialled and launched same-day delivery for their customers. Marketplaces have been quick upon the trend too, with Walmart Marketplace, JD.com and Alibaba following in Amazon's footsteps and offering the service on their platforms. JD.com saw exponential revenue growth when it launched same-day delivery at no extra charge to its customers.

It seems likely, that in emerging markets, same-day delivery will advance more efficiently and quickly become the standard offering for ecommerce. From a customer perspective, the advancement of omnichannel retail and same-day delivery is resulting in a blur of the lines between physical retail and ecommerce, enabling the two to complement each other better than ever before. With up to 65% of retailers planning to offer same-day delivery in the next two years, streamlining processes and implementing same-day delivery seems to be a lucrative growth strategy, and a means to survive in the ever-competitive ecommerce landscape.

This report will dive into the opportunity for same-day delivery in the UK, the impact it can have for business and what the future of same-day delivery could look like for retail and ecommerce businesses.



2.0

Seizing the same-day delivery opportunity in ecommerce

The future of same-day delivery within ecommerce is seemingly inevitable. In a review of [McKinsey's 2023 report of factors to consider for same-day delivery](#), it appears that multiple factors are coming together within the UK market to create the perfect opportunity for same-day delivery to truly service retailers and support in delighting their customers.

Same-day delivery: the city's secret weapon

Population size and density are key variables to balance when appraising a market for same-day delivery. The service is an urban pursuit, as only large cities are currently able to generate supply and demand volumes enough to enable same-day services; a large number of deliveries within a small radius creates efficient drop-offs.

[Research by McKinsey](#) shows that the potential for same-day delivery is greater where the population is concentrated within up to three big cities across a country. In this light, the UK offers a unique opportunity for same-day delivery, as 44% of the population resides in the three largest urban areas. This concentration of population creates an ideal environment for efficient and cost-effective same-day deliveries.

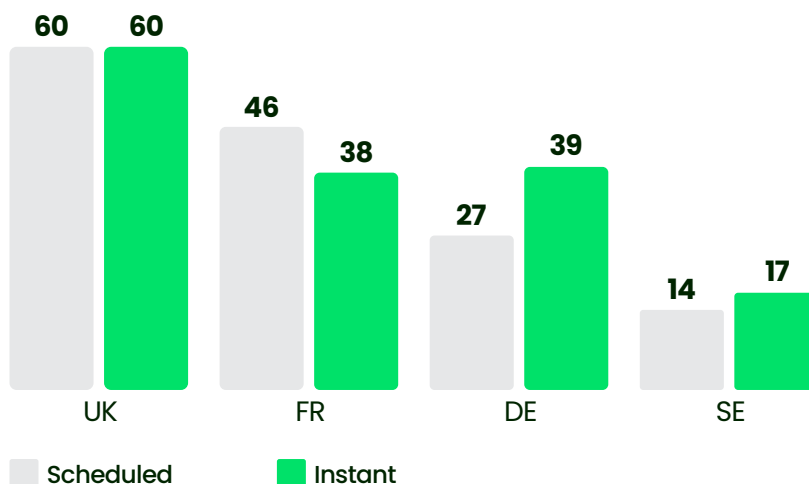
Challenges building owned fleets

McKinsey's research also shows that only the online retail giants, with the highest market share, were able to build their own sizeable same-day delivery network. This creates an opportunity for platforms, such as DeliveryApp. They can partner with market players to offer scalable same-day delivery networks at lower costs, giving smaller retailers a competitive edge in a saturated market, without large upfront investments.

Same-day demand is growing but price sensitivity remains

Consumer desire for convenience is never wavering and awareness of same-day delivery as an attainable option is growing, with the highest rates of awareness centred within the UK population. McKinsey's research shows that 60% of UK customers are familiar with or have used same-day delivery in the past, and overall, 80% of consumers now expect to see same-day delivery available at checkout.

% of respondents who are very familiar with or have used instant or scheduled same-day delivery.

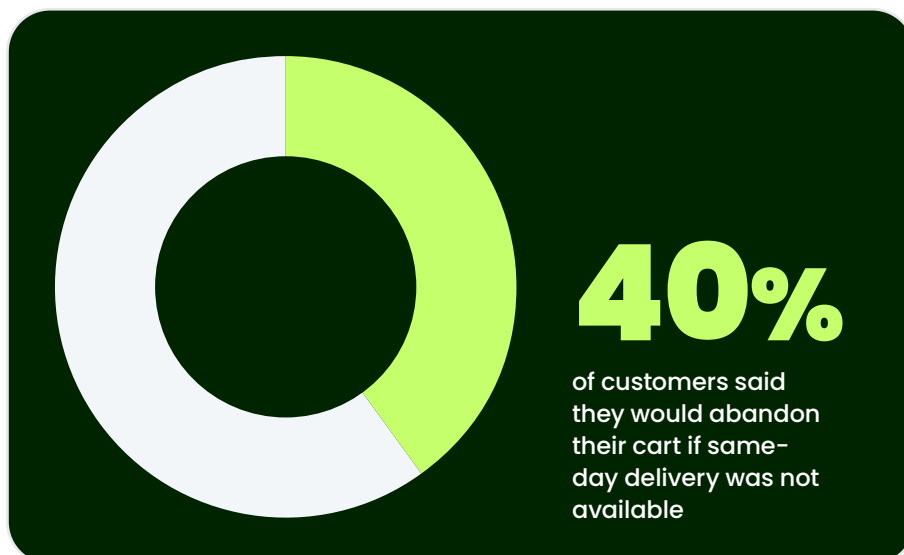


2.0

McKinsey's research also showed that across Germany, France, Sweden and the UK, up to half of shoppers would be willing to pay 10% of their purchase value for same-day delivery; €6-7 for a €59 purchase. However, the study expressed that for the remaining 50% of consumers, price sensitivity around delivery costs remains as when the delivery charge fell below 7% of their purchase value, conversion rates rose to 30%. This sensitivity creates a competitive edge for those businesses able to offer same-day delivery at a lower price.

Willingness to invest for a competitive advantage

Retailers are recognising the potential of same-day delivery for satisfying their customers, with 65% of retailers planning to offer the service within the next two years. This strategy is truly rooted in meeting consumer desires, with 49% of shoppers reporting that same-day options would make them more likely to shop online and 96% of customers now consider 'fast-delivery' to mean same-day. Ultimately, in some categories such as grocery and food delivery, 40% of customers said they would abandon their cart if same-day delivery was not available. It seems that as consumer trends continue to prioritise convenience and value, adopting same-day delivery within the ecommerce space is essential to retain a loyal customer base.





3.0

Boosting sales and customer satisfaction: the advantages of same-day delivery

For large retailers and marketplaces, same-day delivery is becoming the norm, and for good reason. The service perfectly meets and anticipates consumer needs, and the data clearly demonstrates the benefits.

There are a host of advantages to same-day delivery, from increased customer satisfaction and retention to improved inventory management and strong competitive advantage, and the numbers back it up.

According to a Supply Chain Dive report, industry leaders reported positive impacts on several key financial metrics after implementing same-day delivery.

3.0

80%

saw an increase
in revenue

Increased revenue

Most respondents (80%) reported overall revenue increases as a direct result of implementing same-day delivery, with nearly two-thirds reporting an increase of 6% or more, and 30% reporting an increase of 10% or more.

80%

saw an increase
in repeat orders

Repeat purchases increased

Nearly eight in ten companies have seen more repeat purchases, thanks to the launch of same-day delivery. Within this group, nearly 36% say the increase has been between 6% and 10%.

77%

saw an increase
in net new sales

Uplift in net new sales

After deploying same-day delivery, more than three-quarters of industry leaders (77%) confirm an increase in net new sales, with 31% seeing an uplift of between 6% and 10%.

66%

saw an increase
in conversion
rate

Stronger conversion rates

66% of all companies in the study reported growing conversion rates, and for 23% of these improvements between 6% and 10% were shown.

34%

saw an increase
in AOV, between
6-10%

Increased AOV

Average revenue per order increased for 80% of companies, and for 34% this increase was between 6% and 10%.

Data from Supply Chain Dive Report: How the ROI of same-day delivery outweighs the costs.

4.0

Future scoping for same-day delivery

The future of same-day delivery within retail and ecommerce is very exciting one. There are many opportunities for retailers and ecommerce businesses to offer same-day delivery at scale, as an additional tool in their ammunition to delight shoppers and increase customer loyalty. The current form of same-day delivery services will continue to adapt to suit the unique challenges of the retail sector but has the potential to transform the market for the better.

Upgrade to same-day or within 24 hours

Typically, companies offering same-day delivery implement cut-offs around 1-2 pm daily. However, only around 45% of orders are placed before 2 pm, with orders peaking at 10 am and remaining consistent throughout the afternoon. This means more than half of shoppers miss the cutoff to benefit from the retailer's same-day delivery offering.

To improve the accessibility of the service, retailers could develop their same-day offering into a 'within 24 hours' service, by extending their cut-off time to 4 pm, enabling them to capture at least 10% more volume of orders. This offering finds an agreeable middle ground between next-day and same-day services, improving speed and efficiency, whilst retaining achievable deadlines for retailers and offering increased velocity of deliveries for consumers.



Same-day as a catalyst for online sales

Within retail, one equation for customer satisfaction can be very simple; the faster products can land with the consumer, the greater the competitive edge held by the company. For some categories, such as DIY products and tools, online selling has not been a typical option, as the products are usually purchased for immediate use. However, with the development of same-day networks increasing accessibility to the service, online retail will be able to further increase its share of the total retail market, by servicing these previously excluded categories.

When Amazon began its move into same-day delivery in 2009, it drove many retailers to consider their possibilities of leveraging large networks of retail outlets to enable a same-day delivery offering. This has been most visible in the grocery vertical, with supermarkets offering deliveries in 25 minutes from local stores. The emergence of collect-in-store for high-street retail offers a form of efficient communication between local stores and consumers, however, this seems likely to develop in the near future, to increase convenience and immediate gratification for shoppers.

Transforming logistics networks

The complex challenge of processing, fulfilling and delivering large volumes of consumer orders in only a few hours, requires an overhaul of traditional logistics networks. Traditional delivery networks are not suited to fulfil same-day deliveries at scale. To overcome this, a new type of player is entering the logistics market, to enable large retailers to scale same-day delivery offerings for their customers. These courier 'brokers', such as DeliveryApp, are making existing same-day courier capacity accessible to retailers, in a scalable way. By aggregating local networks, a flexible courier network platform can be more cost-effective and scalable than a hub-and-spoke system, particularly for smaller radius, densely populated areas.



5.0

Round up: same-day delivery as a transformative force

As we navigate the rapidly evolving landscape of ecommerce, same-day delivery has emerged as a pivotal force transforming how consumers shop, and businesses operate. This report, "Delivering on Demand: How Same-Day Delivery is Transforming Ecommerce," has explored the multifaceted impact of this service, underscoring its significance in meeting the escalating expectations of today's consumers for speed and convenience.

5.0

The journey from luxury to necessity has been swift for same-day delivery, driven by technological advancements, strategic innovations, and the relentless pursuit of customer satisfaction. Large ecommerce giants like Amazon and Alibaba have set a precedent, demonstrating the immense potential and competitive advantage that same-day delivery offers. This shift has spurred retailers across the category to adopt agile solutions, leveraging partnerships and innovative logistics to stay competitive in an increasingly crowded market.

Our analysis highlights several key benefits of same-day delivery, including increased sales, enhanced customer loyalty, and improved operational efficiency. The data is compelling: businesses that have embraced same-day delivery report significant uplifts in revenue, average order value, and repeat purchases. Moreover, the willingness of consumers to pay a premium for expedited shipping further underscores the value they place on immediate gratification.

Looking ahead, the future of same-day delivery holds exciting possibilities. As technology continues to advance and consumer expectations evolve, we anticipate further innovations in logistics, greater scalability of same-day services, and a continued blurring of the lines between physical and online retail. Retailers that invest in optimising their delivery networks and meeting the demand for rapid fulfilment will not only delight their customers but also secure a formidable position in the market.

In conclusion, same-day delivery is not just a trend; it is a transformative force that is redefining the ecommerce landscape. Businesses that recognize and adapt to this shift will be well-positioned to thrive in the competitive world of omnichannel retail, delivering unparalleled value and convenience to their customers. As we move forward, embracing the opportunities and challenges of same-day delivery will be essential for any retailer looking to stay ahead in the digital age.

