



DIMENSION REPORT

Operations & Logistics: November 2016

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A Performance Dimension Report as part of IRUK 500 2016
InternetRetailing's UK Top500 Retailers, 2016



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From the editor-in-chief

OPERATIONS & LOGISTICS are now key points of competition between retailers, as our findings in this latest IRUK 2016 Performance Dimension Report show only too well.

Retailers are competing with a previously unmatched level of convenience around delivery, returns and collections. Today, leading retailers in this Dimension are getting products to customers as soon as within the hour, or in an hour-long window of a customer's choosing. Same-day delivery is still, admittedly, a minority service, offered by only 5% of the Top500, but choice is becoming more diverse across the board: the average retailer in the index now offers two or three delivery options, while 63% offer next-day delivery. We'll expect that to improve over time as the sector becomes ever more competitive. Collection services are widespread, while many retailers offer generous return policies.

But while some traders stand out from the rest and the average service is improving quickly, others still lag behind the average. There's an opportunity here for traders in the many sectors where swift delivery is a customer priority. Improvement will no doubt be driven by customers becoming more demanding and moving away from those traders that do not yet see delivery as a crucial point of fierce competition.

In this Dimension Report, we've assessed retailers by their delivery promise, since this is the metric most likely to guide the shopper's choice. We measure delivery and collection options, the ease and convenience of returns, and refunds too.

Our metrics will develop over time as, no doubt, services get ever more sophisticated. Will drone delivery soon be a reality? We'll stay in touch with the latest services on offer to bring that update if and when it comes.

We'll always welcome new input, ideas and thinking as we conduct our research. Please tell us if you have metrics to suggest or datasets to contribute. What are the measures you most value in assessing Operations & Logistics? Do get in touch with your ideas as we now turn our attention towards 2017.

Ian Jindal
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THE IRUK TOP500 DIMENSION REPORTS SERIES

Don't forget that this Operations & Logistics Dimension Report forms part of our wider series analysing the performance of UK retailers.

Reports each year that focus on:

- Strategy & Innovation
- The Customer
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You can download the latest copy of any of our Dimension Reports, along with the overall IRUK Top500 Report, via www.internetretailing.net/IRUK

Once registered, we will also send you the latest Dimension Reports as they are published, allowing you to keep abreast of the latest developments in the industry.

You can also find information about the IREU Top500, our new index of top European retailers, via the InternetRetailing website.

Editors' comment

IN THIS LATEST IRUK Top500 Performance Dimension Report, we're looking at one of the most competitive areas of UK retail today. Driven hard by customers who want to take delivery of their online orders in the quickest or most convenient way possible, retailers that lead in this Dimension are pushing their operations to the limit as they ensure they remain competitive. Katie McQuaid, director of Fulfilment by Amazon, puts this well when she says, in our extended analysis of the retailer (page 20), that customers want a delivery experience that's just like popping to the store next door. Even for a retailer with no stores, it's an experience that has taken investment worth billions to achieve. Other leading retailers in this Dimension have also put resources into getting delivery, collections and returns right.

In our case studies (page 18) and in our analysing the numbers research report (page 12), we take a look at what top quality delivery means in practice and how Top500 retailers, as a group, perform in this area. For all, this is an investment that is, we believe, set to pay off as shoppers prioritise convenient delivery and collections, as well as easy returns, in their shopping decisions. We expect that in the future, delivery services will get even more convenient as this proposal becomes an increasingly important point of competition.

We've brought together some real-life examples of smart logistics practices from Top500 retailers in the 12 approaches that work feature (page 24).

In the strategic overview (page 8), Sean Fleming sets out the current context for UK retail logistics. Our interview around emerging practice (page 29) is with Jan Godsell, professor of operations and supply chain strategy at WMG, University of Warwick, who considers how logistics that start with the customer might be different in future. Finally, in our new research feature (page 31) we look at the performance of retailers that sell in Europe and how this compares to those that confine activities to the UK.

We've been impressed by the latest practice in this area and we hope that it proves equally thought-provoking for our readers. We'll be returning to this subject in the next year, as part of the IRUK Top500 2017 research.

In the meantime, we're always reconsidering the metrics that we use to judge Top500 retailers in this Performance Dimension and we'd welcome your thoughts on potential new areas of research. You can share them by emailing jonathan@internetretailing.net and chloe@internetretailing.net

Jonathan Wright and Chloe Rigby, Editors

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Managing customer expectations: a competitive advantage in logistics



To stay ahead of customers' expectations in the constantly evolving world of ecommerce, retailers need to deliver an impeccable and consistent experience at all touchpoints of a purchase journey. **Françoise Darimont**, PFS's Transport and Customs Manager, explains why what occurs in the final mile can leave a lasting impression



LOGISTICS IS A critical success factor for retailers, as it can make or break a brand. If the delivery or returns experience doesn't match up to what the customers encounter on the website or in the store, it can have a lasting negative effect on their loyalty.

Today's consumers are savvy and expect to have the ability to buy whatever they want, whenever they want, wherever they want. As options such as click and collect, ship from store, buy online and return to store are becoming standard features of the ecommerce experience, how can retailers differentiate themselves in the area of logistics, other than by offering faster and cheaper shipping? Providing information (what we communicate and how we communicate to end-users) and flexibility (enabling end-users to be in control of their package) can be key differentiators.

REAL-TIME ACCESS TO INFORMATION

As the complexity of the supply-chain industry increases, the importance of information flow also increases. Retailers need to focus on the availability and quality of the information they provide to their customers throughout the whole delivery or returns process. Customers expect to be able to keep track of the progress of their order, through clear and accurate real-time status updates, for their own peace of mind and to identify any potential delivery failures.

A PROACTIVE APPROACH

Not only should retailers provide this type of information, they should also proactively inform the customer on the progress of their order. This approach often makes shoppers feel as though they are being personally cared for by a brand and can thereby drive customer loyalty. Even elite online retailers experience delivery issues from time to time but the ability to identify delayed or partially

shipped orders helps to alert their customers more quickly, thus reducing the number of complaints and customer enquiries.

FLEXIBILITY AND OWNERSHIP

Alongside communication and information, another key element is to offer flexibility to the end-users on the last mile touchpoint where, for instance, they have the possibility to reroute their package to an alternate home address or drop-off point, or choose a preferred delivery date (or timeslot) for their convenience.

MANAGING EXPECTATIONS

Finally, setting realistic expectations for your customers can limit frustrations. Avoid promising more than you can realistically deliver as this can affect customers' confidence in making future online purchases and make them feel valued.

Keeping customers informed at all times and proactively managing their expectations during the delivery process is a defining factor for the success of ecommerce companies who retain their clientele. This is especially true for pureplayers as the delivery experience is one of the most important customer touchpoints and one of the few ways they can differentiate themselves from their competition.

About PFS

A leading global commerce service provider, PFSweb enables brand and specialty retailers to achieve their commerce goals. As an ecommerce solutions provider, we combine consulting, agency, technology and operations to deliver unique and branded customer experiences, creating Commerce Without Compromise. Learn more about our solutions at www.pfsweb.com

What's hot in warehouse management

Gavin Clark, Commercial Director at Snapfulfil, explains how fast-growing ecommerce retailers are driving warehouse management innovation



What key trends can we expect to see in warehouse management over the next year?

We have seen high interest in and adoption of Software as a Service (SaaS) and Cloud offerings, especially from fast-growing ecommerce businesses and third-party logistics companies supporting this space. I see this continuing, as established companies with an ecommerce offering are finding it hard to drag their existing on-premise warehouse management systems into this fast-changing area, and also struggle to get any attention from their busy IT teams to help support these heavy implementations. As a result, fast to implement, low cost, highly functional cloud-based systems will continue to grow and dominate WMS.

What would you say to retailers considering which warehouse management solutions they should invest in?

Retailers should beware of slow to implement, high personnel involvement and high-cost WMS systems. The retail space is changing, and the requirements for rapid return on investment, flexibility and scalability are leading retailers to consider changing their WMS, with many now opting for Cloud and SaaS models. The support cost alone in a traditional Tier 1 WMS contract would cover the annual costs of a new SaaS product and, with similar functionality, rapid implementation and low total cost of ownership, the benefits of Cloud and SaaS WMS can't be overlooked.

New automated warehouses are cropping up more regularly. What impact do you think the increase in use of robotics will have?

The capital investment into full automation is still prohibitive for most retailers. Technologies which automate part of the process, for example, sortation systems, conveyors and pick-to-light trolleys, are more accessible and are likely to offer a better ROI. Robotics can also replace some repetitive warehouse tasks – goods to man rather than man to goods is on the increase, especially for retailers that have similar sized products or high line item orders.

Which retailers stand out for their innovative warehouse management techniques?

In my recent experience, it is the fast-growing ecommerce retailers who are innovating rather than investing in order to cope with explosive growth. For example, we have a customer who is emulating what others are achieving through the use of robotics by setting up 'picking pods' in their warehouse. Each of these pods stores every SKU and every location within each pod is within arms' reach for the picker, delivering the benefit of goods to man, without the need for automation. They have also installed high throughput, supermarket-type pack stations to double check the picks – again stealing years of good ideas from other types of retail process. This has been repeated by several of our high growth ecommerce clients all over the world.

What can we expect to see from Snapfulfil over the next 12 months? What are your key focus areas?

We will be releasing an HTML5 version of Snapfulfil in the first half of 2017, which will allow the system to be used on tablets and iPads as well as RF devices. Most importantly, the new version comes with a powerful control tower reporting suite and Q&A capability which allows users to query the system and quickly get the answers they need – it's a bit like Google for the WMS, and something both we and our customers are extremely excited about.

About Snapfulfil

Snapfulfil is a best-of-breed cloud warehouse management system which can be implemented quickly, with no hassle or high upfront investment. Contact us to find out why more and more fast growing ecommerce retailers are using Snapfulfil to optimise inventory, space and resources in their warehouses.
www.snapfulfil.com

Speed, convenience and the power of sharing

How do retailers best balance the demand to get goods to customers quickly with the need for efficiency? **Sean Fleming** reports

LIKE VETERANS OF a bygone era, the number of people to whom the phrase “30 days post and packing” has any meaning gets smaller with each passing year. Yet that’s the point from which all ecommerce deliveries can trace their roots. Mail order catalogues, classified ads in newspapers and magazines, advertisements on TV – distance shopping in the distant past was a simpler but slower affair. You wrote out your order, posted it and then you waited. You really waited: 30 days, a whole month. Sometimes it would be longer.

If a retailer asked a shopper in 2016 to wait a whole month for delivery, they’d laugh before placing the order with a competitor. Modern retailers that are too slow get left for dead since shoppers will only buy from those retailers that don’t keep them waiting. Who among us hasn’t hopped from one queue to another in a supermarket or Post Office in the faint hope of reducing the wait time? People are equally impatient online, but they have even fewer reasons to stick around if they’re not happy.

Unlike physical stores, where shoppers get to pick which queue to wait in but have no influence over how fast each one moves, shoppers in the online world have far more control. Can’t find the convenient delivery option you wanted? Abandon cart. Shop elsewhere. Keeping up with customers is now the name of the game and it’s where leaders in the Operations & Logistics Dimension demonstrate the skills and strategies that keeps them ahead of their competition.

From drones to the sharing economy, from in-flight schedule changes to same-hour delivery, meeting the needs of customers now drives innovation in the retail logistics sector.

Free, free, set them free

One of the heaviest millstones hanging around the neck of the retail operations and delivery ecosystem is the word ‘free’. Free delivery used

to be everyone’s weapon of choice when it came to online customer acquisition. Sometimes it still is. But the flipside of pulling in lots of customers with free delivery is that retailers set a level of expectation from which it’s hard to break away. The thing about ‘free’ is that it induces people to say, “Why not?” Rather paradoxically, it doesn’t make customers think they are getting great value for money. Nor does it leave them feeling inclined to start paying for something that at one point was being given away.



Image credit: DPD

While the industry has struggled to cope with having shot a revenue stream in the foot, the only option open, in terms of getting customers to willingly spend more for service, has been to offer services that are obviously of greater value.

That hasn't just meant speedier delivery, although clearly that's important, as the shift from three-five days, to next-day, to same-day (or even same-hour) confirms. For along with speed, there has also been a drive toward something that gets referred to as 'convenience', despite it not being immediately clear who the beneficiary of all this convenience is meant to be.

Two years ago, there were still moderately sensible conversations to be had regarding the use of drones (the quad-copter variety) as mainstream delivery vehicles. No one regards that as a serious prospect anymore – not for the

'Free' delivery induces people to say, "Why not?" Rather paradoxically, it doesn't make customers think they are getting great value for money

mainstream. However, in more remote locations there is a greater need, a greater will and a greater chance of user adoption of aerial drone delivery.

Now, however, there is more talk of wheeled drones, such as those from Starship, as a realistic urban parcel delivery alternative. There are, no doubt, some robust financial and technological reasons for the use of such drones. Financial factors are important, of course, but are they the most important consideration? That honour really goes to the customer, so will customers find delivery by self-driving micro-vehicles acceptable, or convenient? It might be a technology better suited to some urban environments but while a person delivering takeaway food to an apartment isn't greatly inconvenienced by an entry-phone buzzer, set of stairs, elevator or doorbell, can the same be said of R2D2?

Stand and deliver

Click and collect has set the ecommerce world on fire in recent years, and was credited by many as having helped avert disaster in the wake of Black Friday 2014, when much of the UK retail delivery network was pushed to its limits. From that point on, shoppers took click and collect to their hearts, and its popularity has soared.

Routing parcels for collection rather than home delivery is good news for anyone seeking to relieve the pressure on a delivery network. Also, being able to make one delivery and drop off multiple parcels simultaneously is clearly advantageous for the retailer and carrier.

Shoppers no longer have to miss a parcel being delivered simply because it never will be delivered, of course. From Collect+ to Cornerdrop, from DPD Pickup shops to Duddle, ►



As well as its more 'traditional' delivery business, DPD utilises a growing network of Pickup shops

Being able to offer same-day delivery means tapping into customers' 'I want it now' outlook

Parcelly and more besides, it's now easy for shoppers to select somewhere to collect their parcels from. But does 'easy' automatically equate to 'convenient'?

Whether a choice between the newsagent on one street and the dry cleaners on the next is really a great leap forward in convenience is a moot point. But any loss of convenience to the customer is probably being offset by giving them more control. Or maybe this is a lesser of two evils equation and shoppers will put up with a trip to a shop if it means not having to miss a delivery.

This is the day

When you place an order online, you won't always know where you're likely to be on the day delivery is due to occur. However, you will know where you are when you place the order. Being able to offer same-day delivery means retailers can tap into the 'I want it now' outlook or plain old-fashioned urgency that leads to a purchase. In this scenario, retailers are also far less likely to be dealing with failed deliveries.

Same-day delivery is nothing new in the B2B space – car parts and building materials being two great examples of commodities that have been available for same-day delivery for decades. But it's an option that has caught on with consumers in the last 12 months. Although Amazon always manages to hog the limelight, and has done so repeatedly with Prime Now becoming incrementally more available across the UK, it was perhaps Argos, now owned by Sainsbury's, that blazed the biggest same-day trail when it unveiled Fast Track in 2015.

Sainsbury's is one of the retailers that has ranked the highest in this year's InternetRetailing IRUK Top500 in this Performance Dimension. Same-day delivery and collection are becoming an increasing part of the Sainsbury's offer, with 28 stores offering same-day delivery click and collect, as well as nominated day/time slots, which are only on offer from around 12% of the rest of the Top500. The company is adjusting its

entire offer in order to adapt to changing shopper behaviour, as well as delivery expectations. This, coupled with same-day delivery of thousands of non-food items for just £3.95 through the Argos network, could put the supermarket out in front for years to come.

David Gray, retail analyst at Planet Retail, thinks there are plenty of positive indicators: "Sainsbury's has been very transparent regarding adapting its formats to the changing retail paradigm – trialling a mini c-store concept and six future-format outlets. The former provides a potential, if somewhat uncertain, growth opportunity, especially considering the previous Fresh Kitchen débâcle. The latter may drive footfall into larger stores through layout changes, enhanced checkout options and by adding third-party concessions.

"Add to this the fact that Sainsbury's estate is structurally advantaged with fewer very large stores and the outlook for sales performance going forward may not be so bleak after all. Profits, however, are another matter entirely."

However, if the shift to same-day really is going to take off in the near future, it's going to require far greater changes to the retail delivery network than anything any of us have seen so far.



Image credit: Sainsbury's

Through existing infrastructure and the acquisition of Argos, Sainsbury's looks set to be a major player in home delivery

The times they are a-changin'

Going three-five days to next-day was a big leap for many, but it is essentially little more than tightening up existing processes and practices. In effect, it is about being leaner and shortening the amount of time between each existing step.

Offering same-day services means being something else altogether – agile. For the same-day part of the business, each working day will begin with a blank sheet, a fresh page and, more importantly, unbooked capacity. The more retailers hang their hats on same-day, the larger this capacity will have to be. For unlike any other delivery proposition, when offering same-day, retailers won't know how busy they will be until the moment the orders start to either trickle or flood in on the day itself. The number of vans, drivers and drops are all unknown quantities.

The so-called 'sharing' economy, also referred to as the 'demand' or 'gig' economy, may offer some of the answers here. Being able to call upon a retinue of self-employed couriers and pay them per drop, increasing and decreasing the number in line with demand, means same-day services can be offered without the heavy burden of a potentially idle workforce.

Yet it is a road paved with more than a little uncertainty. HMRC is now taking an interest in the use of self-employed drivers in the delivery sector, and some of the drivers and riders themselves are beginning to voice disquiet too as the recent Uber case showed.

Adamo Dagradi, head of communications at Italian home delivery specialist Milkman, sees this uncertainty as one of the big issues facing the sector: "There's a lot of unrest among crowdsourced drivers all around the world. Delivery boys and girls, in both the food/grocery and parcel sectors, are moving towards more or less improvised forms of unionisation.

"They demand to be considered as employees and not 'collaborators' and want better wages, possibly tied to the number of hours worked, not to the number of deliveries carried out."




Image credit: Home Retail Group

The scale of Argos's Barton Distribution Centre is a reminder of the retailer's investment in logistics

This new crossroads, where professional couriers and freshly conscripted amateurs meet, is not necessarily going to lead to delivery nirvana. But if that sounds bleak, does it mean there's no role for the sharing economy in the retail operations and logistics sector?

Perhaps that depends on what you plan to share. The example set by Asda with the launch of its toYou delivery service, could be one to watch. The idea is a simple one. If retailers have networks made up of vehicles, people, and premises, they are always going to have spare capacity, which acts as a fixed cost. If, however, retailers can sell, trade, or share some of that capacity, they can reduce those fixed costs.

Speed, in delivery, used to mean one simple thing – getting a parcel to the recipient's address quickly. Not any more. Speed is now a necessity in all considerations of the retail operations and logistics network. Yes, there is still the issue of making faster delivery a standard. It's just that it now goes far beyond that.

It means not just being lean but also being agile, so that retailers can go from initial idea to service deployment quickly. It means having an awareness of what 'convenience' means to the customer – not just to the retailer and carrier – and being ready to react accordingly. It also means being able to transform your network, from stores to vehicles, when patterns of customer behaviour change. 

Fulfilment by design

Polina Modenova uncovers the service offered by IRUK Top500 retailers in delivery, collections and returns

RETAILERS THAT RANK highly in the IRUK Top500 Operations & Logistics Performance Dimension do so thanks to industry-leading delivery, returns and collections services. These services enable them to compete for orders on speed, price and convenience. This is vital in a sector where customers demand a seamless service that enables them to take delivery of products wherever, whenever and however they like. Returns are no less significant to shoppers, who want to be able to change their minds and send back products swiftly and efficiently, no matter how and where they were bought.

Our research in this Dimension focuses on the services that make a difference to shoppers' lives, either by being cost effective or speedy. We've assessed the choice, cost and convenience of the delivery and collection services that IRUK

“There's room for improvement in same-day delivery – currently offered by just 5% of IRUK retailers”

Polina Modenova, InternetRetailing

Top500 retailers offer, then measured their efficiency in dealing with returns. As we did last year, we've measured the delivery promise, rather than evaluating the service offered in practice, since this seems more likely to inform customers who are considering making a purchase.

Delivering the promise

We started by looking at how much choice traders offered and found that, on average, IRUK Top500 retailers offered two to three delivery options.

We looked at the speed and cost of standard delivery, which IRUK Top500 retailers promise in between four and five days, and at an average cost of £4.30. Where retailers require a threshold order value before offering free delivery, that threshold is, on average, £50.

Looking at the convenience and choice, we found that super-speedy same-day delivery is offered by a small but significant minority of retailers, at 27 traders (5%). Nearly two-thirds (314 retailers, 63%) offer next-day delivery. The scope of our research has widened from 2015, when we found that 98 (79%) of the largest IRUK Top500 retailers offered next-day delivery.

Turning to named-day delivery, we found that Saturday delivery is most widely available to shoppers. In total, 219 (44%) of Top500 retailers, offer the service. That's well ahead of the 73 (15%) that offer Sunday delivery. Buyers can nominate their own specific delivery day when shopping with 96 (19%) of Top500 retailers, while fewer (61, or 12%) offer the option of a nominated delivery time. Leading retailers in this area perform well ahead of these averages.

At the time of research, fashion-to-homewares retailer Next, a Leading company in the IRUK Top500, offered next-day delivery for £3.99 for orders confirmed by midnight. That's 7% cheaper than the £4.30 average cost of standard delivery across the Top500. At Next, we found that evening delivery costs £4.99 – 16% more expensive than that Top500 standard. Next is one of the 5% that offers same-day delivery.

Grocer Sainsbury's, also a Leading retailer in the Top500, charges an average £4 for delivery. It is one of the 12% of retailers in the index to

Delivery

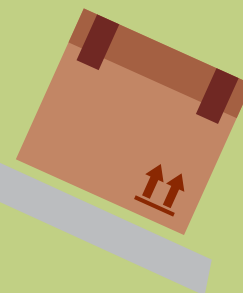
Over 40% of Top500 retailers offer more than three delivery options to their customers. 7% offer between five and eight delivery options



Returns

12% include pre-paid return labels with deliveries, with a similar proportion of multichannel and online-only retailers providing this service

74% of the Top100 offer full refunds, which is 10 percentage points higher than Top500 average. The Top100's time-to-process-refund is 28% faster than the Top500 average



enable customers to nominate time and day of delivery and one of 14% of traders to offer Sunday delivery, though at a cost that is more expensive than the average for standard delivery.

Sainsbury's also offers fixed price peak and off-peak delivery passes, enabling repeat deliveries for a fixed price, though that requires a minimum spend of £25; 18 stores offer same-day delivery.

General merchandise trader Amazon, an Elite retailer in IRUK Top500 research, offers significantly more options than the average for the Top500. Those options include same-evening and Saturday and Sunday delivery. Standard delivery costs an average of £3.37 and the standard delivery order promises to arrive within one to two business days of dispatch. The retailer's thresholds for free delivery vary but at £10 or more for books and £20 for other items, the average Top500 free delivery threshold of £50 is 60% more expensive than at Amazon. Same-day delivery is available for free to members of Amazon Prime but costs £9.99 for delivery to non-Prime members. Prime members also have one-hour and nominated-day delivery options.

New Look offers free delivery to those spending more than £75. Delivery options include next-day (£2.99, or free over £45 spend), next-day evening, Saturday and Sunday. Nominated day delivery costs £5.99 for a service that enables customers to choose a one-hour slot.

Trade supplies retailer Screwfix, an Elite retailer in IRUK Top500 research, offers next-day delivery as standard and for free on orders of £50. A choice of premium next-day services includes Faster – before 12 noon, Fastest – before 10am, and same-day, which is available within two hours. Delivery is available on Saturday, Sunday and on a nominated day.

Convenient collection

We looked at whether collection is available. Some 285 (57%) of the Top500 offer this service. Last year, 98 (58%) of the largest Top500 retailers offered this. This year's figure suggests ►

that the service is likely to have been taken up among traders that figure further down our index.

Leading retailers have built creatively on their basic services. Next offers free next-day delivery to store for shoppers who order before midnight. Sainsbury's offers a next-day collection for a minimum £25 spend, with same-day collection from 18 stores.

Amazon has no UK stores but it offers collection from a range of Amazon Pickup points as quickly as same evening. Pickup point partners include Doddle and the Post Office, while the retailer also operates its own lockers and runs a PassMyParcel service in conjunction with newspaper delivery services.

Standard click and collect from a New Look store takes three-to-five working days, free on orders over £19.99. Next-day collection costs £2.99, free for orders worth more than £45. Third-party collection is available via convenience stores in the Collect+ network and from Doddle stores. Screwfix offers click and collect on the same day as an online order is placed and, indeed, within five minutes.

Right of return

When we analysed IRUK Top500 retailers' returns services, we looked in particular to see how flexible they are. We found that IRUK Top500 retailers accept returns of goods that were no longer wanted for an average of 27 days after purchase and take an average of nine days to process them.

The most common option for returns is via post, offered by 59% of Top500 retailers. We looked at whether orders made online could be returned in the store and found that 141 retailers offer this. That's 28% of all the indexed retailers and 41% of the multichannel retailers in that list.

The next most common means of return is via a third-party location, such as Collect+ or Doddle, offered by 116 retailers, or 23% of the index, while 70 (14%) offer returns via pick-up from home.

Next, we looked at the financial side of returns. We found that 60 traders (12%) offer pre-paid return labels. When we asked whether there was a fee associated with returning an item, we found the average charge across IRUK Top500 merchants is under £1. Most traders (320, or 64%) fully refund an item, but not the postage, while just under a quarter (117, or 23%) refund

the cost of returning it. Again, leading retailers in this Dimension offer a service that rates well above the average.

Our research found that Next and New Look give a 28-day return period and Screwfix a 30-day period, while Sainsbury's offers full refunds on broken products for a year, with a partial refund available after a year if the product is found to be damaged.

Next and Sainsbury's offer free returns to store. Next fully refunds the cost of delivery and the item when an item is returned by post and also offers free returns via Collect+ and Doddle. Amazon offers a pre-paid returns label, and Screwfix enables customers to return for free from a local Post Office using a returns form. Both retailers offer the option of having returns collected, though Screwfix may charge for this if the returned item is not faulty.

Sainsbury's promises to take between seven and 10 days to process a refund, while New Look does so in five. That last figure is 44% faster than the Top500 average.

Conclusions

We found that IRUK Top500 retailers offer, on average, a competitive delivery, returns and collections services. There's room for improvement in same-day delivery – currently offered by just 5% of IRUK retailers – as well as weekend deliveries, especially on a Sunday. Customers want quick delivery and to get their packages when they are at home, during the weekend. Where some stand out as head and shoulders above the rest, others lag well behind the average, providing room for improvement. We expect that services will continue to become ever more competitive as the industry matures further and customers become more demanding in their service requirements. 🌈

IRUK 500 Operations & Logistics Dimension

In partnership with our Dimension Sponsor



The Top100 retailers of the IRUK Top500 2016 Operations & Logistics Dimension, as measured across dozens of metrics for innovative practice in this area

Share your thoughts on #IRUK500 with @etail

Operations & Logistics Top50

Amazon	Halfords	Pets at Home
Apple Store	Hobbs	River Island
Argos	Home Essentials	Sainsbury's
Asos	Homebase	Schuh
BHS	House of Fraser	Screwfix
Boohoo.com	Just Eat	Selfridges
Boots	Kaleidoscope	SportsDirect.com
Carphone Warehouse	Laura Ashley	Superdry
CC Fashion	Littlewoods	Surfdome
Currys	Maplin Electronics	Tesco
Debenhams	Marks & Spencer	Topshop
Dorothy Perkins	Missguided	Toys Us
Evans Cycles	Monsoon	Wallis
Fashion World	Moss Bros	Wiggle
Fat Face	New Look	Yours Clothing
George at Asda	Next	
Go Outdoors	PC World	

Operations & Logistics Top100

Agent Provocateur	F&F	M&Co	Peacocks
ao.com	Freemans.com	Majestic	PrettyLittleThing
Asda	Getthelabel.com	Mamas & Papas	Quiz
Blacks Outdoor	Grattan	MandM Direct	Ryman
Claire's	Harvey Nichols	Marisota	Topman
Clarks	Interflora	Matalan	Topps Tiles
Coast	Jacamo	Millets	Waitrose
Crew Clothing Company	Jaeger	Miss Selfridge	Warehouse
Dunelm	JD Sports	Mobile Fun	Waterstones
eBay	JD Williams	Mothercare	White Stuff
The Entertainer	John Lewis	Mountain Warehouse	Wickes
Estée Lauder	Kurt Geiger	Office	
Evans	Lovehoney	Overclockers UK	

IRUK TOP 500

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The full rundown of the IRUK Top500, 2016, as measured across six Dimensions: Strategy & Innovation, The Customer, Operations & Logistics, Merchandising, Brand Engagement and Mobile & Cross-channel

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Elite



John Lewis



mothercare

Leading

- | | | | |
|-----------|-----------------|-------------|-----------|
| Asos | eBay | New Look | Tesco |
| B&Q | Halfords | Next | Topshop |
| Clarks | Homebase | Office | Waitrose |
| Currys | Marks & Spencer | Sainsbury's | Wilko.com |
| Debenhams | Matalan | Superdrug | |

Top50

- | | | | |
|--------------------|--------------------|------------------|----------|
| Apple Store | F&F | Monsoon | Superdry |
| Asda | H.Samuel | PC World | TK Maxx |
| Blacks Outdoor | Hobbs | Pets at Home | Topman |
| Carphone Warehouse | Holland & Barrett | River Island | Wallis |
| Dorothy Perkins | Maplin Electronics | Schuh | WHSmith |
| Evans | Miss Selfridge | SportsDirect.com | |

Top100

- | | | | |
|------------------|-------------------|------------------------|----------------|
| Bathstore | French Connection | L'Occitane | Space NK |
| Boden | Game | M&Co | Thorntons |
| The Body Shop | Go Outdoors | Majestic | Topps Tiles |
| Boohoo.com | H&M | Morrisons | Toys ʼn Us |
| Burton | IKEA | Moss Bros | Very |
| Claire's | Interflora | Mr Porter | Waterstones |
| Cotswold Outdoor | Jack Wills | Net-A-Porter | White Stuff |
| Disney Store | JD Sports | NotOnTheHighStreet.com | Wickes |
| Dune London | Jigsaw | Ocado | The Works |
| Dunelm | Joules | Peacocks | Yours Clothing |
| Evans Cycles | Lakeland | The Perfume Shop | Zara |
| Fat Face | Laura Ashley | Post Office Shop | |
| Footasylum | Littlewoods | Selfridges | |

Top150

Accessorize
American Golf
Ann Summers
Beaverbrooks
Blue Inc
Bonmarché
CarpetRight
Cath Kidston
Crew Clothing Company
Dabs.com
Decathlon
DFS
Early Learning Centre

Ebuyer.com
Ernest Jones
Euro Car Parts
The Fragrance Shop
Gear4music.com
George at Asda
Getthelabel.com
Goldsmiths
Harrods
Hobbycraft
Kaleidoscope
Karen Millen
Lloyds Pharmacy

Mamas & Papas
MandM Direct
Missguided
Nike
Oasis
Pandora
Quiz
Reiss
Richer Sounds
Ryman
Samsung
Shoe Zone
Smyths Toys

Staples
Surfdome
Ted Baker
TM Lewin
Trainline
USC
Warehouse
Watch Shop
Wiggle
Zalando

Top250

Adidas
AllSaints
ao.com
BonPrix
The Book People
Boux Avenue
Brantano
Burberry
Cass Art
Chain Reaction Cycles
Charles Tyrwhitt
Cloggs
Coast
Costco
Cotton Traders
Direct Golf
Dr. Martens
EAST
The Edinburgh Woollen Mill
Ellis Brigham Mountain Sports
The Entertainer
Esprit
Estée Lauder
F.Hinds
Fashion World
Feelunique.com

Foot Locker
Forbidden Planet
Forever 21
Fragrance Direct
Freemans.com
Furniture Village
Games Workshop
GAP
GettingPersonal.co.uk
Google Play
Gucci
Harvey Nichols
Hawes & Curtis
Hollister
Hotel Chocolat
Hotter
HP
Hugo Boss
Jacamo
Jacques Vert
Jaeger
JD Williams
Jessops
Joe Browns
JoJo Maman Bébé
Jones Bootmaker

Just Eat
Kitbag.com
Kurt Geiger
L.K.Bennett
Liberty
Lipsy
Long Tall Sally
Lovehoney
Lush
Machine Mart
Mango
Menkind
Millets
Mobile Fun
Moonpig
Mountain Warehouse
Myprotein
Novatech
The Outnet
Overclockers UK
Paul Smith
Photobox
Pret A Manger
PrettyLittleThing
Pull & Bear
QVC

Radley
The Range
Route One
ScS
Simply Be
size?
Snow+Rock
Sory
Specsavers
SportsShoes.com
Swarovski
Sweaty Betty
Thomas Pink
Toolstation
Uniqlo
Urban Outfitters
Viking
Vision Express
Wex Photographic
The White Company
Whittard of Chelsea

Top350

Abercrombie & Fitch
Agent Provocateur
Andertons Music
Anthropologie
Appliances Direct
Arco
Art.co.uk
Axminster
Banana Republic
Berry Bros. & Rudd
Blackwell's
Bondara
Book Depository
Bravissimo
Buyagift
ChemistDirect.co.uk
Countrywide

Create and Craft
CycleSurgery
Deichmann
DKNY
Dreams
Dulux Decorator Centres
EAT.
eSpares
Eurooffice
Euronics
Expansys
Farfetch
Figleaves.com
Find Me A Gift
Firebox
Fitness Superstore
Flannels

Fortnum & Mason
Free People
funkypigeon.com
Gemporia
Grattan
Graze
Guitarguitar
Habitat
Harveys
Heal's
Home Bargains
Home Essentials
The Hut
Iceland
Ideal World
IWOOT
Kiddicare

La Redoute
Laithwaite's
Laptops Direct
Lego
LightInTheBox
Lyle & Scott
MAC Cosmetics
Marisota
Massimo Dutti
MatchesFashion.com
MinilnTheBox.com
Mint Velvet
Misco
Molton Brown
Mulberry
Multiyork Furniture
Nisbets

Oki-Ni
Oliver Bonas
The Original Factory Shop
Paperchase
PartyDelights
Pavers
Phase Eight
Printing.com
Ralph Lauren
Robert Dyas
Rohan
Russell & Bromley
See Tickets
Slaters
Sunglass Hut
Thompson & Morgan
Tiffany & Co

Trespass
Ugg Australia
Urban Industry
Victorian Plumbing
VictoriaPlumb.com
Victoria's Secret
Virgin Wines
Wagamama
Whistles
Wyevale Garden Centres
Yankee Candle
YOOX.com
Zooplus
Zulily

Top500

Abel & Cole
Ace
Achica
Aldo
Alexandra
All Posters
Approved Food
Aria Technology
Asics
ATS Euromaster
Avon
Baker Ross
Barbour
bareMinerals
BBC Shop
Bensons for Beds
Bershka
Bose
BrandAlley
Brandon Hire
The Brilliant Gift Shop
Build-A-Bear Workshop
Bulk Powders
Buymobiles.net
CafePress

Calendar Club UK
Calvin Klein
Camper
Card Factory
Cargo Home Maker
CCL Computers
Charles Clinkard
Chums
Clintons
Coggles
The Co-operative Electrical
COS
Crabtree & Evelyn
Cromwell
Damart
Dell
Demon Tweaks
DHgate.com
Diesel
Dobbies Garden Centres
Dolphin Music
DealExtreme
Dyson
END.
Everything5pounds.com

Farrow & Ball
Fired Earth
FitFlop
Fraser Hart
Fred Perry
GAK
Gant
Glasses Direct
GNC
Hackett
Hallmark
Hamleys
HelloFresh
High & Mighty
HMV
Hornby
Hughes Electrical
itsu
Jewson
Jimmy Choo
JML
John Smith's
Joy
Juno Records
JustFab

Kieh's
Lacoste
Lands' End
LED Hut
Lenovo
Links of London
Logitech
LookFantastic.com
Louis Vuitton
Made.com
Mainline Menswear
MedicAnimal
Microsoft
Mobile Phones Direct
Mobiles.co.uk
Monica Vinader
Naked Wines
Nespresso
The North Face
Oakley
Orvis
Pet-Supermarket
Philips
PIXmania.com
Plumbase

Plumbworld
Prada
Premier Man
Pretty Green
Prezzybox
Printerland.co.uk
Pro-Direct
Puma
Rakuten
Rapid Electronics
Reebok
Roman Originals
Rowlands Pharmacy
RS Components
Scholastic
SecretSales
Select
Skechers
Smythson
Sonos
SportPursuit
Spreadshirt
Superfi
Suttons Seeds

Sweatshop
Tate Shop
Thomann
Thomas Sabo
Timberland
Timpon
Toast
Tommy Hilfinger
Tripp
Trueshopping.co.uk
TTS Group
Vans
Vax
Vente-Privee
Warren James
The Watch Hut
Wayfair
Weldricks Pharmacy
WorldStores
Wynsors World of Shoes
Yeomans Outdoor Leisure
Zavvi
Zazzle
& Other Stories
7dayshop

Next: timely and convenient delivery and collection



Next is targeting foreign markets, and improving international deliveries is a priority

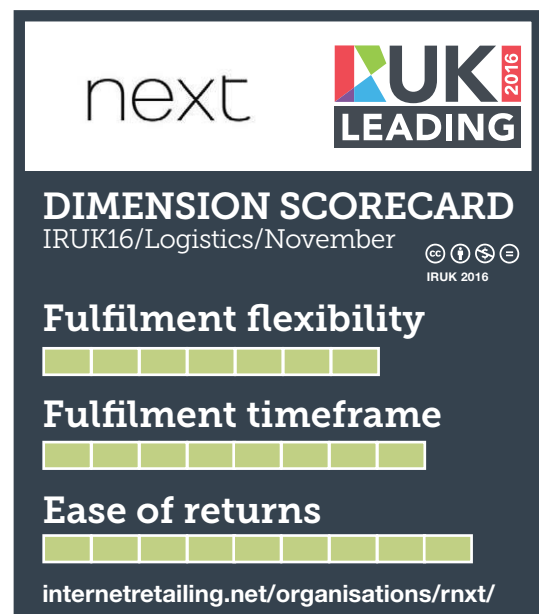
NEXT LEADS THE Operations & Logistics Performance Dimension for its promise of timely and convenient services that stand out across delivery, returns and collections. The fashion and homeware retailer has built up its position in ecommerce and multichannel delivery over years – its industry-leading midnight cut-off for shoppers ordering for next-day pick-up from store or home delivery helped it to top the IRUK Top500 collection analysis.

Its delivery promise includes evening and same-day delivery, while returns are free, flexible, and its 28-day returns period is very competitive. These are promises that make financial sense for the business. In its results for the year to January 2015, it said 9% of orders were placed between 10pm and midnight, while using stores to accept returns boosted its profitability. More recently, it has found that it needs to improve its delivery services still further as it looks to maintain its lead in its markets. That’s because growth in its predominantly online directory business has slowed, as it explained in its latest full-year results.

“Partly this is as a result of competitors catching up with our delivery and warehousing capabilities; partly as a result of changes in the ways customers are shopping online,” it noted in the results. “It provides us with the opportunity to improve the business going forward.”

The retailer went on to set out its plans to broaden its offer further. Its strategies follow the way its customers behave. Next has watched customer behaviour over the last five years. Its data tells it that while, in 2010, 87% of orders were delivered to the home, by 2015, 45% went to the home and the rest to stores. Accordingly, it started to offer collections and returns through third-party parcel shops from September 2016, and will have two-hour slots for home deliveries by Christmas.

Next is also looking to improve its delivery service in the international markets where it is focusing for new growth. In 2015, it opened distribution hubs in Russia and China, where delivery times have been reduced by more than six days to, in most cases, three days. In Germany its new hub enables it to offer next-day delivery more cost-effectively. The focus now will be on improving operations at its existing hubs, including expanding the territorial reach of that in Germany. 🇩🇪



Sainsbury's: speed and flexibility

SAINSBURY'S SUCCESSFUL MULTICHANNEL strategy of enabling shoppers to buy whenever, however and wherever they want applies to its delivery, collection and returns services just as it does to the ordering process. InternetRetailing research shows that the grocer offers speedy delivery and collection – as fast as same-day in the 29 stores where this service has initially been trialled and, more widely, next-day delivery. It has a pragmatic approach to price, charging an average £4 for online delivery, with a minimum spend of £25, while offering deals through peak and off-peak delivery passes that reward those who buy most often. A generous returns policy sees it offer a full refund for a full year, and a partial payment after a year, where a product is damaged.

A dedicated online fulfilment centre in East London, set up to meet demand from the capital, supports its e-delivery offer.

Sainsbury's reports that its multichannel approach delivered strong growth both online and through its convenience stores in the year to the end of March 2016. Chairman David Tyler said in full-year results that its strategy “recognises that customers will increasingly shop through multiple channels and according to their varying needs”. He added: “Our business will continue to evolve and adapt to changing shopping needs, ensuring that we exceed customer expectations in an increasingly fast-paced, digital world.”

Speaking ahead of InternetRetailing and eDelivery Expo, Dave Crellin, Sainsbury's head of online operations development, explained to our sister website eDelivery.net how his team works within the business: “In such a changing and



Image credit: Sainsbury's

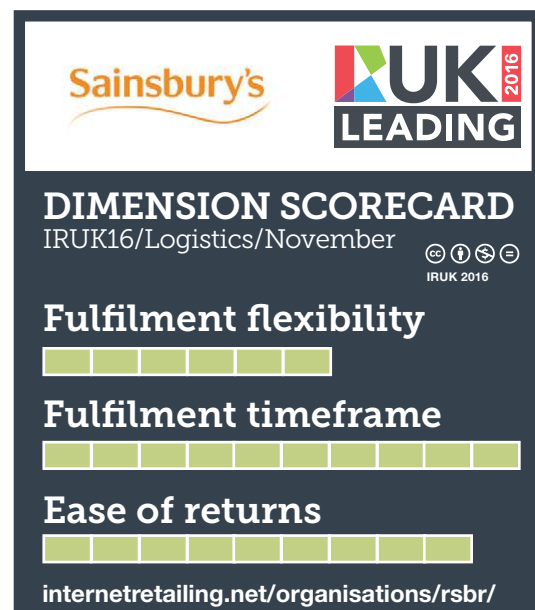
Some Sainsbury's customers can now order fresh fish for same-day delivery

competitive industry we're always running a stream of projects and programmes to improve efficiency and capacity, or to further develop our customer service and offer.”

He added: “We work alongside pretty much every other part of the business to make sure we're aligned on what we're doing for our customers,”

Since InternetRetailing completed its research in this Dimension, Sainsbury's has finalised its acquisition of Argos owner Home Retail Group, giving it additional flexibility in its delivery services. Since the deal, Sainsbury's has announced the launch of 200 new digital collection points in its stores ahead of the Christmas period. Customers will be able to use them to collect Tu clothing, Argos products, goods they bought via eBay as well as parcels from DPD – all at the same time as they complete their supermarket shop.

At the time of the announcement, Sainsbury's group chief executive Mike Coupe said: “The acquisition of Home Retail Group will accelerate our multi-product, multichannel strategy”. He said the opening of the new digital collection points, added to 15 Argos Digital stores that are opening in Sainsbury's stores, would mean that “customers can shop 90,000 products whenever and wherever they want”. 🇬🇧



Amazon: innovations in delivery

The sheer speed and convenience of Amazon UK's delivery and collections service enables it to compete with large multichannel retailers despite having no shops of its own in the UK

AMAZON IS WORKING to an agenda set by the ever-more demanding customer, Katie McQuaid, director of Fulfilment by Amazon, told the audience at eDelivery Conference this October. "We all know customer expectations continue to charge ahead in terms of how fast they want to get it," she said. "They want it to as close to popping into the store that's right by them as possible. We're continuing to invest in that and Amazon Prime for us is the way we choose to do that, the vehicle that allows us to do that."

The pureplay makes its logistics work, despite having no physical store estate of its own in the UK, through an extensive network of local hubs and distribution centres. Its 12 UK fulfilment centres and 28 delivery stations enable it to offer a wide choice of delivery options that rival that next-to-the-store experience. Those centres collectively employ 12,000 permanent staff, of whom 3,500 joined in 2016 alone.

"Fulfilment by Amazon allows us to hold stock for the fast delivery that customers require"

Katie McQuaid, Fulfilment by Amazon

Amazon deliveries start from a standard service that delivers within one to two days of dispatch and is free for orders of more than £10 or £20, depending on the type of product ordered. At the other end of the range, Prime members living in areas including London and Birmingham can enjoy one-hour delivery. Also available are same-day and same-evening collection from a range of Amazon Pickup points, which include its own lockers and stores in the PassmyParcel network, as well as Duddle parcel shops and

branches of the Post Office. Prime membership is key to accessing the fastest services – members can order for a million products for free same-day delivery, or choose from a range of 15,000 products for one-hour delivery. The Prime scheme, which has effectively replaced Amazon's one-time universal free standard delivery offer, has saved its UK members a collective £1bn in delivery charges that they would otherwise have paid, claims McQuaid.

Amazon has developed its own Amazon Logistics platform in order to fulfil its most ambitious delivery promises. Through this platform, it works with local delivery operators to ensure that each parcel gets to its recipient.

Importantly, the focus is no longer on selling the products that it stocks. Some 50% of global sales on Amazon's platform are now made by the third-party sellers who use its marketplace, and it's the fast growth of fulfilling marketplace orders on behalf of others, through the Fulfilment by Amazon programme, that is driving the fast expansion of its UK distribution network.

This, says McQuaid, has seen investment of £4.6bn since 2010. UK sellers' orders can now be fulfilled through its European warehouses, enabling fast delivery across Europe. McQuaid says that last year, UK retailers exported products worth £1.4bn via the Amazon platform.

The next step will be the world, with US sellers able to have their European orders fulfilled by Amazon, as will UK sellers targeting the US, and Chinese sellers looking to sell their products internationally. Enabling this last group to store their product closer to customers in markets such as Europe will help them deliver on customer expectations, says McQuaid: "Fulfilment by Amazon allows us to hold stock across the globe for the fast delivery that customers require. We're able to provide the service not only for customers but also for the retailers that rely on us."



Image credit: Amazon

A UK network of massive fulfilment centres has become the backbone of Amazon's delivery promises

Always innovative, Amazon UK has already this year launched its grocery delivery service, AmazonFresh, which offers competitive one-hour delivery slots between 7am and 11pm, seven days a week. Announcing in September that the service's postcode coverage had doubled to 190 Greater London postcodes, Amazon promised that customers ordering their groceries at lunchtime could have them delivered in time for dinner. Ajay Kavan, vice president of AmazonFresh, said at the time that "convenient delivery options" were one of the main attractions of the service, along with the wide range of groceries available for delivery.

As it looks to move towards 30-minute deliveries, this year also saw the retailer launch AmazonFlex, in which car drivers can deliver Amazon parcels in their spare time. Looking to the longer term, it is also testing drones in trials with the UK Civil Aviation Authority and hopes to use them to deliver parcels weighing up to 2.3kg in as little as half an hour.

Amazon's returns and refunds policy is also competitive. Customers can return most products within 30 days of receiving them, as long as they are unused and complete. It will refund the costs

of outbound delivery if an item is defective or the order is cancelled, and it will refund the cost of sending back a damaged or defective item, but will only refund the cost of sending back some cancelled orders. Food items ordered through the Amazon Fresh service generally can't be returned but may be refunded where damaged. 🇬🇧



Screwfix: building a better approach to fulfilment



Image credit: Screwfix

Screwfix has mastered click and collect, letting customers arrive in-store five minutes after placing an online order

SCREWFIX'S WELL-CRAFTED APPROACH to e-delivery is shaped around the needs of those who use its services. Its core customers are tradespeople who need to know they'll be able to lay their hands on the right tools and equipment quickly, ordering by mobile from the site.

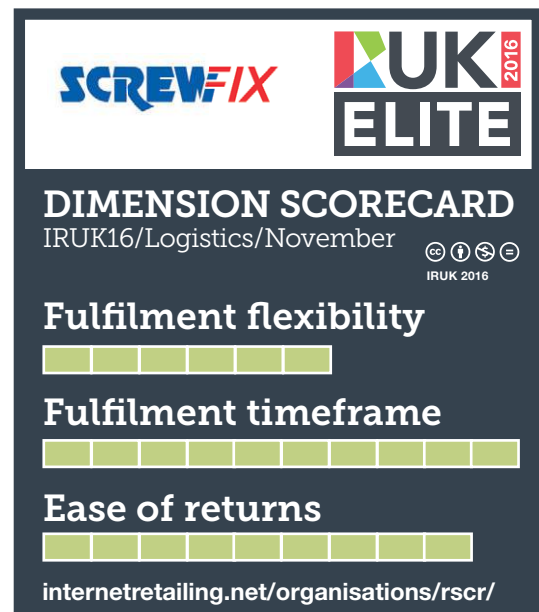
InternetRetailing researchers found that the retailer answers the needs of this hardworking core with a set of delivery and collection choices that are both speedy and convenient.

The Screwfix standard delivery option is next-day – for free on orders of £50 or more, or £5 when the order value is less than that. When the product really has to arrive in a hurry, the service can be even quicker. While next-day is Screwfix's Fast service, its other premium delivery options include next-day Faster, before 12 noon, at a cost of £10 on orders under £50, falling to £5 above that level); Fastest, before 10am, for £15, falling to £10 for orders that cost more than £50; named day and Saturday and Sunday delivery. The cut-off for next-day orders is at a reliable 7pm during the week or 4pm at the weekend. Click and collect

is not simply same day but within minutes. For those who are in a real hurry, same-day deliveries can arrive on site within two hours, for those who live within the M25 area and at a cost of £10. Customers are notified by email once the order has been sent and receive a text message about 60 minutes before it is due to arrive. Different timescales and costs apply to a small number of goods sent by Screwfix's suppliers.

If the purchase ultimately proves surplus to requirement, items can be returned in-store within 30 days for free. They can also be returned by post from the local Post Office, again for free, using a returns form, or via a pick up from a specified address, though this may incur a charge if the item proves not to be faulty.

Screwfix's fulfilment services have made a significant contribution to growth at parent company the Kingfisher Group. In the half-year to 31 July 2016, its sales grew by 24% to £612m. Digital sales and services grew well ahead of this. M-commerce sales were up by 117% while online sales using click and collect grew by 59%. 



New Look: removing barriers to purchases

NEW LOOK PUTS the emphasis on speed and convenience for fast fashion shoppers who want to get hold of the latest styles quickly.

InternetRetailing research scores the retailer highly in this Dimension for a wide choice of options for delivery, collections and returns. Researchers found that its standard service takes between two and four working days, and costs £3.99, which is 7% cheaper than the average cost of delivery offered by IRUK Top500 retailers. Standard click and collect takes three to five working days to arrive with the customer and is free on orders that cost more than £19.99.

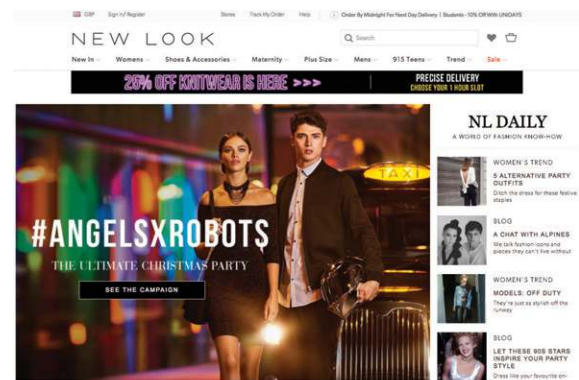
Shoppers who want items more quickly, or delivered to a more convenient point, can choose from a wide variety of options. Next-day delivery is free for orders worth over £75 and shoppers can choose the one-hour delivery slot that suits them best. Next-day click and collect costs £2.99, or is free for those spending more than £45.

Other available options include next evening, nominated day and time, Saturday and Sunday delivery, plus collections from third-party pick-up locations operated by Doddle and Collect+. It is among the 23% of Top500 retailers that offer pick-up from a third-party location.

Returns are also straightforward, being free to New Look stores, via Collect+ stores and Doddle stores within 28 days of purchase. Items can also be returned by post within this period.

New Look promises to process any refund in five days, which is impressively 44% faster than the average Top500 retailer.

Its approach reflects the fashion retailer's recognition of the importance of making buying as easy as possible. "Across all our channels, in-store, online or via click-and-collect, we are ensuring that shopping with New Look is as seamless and convenient as possible," said chief executive Anders Kristiansen, speaking at the time of New Look's latest full-year results (for the year to 26 March 2016) and after a year that included the launch of its next-day click-and-collect service. The retailer provides a variety of support for customers looking to see where an



Providing a seamless shopping experience is important to New Look as it encourages fast fashion purchases

order is. They can track orders on the website or on the courier's mobile app or, should they require more general information, look for answers to their delivery questions via an FAQ section on the site. Should self-help fail, shoppers can ask questions through Facebook and Twitter, or request a callback via an email from the website. 🇬🇧

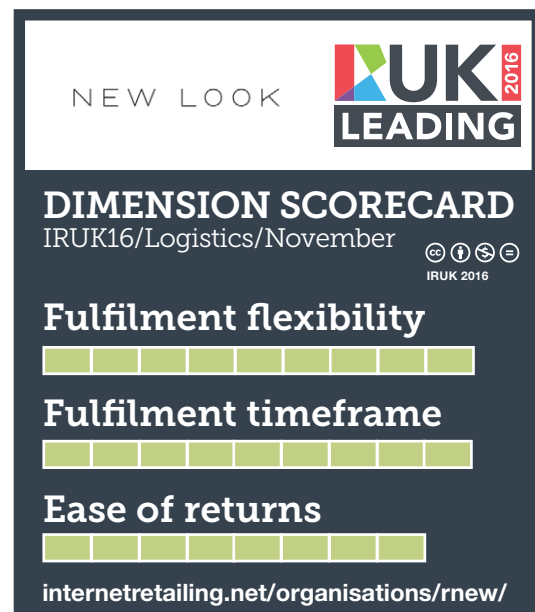


Image credit: New Look

12 approaches that work

With the availability of next day, timed delivery and evening or weekend slots now virtually standard among leading retailers, differentiation is more about how these are presented to the shopper, and what new partnerships can be forged to expand the options

1 Make it obvious

Few things increase shopper irritation or are more likely to cause basket abandonment than only finding out about the delivery options and charges at the checkout, so make key offers clearly visible. Many in the Top50 broadcast top offers as banner headers on their home pages, which also provide a click-through to the relevant information.

New Look goes one better than that, with a rather neat panel highlighting delivery, collection and return options. This remains at the foot of whichever page a shopper happens to click to. The panel also links to a detailed chart that gives more information and all delivery options. Topshop takes a similar approach with its footer offering information not just on delivery, but also on gift cards, student discounts and store location.

Argos puts its 'Fast Track' delivery options at the head of its home page, although it misses a trick by not adding click-throughs from these panels to the full delivery information. That has to be accessed from the 'Useful information' at the bottom of the page, with yet another click required to reach the information about 'Fast Track' and its choice of delivery times.

2 Put it upfront – everywhere

If a delivery offer is impressive, unusual or a major selling point, then make it obvious. Next's 'order before midnight' promise for next-day deliveries is something it wants to shout about – and it does. On the website, its "Order before midnight for next day delivery to home or store" message dominates the home page header, with a click-through to 'delivery information' giving full details of all options. The company also takes its message into the real world, with the 'order before midnight' tagline emblazoned on its delivery trucks, spreading the message to both motorway drivers and high street pedestrians.

Image credit: New Look



New Look's delivery option footer panel stays with the shopper, regardless of which page they navigate to on its site

HOME ESSENTIALS | GIFTS | KIDS | BEAUTY | JD Williams | Simply Be | Jacamo

SEARCH [] MY ACCOUNT SIGN IN HELP BAG

CHRISTMAS BEDDING HOME FURNISHINGS FURNITURE KITCHEN & LAUNDRY TECHNOLOGY GARDEN & DIY LEISURE KIDS & BABY DEALS

SHOP BY ROOM LEAVE A REVIEW & WIN A YANKEE CANDLE GIFT SET NEW SEASON HOME TRENDS

FIND ALL YOU NEED IN OUR MAGICAL CHRISTMAS SHOP >

HOW CAN WE HELP YOU?

EASY RETURNS

If for any reason you would like to send back something you have bought from us, you can use the following returns methods:

BY COURIER

1. Arrange a collection via our website
2. Telephone our Enquiry Line and select option 1 and follow the simple steps.
3. Call the courier directly if their number was left with your parcel.

AT THE POST OFFICE

Tape the the Royal Mail returns label securely on your parcel and return to your nearest Post Office.

VIA myHERMES PARCELSHOP myHermes ParcelShops are open early morning to

RETURNS ON PROMOTIONAL PRODUCTS (3 for 2, Buy one get one free etc)

If you need to return any of the items bought through special promotions (e.g 3 for 2, buy 1 get 1 free etc) you must include all the items bought within that deal. See our terms and conditions for more details.

RETURN RECEIPTS

However you return your item, please remember to obtain and keep a receipt. You will need to quote the unique reference code on your receipt if you have a query about your return. Please keep your receipt until you have received a credit for your return.

PERSONAL ACCOUNT >

CONVENIENT DELIVERY >

EASY RETURNS >

SAFE & SECURE SHOPPING >

Image credit: Home Essentials

At Home Essentials, customers get clarity when it comes to information about delivery and return options

3 Provide information that's easy to read

No one is going to plough through paragraph after paragraph of information detailing delivery and collection options, even though that's precisely how many of the sites in the Top50 still present their information. In order to be read and understood, key facts need to be clearly signposted, both at the checkout and at any point in the customer journey.

New Look has a simple chart, which gives full pricing information, details of tracking and delivery windows, as well as helpfully indicating which carrier is used for each service. This can be especially useful for shoppers who have had a bad experience with a particular carrier and are determined to avoid them in future. The chart also includes New Look's collection and return choices – from 6,400 locations – with click-throughs to Doodle or a dedicated New Look page on the Collect+ site, which makes it easy for shoppers and also reinforces branding.

House of Fraser has a simple and clear layout giving all delivery options, with pull-down text detailing additional information such as postcodes excluded from a particular service. Asos opts for a simple box layout, with click-throughs to various options such as nominated day, collection, or returns. It also runs a 'delivery update' section that gives information about known delays to post worldwide due to, for example, earthquakes in Japan, forest fires in Canada or postal strikes in Belgium!

4 Make returns easy

Returns may be the online retailer's bugbear, especially in the world of fashion, where shoppers order multiple sizes of the same style before returning all but one. However, returns are also an inevitability, so retailers need to make the best of them.

A UPS study last year suggested that 54% of shoppers actually read the returns policy before deciding where to buy and that they tended to opt for retailers where this was free. Return to store is the obvious preferred option for small items but for larger goods that can be difficult – although as Dino Rocos, operations director at John Lewis revealed at a conference a couple of years back, one customer did actually return a sofa, ordered online from John Lewis, to her nearest branch of Waitrose.

While many retailers charge for the collection of large returned items – up to £60 at Laura Ashley – those with a background in mail order take a more pragmatic view. Littlewoods works with both Yodel and ArrowXL to provide free collection for large items which shoppers can arrange via the Littlewoods website. Home Essentials – part of JD Williams (ultimate parent N Brown) – devotes a separate page on its site to 'Easy Returns' enabling shoppers to return by courier, Post Office, Hermes or Inpost, with click-throughs to both a location guide for Hermes and to an InPost explanatory video showing what to do.

Pureplays, too, have to offer plenty of convenient returns choices. Asos provides six options for returns as well as a collection service from Hermes – all free of charge.

5 Expand the collection options

While home delivery still dominates online fulfilment, collection options are increasingly popular. An IMRG survey earlier this year covering around 600 households* suggested that some 80% of shoppers still prefer home delivery, although collection will sometimes tempt them: just under 10% would collect from the Post Office, almost 25% from a retail store and around 15% from alternative collection points. This last option has grown significantly in the past couple of years as parcel shops and lockers have proliferated.

For customers, convenience is key – and that can mean a collection point close to home or work. Amazon claims 10,000 collection sites in the UK from post offices, 43 Duddle stores, and Pass my Parcel, as well as 300 of its own Amazon Lockers at railway stations as well as Co-op and Morrisons stores. In addition to its own stores, New Look orders can be collected from both Collect+ and Duddle, while Schuh adds Collect+ and UPS Access Points. Asos enables collection from Collect+, Duddle and several Boots stores in metropolitan areas.

In its January 2016 annual report, Next revealed that home deliveries had fallen from 87% of online orders in 2010 to just 45% in 2015, with the balance collected in-store. Expanding collection points is a key priority for this year, as CEO Lord Wolfson noted in his review: “We will be working to improve our delivery service... by giving customers the option to collect and return goods through third-party parcel shops (target rollout September 2016).”

*IMRG UK Consumer Home Delivery Review 2016

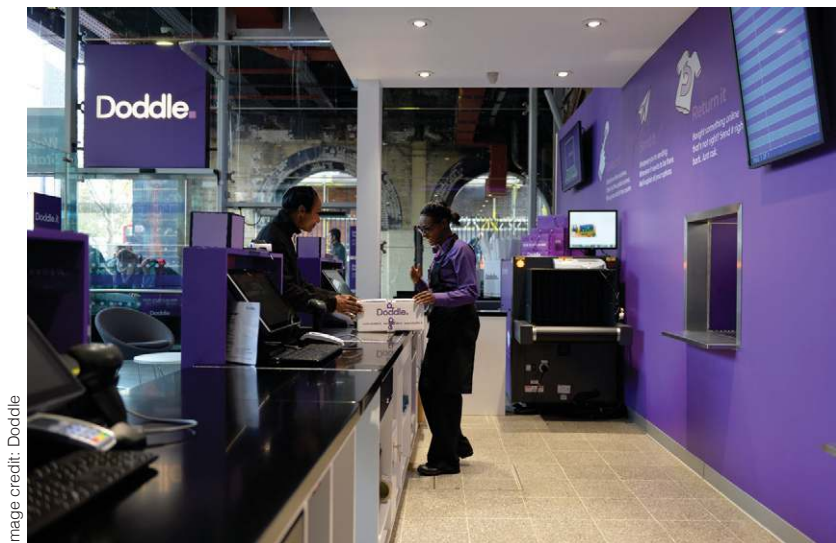


Image credit: Duddle

Customers are now demanding a wider range of delivery options that include convenient collection points as well as home deliveries

6 Flaunt the carrier

Paying for additional delivery services may improve e-tail margins but from the customer's perspective, the preferred option is to use those carriers which send an email or SMS on delivery day, giving a one-hour time window – at no extra charge – with the option to delay the consignment, leave in a safe place or divert to a neighbour's address.

DPD is a leader in establishing this level of service and Pets at Home makes a feature of using the carrier with a section headed 'Why we deliver through DPD' on its information page. Carphone Warehouse is another that highlights its use of DPD, putting the one-hour delivery slot message upfront on its home page.

ArrowXL, which specialises in two-man delivery of big-ticket lines, launched its AskAXL app last year. This provides real-time vehicle tracking with an initial two-hour delivery window reducing to 30 minutes as the time approaches. “It gives customers certainty,” says ArrowXL CEO Ian Howell. “Customers can track the progress of their delivery vehicle throughout the day and it gives them the personal touch – the web-app provides the names of the service delivery team who will be delivering their purchase and this is reinforced by a phone call from the team en route.”

As shoppers become more familiar with carriers, their services and reliability, making it clear on the retail website which company will be responsible may be increasingly important.

7 Bring it in house?

Supermarkets and department stores apart, few retailers would want to set up an in-house distribution operation. John Lewis has operated its own 'two-man' delivery fleet for years, so large consignments are handled in-house. However, while it has also been actively investigating adding a one-man fleet, so far it seems to prefer to work with other carriers. That may change in future, says operations director Dino Rocos: "We are aware that our carriers are not working uniquely for us and also that home delivery demand is outstripping capacity. We don't want to be in a position where we can't honour our commitments to our customers."

Amazon has already moved in this direction with a network of "delivery providers". Some, such as Hermes drivers, are self-employed individuals using their own small vans to deliver parcels; others are independent operators with a small fleet of trucks. According to figures from one Amazon third-party seller, some 80% of its orders are now delivered by this developing Amazon network, while carriers such as Hermes and Yodel now handle less than 1% of orders and Royal Mail's share is down to 15%.

8 Attempt to recoup margin

Free delivery on all orders may once have been the norm but realisation of how this erodes margins has persuaded almost all major players to introduce charges for low-value orders – typically £3.50 for orders of less than £40 or £50. Most also charge for such collection services as Doodle or Collect+ while some also charge for low value store collection items.

While customers obviously appreciate free delivery, convenience or speed can be more important and worth paying for, hence a growing number of premium delivery and installation services. PC World will deliver your television the next day for £19.99, set it up and give you a demo for an additional £40 and take the old set away for another £10. Currys is much the same – only it's £45 for the set up and demo. Since the margin on flatscreen TVs is minimal, this could be one way to try and make a profit on the deal.

9 What price convenience?

While few non-food retailers offer a timed delivery window at the checkout, many are now offering the option of morning, evening, weekend or nominated day delivery. For £6 or £8, for example, House of Fraser will deliver before 9am (except to more remote areas such as Scotland, the West Country or Channel Islands), pre-noon, next day, next afternoon, next evening, same day or on a nominated day, which can include weekends.

While small parcels can generally be easily left, that's more difficult with big-ticket items. For large items, Currys offers a choice of four-hour slots on weekdays or weekends, priced at £19.99 or £24.99, although it warns that the service may not be available for every single stock item or to all postal codes.

However, at these prices, such services may not appeal to all shoppers. An IMRG survey earlier this year found that just under 80% of those questioned would only be prepared to pay £1–£2 for a timed slot, with around 35% of the survey sample willing to pay more than £2.

Image credit: DPD

The screenshot shows the DPD website interface. At the top, there is a navigation bar with links for Home, Products & Services, Help, MyDPD, About DPD, Careers, and Driving Opportunities. A search bar is located in the top right corner. Below the navigation, a large banner features a cartoon witch on a broomstick against a night sky with stars and a crescent moon. The banner text reads: "Going to be out for Halloween? Make sure you don't miss your parcel delivery by downloading the DPD app". To the right of the banner is a red "Tracking" form with fields for "Reference Number" and "Track", and a "Login To MyDPD" section with fields for "User Name" and "Password", and a "Login" button. Below the banner, there is a notification bar: "A traffic incident in certain areas - read more". At the bottom, there are three red buttons: "How Can We Help? Have you got a query with your delivery? Contact us", "Sales Enquiry For new and existing customers", and "Got Something To Say? We want to hear from you".

DPD is among the current leaders in supplying delivery options tailored to meet each customer's needs

10 Making the most of bricks and mortar

With Argos providing a suitable location for collecting eBay orders and Boots giving Asos a high street presence, Asda too has moved into the distribution business with 'toyou' launched in January. The system enables shoppers to collect and/or return online orders of George clothing as well as non-Asda brands, including ASOS, Missguided and Yours, at any of Asda's 614 outlets. While clearly benefiting its own fulfilment operation for George, Asda believes that by 2019, toyou could lead to 40m extra customer visits each year. Says Phil Tenney, CIO at Asda, "We are excited to champion an industry first with our new toyou service, giving online retailers an opportunity to expand their physical footprint as well as allowing our customers to shop more conveniently and giving every shopper even more reasons to visit Asda stores."

11 Keep customers informed

As all customer service centres know well, WISMO – where is my order – queries tend to dominate. It therefore follows that providing tracking information for parcels can help reduce such calls. Many retailers depend on carriers to perform this function with emails direct from the logistics company rather than the retailers. Some of these – notably for DPD customers – are clearly branded with the retailer's name. Yet other emails are entirely anonymous, which can be confusing if the shopper doesn't know which carrier is being used or can lead to these communications being mistaken for spam, phishing or hacking attempts by the more cautious consumers.

Hobbs runs a clearly signposted delivery tracker on its own website which allows shoppers to find a parcel regardless of which carrier it was sent with. New Look, too, has an accessible tracking system, although some others in the Top 30 do keep their tracking links rather well hidden. While Amazon provides a video detailing how to track an order, this ultimately routes the customer to a very long list of carriers and contact numbers with the option of calling Amazon customer services direct.



Image credit: Asda

Asda's recent 'toyou' service has launched the supermarket retailer into the distribution business

12 Strive for speed and efficiency

Delivering individual orders – be that to homes or overnight to stores for collection – is expensive. Fulfilment from store is seen by many as the ideal option but that demands accurate, real-time inventory information, possibly the use of RFID technology and good in-store processes to ensure that the store's staff regard online order fulfilment as important as serving real-world customers. Regional fulfilment hubs, dark stores or local warehouses are all being used as alternatives to store fulfilment, while Amazon has also taken to predictive analytics, using the technique in the US to ensure that sufficient top-selling lines are in convenient locations, allowing rapid and local delivery. If, for example, current purchasing patterns suggest that five of item X will be sold in Manhattan tomorrow, then Amazon ensures that five item Xs are in town, with its staff taking trolley loads of parcels on the New York subway to provide rapid delivery. Tesco is also focusing on regional needs with its recent announcement that it will open a new distribution hub to service its 140 Polish stores, which will reduce annual mileage of its delivery lorries by almost 13%. 🇬🇧

Future deliveries: personal, convenient and part of the community

Delivery, collections and returns are evolving quickly. **Chloe Rigby** asked Jan Godsell from WMG, University of Warwick how fulfilment might change in the future

WHAT IF THE customer, rooted in community and concerned for the environment, was the driving force in logistics? That could shape new ways of getting goods from the seller to the purchaser, suggests Jan Godsell, professor of operations and supply chain strategy at WMG, University of Warwick. She believes that in the future, shoppers' community-rooted concerns about the environment, their interest in sharing goods, and their wish for convenience and relevance may change the way they take delivery of and return the products they've bought.

When we met at eDelivery Expo earlier this year, she told InternetRetailing that she already sees transport hubs changing in this way. "St Pancras Station is no longer just a station but a centre for the community. People are using

transport hubs as somewhere they can click and collect, meet their friends or have a nice meal." In the future, she suggests, a further step forward could be local residents using these spaces to share tools such as drills, lawnmowers and hedge trimmers that they don't use on a daily basis. Convenience and ecological concerns may also

"We're seeing a real shift in the ways that we use our communal spaces"

Jan Godsell



mean that people might want to take deliveries in the communities where they live.

"As we move to get a better balance with the environment, perhaps we'll move back to having a single, consolidated delivery in my area every Monday, for example," she says.

This could also happen as personalisation becomes more important in the delivery process, which, suggests Godsell, might occur as consumers strike more personalised relationships with brands, trading their own personal and consumption data in order to make individual deals that suit them. Brand manufacturers might deliver using their own logistics networks or opt to use those of third-party couriers. Such

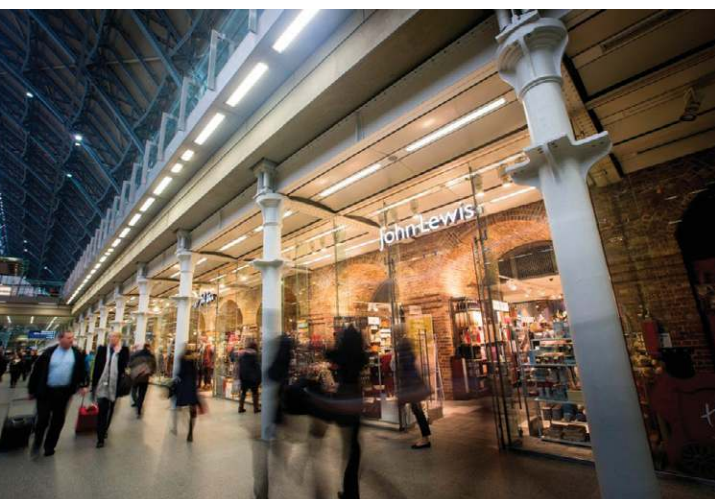


Image credit : John Lewis

Could St Pancras Station become a social hub for the local community as well as for rail transportation?

deliveries could be consolidated for those regular Monday morning drops. Just as brands might take part in these personalised deliveries, so too might community-based traders, from butchers to bakers, make deliveries from pureplays at the same time as they deliver their customers' orders to homes or other convenient points.

What does all this mean for the drive towards omnichannel? Godsell says she sees John Lewis as a leading example of omnichannel distribution. It has merged its direct and in-store channels to one set of inventory that's held at its Magna Park distribution centre. This enables simpler processes that see inventory sent direct to someone's home, or to a Waitrose or John Lewis store, or via another option.


But while this model works well, Godsell argues it's one that's very much retailer-led and may not apply to all businesses. Rather, she envisages a cyber-physical world where shoppers go online, discover, search, research, compare and decide. Once they've bought an item, they will use it, get advice or help to use it, and then personalise it. "Is it a more powerful way for a business to think about its business as an omnichannel one, or is it more powerful to think about this customer journey and the different ways the cyber-physical age will enable you to connect with and touch your customer in a different way?" she asks. "Fundamentally, I can see the cyber-physical age enabling different types of models. Some are purely about market mediation, enabling us to be omniscient so that we can see demand potentially everywhere, not just in the UK and Europe, but all around the world. That enables us to see the supply everywhere, and who's got what. Once that happens then different agencies can come back as market mediator."

Already, retailers such as Dune can show shoppers where their stock is available so that they can decide whether they want to collect it or have it delivered to home. In the future, suggests

Godsell, shopping centre staff might "know that I've been searching for a particular pair of Nike trainers. They would show whether they have those trainers, whether they could deliver to home and how much that will cost. Do all those stores need their own inventory? Will the connection then be stronger to the brand than the retailer? There's a lot of talk around omnichannel but I think that assumes we'll continue as we are continuing, rather than thinking more disruptively about how things might change."

John Lewis has merged its direct and in-store channels to one set of inventory

Just as ShopDirect has moved beyond producing the full Littlewoods catalogue, a pureplay retailer of that type might decide that it does not need stores in order to be omnichannel. Alternative customer touchpoints, suggests Godsell, might enable it to operate as an omnichannel retailer, allocating stock, for example, from returns.

"People say that the store needs to reinvent itself and actually, if you think about the sense of community, this is what we're seeing. St Pancras and Liverpool St stations are becoming hubs of the community. We're seeing a real shift in the ways that we use our communal spaces and the nice thing about it is that it's in some ways rebuilding our sense of community." 

European vistas

How does actively selling in Europe affect different approaches to deliveries and returns? **Martin Shaw** highlights the surprising results revealed by our research

MORE OBVIOUSLY THAN with other areas of retail craft, logistics is a problem-solving exercise. When a customer orders a shirt or dress via the website, or indeed any channel other than buying in-store and walking out with the goods, a process begins. Where does the customer want the item delivered? If to home, where does the customer live? Does the customer want the item by 10am tomorrow or is within the week acceptable? From the retailer's perspective, is it more efficient to use Royal Mail or another delivery company? Is it better to send an item direct from the store or via a fulfilment centre?

Repetition – successfully answering these questions again and again – is key to building logistics expertise but this rather mechanical view of deliveries obscures some subtleties in the process. A British retailer that routinely sells into a European Union neighbour, for instance, has a different set of problems to deal with than one targeting only the British market. While, at least pre-Brexit, there are no issues around customs to deal with, there are potential complexities here around negotiating with foreign couriers and distribution centres.

Thinking about this led us in turn to think about how offering international delivery might change retailers' approaches to logistics. Intuitively, we suspected that retailers with international expertise might also be more efficient in their home markets and that retailers would routinely apply the lessons from expanding abroad to their UK operations.

Home gains

The results therefore surprised us as there's no simple or direct correlation here. Rather, a more nuanced picture emerges, suggesting that retailers that don't offer international delivery operate in subtly different ways to their Europe-targeting counterparts.

To drill down into the figures, 60% of IRUK Top500 retailers deliver in the UK and elsewhere. Of the 40% that trade only in the UK, these retailers offer an average of 2.5 delivery options. The standard delivery time for these retailers is four days and the average cost for standard delivery is €6.50.

In contrast, IRUK retailers that operate in various EEA countries offer on average 1.4 currencies and 2.2 unique languages for their customers. They also offer cheaper standard deliveries to their customers across Europe – €5.54. However, these retailers only offer, on average, two delivery options, while the average standard delivery timeframe is over five days.

In short, the figures suggest that retailers that focus on the UK market are able to be quicker and offer more choice in delivery options. However, they're also slightly more expensive than competitors that also trade in Europe.

Returns

When it comes to returns, IRUK Top500 retailers that deliver only in the UK offer a 30-day returns policy and typically process refunds in eight days. The return fee is, on average, €0.60.

In contrast, IRUK retailers that deliver internationally, while offering a 30-day returns policy, take around 10 days to process the refund. The average return fee is €2.00, a considerable difference that can probably be explained by needing to process international returns.

What the findings reveal

In great part, we suspect the differences in costs for deliveries here are down to economies of scale. Larger retailers, after all, are far more likely to sell abroad than their smaller competitors. These are companies that are operating at scale, so can therefore pass on savings associated with this to their customers.

Against this, it seems that focusing on the domestic market enables companies to handle deliveries more efficiently in some respects. While retailers that focus on the UK charge more, they're able to compete on the number of delivery options and by being just a little quicker than their competitors. In contrast, when UK retailers move abroad, we suspect they may adopt standard practices for those regions.

As to how important all this is when it comes to looking at the overall UK market, that's more difficult to tell and this is an area where we need to do more research. It will also be interesting to see how the growing popularity of Amazon Prime affects the market here. It may be that, whether they operate at home or abroad, retailers have to look anew at deliveries and returns to compete with the multinational behemoth.

As Sean Fleming points out in our strategic overview, offering free delivery is subject to diminishing returns from the perspective of retailers because customers become rather blasé about ordering items – ironically, free delivery has no value to customers. In contrast, Prime offers free delivery-plus in that it lets you binge-watch *Bosch*, *The Man In The High Castle*, and Jeremy Clarkson and co mucking around with cars in *The Grand Tour* too.

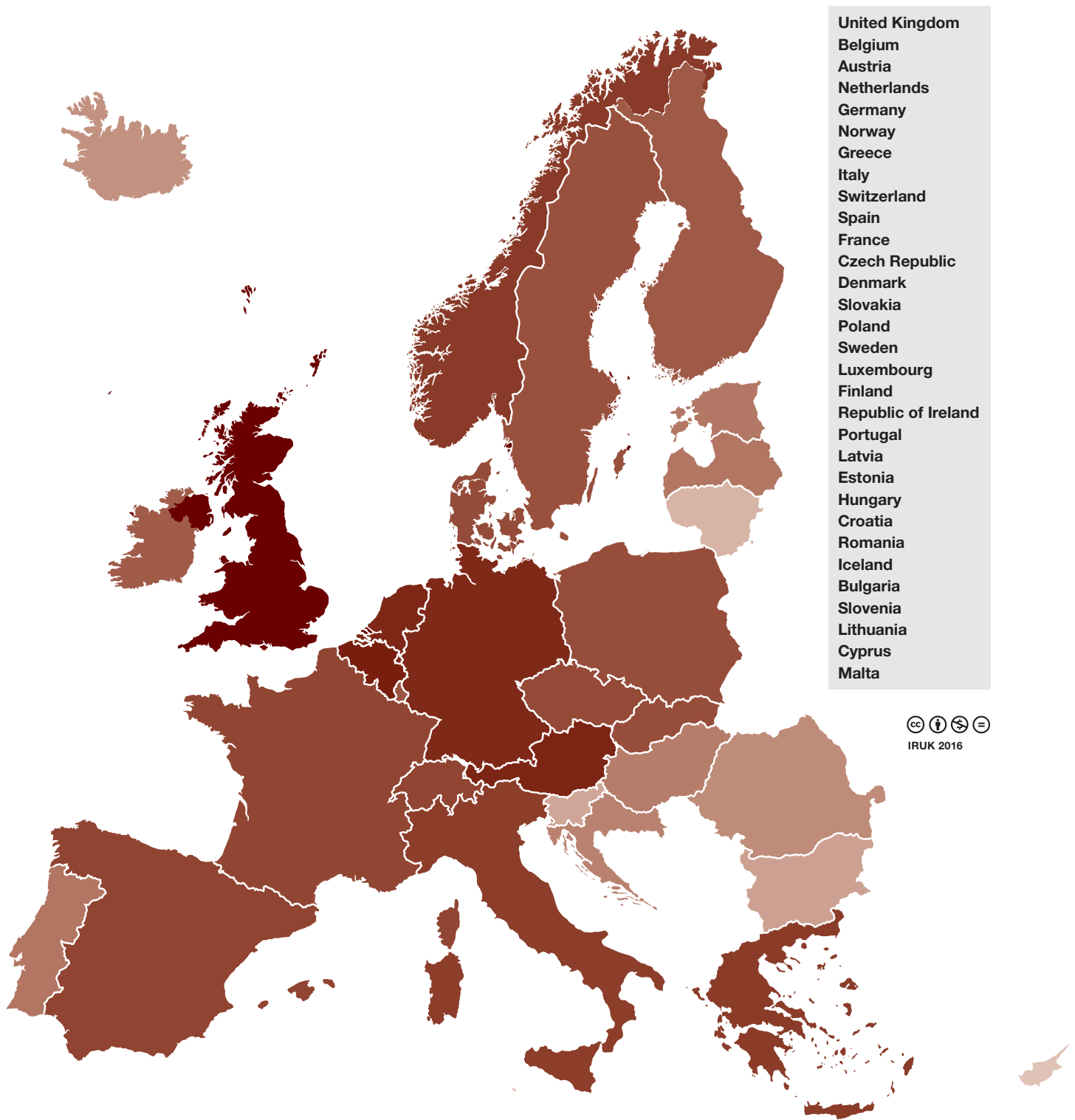
Might offering specialist delivery services, such as same-day delivery within urban areas, be a better way for retailers to differentiate themselves? Or might this all be a distraction for many retailers, which would be better advised to compete by, for example, offering expert support to customers?

Finally, as a way to add context, it's worth noting that the UK is the most competitive market within the Operations & Logistics Dimension. This may give UK retailers an in-built advantage when it comes to expanding abroad. Austria, the Netherlands and Germany are the next highest-performing countries. It's worth at least considering the idea that Brexit may erode that advantage, if it makes it more difficult for UK retailers to sell abroad.

The heatmap on the opposite page shows which markets are currently most competitive. Our ongoing research will reveal any new patterns here. 🌈

The Most Competitive Logistics in the Single Market

The average performance of Europe Top500 retailers that operate within a member state – measured according to the Operations and Logistics Dimension Index. The UK is most-competitive and Malta is the least.



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Conclusion

THROUGHOUT THIS INTERNETRETAILING Top500 Performance Dimension Report on Operations & Logistics we've been struck by the speed at which leading retailers are now delivering. The fact that 63% of them now offer next-day delivery chimes with the recent findings of the IMRG MetaPack Delivery Index, which noted that next-day delivery overtook standard delivery during August 2016 for the first time in the index's history.

This, says Andrew Starkey, the IMRG's head of e-logistics, comes as more retailers offer next-day delivery as standard. But he also has a warning. During peak times, such as Black Friday, it will be important to be measured with the use of such premium services. As experience has shown, the logistics industry's established, year-round capacity can't handle the peaks that occur just a few times each year. There are limits, then, to how convenient retail logistics can be when goods need to be moved from one place to another, especially when that relies on lorry and van drivers, who are now becoming more difficult to recruit.

The services that really stand out in this Report are those that operate well due to popular stock already being in the right place. That happens at Screwfix, which is offering five minute click and collect, or Amazon, which enables Prime members to take delivery from a range of 15,000 products within an hour of ordering. To that end, it is deploying services such as Amazon Flex, which enables car drivers to deliver parcels in as little as 25 minutes – in their spare time.

With this in mind, the vision of future deliveries and collections painted by Jan Godsell is an intriguing one. She's professor of operations and supply chain strategy at WMG, University of Warwick, and she envisages delivery strategies that are driven by factors such as community, sharing, convenience and environmental concern. It's a persuasive argument that retail logistics staff will consider as their services change in the future. 



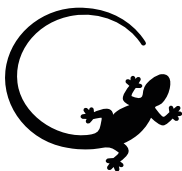
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