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Making the last mile pay

Balancing customer expectations and commercial reality

People matter, results count.

Executive summary

One of the biggest tests of agility for the consumer products and retail industries currently is last-mile delivery and associated services (e.g. returns). These services are now so pivotal to the customer experience that they are determining brand choices as never before. Achievements in getting products efficiently to the warehouse now need to be matched by equivalent improvements in getting goods to (and from) consumers.

It is a challenge that has been seized widely and zealously. Such is the level of competition among retailers and logistics companies to 'go one better' that consumers have become spoiled by the available options. Next-day home deliveries, once the pride of Internet sellers, are now expected as a given. To differentiate anew, leaders have had to up their game with same-day or 'on-demand' services - from drone deliveries to advanced 'click and collect' options using nearby convenience stores, intelligent lockers in underground train networks, and even drop-offs to consumers' cars.

But all of this responsiveness and customer-centricity comes at a high price. Consumer research suggests that although customers expect their increasingly demanding needs to be met, they are not prepared to pay more for the improved level of service. Rather, it is down to the suppliers to earn their business by keeping up with the market. This presents retailers with an almost impossible challenge. If they cannot match their competitors and satisfy consumers' soaring expectations, they will lose business. But if they try to cover all bases they risk their profitability.

All of this is creating the need for new, dynamic collaborations and partnerships. As discussed in a major report, *Rethinking the Value Chain*[1], from Capgemini in conjunction with The Consumer Goods Forum, there is no one-size-fits-all solution that will balance customer expectation and cost optimization. Particularly given the many variables at play in the last mile – based on geography, demography, labor laws, local preferences and demand for add-on services.

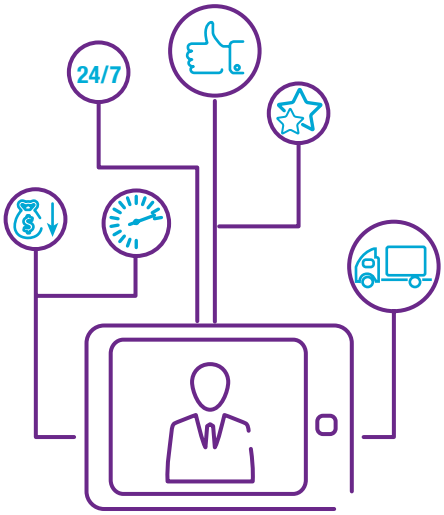
Soaring demand for 'mass customization' renders traditional logistics and associated metrics irrelevant. Yet revamping entire supply chains is a massive, costly and impractical prospect for bricks-and-mortar retailers whose supply models were crafted to support a linear path to purchase.

Taking these many challenges into account, the following white paper examines the latest innovation in last-mile services and explores how companies can harness the opportunities, and keep customers happy, without undermining their businesses - or promising more than they can deliver.

Introduction

Necessity is the mother of invention and, in the case of last-mile services, consumers have developed a whole raft of new demands to which the consumer goods and retail industries (enabled by technology and strategic partnership) are clamoring to respond.

But there are many practical challenges to be overcome if brands and retailers are to protect their profitability.



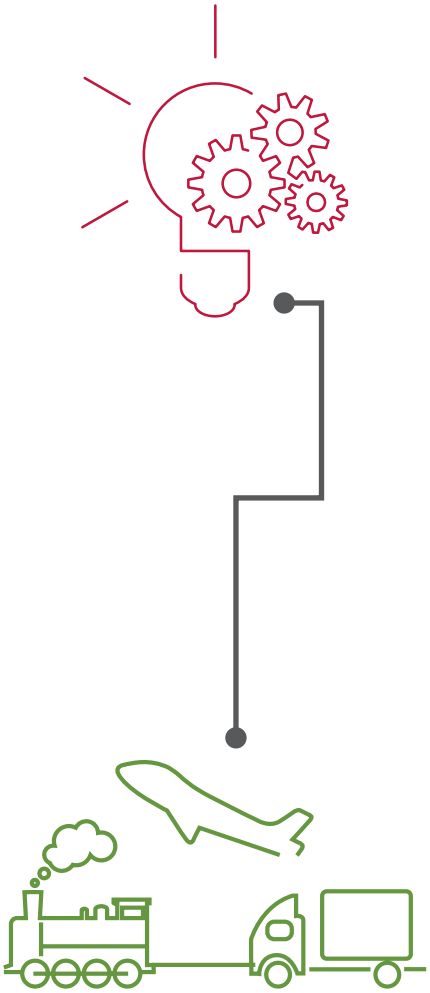
Changing customer expectations

The whole point of Internet shopping is its convenience. Yet, the more that consumers have come to rely on it – for everything from their weekly grocery shop to high-value electrical goods – the more they have begun to question and push back against associated logistics services. Convenience isn't the only expectation either. Customers' behavior is also being driven by ever more creative social, local and mobile (known as SOLOMO) solutions, which are expanding their appetite for compelling innovation.

In the worst cases, last-mile services can be the opposite of convenient – requiring consumers to wait in for deliveries with no certainty of their arrival, or to chase after parcels that have been taken back to the depot. As retailers and logistics partners have tried to address this, with more timely and reliable services and better tracking, consumer frustration has turned to other associated services, such as goods returns processes. There is now a growing expectation for these services to improve too.

Last-mile services are the end-stage logistics involved in getting ordered goods to the consumer – whether at home, in store or via some other convenient drop-off point – and (if they are being returned), picked up again. If they go well, they create satisfied customers and repeat business. If they go badly, they can lead to a noisy backlash (e.g. poor reviews on social media) affecting future sales.

In the current digital age, the last mile is where consumer relationships are made or broken. As Sucharita Mulpuru, an analyst at Forrester Research, has noted[2], "One thing Amazon has done very successfully [is that] they've owned the entire value chain. They've owned the last mile, the moment that matters - when the package arrives. Once you can own [that], you build a loyal customer base."



Reinvention & disruption of last-mile services

To keep innovating and impressing consumers, the Internet giants – the Amazons[3], Alibabas[4] and JD.coms[5] – have made the last mile their strategic focus, using their vast reserves to reach where competitors can't.

Amazon and Walmart are among those to have sought permissions to deploy drones for faster delivery (Walmart also plans to deploy drones for supply chain efficiency). But even Amazon, with its colossal resources, is seeing its cost of logistics rise relative to sales as it continues to set its own bar higher and higher[6].

The threat of new market disruptors is never far away either[7]. Uber[8], Instacart[9], and now Google with its rumored plans for driverless delivery trucks[10], all have their sights set on the last mile because of the potential to control the customer relationship. This is strategically important for all sorts of reasons, a major one being the ability to capture rich data about customers' purchasing habits and personal preferences, which they can then leverage with tailored recommendations and offers, maximizing future sales.

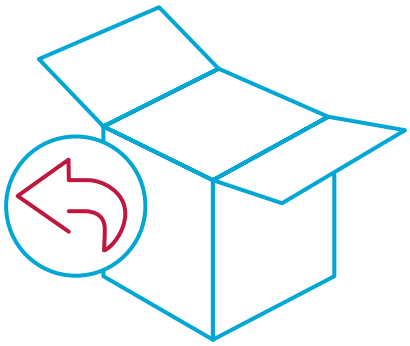
Last-mile services aren't an Internet-only phenomenon either. Boundaries between physical and virtual stores are blurring increasingly and, as rapidly as physical retailers are setting up online, e-tailers are opening bricks-and-mortar stores[11].

The expectation from customers now is that they should be able to glide seamlessly between store and website with access to the same information, inventory, offers and services. In-store benefits include being able to browse, touch and try products more easily; online benefits include 24 x 7 shopping time. Services need to reflect this omni-channel retail demand with mix-and-match options – e.g. allowing customers to order in-store and receive at home, or order at home and receive or return in-store. This is something Walmart has been investing in as part of its mission to be a leader in omni-channel retail[12].

One of the biggest challenges facing retailers and logistics companies is the impossibility of predicting where the market will go next. Amazon, which is continually redefining last-mile service with new 'immediacy' solutions[13], is currently exploring 'predictive shopping' for example. This involves anticipating shoppers' needs in advance based on past purchases and other preference insights, with a view to holding merchandise close to customers - ready to deliver at very short notice. In common with Google (Shopping Express)[14], it is also experimenting with its own delivery services[15] to gain even greater control of the last mile.

Friction-less returns

Improving the returns process is a large area for potential improvement, and technology innovation and supply-chain collaboration promise to help here too. The more people who buy online, the greater the need they will have to send back items. And the easier brands and retailers can make this for their customers, the happier and more confident customers will be to purchase online in future.



A 2015 study of consumer online shopping preferences by the UK's industry association for online retail, IMRG[16], found that satisfaction with returns is diminishing however - from 68% in 2014 to 61% in 2015. This is significant given that 78% of respondents deemed the quality of the returns service an important factor when deciding who to shop with. It's also something that gets a lot of attention in reviews of online retailers[17].

Removing consumer friction from this service means bringing the service to the customer, wherever they are - instead of forcing the shopper to stand in line at a post office or nominated collection point. Smart mailbox supplier Parcelhome is among those trialling a returns option[18].

Weengs[19], a new on-demand shipping app launched recently in London, UK, targets senders with an instant postage and packaging solution. (A comparable service, Shyp, operates in certain areas of the US.) The service is aimed at people with a lot of items to send (e.g. online returns), including frequent eBay users.

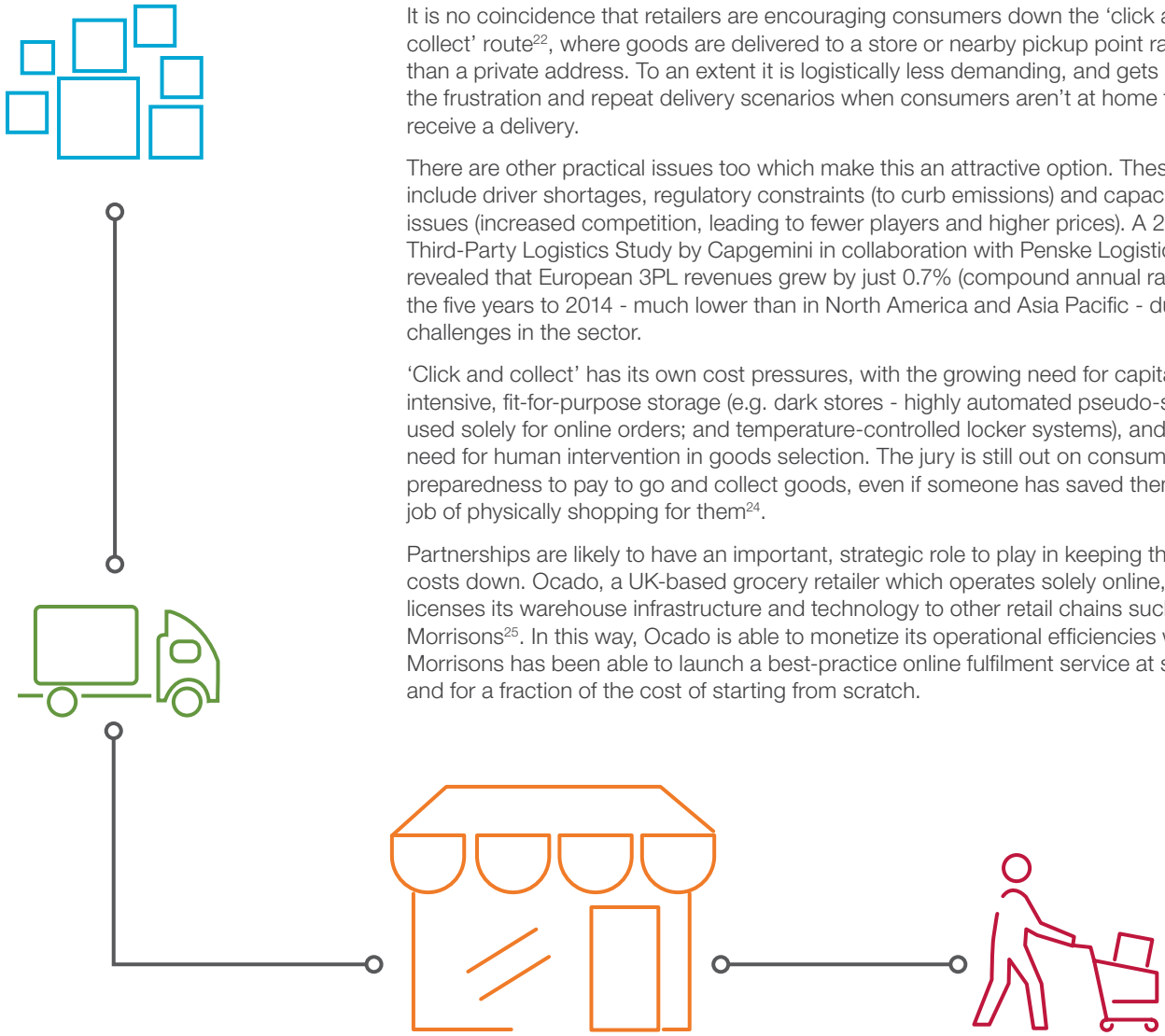
Users submit a picture of the loose item they would like to send, then select the 'Pickup Now' button via the Weengs app. Within 15 minutes, a 'Weengs Angel' will arrive to collect the item and package it, before sending it out with one of its shipping partners (to date these include Royal Mail, ParcelForce, Hermes, UPS and DHL) - based on who offers the best value. The sender pays a flat fee per collection of £5, plus delivery.

Cost implications

Trying to anticipate and provide for every emerging customer need and every delivery scenario as a single entity is prohibitively expensive, so this is leading retailers to think differently about how they organize and financially support their last-mile logistics.

The risk with charging for added consumer convenience is that this model could be quickly undermined if a leaner competitor or new market disruptor comes along and offers an equivalent service for free. Research indicates that delivery charges are very off-putting to consumers, even if a low product price makes the overall cost highly competitive (UPS's 2015 Pulse of the Online Shopper study in the US[20] found that 45% of online shoppers have abandoned their cart on finding they don't qualify for free shipping).

But the cost must be recouped somehow. Online food orders cost around $20 to fulfill - roughly three times the maximum delivery charges supermarkets can acceptably pass on to the customer. In July 2015, eBay shut down its same-day delivery service, eBay Now, due to cost/scale challenges[21]. (It was charging $5 delivery charges with a minimum order value of $25, yet paying $12.5 per hour to couriers indicating requirement for scale/higher delivery charge to make it profitable).



It is no coincidence that retailers are encouraging consumers down the 'click and collect' route[22], where goods are delivered to a store or nearby pickup point rather than a private address. To an extent it is logistically less demanding, and gets around the frustration and repeat delivery scenarios when consumers aren't at home to receive a delivery.

There are other practical issues too which make this an attractive option. These include driver shortages, regulatory constraints (to curb emissions) and capacity issues (increased competition, leading to fewer players and higher prices). A 2016 Third-Party Logistics Study by Capgemini in collaboration with Penske Logistics[23] revealed that European 3PL revenues grew by just 0.7% (compound annual rate) over the five years to 2014 - much lower than in North America and Asia Pacific - due to challenges in the sector.

'Click and collect' has its own cost pressures, with the growing need for capital-intensive, fit-for-purpose storage (e.g. dark stores - highly automated pseudo-stores, used solely for online orders; and temperature-controlled locker systems), and the need for human intervention in goods selection. The jury is still out on consumers' preparedness to pay to go and collect goods, even if someone has saved them the job of physically shopping for them[24].

Partnerships are likely to have an important, strategic role to play in keeping these costs down. Ocado, a UK-based grocery retailer which operates solely online, now licenses its warehouse infrastructure and technology to other retail chains such as Morrisons[25]. In this way, Ocado is able to monetize its operational efficiencies while Morrisons has been able to launch a best-practice online fulfilment service at speed and for a fraction of the cost of starting from scratch.

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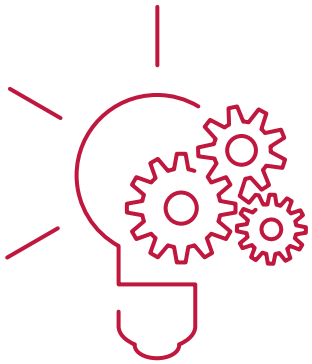
Recent innovations



The latest innovations in last-mile services span a wide spectrum of services and business models, confirming the need for contenders to be on their toes. Nielsen[26] identifies six different e-commerce options (home delivery, in-store pickup, drive-through pickup, curb-side pickup, virtual supermarket and automatic subscription) as being particularly popular with upcoming generations.

The relative appeal and success of these variations is influenced by a range of factors. In vast markets like China, coverage and service consistency is a challenge (hence the rise of drones, and numerous strategic partnerships to reach vast, dispersed rural communities). In Singapore, busy consumers have come to prefer the convenience of being able to collect their goods from external locations[27]. In developed Western markets, having a choice of options is the priority. Differing labor laws and pay scales will also have a bearing on what works better in one geographic region over another.

In Germany, logistics giant DHL is rolling out all sorts of ambitious pilot initiatives in an attempt to meet consumers' growing expectations and stay ahead of the curve. In one trial, DHL Parcel has joined forces with Amazon and Audi to enable items to be delivered quickly and securely to customers' cars[28].

Beyond the ambitious drone and driverless car plans of the Amazons and Googles, startups are shaking up the market with ever more ambitious and creative aggregation services built on partnership models. Stuart[29] is one of the latest players poised to enter the 'same hour' delivery space already occupied by the likes of Uber and Deliveroo, as well as big players such as Amazon, by connecting retailers and customers in new ways.

Other examples include US-based Deliv and Doorman, which address specific pain points for customers - Deliv[30] offering advanced flexibility in delivery, and Doorman[31] targeting officegoers and providing midnight delivery.

Deliv differentiates its last-mile solution by giving customers the flexibility to schedule delivery at their convenience (instead of what suits the courier firm) for a compelling fee of $5. It partners with retailers, drawing on their infrastructure (eg stores and warehouses) and, through their network of independent contractors, enables same-day delivery. Among others, Macy's has partnered with Deliv to extend same-day delivery to 17 cities in the US[32].

Doorman's unique selling proposition is its ability to deliver between 6pm and midnight, ideal for people working late who don't want to miss a shipment. Alternatively, for a fee, customers can hold the inventory at Doorman's depot for as long as needed (the emphasis being customer convenience rather than indiscriminate same-day delivery). Pricing starting at $3.99, with options to have unlimited deliveries for $29/month, provides further differentiation.

Smart mailbox, locker and pod solutions (with built-in sensors and Internet connections) are attracting a lot of attention – giving customers more remote control as well as real-time information about deliveries made to their homes. Pelipod in the UK[33] has identified two streams of opportunity using its smart box: (1) to eliminate missed deliveries for consumer goods delivered to the home; and (2) to allow utility/service companies to receive parts quickly and closer to the point of need (saving waiting time, and allowing engineers to complete jobs the same day).

Google Shopping Express will be partnering with Uber for same-day deliveries, with Google maintaining pricing, the storefront and merchant partnerships while Uber provides the drivers through their UberRUSH offering. The main motive is to make Google Express a more economically sustainable model[34].

Next-generation click and collect

Western Europe is a hotbed of last-mile creativity, particularly advanced e-commerce markets such as the UK and France. Click and collect has proven a popular alternative to home-based services in both of these countries (because of the risk of failed delivery), and services here are evolving quickly.

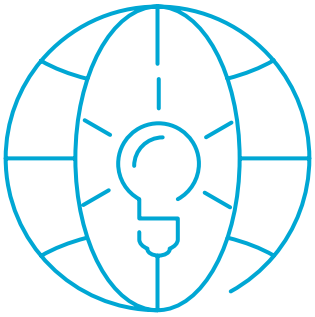
Innovations include temperature-controlled lockers for groceries; and supplementary collection points at convenience stores, post offices and other third-party sites including garages, underground train stations and 'drive through' pickups. Traditional British retailer Marks & Spencer (M&S) is one of the latest to have begun expanding these options in 2015[35]. Inspired partnerships are becoming more common too; examples include Argos/eBay[36] and Asda's new 'ToYou' service which allows customers to pick up and return online orders of third-party retailers from any of Asda's nationwide stores[37]. Meanwhile Amazon in the UK, not content with launching its own last-mile delivery service, has now signed a deal with grocery supermarket chain Morrisons which will allow it to sell food to its customers[38].

In Australia, supermarket chain Coles is using mobile technology to ease the click-and-collect process – specifically its proprietary 'pick and pack' tablet-based solution, which directs pickers to the exact aisle and shelf, to speed up stock selection[39].

Meanwhile in Asia, e-commerce giant Alibaba's multi-billion-dollar move to take a 20% stake in Suning Electronics (one of the largest electronics brick-and-mortar retail stores in China)[40], has enabled new business models known as O2O (online to offline models). Here, online and offline stores integrate and share resources for mutual benefit. Through the alliance, Suning's logistics network - which covers 90% of China - will drive Alibaba's 'anywhere-same-day' delivery ambition (clicking in Tmall, and collecting via Suning electronics).

New variations on the click-and-collect theme are emerging all the time. A Last Mile Survey report from Barclays Bank predicted a surge in use of such services at the expense of direct home deliveries back in 2014, in the run-up to Christmas[41]. The report cited the UK as the most active nation for such services, but noted the success of France's 'Click and Drive' supermarket collection points which have become an integral part of delivery networks (around 80% of the French population have a Drive collection point within 10 minutes of their home or work address).

French retail giant Auchan is a pioneer in click and drive. Its innovations include a hybrid model which allows in-store grocery customers to scan products in store, add them to a virtual shopping cart and collect at the supermarket's 'Drive' point.



Cross-border innovation

If organizations can successfully address the last mile using the right combination of partnerships, there is scope to get products to the farthest corners of the world. This, too, is sparking lots of innovation as the big players race to take control.

The global B2C cross-border ecommerce market is expected to be worth a staggering $1 trillion by 2020 (from $230 billion in 2014)[42]. In Europe alone, cross-border online sales are projected to pass the €40 billion mark by 2018 (up from €29 billion in 2015), according to Forrester[43]. These projections aren't surprising: cross-border activities provide extensive opportunities for retailers to establish geographic-agnostic assortment, shift inventory across geographies and align business models with customer preferences. Chinese ecommerce giants Alibaba and JD.com[44], and Amazon, are already leading in this space[45]. Competition is so fierce, and the distances so great, that partnership is proving the only viable way to mark out territory quickly.

Being open to international alliances is giving rise to all sorts of spin-off innovation too. In one example, a four-way technology and services partnership has allowed its stakeholders to take a global approach to taxi hailing[46]. In an international challenge to Uber. Ola in India, China's Didi Quadi, US-based Lyft, and Malaysia's Grab Taxi have joined forces so customers can order taxi services using a single app in any of the target countries.

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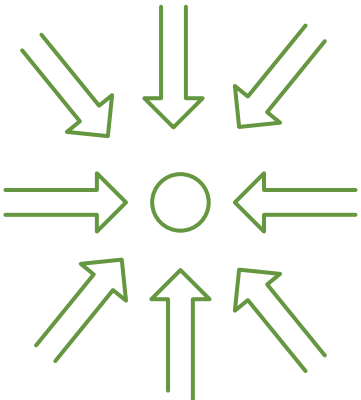
Crowd services



If a single retailer masters last-mile services, that's good for customers. But with collaborative, aggregator business models, where multiple parties can serve multiple customer needs in one go, the potential to transform the customer experience is on another scale.

Crowd-enabled last-mile solutions are proving particularly popular in the US. According to IDC Worldwide Retail predictions (2015)[47], on-demand, socially networked delivery services will account for as many as 90% of same-day deliveries by 2018. Uber has recently deployed a few variants of delivery capabilities, harnessing its large crowdsourced driver network. UberRUSH[48] provides rapid-turnaround delivery services to businesses including tailors, florists and fashion boutiques. UberEATS, present in numerous American cities as well as Paris, delivers food to consumers from local restaurants in under 10 minutes[49]. This is the market that Deliv plays in too, through its tie-ups with the likes of Macy's and Bloomingdales.

At a person-to-person 'crowdshipping' level, there is potential for individuals to drop packages for each other if they're heading in the same direction, coordinated using an app. DHL Freight Sweden began experimenting with this model a few years ago[50].

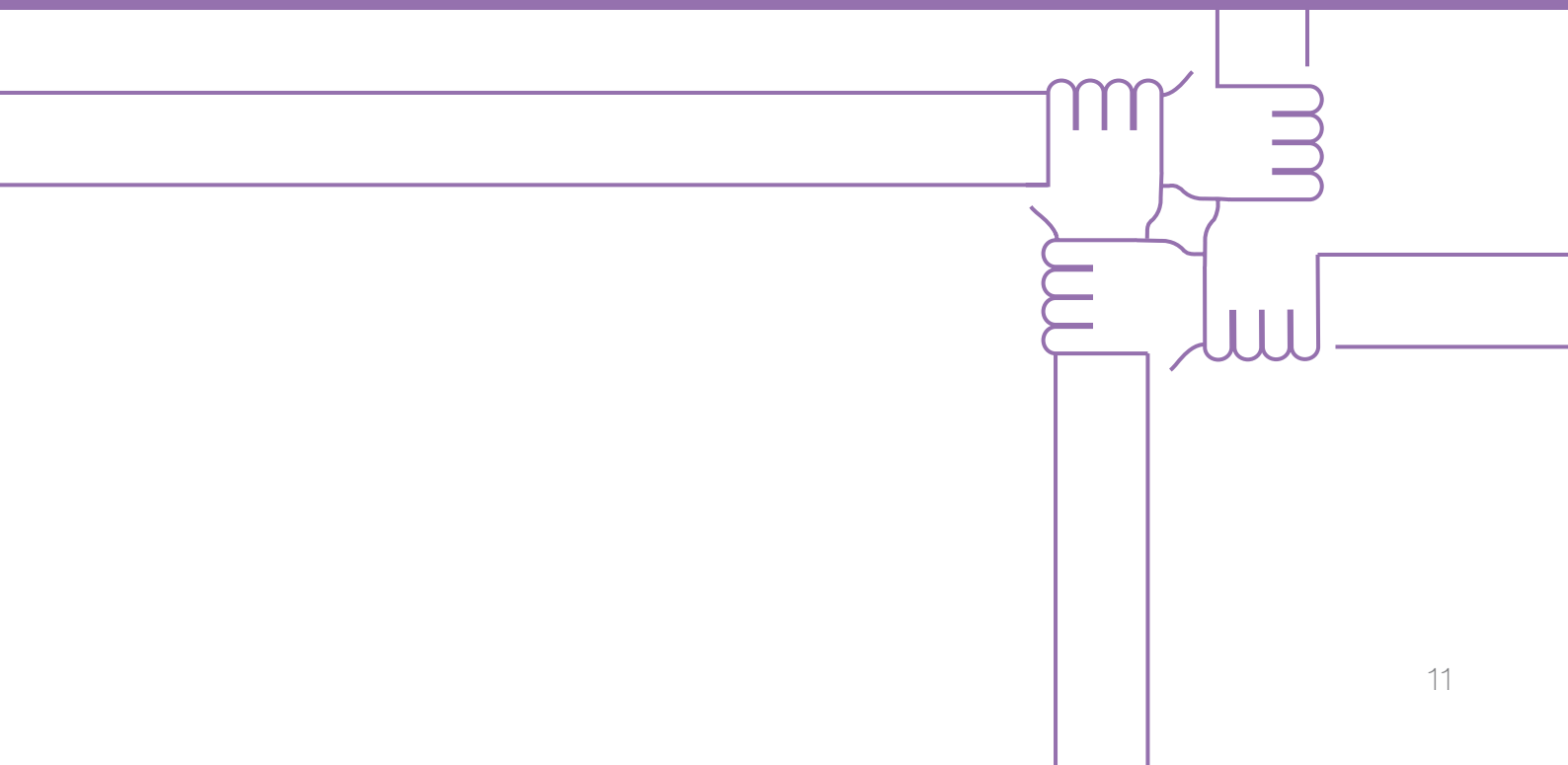
'Hyper local' delivery services can help address logistical issues in emerging economies, meanwhile. In India, tech-enabled delivery firms connect merchants and customers to provide a range of logistics services within a limited radius (e.g. up to 5 miles). This model is growing in popularity because it overcomes practical infrastructure challenges yet supports neighborhood stores and aggregates high-frequency, low-value horizontal categories (groceries, food delivery, general merchandise, and even services such as laundry and house repairs). Of the many startups operating in the hyperlocal delivery space in India, RoadRunnr has attracted the most funding[51].

Community services

Once there is a platform in place to support real-time collaboration between partner organizations, the scope for innovation is limited only by the industry's vision.

In Denmark, the national post office is experimenting with a range of novel community services, with the potential for new revenue streams[52]. Since installing digital tracking technology across its delivery fleet, Post Danmark has identified scope to report potholes and other environmental issues while on daily rounds, as well as services to tackle the common problem of bicycle theft in the country[53]. Similar community initiatives have also been piloted in Canada[54].

For global brand Coca-Cola, finding last-mile solutions to consumer issues has become a major focus of its corporate social responsibility (CSR) efforts[55]. Since 2010, it has been collaborating with The Coca-Cola Africa Foundation, The Global Fund, USAID and The Bill & Melinda Gates Foundation, on a 'Project Last Mile' initiative to get vital medicines and medical supplies out to hard-to-reach communities in Africa. It started from the premise, ***"If we can get a bottle of Coca-Cola to the most remote parts of the world, why can't we do the same for crucial medical supplies?"***



Preparing for the unforeseeable

In a rapidly-transforming market, it isn't possible to plan ahead for every possibility.

According to a **European Commission report**, **20%** of trucks in EU run empty[57], creating inefficiencies in managing capacities - especially when vehicles also return empty to warehouses.

The Internet of Things, which enables product, parcels, sorting equipment, vehicles, and collection points to be digitally tagged and tracked, paves the way for all sorts of innovation[56]. Meanwhile the rapid development of 3D printing systems, techniques and cost models could turn business models on their head, allowing consumers to have goods created for them on demand within the last mile itself[57].

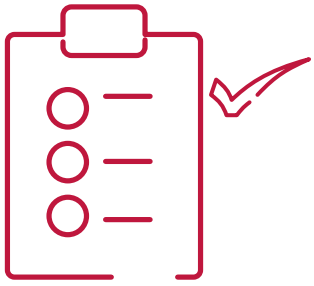
New market entrants may appear to have the advantage of agility and the ability to quickly harness new opportunities, because they are not constrained by legacy processes and systems. Deliv contains the cost of its consolidated deliveries by crowdsourcing its drivers, which means it has no vehicles to maintain, warehouses to hold products, or salaries to pay. With the Uber RUSH model, where customers order from the merchant as usual, each delivery costs the seller $5-7. Uber pays the driver 75-80% of that fee and keeps the rest. Merchants then decide whether to cover the cost of deliveries or pass it on to the consumer.

Success will rely on companies' ability to form multiple, diverse 'plug-and-play' industry relationships, centered round the consumer and enabled by technology. The key to enabling this is to move away from linear processes to agile network-based business models, facilitated by joined-up technology and real-time data.

According to a European Commission report, 20% of trucks in EU run empty[58], creating inefficiencies in managing capacities - especially when vehicles also return empty to warehouses. That's bad for business, and bad for the planet. Once vehicles can be monitored in real time, and real-time information flows freely and transparently between logistics partners, shipments and routes can be better planned and idle capacity sold on - on the fly. Options could involve combining deliveries and customer returns' or monetized partnerships with other sectors.

In Gothenburg, Sweden, some 500 businesses are using a centralized, state-organized delivery system comprising cargo 'bikes', to combine shipments and keep surplus traffic off the road[59]. The scheme, 'Stadsleveransen', is part financed by the EU's Smartset project. To date, the fledgling service is supported by fees from private transport companies and advertising sales, but the initiative is expected to be a self-sustaining business within a matter of months.

Capabilities checklist



Integration and coordination

Traditional retailers have spent years perfecting their supply chains for store-based fulfillment, more recently supplemented with separate, dedicated online fulfillment centers. These separate, logistical silos have prevented agility, and driven up costs.

According to Gartner's 2015 Multichannel Fulfillment and Returns survey[60], only 55% of companies have cross-channel inventory visibility and just 18% are able to optimize the transfer of inventory to meet demand, which is not surprising given the way these operations are organized and managed. The aim now must be to take a coordinated, omni-channel approach to operations.

UK department store chain John Lewis has invested heavily over the years in providing a seamless online and store-based fulfillment solution from a single distribution unit[61]. Using IT, it is now better equipped to 'track, know and manage' its activities across its different channels (its three strategic priorities).

Warehouse automation in the distribution center has helped reduce the inventory tied up in stores without compromising stock availability. Almost all of John Lewis' store replenishment happens directly from the distribution center to the shop floor (rather than inventory boxed up and kept in in-store stock rooms). Latest plans include investing in dynamic merchandise management systems across its stores.

Plug and play adaptability

Replacing the entire supply chain is an expensive proposition. However, removing the slack and making the supply ecosystem agile, so it supports innovation, is important. The aim should be to achieve a state where it is possible to reinvent and innovate in a continuous cycle.

The Capgemini/Consumer Goods Forum report, *Rethinking the Value Chain*[62], advocates a transition to multi-use, plug-and-play modules (infrastructure/systems, teams and business processes) that can be assembled and dissembled according to business needs and supports and encourages greater openness, collaboration and data sharing.

If retailers remain locked into unwieldy structures and ways of working which prevent interoperability and timely response to new opportunities, their room to maneuver will be very restricted.

Distributed order management

Distributed order management solutions can add measurable value here, by determining the lowest cost to serve within a given service level across a multi-node inventory network. Using rule-based formulae, which can be adjusted as needed, these systems take into account variables including stock location, customer location, shipping costs and available lead time to service the order, to arrive at the

lowest possible cost in servicing an order. Centralized demand and forecasting solutions can be invaluable too, optimizing inventory replenishment across the distribution nodes (stores, warehouses, fulfillment centers.)

US home improvement retail chain Home Depot has been remodeling its supply chain over the last decade to more closely integrate its online and store-based activities[63]. Now, its customer order management and inventory display platform suggests the optimal flow path to fulfill an order. Its operations have evolved from a traditional linear distribution center approach, to regional distribution centers for rapid replenishment of store inventory, to the current direct fulfillment centers. These use algorithms and store inventory data to manage direct-to-customer deliveries and click-and-collect deliveries in the best possible way.

Orchestrated returns

A more flexible, modular approach to logistics management can also support improved returns processes, supporting consumer choice and convenience if the goods they have received are damaged, unfit for purpose or superfluous.

As one of the final barriers to purchase, it is vital that retailers can remove any remaining friction from this process – and in such a way that doesn't force up costs. Gartner has noted that most retailers in North America and Europe have sub-optimal reverse logistics capabilities[64]: roughly a third of American and a fifth of European companies cannot achieve even a 25% resale rate.

To more effectively integrate the return merchandise back into the supply chain, **retailers need clear definition and a strong supporting capability** for returns scenarios and return touch points.

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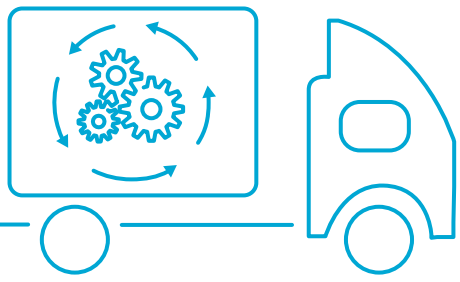
Commercially, it is also important that retailers have a way of capturing intelligence and monitoring trends in returns, so they can try to minimize repeat occurrences – both with the same customer, and with other consumers. Again, this requires that systems are joined up and that intelligence and trend data can be shared readily throughout and beyond the organization. A streamlined return policy, minimizing return touch points, is among the solutions.



Conclusion

Last-mile reinvention is vital if consumer products and retail companies are to keep up with customer demand. But this is challenging and costly if tackled in an ad-hoc way, as a reaction to competitor service improvements or the latest consumer fad. Unless new service innovation is driven from the top of the organization down, companies could be putting future agility at risk.

From an operational perspective, last-mile efficiencies can take years to establish in the form of an effective and strategically located distribution network, so it may be unrealistic to build supply chain models from scratch. Businesses looking to accelerate this process may be better off considering a partnership model with parties that have the desired infrastructure and logistics processes in place – particularly smaller organizations with compelling solutions. Larger players looking to tackle the last mile challenge using their own resources, on the other hand, must plan holistically across the supply chain - with a complete understanding of the distribution processes, technology, capital, demographics and expertise required to be successful. This is a huge and costly commitment, but it is necessary as many traditional supply chains are no longer fit for purpose, especially in a multi-channel context.

Additionally, last mile initiatives must consider the type of product, operational and systematic touch points across the value chain, as well as customer demands, in order to streamline the process from order through to delivery. Companies should conduct extensive research, testing and piloting before committing to specific initiatives as getting it wrong can be costly. The caveat here is that inertia could be even more costly at this frenetic, frantic and critical end of the market, such is the pace with which new entrants are disrupting the market and raising customer expectations. So there is a balance to be struck, between putting in the groundwork to get it right and taking steps sooner rather than later.

Strategies for success – key takeaways

Build holistic solutions

The customer centricity imperative will not go away, and it is this that is driving the need for radically improved last-mile services, from deliveries/collections to returns, repeat orders and whatever other challenges companies in the industry are planning to address.

Ocado provides a good example of what to aim for. Its weekly online orders are growing at a rate of 16.6%[65], thanks in part to its positioning as a business with capabilities it can resell to partners.

Its end-to-end solutions include:

- A unique value proposition balancing choice, service, freshness and price
- A compelling mobile app
- Its partnerships with small and specialist food manufacturers
- Offering meal-based solutions rather than just individual products on its web site[66].

In international logistics, meanwhile, SingPost provides end-to-end regional and cross-border ecommerce logistics solutions. These begin with the creation of web store fronts and order management systems, and extend to complete freight and customs solutions, warehouse management and shipping systems[67].

Alibaba's popularity, meanwhile, owes much to its ecosystem of services, allowing suppliers to establish a presence from scratch within its website, with a complete package that includes technology, marketing and financing support[68].

Omni-channel is the only way

It is unthinkable today that retailers should treat and manage web and in-store customers differently, nor should they plow all of their investment into one facet of last-mile service fulfillment. Consumer movement between channels is so fluid, and customers' requirements can vary so much depending on the context, that there must be a consistent experience and maximum choice.

Instead of focusing on same-day delivery, for example, retailers need to plan for a range of omni-channel fulfillment options including 'click-and-collect' and other variants. This in turn means optimizing in-store picking, and validating use of dark stores as well as a range of customer collection points.

Learn from and emulate models that work

Even though the last-mile evolution is still very much a work in progress, many important lessons have already been learnt so there is no need to make expensive starting errors. Take cues from global retailers, consumer product companies and companies in other industries who have been honing more advanced logistics for some time. Startups that are disrupting established models are another important source of insight. If there is scope to form strategic alliances, make this a priority. Once companies are set up to be more agile, flexible, responsive and collaborative, they have more options to choose from and can reconfigure themselves repeatedly without incurring high costs and delays each time.

A problem shared could be a problem halved – and a profit doubled

Although owning the customer is the prize everyone wants to play for, it is a demanding responsibility that may be better shared. It is important to keep the big picture in view, and take the partner option seriously. As long as the organization is set up for collaboration, system integration and intelligence sharing, supported by reconfigurable plug-and-play processes and infrastructure, tapping into what's already out there could be the best way to deliver visible results in the shortest timeframe.

The need to transition from traditional, linear value chains to more dynamic, agile value networks with consumers at the center, is explored in depth in "Rethinking the Value Chain: New Realities in Collaborative Business" *(www.futurevaluenetwork.com)*. The Consumer Goods Forum and Capgemini collaborated with more than 40 senior-level industry executives to arrive at the findings discussed in this report.

Key components of a dynamic supply chain:

- Agility – so that it can be reassembled and reinvented as needed, without requiring an expensive and long-winded change program each time market needs and commercial priorities are reassessed

- Flexible, open integration – supporting flexibility in new connections and forms of collaboration, both across and beyond individual organizations

- Intelligence – allowing dynamic reconfiguring of supply management and service/resource optimization based on accurate and up-to-date customer, stock and logistics insight

- Fluidity – so that information and goods flow freely and efficiently to where they need to be. So, whether it's practical to hold goods close to the customer, or more economical to compile orders in central distribution centers, companies can go with the flow

- Visibility – a clear line of sight across operations and the supply chain means a retailer is better able to optimize logistics and provide a higher level of service to customers

How Capgemini can help

Capgemini provides global, industry-relevant expertise, business process and consultancy, integration and infrastructure services, and end-to-end technology solutions. Drawing on industry best practice and our own methodologies (e.g. Integrated Planning and Execution for Retail, Consumer Demand Driven Supply Chain for Consumer Products), we can collaborate, co-innovate, advise and implement supply chain and last mile transformations.

To find out more about how we could help you accelerate supply chain improvements and last-mile service innovation, visit www.capgemini.com/consumer-products-retail.

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