

The impact of parcel delivery services on UK retail success

A 2024 market
research report by



Dear reader,

The last mile is rife with inefficiency, high costs, and environmentally unsound practices, and our research shows just how much retailers are struggling with it.

But - it's also encouraging to see how many are looking to engage in more sustainable business practices with a focus on delivery. Being sustainable is not just good for the planet, it's good for customer retention and happiness, which translates to growth.

Through independent market research experts Opinion Matters, we surveyed 250 UK-based senior executives, including Distribution Leads, Heads of Logistics, Senior Managers in Logistics, Supply Chain Managers, Operations Managers and other decision makers. All respondents are working in mid to large online retailers that sell in the UK, with a minimum revenue of £10.5m, and employee size of 250+. 200 brands are large fashion/beauty businesses with a strong UK presence. All brands surveyed deliver thousands of parcels each week.

Read on to see what they thought - we hope it's useful to you.



A handwritten signature in black ink that reads "Rob King".

Rob King,
Zedify co-founder
and CEO



Logistics professionals have a lot to balance. What keeps them up at night?

One common theme that cropped up in many of these free form answers about the issues retailers are finding tough, probably unsurprisingly, is customer satisfaction.

Maintaining a consistently positive and enjoyable customer experience in the face of geopolitical, legal and cultural challenges is no mean feat. We found that logistics managers value communication - internally and externally - for achieving a strong level of customer retention. Here are some of the things that logistics professionals told us weigh on their minds the most.



Ensuring a positive and consistent customer experience to maintain customer satisfaction and loyalty



Continually driving innovation to stay ahead in the market and meet evolving customer demands



Addressing environmental concerns and incorporating sustainable practices to meet ESG (Environmental, social and governance) goals



Managing the pace of digital transformation and technology adoption for competitive advantage and operational efficiency



Adapting to the impact of political and policy changes on business operations and strategic planning



Maintaining strong corporate governance practice to faster transparency and build stakeholder confidence.

The knock-on effect of poor delivery experience on customer loyalty

We wanted to dig deeper into how delivery experiences – good or bad – impacts overall customer experience.

We found that delivery experience is customer experience. In today's digital age, where e-commerce is booming, the delivery at the doorstep – and the tracking beforehand – is an extension of the brand.

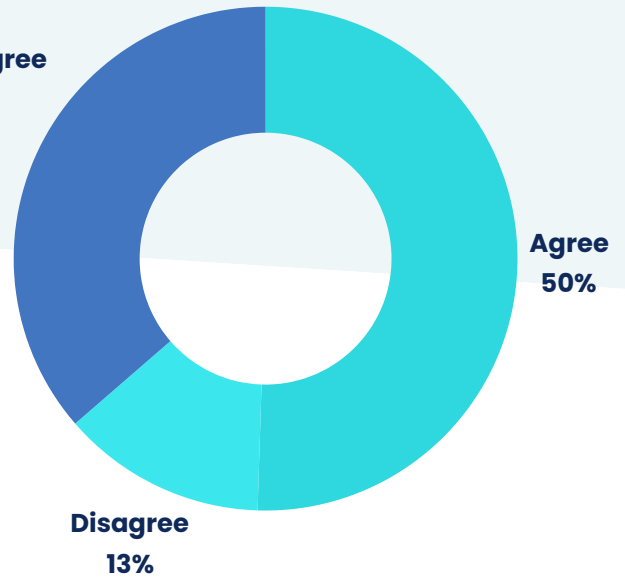
We asked: to what extent do you agree with this statement?

“

We are losing customers due to poor delivery experience



Neither agree nor disagree
36%



We found that half of retail businesses in the UK are losing customers due to a poor delivery experience. 45 percent are finding it hard to meet delivery times, 44 percent are struggling with customer communication, while 39 percent are finding increased shipping costs a real problem.

This is having knock on effects with long-term loyal customers. A great delivery experience fosters customer loyalty and encourages repeated business, and a negative experience encourages customer churn and can damage a brand's reputation.

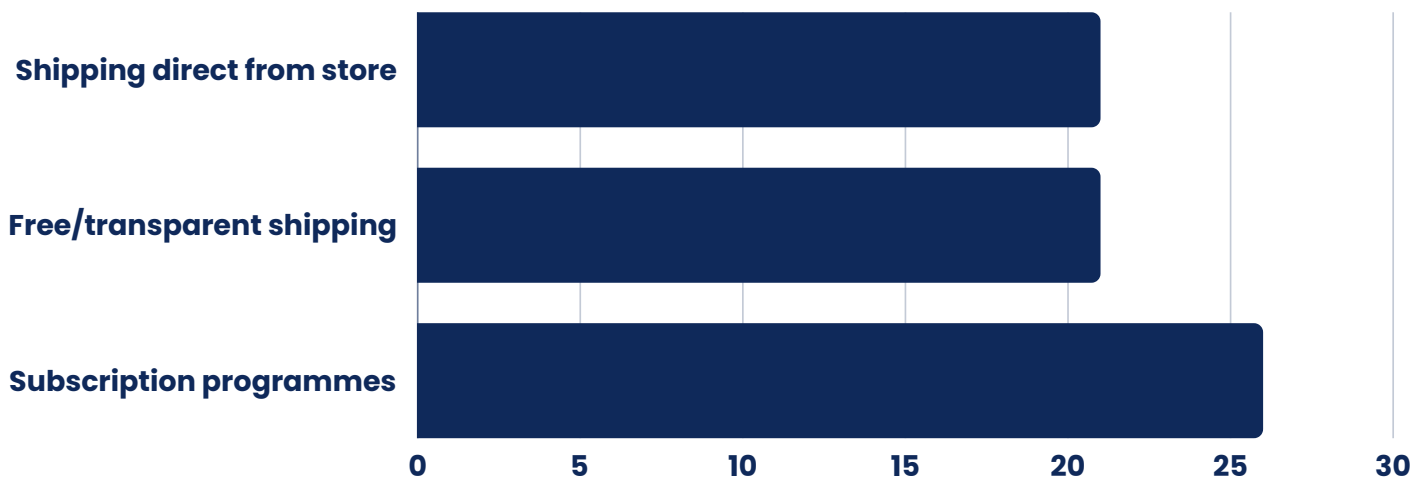


Consumer trends are driving change at lightning speed

We investigated the trends that logistics professionals are seeing when it comes to consumer expectations. What's always been popular and what's still on the rise? What's new in the market?

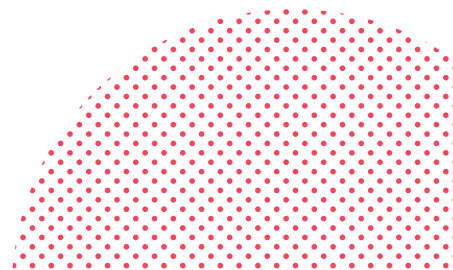
The topline trends we found include: a move to ship-from-store models in urban areas, increased transparency around shipping costs (and free shipping still being used to entice consumers), subscription models, real-time tracking options in the last mile and a desire to have sustainable delivery options.

We asked: what trends, if any, are you seeing from consumers when it comes to expectations regarding sustainable delivery options?



It won't come as any surprise that we learnt consumers still value next day delivery options as a top priority, alongside contactless and no-touch deliveries. This is a standard that's become the norm post-pandemic and is likely to stay.

Interestingly, returns convenience scored highly here, too. With the rise of PUDO lockers and customer autonomy in terms of the options on offer for how to return products, we predict this will be an area of rapid development in the next 5 - 10 years, with brands adapting to changing customer needs to maintain their NPS (Net Promoter Score).



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Barriers to change: delving deeper into pain points in retail logistics

Retail logistics professionals face several pain points that can significantly affect business operations and in turn, customer satisfaction.

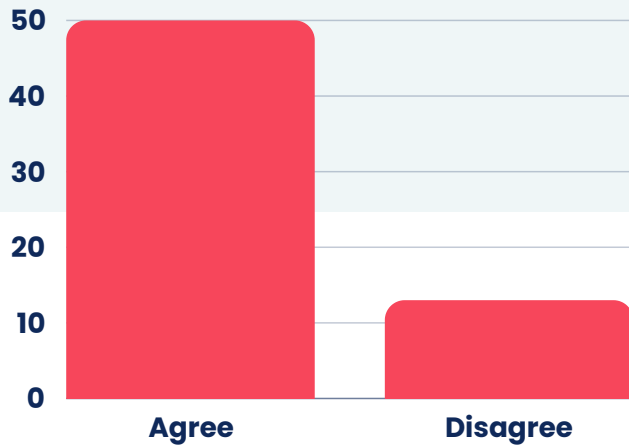
We asked: what are your main pain points relating to the delivery of your products, if any? Tick up to three.



High shipping costs often eat into profit margins for e-commerce businesses and can deter customers from making purchases. Delivery times, particularly for more complex orders, can be lengthy, leading to customer dissatisfaction in an age of instant access. The "last mile" delivery, or the final step of the delivery process from a distribution centre or facility to the end user, often presents substantial challenges due to the complexity of reaching various customer locations efficiently. Diesel and electric vans struggle to navigate busy urban centres, facing parking fines, congestion and, in the case of diesel vans, low emission zones. All of these factors add time and stress to the delivery experience.

Processing returns can also be costly and time-consuming, leaving customers frustrated and less likely to re-order. Improper or inadequate customer communication can lead to frustration and misunderstanding, further damaging the customer relationship. Additionally, finding and implementing sustainable solutions in all these areas poses its own set of challenges, as businesses must balance environmental considerations against cost and efficiency. Cargo bike models provide an answer to this tricky solution, but is the uptake there, or are there concerns about greenwashing - or even **greenhushing**?

Concerns about greenwashing are holding businesses back



We asked: to what extent do you agree with this statement?

'I am concerned that we will be greenwashing if we promote green deliveries'



Brands are under pressure to improve the sustainability of their carrier options, but may feel let down by what's available to them. The green credentials of their current last mile options may not appear 'strong' enough for brands to feel they can talk about them in the public eye. For others, the pressure of having to be '100% green' across the whole brand operation and be 'beyond reproach' can cause reticence to publicise any positive action.

With a tightening up of the laws around greenwashing – including the addition of new laws from the **UK's Competition and Markets Authority** and the **EU's proposed Green Claims Directive** – regulations are finally catching up to the demands of the market, where consumers are desperate for honest, easy-to-understand information about the sustainability credentials of their favourite brands. This is no doubt a good thing. However, retailers may feel increasingly nervous about making claims publicly.

The good news is that a green last mile strategy can provide far simpler, clearer cut improvements on a business' ESG commitments. Unlike, for example, product manufacture which involves many complex inputs, review of material provenance, and so on.

So, it follows that attitudes to alternative, super low carbon options for green last mile are rising up the agenda for logistics decision makers. 30% retailers already use cargo bikes for some deliveries and 46% are planning to use them in the near future. The tiny carbon footprint of cargo bikes – owing to a low weight profile and smaller battery size – provides an opportunity for brands to avoid greenwashing scrutiny, boost their brand awareness and customer loyalty. The companies making the switch are also those that are having a dialogue with customers and doing so in an upfront, honest way – and they are unlocking the business growth that comes with it.



Money, money, money

53% of the cost of a delivery is held in the last mile. There is a common misconception that making the shift to sustainable deliveries means incurring even more cost. In actual fact, sustainable delivery method including cargo bikes and PUDO lockers often save brands money.

Why so? With cargo bikes, you're skipping the fuel costs, and the vehicle cost itself is lower compared with vans. Secondly, cargo bikes travel around cities more quickly than vans, because they can make use of cycle infrastructure and park closer to delivery addresses, resulting in more efficient deliveries. So, from an economic perspective, sustainable last mile deliveries can actually be a money saver and if cost is what is holding back greater adoption of change, this is an area for carriers and logistics leaders to focus on dispelling when communicating their recommendations for change.

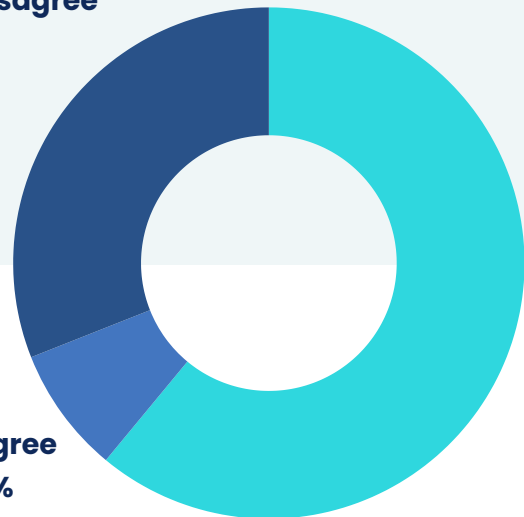
We asked: to what extent do you agree with the following statement?

'We would switch to sustainable last mile deliveries if it cost the same as our current delivery method'

Neither agree or disagree
31%

Disagree
8%

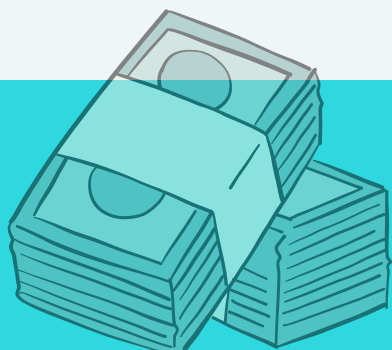
Agree
61%



In the face of adversity, most retailers are upping the ante on their sustainable action

Despite all these challenges, and very much in line with changing consumer attitudes, retailers across the board are renewing their efforts on sustainable initiatives.

57 percent of UK retail companies are committed to investing in more sustainable delivery options, 32 percent want to work with eco-friendly carriers, 30 percent are looking for more eco-friendly packaging, and 25 percent plan to reduce greenhouse gas emissions.



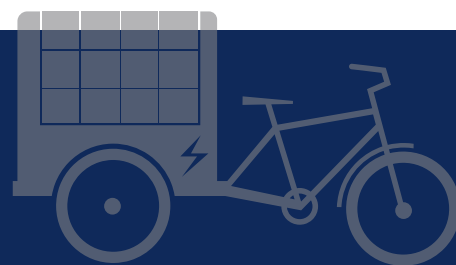
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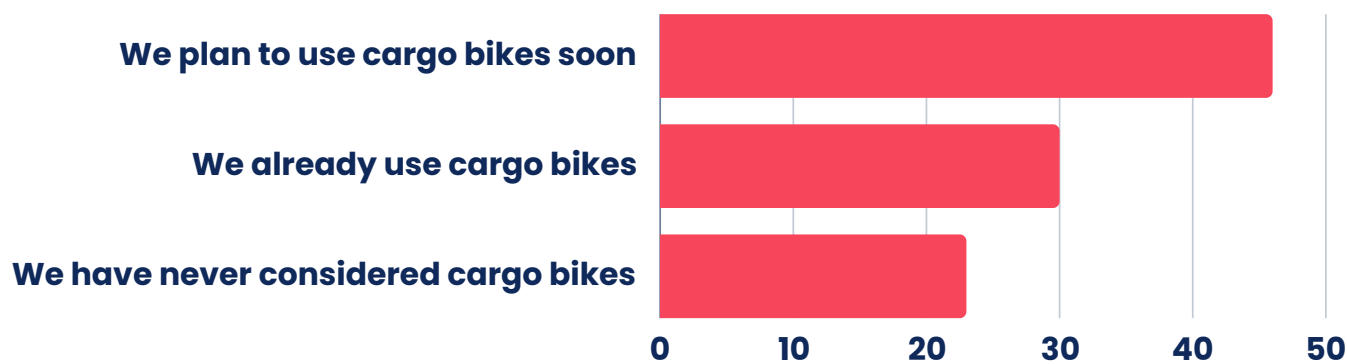
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A new delivery norm

Beyond their functionality, cargo bikes also offer a unique branding opportunity, aligning businesses with eco-friendly practices that resonate with modern consumers. As a result, more and more retail companies are incorporating cargo bikes into their delivery fleets, not just as a practical choice, but as a statement of their commitment to sustainability.



We asked: which of the below best describes you?



It's not just their potential as a mobile billboard that is driving the growth in cargo bike usage. Overall attitudes towards cargo bikes are undergoing a notable shift, marked by a growing recognition of their efficiency and sustainability.

Once viewed as niche or unconventional, cargo bikes are now increasingly seen as a practical solution for urban deliveries. This change is propelled in part by the expanding importance consumers are placing on brands demonstrating how green they really are, but also by the big names that have pioneered their use, shouting about their successes.

From Amazon to Ikea and from Hello Fresh to Zara, all making significant numbers of deliveries by cargo bike, their presence for urban consumers is becoming normalised. With advancements in fleet and routing technology as well as investment in urban infrastructure all supporting their use, this model is edging others out to become the de facto innovation to roll out for future proofing the urban last mile.



Summary

Getting the last mile of a delivery right is essential for retailers. With half of the respondents in this report citing poor delivery as a reason for losing customers, it's clear just how powerful getting customer experience in this area right can be.

But it's not just about service. 53% of the cost of a delivery and a high proportion of the carbon footprint arises from this final part of the journey. These two factors are not helped along by a misconception that making the shift to sustainable deliveries means incurring further cost. When in fact, sustainable innovations in the last mile are increasingly proving to be more cost-efficient than the status quo.

Although the tide is beginning to turn, other concerns – such as facing greenwashing accusations – are holding businesses back from telling their consumers about changes to green logistics.

Despite these challenges, brands are completely committed to sustainability efforts with , in line with changing consumer attitudes towards the same. Retailers that are proactive now will reap the rewards in the months and years to come.

Who is Zedify?

zedify.co.uk

Zedify delivers better cities, fit for the future. We partner with major retailers, national parcel carriers, D2C and subscription brands to transform customer experience with sustainable first and last mile deliveries.

Cargo bikes, 'micro hubs', and a powerful ecommerce integrated tech platform combine to create a service that is revolutionising the way parcels arrive at urban doorsteps.



**BETTER DELIVERIES
FOR BETTER CITIES**