Insight Report

Driving Ecommerce Last Mile Delivery Success in 2019

This report is a breakdown of FedEx and UPS small parcel delivery KPIs from both the retailer and retail category standpoints and is aimed at uncovering trends, insights, and opportunities to win in the last mile of ecommerce.



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Foreword

Shipping carriers and retailers have had a codependent relationship spanning several decades. Traditionally, retailers have relied on shipping carriers like FedEx and UPS to reach their customers, leaving the last mile customer experience completely in the hands of third-party delivery service providers.

According to comscore, when it comes to online retail, "free shipping and returns" is a driving factor to complete the sale. However, with ecommerce revenue in the US estimated to hit \$600 billion in 2019, merchants who simply provide free and fast shipping without any control over brand equity, efficiency and experience in the last mile are bound to be left behind in the retail race.

Undoubtedly, customers are the center of the supply chain universe. The best retailers today focus on exceeding

customer expectations by providing a last mile delivery experience that is well monitored, proactively managed and meets the brand standards maintained in the pre-purchase phase of a shopper's journey. This shift towards a customer-centric last mile will continue to grow and retailers who actively engage in it will enjoy a distinct competitive advantage along with fierce customer loyalty.

> Estimated U.S. ecommerce revenue in 2019 \$600 billion

Executive Summary

As a logistics technology company, LateShipment.com has tracked over 75 million small parcels in real-time, validating over 130 data points along the delivery lifecycle of every order. With track & trace capabilities for over 40 global shipping service providers including FedEx and UPS, we regularly monitor delivery performance metrics that matter the most to businesses. This purposive report levels the "last mile" playing field, helping retailers gain an unbiased and strategic insight into the workings of small parcel shipping.

This report is an in-depth delivery performance analysis of FedEx and UPS between January and March, 2019, for a chosen set of 100 online retailers in the United States.

OUR MISSION IS TO INCREASE TRANSPARENCY IN THE WORLD OF PARCEL SHIPPING

Why this **report**

Shipping is among the highest cost centers for any ecommerce business and often the most error-prone too. As ecommerce growth scales new heights, the number of packages shipped out is bound to keep growing exponentially. Hence, with rising customer acquisition costs and shopper demands, it is vital to retain customers by catering to their delivery speed and service quality expectations every single time, to maintain market competitiveness.

However, guaranteeing on-time delivery and keeping that promise has its own challenges and retailers still struggle with the **HOW?**



How to gain end-to-end supply chain visibility?



How to offer free and fast delivery while keeping a lid on costs?



How to ensure shipping carrier accountability around on-time delivery?



How to reduce customer churn due to delivery failures?

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How to enhance last mile delivery experience?

Why this report

The solution to overcome challenges around shipping and delivery comes both, from gaining access to shipping data and making sense of it in a way that gives visibility, unlocks insights and provides optimization opportunities. With this report we attempt to try and solve both, the lack of data-driven visibility in the shipping industry and the provision of insights to take better supply chain decisions.

Chapters in this report include



Analyzing on-time delivery performance of 100 online stores who ship with FedEx and UPS



Retail-category-specific audit of carrier services to decide which works best for whom



On-time delivery performance of priority services including Overnight, Next Day and 2-Day services



Delivery metrics critical to cross border shipping success



Understanding the impact of delivery mistakes across the retail value chain



Building a last mile strategy with a focus to win, serve and retain customers

Of all the packages tracked **6.03%** parcels were delayed

Why this report

Some ______ key findings ______ from the report 3PL providers faced the most number of delays at **7.6%**

FedEx Priority Overnight and UPS Next Day Saver faced the most number of delays shipments faced

Cross border

more delays than domestic shipments

71.8% of late deliveries observed with Day Definite Services were delayed by at least

a day

How to use this **report**

Retail Merchants If you're a retailer, this collection of delivery performance metrics for FedEx & UPS, along with relevant insights specific to your industry stand to help you make data-driven supply chain decisions with an eye towards improving cost, efficiency and last-mile customer experience.

Journalists Bloggers Industry Experts If you're a journalist/ blogger/ industry expert with specific interest in ecommerce retail, last mile logistics and supply chain operations, this report aims to equip you with accurate and unbiased data about shipping carrier performance for small parcel delivery across the United States - an area that remains starkly devoid of neutral data sources without shipping carrier affiliations.



Methodology

For the purpose of this study, 100 small and medium ecommerce retailers who fulfill orders with FedEx, UPS or both and operate from the United States of America were chosen. To maintain diversity and relevance, companies representing all major regions and industry types were selected. These retailers collectively shipped over 500,000 packages between January and March, 2019.

507,873

packages were tracked for a set of 100 retailers in the U.S.

Who we studied and why

With an aim to make this report neutral and universal in appeal, a diverse set of 100 retailers, geographically well spread out across the U.S. and spanning most industry categories were chosen for the study.

Sample Size - 100 ecommerce retailers Retail Categories - 20 diverse categories Shipping Carrier/s - Use FedEx, UPS or both to fulfill orders Shipping Volume Range - 500 to 50,000 packages per month Business Size - Small and Medium Businesses Geographical Location - United States of America

Retailers chosen for this study have been grouped on the basis of their respective retail categories. A total of 507,873 packages shipped via FedEx, UPS or both were tracked and analyzed.

Classification of retailers

For the ease of analysis, retailers have been grouped as follows



Package delays across retail categories

Group 3 (Food, Chocolates, Coffee and Wine) faced the highest delays among all categories at 6.99%



Package delays across retail categories

Retailers opt for shipping services depending on several factors. We often see varying shipping choices made by different retailer groups as their shipping needs are as unique as their product offerings. This usually means shipping carrier performance will vary considerably across retail categories.

In this report the considerable differences we notice in delay percentages across these retailer groups can be attributed to factors such as shipping type preferences, shipping location, dimensional weight, shelf life of products, etc.

Key observations made are:

- Group 4 (3rd Party Logistics Providers) faced the highest number of delays at 7.71%
- Group 3 (Food, Chocolates, Coffee and Wine) came second in terms of delays at 6.99%
- Group 6 (Auto Parts and Home Improvement) faced the least number of delays at **4.8**%
- Total delay percentage is 6.03% with 30,643 package delays recorded across all groups

Distribution of delays across retail categories

	Retailer Group	Shipment Volume	No. of Shipments Delayed	Delay Percentage
1	Apparel and Accessories	144,595	9,737	6.73%
2	Consumer Electronics, Computers and Software	75,331	4,203	5.58%
3	Food, Chocolates, Coffee and Wine	58,716	4,106	6.99%
4	3rd Party Logistics Providers	9,479	731	7.71%
5	Home, Kitchen, Gifts and Toys	110,956	5,436	4.90%
6	Auto Parts and Home Improvement	25,728	1,237	4.81%
7	Sporting Goods, Health & Fitness and Marine Supplies	83,068	5,193	6.25%
		total shipment volume 507,873	TOTAL SHIPMENTS DELAYED 30,643	total delay percentage 6.03%

Package delays across service types

FedEx Priority Overnight and UPS Next Day Air had the highest percentage of delays across all retailer groups

FedEx 2 Day was the best performing service type with approx. 2% of parcel delays recorded across retailer groups

Package delays across service types

Every service type offered by FedEx and UPS is tailored to suit the varying shipping needs of retailers which include cost, speed and convenience. Across all retailer groups, we observed that, these factors actively influence their descision when choosing their shipping carriers and service types. However, with several factors like delivery times, pickup options, drop options, warehouse locations and weather conditions contributing to delays, a noticeable difference in the delay percentages across service types can be seen.

Now, let's take a look at the service types that have been affected the most by package delays across the seven retailer groups.

Group 1 (Apparel and Accessories)

The Apparel and Accessories industry faced the most delays, at **22.68%**, when parcels were shipped through FedEx Priority Overnight



Service types with the highest delay percentages for FedEx domestic shipments



20

Service types with the highest delay percentages for UPS domestic shipments





CONT'D.

Group 2 (Consumer Electronics, Computers and Software)

The most delays were observed for products shipped with FedEx Priority Overnight at **16.50%**, while those shipped with UPS Next Day Air fared better with a delay percentage of **8.51%**



Service types with the highest delay percentages for FedEx domestic shipments



Service types with the highest delay percentages for UPS domestic shipments





Group 3 (Food, Chocolates, Coffee and Wine)

Packages shipped by FedEx Priority Overnight had the most delays at **19.44**%, followed closely by UPS Next Day Air at **19.07**%



Service types with the highest delay percentages for FedEx domestic shipments



Service types with the highest delay percentages for UPS domestic shipments





Group 4 (3rd Party Logistics Providers)

3PL providers suffered the highest percentage of delays with FedEx Priority Overnight at **12.66%**, followed by UPS Next Day Air and UPS Next Day Air Saver at **10.5%** and **10%** respectively



Service types with the highest delay percentages for FedEx domestic shipments



Service types with the highest delay percentages for UPS domestic shipments







Basis: Analysis of select retailers from the 100 retailers chosen for this study. Duration: January - March, 2019.

Group 5 (Home, Kitchen, Gifts and Toys)

The highest percentage of delays observed were for orders shipped through FedEx Priority Overnight at 10.71% and UPS Next Day Air at 10.57%



15

Service types with the highest delay percentages for FedEx domestic shipments



Service types with the highest delay percentages for UPS domestic shipments

15





Basis: Analysis of select retailers from the 100 retailers chosen for this study. Duration: January - March, 2019.

Group 6 (Auto Parts and Home Improvement)

The Auto Parts and Home Improvement categories faced the highest percentage of delays with UPS Standard at **9.57%** and FedEx International Priority at **7.53%**



Basis: Analysis of select retailers from the 100 retailers chosen for this study. Duration: January - March, 2019.

Group 7 (Sporting Goods, Health & Fitness and Marine supplies)

Packages shipped through FedEx Priority Overnight saw a higher probability of delays at 16.74%.



Service types with the highest delay percentages for FedEx domestic shipments



15

Service types with the highest delay percentages for UPS domestic shipments







Package delays for **Priority Express Services**

The most domestic shipment , delays, at

17.78%,

were recorded for packages shipped with FedEx Priority Overnight

Package delays for Priority Express Services

According to McKinsey, around 23% of customers opted to pay extra and avail faster shipping options like *same-day* delivery despite retailers offering free shipping options. This clearly indicates the priority many customers place on faster shipping even if it means paying more for it.

Additionally, retailers who shipped out time-sensitive products opted for Priority Express services more often. But, interestingly, even though premium shipping options promise faster deliveries, they do not eliminate the probability of delays. In fact, quite a few premium delivery options have a higher probability of delays compared to cheaper options such as ground shipping.

Despite being the most expensive services offered by both FedEx and UPS, packages shipped through Priority Express services saw an average delay percentage of 6.94%.

Distribution of delays for Priority Express Services



Service types with the highest delay percentages for FedEx domestic shipments



15

Service types with the highest delay percentages for UPS domestic shipments





Quantitative analysis of **delivery delays**

59.4%

of late deliveries observed with Time Definite Services were delayed by at least a few hours



71.8%

of late deliveries observed with Day Definite Services were delayed by at least a day

Quantitative analysis of delivery delays - Time Definite Services

Although every instance of a late delivery is bad news, we find that a quantitative classification of delays is important to measure their impact. A package that is delayed by a few hours usually does not count as much towards a poor customer experience when compared to shipments delivered several days late.

While the previous section highlighted how the probability of delays varied across different service types, here we attempt to highlight the magnitude of delays that occur when orders are shipped using time definite service types.

FedEx and UPS Time Definite Services analyzed

Ground Home Delivery FedEx Ground FedEx 3Day Freight FedEx Freight Economy UPS Next Day Air UPS Ground UPS 3 Day Select UPS 2nd Day Air UPS Next Day Air Saver UPS Standard UPS Express Saver UPS Next Day Air Early

Magnitude of delivery delays for Time Definite Services

Quantitative analysis of delivery delays - Time Definite Services



Basis: Analysis of select retailers from the 100 retailers chosen for this study. Duration: January - March, 2019.

Quantitative analysis of delivery delays - Day Definite Services

The previous section dealt with time definite services offered by FedEx and UPS. In this section, day definite services offered by UPS are tracked. A day definite delivery is a guarantee to deliver a package sent via UPS Air or Ground service by a certain date.

FedEx and UPS Day Definite Services analyzed

FedEx 2Day Standard Overnight FedEx Express Saver Priority Overnight First Overnight FedEx 2Day A.M. FedEx Priority Overnigh FedEx Next Day End of Day UPS Next Day Air UPS Next Day Air Saver UPS Next Day Air Early UPS 2nd Day Air A.M.

Magnitude of delivery delays for Day Definite Services

Quantitative analysis of delivery delays - Day Definite Services



What international shippers **need to know**

International shipments faced



more delays than domestic shipments at approx. 25.89%

What international shippers need to know

Considering cross border shipping? Here's what you need to know.

Of all packages tracked for the 100 retailers, less than 5% were shipped to international customers. This can be attributed to the fact that the retailers chosen for the study range from small to medium businesses and are likely to have limited international buyers.

Compared to domestic shipments, international shipments faced 4X more delays. This is not very surprising considering the challenges involved with cross border shipping include tackling customs clearance, cross border handoffs, etc.

The service types tracked for international shipments include FedEx International Priority, FedEx International Economy, UPS Worldwide Expedited, UPS Worldwide Saver, UPS Worldwide Express and UPS Standard.

Package delivery delays for cross border shipments

What international shippers need to know



Delays across FedEx international services





Delays across UPS international services



The path to Last Mile Delivery Success

Order fulfillment mishaps

Impact on the retail value chain

At the core of every business is the end customer. With the growing importance of making ecommerce customer-centric, retailers who put logistics on the frontline when competing for customer loyalty will find themselves ahead of the game. Both, competing and winning in a value-driven logistics world requires the retailer to develop a comprehensive last mile strategy that combines the brand, operations and the people around whom the business is built. Any adverse action that directly impacts a customer will have a domino effect on the entire retail value chain.

In this section, let's understand the overarching impact of delivery exceptions across the following business functions.



Finance



Marketing



Sales





Logistics
Finance



Shipping is often the second highest cost center for retailers. Engaging with shipping carriers without service-level accountability means you risk overpaying for shipping by up to 20%. Enforcing the "Money Back Guarantee" policy enables retailers to claim refunds for over 50 service failures including late deliveries and billing errors.

Almost 6% of packages shipped by the retailers in this study were delayed and were potentially eligible for refund claims. This number could go well beyond 15% during peak shipping months.

Marketing



Delivery delays result in negative shopper experiences causing customer churn in the post-purchase phase. Acquiring a new customer would take more resources than retaining an existing one, thereby increasing Customer Acquisition Costs (CAC). Moreover, shoppers voicing their woes on social media can tarnish brand reputation and scare away potential customers.

Acquiring a new customer is five to 25 times more expensive than retaining an existing one.

Sales



Every late delivery has the potential to reduce customer loyalty and push a committed customer to seek out a competitor. An increased Customer Churn Rate (CCR) and reduced Repeat Customer Rate (RCR) are also among the ill effects brought about by delivery failures, leading to a significant impact on the average CLTV (Customer Life-Time Value).

Fast and efficient delivery is no longer a luxury, but a necessity. 55% of customers **switch to a competitor** if they offer faster and flexible shipping options.

According to a recent **Capgemini** study, 48% of customers choose an alternate retailer after a negative delivery experience.

Customer Support



WISMO calls (Where Is My Order calls) from angry customers due to failed deliveries not only reflects poorly on the brand but also highlights the fact that the support team is not well-equipped to proactively stay ahead of delivery exceptions that cause customer unhappiness.

WISMO calls (Where Is My Order calls) can make up 70-80% of all customer inquiries.

For around 20% of Gen Z, waiting for the product after purchasing it is the #1 impediment to a happy online shopping experience.

Logistics



When a business receives substandard delivery services and suffers a number of delivery exceptions, it signifies a striking lack of quality-control, accountability and end-to-end visibility into the functioning of outsourced third-party service providers.

Only 6% of retailers claim to have complete visibility into their supply chain **according** to this study.

Guaranteed Service Refunds (GSR) Money left on the table

As a retailer who goes the distance to offer free and flexible shipping options to customers, what measures does your business take to handle the impact of delivery failures on customers and the bottom line?

By way of Guaranteed Service Refunds (which you should never waive your rights to!), you can save up to 20% on your shipping spend by claiming refunds for over 50 carrier service failures which include late deliveries (even when a parcel is late by 60 seconds!) and billing errors. Moreover, claiming refunds can be your friend, not a foe. In fact, monitoring service-level compliance and claiming refunds encourages shipping carriers to improve their overall delivery performance.

Putting cost savings from shipping refunds into perspective

Every single refund claim for a carrier service failure that is not filed by retailers is cashed in on by the shipping carriers. On an average, this amounts to about **\$3 billion** every single year!!! Filing claims for carrier service errors has the potential to bring about great savings for your business. So, why lose out on all that money?

Let's understand how refund claims for service failures can save you BIG MONEY on your annual shipping costs.

Example



* As seen on Page 14 - The total package delay percentage is approx. 6.03%

Final Outlook 7 things that make it or break it

In today's era of online retail, the 3 P's that influence a purchase the most are *pricing*, *pace* (at which an order arrives) and *precision* (in delivering a package when and where a customer wants it). But then, when a shipping carrier fails to meet a delivery promise, unforgiving customers always associate their delivery ordeal with the online store they purchased from and rarely return to shop with them again thereafter. This necessitates an active "customer-experience-driven" need for merchants to stay on top of shipments in transit and take proactive responsibility for delivery failures and delays, irrespective of why and how they happen. With this in mind, let us understand the crucial drivers of last mile success that are bound to reap the greatest benefits for retail businesses.

7 things that make it or break it

What the analysis says

Performances of FedEx and UPS were quite close to one another. A total of 6.03% of shipments did not reach their destinations on time. A significant percentage of package delays exist across retail categories irrespective of the carrier and service type used.



Capturing and analysing your shipping data can put you in the driver's seat of your last mile operations, giving you an edge when you plan growth, optimize your supply chain and negotiate shipping contracts. This will also ensure that your shipping partners are regularly monitored and are held accountable for their performance.

Optimize to drive down costs





In some cases, ground shipping is just as fast as air services, hence picking shipping services that are best suited for your business and customers helps in optimizing costs. Additionally, auditing every shipping invoice you receive from your carrier ensures you are paying the right charges and also paying only for services that meet the promised service standards. Do not, under any circumstances, waive off your right to refunds for shipping carrier service failures.

A last mile technology solution gives you real-time visibility and transparency into shipping activities. It can not only help you monitor parcels right till they reach a customer's doorstep but also help you stay ahead of delivery failures that affect customer experiences. An effective delivery management platform acts as an intersection between your logistics provider, delivery and customer; making it the control tower of your order fulfillment wing.

Retailers should be hyper-sensitive to actions that can cause customer unhappiness and upset their loyal customer base. With tools to predict delivery delays well in advance, businesses taking proactive measures to counter the ill effects of delivery exceptions in the last mile will be able to forge strong customer relationships and improve retention.

Communicate when it matters the most



Communicating with customers, especially when it matters the most, builds trust, loyalty and credibility. Consumer engagement in the last mile, right from the point of order up until its delivery at their doorstep demonstrates your commitment to quality customer service. Timely updates about the delivery status or a simple apology/ discount coupon in the event of a parcel delay will go a long way toward creating positive customer experiences.

When creating an immersive brand experience, retailers who raise the bar by building a personalized and brand-consistent last mile experience will stir positive emotions within shoppers. With branded order tracking pages, retailers can engage with customers in a way that drives sales and loyalty.

About LateShipment.com

At LateShipment.com, our paramount mission is to increase transparency in the parcel shipping sector. We are committed to providing businesses with innovative and impactful logistics technology solutions to reduce cost and improve the last mile customer experience they offer.

Trusted by thousands of companies worldwide, at LateShipment.com we have audited and tracked over 75 million packages shipped via 40 different shipping carriers globally. With our unique industry position, we're able to leverage our global shipping data and expertise in fulfilment logistics to produce unbiased and actionable insights aimed at empowering businesses with the information needed to excel in the last mile.



Disclaimer

Learn More

The data and information in this report has been solely drawn from shipments tracked by LateShipment.com, on behalf of its customers. While particular care has been taken to ensure that all data sets analyzed are accurate and statistically relevant across the small parcel shipping industry, LateShipment.com is not responsible for any errors or omissions whatsoever.

All company names, logos, product names and trademarks used in this report are the sole property of their respective owners and are used for identification purposes only. Usage of these names and trademarks by LateShipment.com does not imply endorsement in any form. LateShipment.com provides parcel shippers with smart logistics solutions purpose-built to take control of shipping, delivery and last mile customer experience. Our last mile success toolkit includes:

Automated Parcel Audit - Our best-in-class parcel audit technology verifies shipping invoices for over 50 service failures including late deliveries and billing errors, files eligible claims and automatically recovers refunds, thus saving overall shipping costs by up to 20%.

LateShipment.com Pulse - A real-time parcel tracking and delivery management solution on the cloud. It offers complete visibility of shipments-in-transit across carriers, predicts delivery errors, highlights shipments that require your attention and enables brand-consistent communication with customers about critical shipping events.

Visit www.lateshipment.com to find out more.







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