IT'S ABOUT TIME...

...Be ready

Digital, data and drones:
Delivering the courier business of the future

The courier business doesn't stand still at the best of times. But the changes that are happening now are the most dramatic that we have seen in the last 25 years.

A perfect storm is gathering: customer demands together with advances in technology will render this industry unrecognisable in the coming decade, and the businesses that are left standing will be those that know how to exploit data.

Carriers differentiate with digital & analytics

The 2019 CIO survey by Gartner shows that digital transformation and data analytics are the primary focus for CIOs in the Transportation sector (which includes courier companies).

Nearly a quarter of CIOs (22 per cent) said their biggest business priority for the next two years is digital, followed by operational excellence at 18 per cent.

Almost two fifths (36 per cent) said that data analytics, including predictive analytics will be a game changer for their organisation, followed by AI and Machine Learning at 25 per cent. And 45 per cent of transportation CIOs said they would be increasing their budget allocation to business intelligence and analytics technology in 2019, followed by 36 per cent who will be increasing spend on customer and user experience.

Digital transformation in this sector is advancing rapidly, with CIOs reporting to have moved from designing digital initiatives to delivering, and into scaling the business. Only 14 per cent are still in the design phase (as compared to 36 per cent in 2018), 31 per cent are now delivering projects and 21 per cent are now scaling the business (compared to only 7 per cent in 2018).

Dwindling margins...
demanding customers

This focus on digital is driven by tough market conditions. Growth in parcel delivery accelerated in 2017-18, compared to 2016-17, reaching a total of 2.4 billion items and revenues of £9.4 billion.


However average unit revenues decreased by five per cent year-on-year, meaning that margins are being squeezed. Research by McKinsey shows that customers are not only increasingly demanding but also extremely cost sensitive and are unwilling to pay for greater convenience. Because they want faster delivery and smaller delivery windows (same day is projected to grow from around £50 million in 2016 to nearly £700 million in 2020), delivery and return options are influencing online shopping conversion rates.

Accenture found that 86 per cent of consumers consider delivery as part of the online shopping experience and 49 per cent expect next day delivery to be free. Returns, which can be extremely challenging for both retailers and couriers, are becoming an increasingly important part of the story with 79 per cent of consumers rating free returns as important in their choice of online retailer and more than half (55 per cent) saying they seek out the cheapest return option.

Free and fast
is not enough

Given this consumer demand, it's not surprising that retailers are using delivery and return to differentiate; another study in 2017 found that the majority of retailers that currently do not offer free shipping, free returns or same-day delivery plan to do so.
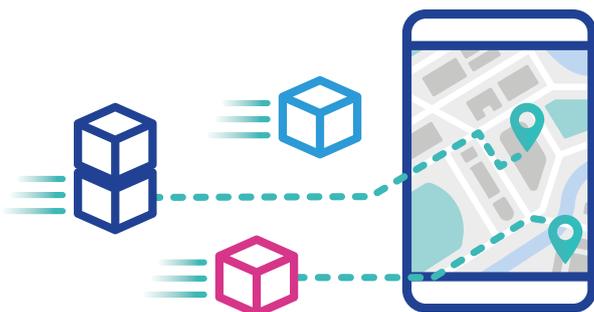
However, free and fast is not enough for consumers. They want to track their parcel throughout the delivery process.

They want to be able to control the process and make changes if their circumstances change, such as diverting to a neighbour if they are not going to be in. They want to choose from multiple delivery and return locations - existing ones such as home, office, locker and store - and new options such as the boot of their car.

Fulfilling these customer demands will require managers to have full visibility of their couriers whilst in the field, to equip them with fast, responsive mobile solutions designed to maximise productivity and compliance at every stage of delivery and return, and to have the right data for operations teams to monitor and manage delivery performance.

The dawn of
the robots

It's not only customer demand that is driving change in the courier business. Technological development means turbulent times ahead.

McKinsey analysis says the pace of tech development is faster than expected and is already transforming last mile delivery. In the next three to five years, companies are expected to use large, semiautonomous delivery vehicles to follow parcel-delivery staff as a first step toward full automation, supporting couriers and increasing productivity by cutting the time needed to drive and park vans. Semiautonomous and autonomous vehicles can reduce delivery costs in cities by 10 to 40 per cent.

In the longer term, beyond 2030, robots will take packages right to customers' front doors. The first robot-delivery pilots are already happening – the UK's first drone-delivery service was set up in 2018 - but the technology is still too costly for widespread deployment. In this further-out future, the growing importance of technology in the last mile industry will affect the overall courier ecosystem, including its competitive dynamics and the distribution of value across industry players.

By 2025, McKinsey predicts that incumbent couriers are still well positioned to control the bulk of parcel volumes, but that insights derived from data gathered from various sources, such as IoT data or from traffic, parking spots, or consumers themselves—can shape new joint business models and partnerships with new market entrants.
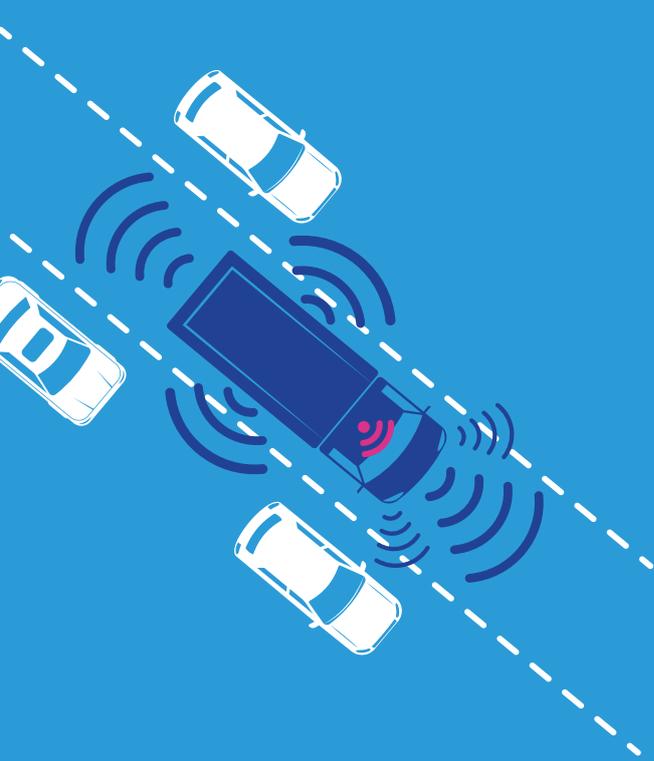
What part will you play in the courier ecosystem of the future?

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