

An IMRG Report

# Valuing Home Delivery Review 2021

Understanding the cost of not meeting  
shoppers' delivery expectations.

Supported by  
**Wincanton**

April 2021

## Valuing Home Delivery Review 2021

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## 1.

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## Introduction and background

This is the eighth in the series of the bi-annual IMRG Valuing Home Delivery Review, first published in 2006 and designed to help the industry's stakeholders understand the implications and costs incurred when online home delivery fails to meet the shopper's expectation - which is to get their online purchases **to the right place, first time, on time, every time**. This year we are delighted to welcome Wincanton as sponsors for the review, calling upon their considerable expertise and insight to further our understanding of this area.

In the 15 years since the first review, the industry has considerably improved the online delivery experience for shoppers with innovation and efficiencies keeping the costs involved as low as possible. However, as standards and performance improve, so customer expectations increase and the aim of the *IMRG Valuing Home Delivery Review* is to help the UK online retail industry maintain its momentum and pace with these expectations.

There are many reasons why shoppers' home delivery expectations may not be met, and it would be impossible to document all, so the review focusses on the most familiar delivery failure scenarios:

1. Failed first delivery – re-delivery required.
2. Failed first delivery – collection by customer.
3. Late delivery – not within the expected time window.
4. Order lost – replacement sent.

Although this is the latest in a series of reviews, we would counsel against drawing any like for like 'trend' conclusions because the dynamics of the industry make direct, year-on-year comparisons unreliable – in particular, changes in year-on-year online delivery volumes. This is especially true this year with the impact of the Covid-19 pandemic driving changes in shopper behaviour, retail supply and carrier operational processes.

The 2021 review uses the most recent and valid data available from a range of sources to create as complete a picture as possible and to allow validation and cross-checking of conclusions. Where possible we identify how the pandemic may be affecting results and it is possible that some behaviours and practices driven by recent events may become part of the new norm for online delivery.

All previously unpublished data has been aggregated and no company's specific data has been attributed. It is not our intention to provide comparisons between competing organisations but rather to bring the industry together to understand current levels of performance, what we can aspire to, and the benefit of reaching higher standards, signposting opportunities for improvement.

**Wincanton observes**

*The Customer Experience is central to the success of every brand; a happy customer will come back, and this is a simple principle we align with. This has never been more relevant than in today's market and is why we are proud to be sponsoring this year's IMRG Valuing Home delivery report.*

*Understanding our customers ecommerce strategy from the inside out is a start point to best meet their needs. Our investment in digital fulfilment services and physical capacity enables us to deploy confidently and at pace. Above all our customer obsessed colleagues stand us out as a supply chain partner of choice for brands with an eCommerce growth imperative.*

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# 2.

## Valuing Home Delivery Review 2021

<sup>1</sup> The IMRG Consumer Delivery Review 2020/21, examines the latest attitudes and behaviours of online shoppers to provide some important facts that allow us to calculate the impact of 'first time / on time' delivery failure for online shoppers..

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## Methodology

The calculations and conclusions in this review call on information from a range of sources including official agencies, industry trade bodies, industry suppliers and online retailers. The scope and range of the data examined include costs, delivery performance, consumer expectation and retailer delivery offers. The IMRG data sets used span:

- 120 million orders and deliveries over a 12-month period
- Purchases of almost £30bn over a 12-month period
- More than 150 retailers
- 1,000 online households.<sup>1</sup>

Where no specific data is available, we have made reasonable estimates based on parallel, published research or recognised industry benchmarks. Where this is the case, we have made it clear that an assumption or estimate has been applied but we invite any organisation able to provide data to replace these estimates to contact us so that we may come ever closer to an accurate view.

We have been conservative in our estimates and if anything, the costs shown in the review are understated:

- Activity levels and costs are always set at the lowest value and minimum frequency indicated
- Excessive inventory overheads that result from long delivery lead-times and high levels of returns have been excluded
- Costs specifically associated with goods damaged in-transit have been excluded
- Insurance premiums and claims processing costs resulting from loss or damage have been excluded
- Orders that are received 'late' by the customer due to delayed or partial dispatch (not 'on time / in full' - OTIF) have been excluded.

Orders not dispatched OTIF can add to the late delivery statistic unless the delivery speed is accelerated to compensate for late dispatch. Should a retailer wish to include their late dispatch figure this can be added to the late delivery percentage to give an estimate of the cost.



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<sup>2</sup> For example, some sources report a considerable increase in customer service enquiries related to delivery - 'Covid-19 Resulted In A 69% Increase In Customer Service Call Volumes For Resultsx Retail Clients' (Source: P R Log)

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## Note: Scenario 3 - Late Delivery

When considering the percentage of deliveries reported late, we have taken account of the 'stop the clock' scan data. If the scan data arrives after the analysis deadline, an on-time delivery may be recorded as late when it is not. We are grateful to MetaPack who have helped validate our estimates for this review by measuring on-time performance for January 2021 with an analysis deadline extended to 25th March 2021 to ensure that all available 'stop the clock' scans were available. This showed that late scans have little impact in reducing the late delivery percentage and that 94% of all 'stop the clock' scans were received within 7 days.

To the late delivery figure, we must add the figure for failed delivery because of poor addressing / location issues. Some of these will eventually be delivered and some returned to the sender. Rather than apply additional speculative costs we have assumed that all will be delivered but not within the specified time window.

As mentioned above, an OTIF failed percentage may also be added to give a complete view of the costs of late delivery.

Clearly some metrics have changed with the impact of the pandemic<sup>2</sup>. Most of the data used is pre-pandemic to represent normal market conditions but where we can we offer data and a view on how the pandemic has affected these metrics. Where possible we also offer an opinion on the post-pandemic market and what changes and trends may be more permanent.

The sources of data and a full explanation for all estimates and assumptions can be found in section 7.

The calculations for each scenario assign only incremental activities and costs (resulting from that failure) to produce a 'cost per event' for each stakeholder - consumers, retailers and carriers. We have apportioned the costs fairly and evenly but even if the apportionment is changed, the total cost per event across the three groups is likely to be similar.

Applying an aggregated 'cost per event' to the total volume of deliveries for each scenario provides a total industry cost.

The findings of this review should not be viewed as absolutes. All consumers, retailers and carriers will have individual circumstances and ways of doing things that result in different associated costs. In addition, market and consumer behaviour is constantly changing, driven by the introduction of new solutions and the wider digital experience. Rather, this review should be used to appreciate the scope and scale of the costs associated with 'first time / on time' delivery failure and used to inform initiatives that will steadily reduce the incidence of such failures.

However, to provide more specific analysis, our **Valuing Home Delivery calculator** allows any retailer with more accurate data on its own operation, to apply volumes, costs and activity levels to produce a more tailored view. Industry values can be retained where specific data is not available.

Retailer Scenarios - Benchmark Values		Benchmark Value
To apply retailer specific data simply enter the new value in the relevant cell in column B		
Volume of orders (example) - insert annual deliveries		10,000,000
Logistics cost - Average cost of delivery per order		£3.06
Logistics cost - Average fulfilment cost per order		£2.79
Logistics - % of deliveries not made / attempted on time		9.75%
Logistics - % of deliveries not made on the day / time window of pre-delivery advice		0%
Logistics - % of deliveries not made 1st time / card left		4.26%
Logistics - % of deliveries failed / not made at all (addressing / access issues etc)		0.43%
Logistics - % of all orders lost in transit		0.30%
Logistics - Typical claim refund for lost order - limit of liability		£25.00
Customer service cost - Average cost to handle an inbound phone enquiry including wrap up		£4.00
Customer service cost - Average cost to handle an inbound email / web chat enquiry including wrap up		£3.40
Customer service - Average length of customer service call / contact including wrap up (minutes)		6.75
Customer service - % of calls resolved first time		75%
Customer service - % of re-delivery requests that come to the retailer		33%
Customer service - % of WISMO enquiries that come to the retailer		67%
Customer service - % of customer service contacts by phone		50%
Customer service - % of customer service contacts by email / web chat		50%
Customer service - Average % of late / disputed deliveries resulting in a complaint / retailer contact		15%
Customer service - Defection rate as a result of poor delivery service		40%
Customer value - Average order value		£93.00
Customer value - Lifetime value (Average order value x frequency x years retained)		£111.60
Marketing cost - Average cost of acquisition for a new customer		£37.20

[> Click here to download the Valuing Home Delivery calculator](#)

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## Executive summary – fast facts

In recent years there have been notable developments in the quest to improve on time, first time delivery. These include:

- The increasing awareness and use of 3rd party click & collect.
- The evolution of pre-delivery alerts.
- Developments in carrier management services.
- Fulfilment innovation.

**3rd party click & collect** has developed organically since the early 2000's but has seen some event driven step changes that raised awareness with online shoppers - In 2010 it was bad weather that diverted volume to these networks and the 2014 Black Friday peak created a need for extra capacity that these networks were able to fill. As a result, there are now a number of carrier specific and carrier agnostic networks providing pick up points that can also be used as alternative delivery locations when the customer is not at home to receive their order. The introduction of pre-delivery alerts supports this diversion option.

**Pre-delivery alerts** are designed to keep the customer informed on the progress of their order in the 'final mile' stage of delivery, providing an estimated day of delivery, usually with a timeslot and often with alternative delivery options (change day, alternative location) should the offered day / time not be convenient.

Although these alert services are now commonplace and provided by most carriers, the customer offer is not consistent. Depending on the carrier used, timeslots can range from 4 hours to 1 hour with alternative delivery options dependent on carriers' safe place / leave with neighbour policy and the availability of a click & collect network. Nevertheless, this innovation provides a greatly enhanced experience for the customer who can now anticipate delivery and adjust their schedule or the delivery arrangements to suit and should, in theory reduce the level of WISMO (Where Is My Order) enquiries.

The issues with pre-delivery alerts, relevant to this review, are:

- The inconsistent offer - Customers do like to get pre-delivery advice but if one delivery comes with a 1-hour time slot, another with a 4-hour time slot may be perceived less favourably.
- When the advised delivery day / time window is missed - A pre-delivery advice changes the customers view of what is late and on time. At time of order, a 3-day delivery may be offered but, due to prompt dispatch and distribution, delivery may be advised on day 2, within a stated time slot. Should it miss this new deadline, the customer will consider that delivery late and may raise a WISMO enquiry, even though contractually it is still in time.

**Developments in carrier management services** have enabled real time selection and management of the optimum carrier service for any order. This can include selecting the best service based on order contents, value, customer etc, accelerating to a faster service to compensate for late dispatch, real time tracking and exception reporting to assist customer service teams and the provision of self-serve api's.

**Wincanton Commentary**

*Convenience to the customer, in relation to how and when their delivery is presented has never been more important than in the past 12 months. With developments in relation to destination of choice and pre-delivery alerts this has provided the customer more choice enabling the unprecedented growth that the industry has experienced.*

*Carrier Management Services have value added opportunities not only to Wincanton customers but also retailers in relation to convenience and commercial pricing. Our experience in this area demonstrates the opportunity to provide a more flexible delivery proposition at significantly more competitive pricing with higher visibility in both carrier performance and in relation to true costs incurred.*

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**Fulfilment innovation** enables higher levels of on time, in full (OTIF) dispatch for same day / next day with late order acceptance. This gets orders into carrier networks sooner / more efficiently and can remove some pressure on the delivery schedule.

### Wincanton Commentary

*Within the past 12 months the industry has accelerated innovation within fulfilment to accommodate the significant increase of online volume driven by the Covid pandemic. Automation and robotics are established as a vital part of the supply chain not only increasing order accuracy and warehouse fulfilment capacity but reducing fulfilment costs.*

### Covid-19

These developments have changed customer expectations and the way in which the market works but in addition, the most significant influence on the market since our last review has been, of course, the Covid-19 pandemic. Some of the impacts, relevant to this review, are summarised below:

**a. Volume and capacity** – By 2019 the UK online delivery market was reaching a level of maturity and after strong double-digit growth for several years, had settled down to 7% year-on-year growth of order volume. Lock down was introduced at the end of March and the high street shut, and in April and May IMRG recorded a year-on-year volume growth figure as high as 43%, producing similar delivery volumes to the 2019 Christmas peak. Even allowing for some slow down when the lock down was eased in the summer, 2020 finished with a full year growth rate of 35%. This put tremendous pressure on distribution

centres and carrier networks, at a time when resources were being limited. As a result, some performance measures were affected, and new ways of working had to be introduced. See **e & f**.

**b. Supply chain and inventory management** – Online orders for the UK come from all over the world and the global pandemic disrupted manufacture and global distribution meaning that inventory levels were hard to maintain. Distribution centres struggled for resource and OTIF performance suffered.

### Wincanton Commentary

*Wincanton's experience is that the Covid-19 pandemic impacted volumes across most sectors, with a number consistently at peak levels throughout 2020. Forecasting has been extremely challenging for retailers, and we have worked hard with clients maintaining the balance between customer demand and stock availability.*

*Without question throughput the Covid-19 pandemic capacity and inventory management has been a key focus particularly with restriction in warehouse space availability still being impacted by Brexit. Innovation is key to the efficient and cost-effective management of inventory and Covid-19 enabled the acceleration of projects and initiatives across numerous sectors to ensure success in these challenging times.*

**c. On time delivery performance** – In the 12 months to March 2020 (lock down) late delivery was running at 4.5% (adjusted) but with the increase in volume and pressure on resource within the carrier networks, by August 2020 the 12-month rolling average for late delivery had risen to 6.8% (adjusted). Additional address query deliveries are running at 0.43% and we anticipate no pandemic impact.

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<sup>3</sup> Consumer to Consumer

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- d. 1st time delivery performance** – 1st time delivery performance was helped by the pandemic in two ways. The main influence was the fact that, due to lock down, everyone was at home to receive their orders. Pre-pandemic the level of carded delivery was running at a weighted average of 4.3% but in the 12 months to August 2020 (to include the 1st lock down period) this dropped to 3.5%. The other influence on this figure was the use of non-designated safe place.
- e. Use of non-designated safe place** – In order to follow government guidelines on social distancing, all carriers introduced contactless delivery policies and procedures. This meant on arrival at each delivery, rather than hand the parcel to the customer and obtain a signature, couriers were required place the parcel somewhere safe. Where possible this would be in the presence of the recipient, but it also provided the leeway to leave parcels in non-designated safe places, rather than leave a 'missed delivery' card. The protocol has been supported using image capture and geolocation to prove that the parcel was left at the right address in a safe location at a specific date / time.
- f. Use of click & collect** – Due to the lock down, most retail outlets were closed and not able to offer in-store click & collect. With shoppers staying home, most of this volume moved to home delivery but 3rd party click & collect networks would have seen some increase. This would have helped introduce shoppers to their local click & collect networks, not only as alternative delivery locations, but for sending returns and sending parcels of their own. Being unable to visit friends and relatives, especially for special occasions, would have created a rise in C2C<sup>3</sup> parcel traffic.

- g. WISMO enquiries** – Even though OTIF and on time delivery performance worsened during the early stages of the pandemic, shoppers understood the reasons. Retailers and their carriers were generally clear in their messaging about the impact the pandemic was having, and this meant that consumers were prepared to wait longer for their orders and were less quick to raise a WISMO enquiry.

We believe that post pandemic, some of these changes will remain:

- **Volume and capacity** -The evidence is that a lot of high street volume has shifted to online permanently. After the first lock down, order volumes only dropped back 35% to about 22% year-on-year growth.
- **Use of safe place** - Consumers seem to have accepted the increased use of safe place delivery and if image capture and geolocation continues to be used to support proof of delivery, there is no reason why this should not continue, improving 1st time delivery rates and carrier drop efficiency. We would, however, recommend that customers are asked to specify their safe places.
- **Use of click & collect** – Now that more shoppers have been introduced to their local 3rd party click & collect options, we expect many to remain loyal and make more use of these locations for click & collect, returns and C2C parcels.

The tables that follow, summarise the Value of Home Delivery at event and industry level.



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### Overall Industry Cost by Scenario

	Consumer	Retailer	Carrier	Total by Scenario
<b>1. Failed 1st delivery - Re-arranged</b>	£104,219,686	£72,679,860	£225,392,851	<b>£402,292,397</b>
<b>2. Failed 1st delivery - Collection by customer</b>	£252,132,573	£0	£114,596,130	<b>£366,728,703</b>
<b>3. Late Delivery</b>	£124,525,399	£3,546,350,610	£0	<b>£3,670,876,009</b>
<b>4. Failed Delivery / Lost Order / Cancellation of Order</b>	£46,706,149	£978,186,000	£209,880,000	<b>£1,234,772,149</b>
<b>Total by Stakeholder</b>	<b>£527,583,807</b>	<b>£4,597,216,470</b>	<b>£549,868,981</b>	<b>£5,674,669,258</b>

### Overall Industry Cost by Event

	Consumer	Retailer	Carrier	Total by Scenario
<b>1. Failed 1st delivery - Re-arranged</b>	£2.22	£4.70	£4.81	<b>£11.73</b>
<b>2. Failed 1st delivery - Collection by customer</b>	£5.38	£0.00	£2.45	<b>£7.83</b>
<b>3. Late Delivery</b>	£2.22	£94.54	£0.00	<b>£96.76</b>
<b>4. Failed Delivery / Lost Order / Cancellation of Order</b>	£4.94	£148.21	£31.80	<b>£184.95</b>
<b>Total by Stakeholder</b>	<b>£15</b>	<b>£247</b>	<b>£39</b>	<b>£301</b>

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<sup>4</sup> The IMRG UK Consumer Delivery Review 2020/21 is the 12th in the series. The review represents a survey of 1000 households to report on their online delivery experience, perception, and requirements.

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## Scenario summary

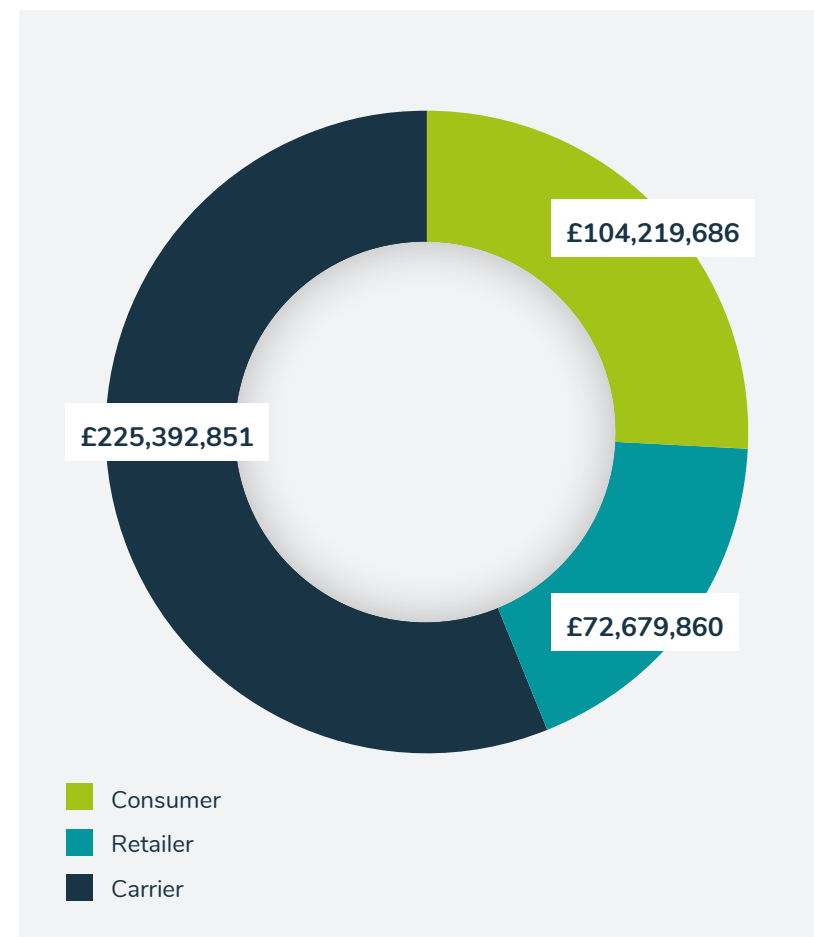
This section looks at each of the scenarios individually at industry level. The detail behind individual statistics is provided in section 7.

### 4.1 Failed first delivery – redelivered.

#### Scenario outline

In this scenario we estimate that 50% of attempted deliveries will be re-delivered.

- For re-delivery it is anticipated that the consumer will need to contact the retailer (in 33% of cases) or the carrier (in 67% of cases).
- Using industry norms, we estimate that enquiries will be made by web search / app (33%) telephone (34%) or online (email or web chat (33%) to arrange re-delivery.
  - We note that, although increasing in use, carrier independent api's are still not the preferred method for receiving delivery updates. The latest research revealed in the IMRG UK Consumer Home Delivery Survey 2020<sup>4</sup> suggests only 10% prefer this approach.
- In the case of telephone contact, we have assumed that the consumer will use a landline or a mobile in equal measure. However, because many phone contracts provide inclusive minutes, we have assumed that in 50% of cases there will be no incremental cost.
- In line with industry norms, we have applied a 75% first time resolution rate and assumed that all repeat contacts will be by phone.



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<sup>5</sup> The IMRG UK Consumer Delivery Review 2020/21 shows that home occupancy for receipt of parcel delivery increased from 56% (2019) to 72% (2020).

<sup>6</sup> The IMRG UK Consumer Delivery Review 2020/21.

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### Commentary

All parties have an incentive to improve on performance in this scenario, but it is the carrier who bears most of the cost.

The increasing use of pre-delivery alerts will continue to improve this situation, even when the pandemic lock downs are a thing of the past and daytime home occupancy levels drop as people revert to working away from home<sup>5</sup>. We hope and expect that the experience of the past year will have established these alert services within the normal delivery process.

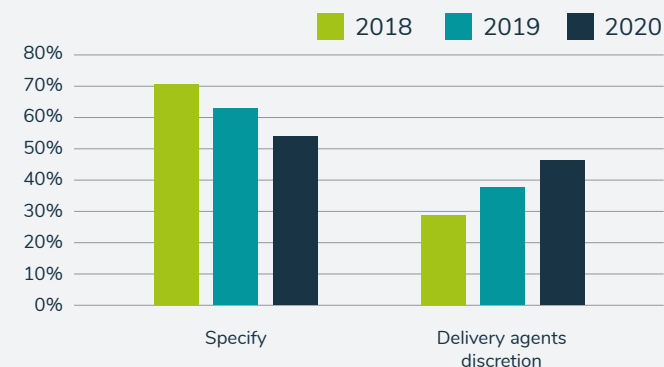
Beyond this we expect to see a continuation in the greater use of safe place / neighbour delivery, but we believe that carriers and retailers should be more active in capturing customer preferences.

The most recent IMRG research<sup>6</sup> suggests that:

- Only 11% of consumers would always be happy for their order to be left but another 49% might be.
- 67% of those surveyed had a safe place that could be used for deliveries.
- 80% would be happy to a neighbour to sign for their delivery.

BUT

- 54% would expect to specify where the delivery should be left rather than leaving it to the driver's discretion.
- 95% would expect the delivery company to confirm that they have followed delivery instructions.
- That said, this figure has reduced over the past 2 years and the enhancements of image capture, geolocation and post-delivery confirmation messages have given shoppers more confidence in driver discretion delivery.



### Wincanton Commentary

*The improvement in pre-delivery alerts has been important to the customer, and key to reducing failed first deliveries.*

*Whilst customers preference is not to engage with the carrier's apps the availability of company personalised SMS and email communication, via the carrier management systems, provides better customer engagement and reduces failures.*

**Wincanton**

# 4.2

## Valuing Home Delivery Review 2021

<sup>7</sup> IMRG UK Consumer Delivery Review 202/21.

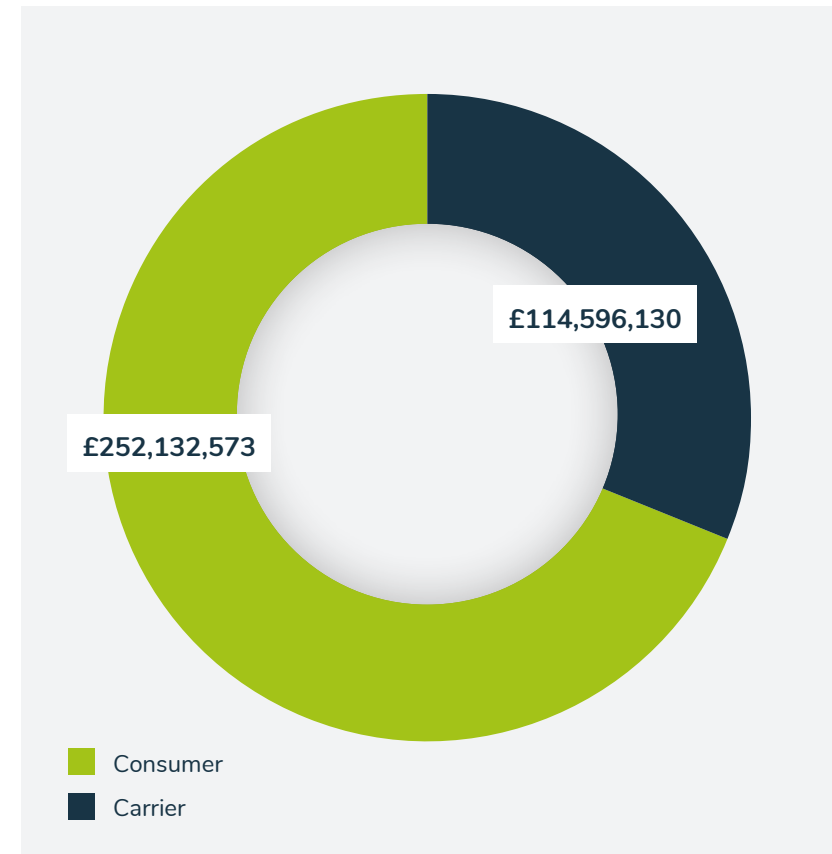
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## Failed first delivery – collection by customer.

### Scenario outline

In this scenario we estimate that 50% of attempted deliveries will be collected.

- Collections may be made from the carrier's depot or a pick-up location.
  - o The latest IMRG Consumer Delivery Review 2020/21 suggests that 44% of shoppers actively use click & collect and of these 38% are familiar with pick up locations. On this basis we assume that 17% (38% of 44%) of collections are from pick up locations and the remainder from carrier depots.
  - o The cost applied for collection from the carrier's depot is an estimate of staff time x cost. The cost applied for collection from a pick-up location is an estimate of the parcel fee paid.
- Overall, the average round trip is 4.1 miles taking 28 minutes<sup>7</sup>.
  - o We therefore assume that this involves a car journey in most cases (60%) with public transport used in 30% of cases and that 10% of collections can be made on foot / travel cost free.
- We estimate that in 50% of cases the consumer may need to spend additional time locating the depot, ascertaining opening times etc.
- Offsetting some of this time investment, we anticipate the impact of trip-chaining where the consumer combines more than one activity, by assuming that only 50% of the total time expended will be for the collection of parcels.





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Source: IMRG UK Consumer Home Delivery Review 2020/21 - If you could opt for a click & collect location, what would you be likely to choose?

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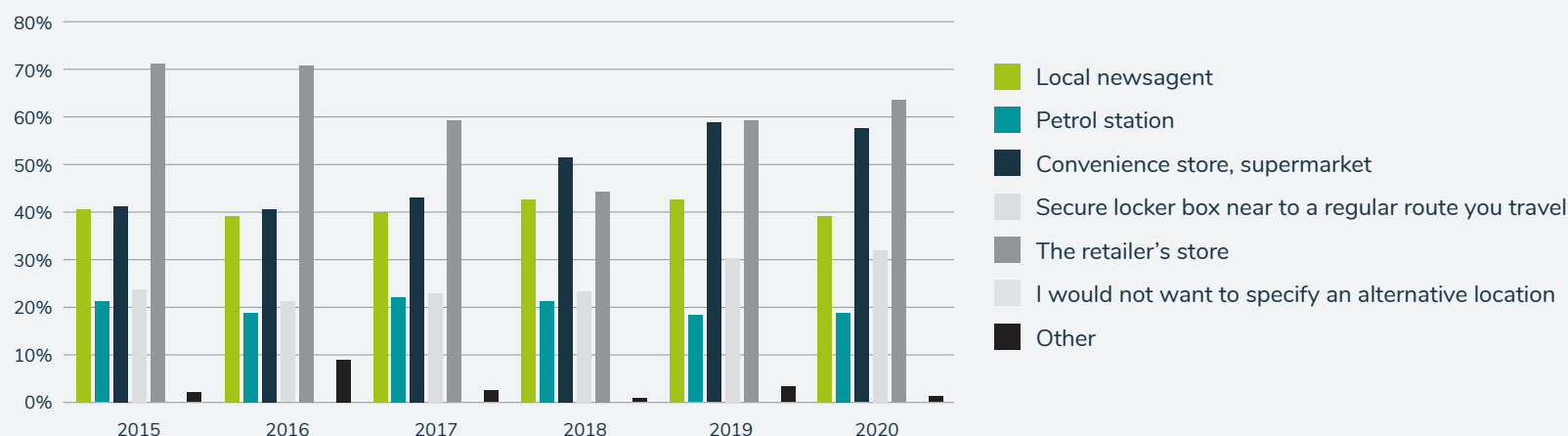
### Commentary

Clearly, in this scenario, the consumer bears most of the inconvenience and cost, which we may have understated for 2020 because the trip chaining effect, of collection orders alongside other trips (work, social, other shopping), will have been diluted. We have not been making as many these parallel journeys.

Looking ahead, the easiest way for consumers to reduce their collection time and distance for missed deliveries, is to make more use of carriers click & collect networks as more local pick-up points. Excluding retailer's stores, which have not been available for much of this year, it seems that convenience stores and supermarkets are increasingly attractive as click & collect pick-up points and could be more used for missed delivery collection.

### Wincanton Commentary

*Of the many benefits for consumers in using local carrier click & collect networks, the positive impact of reducing carbon omissions with consolidated deliveries could attract more consumers to adopt this delivery method. This would reduce cost and inconvenience to both the consumer and carrier.*



# 4.3

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<sup>8</sup> IMRG UK Consumer Home Delivery Survey 2020/21 suggests only 10% prefer this.

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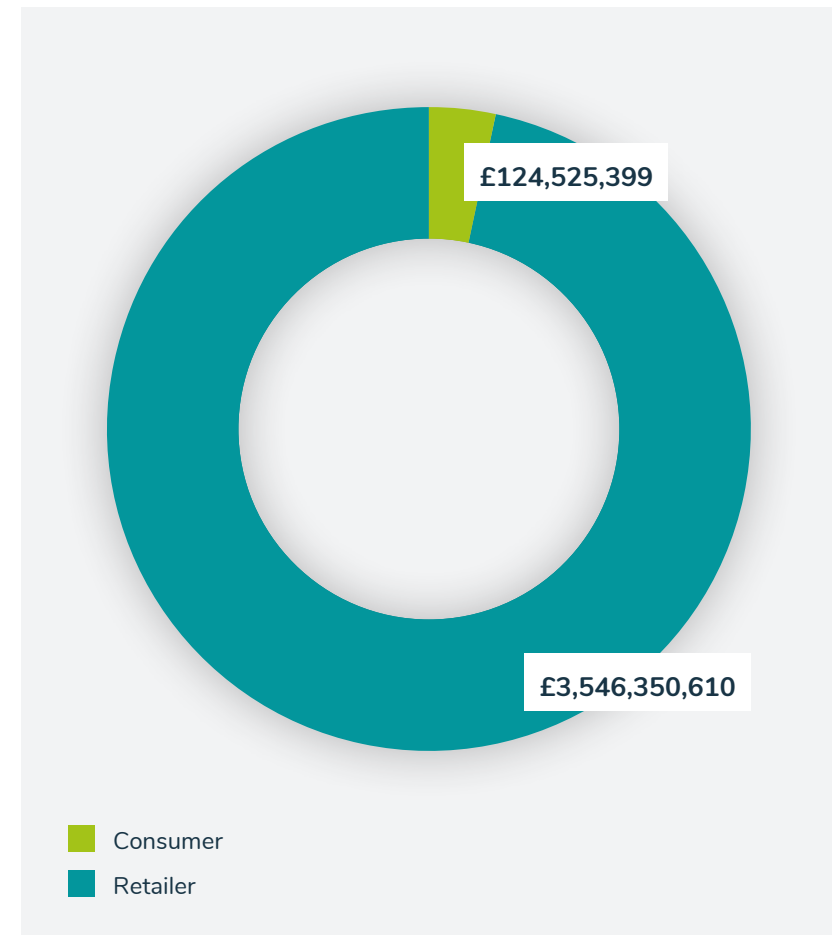
## Late delivery – where is my order (WISMO)

### Scenario outline

In this scenario, we estimate that 25% of late deliveries will generate a WISMO enquiry.

The adoption of pre-delivery alerts means that carriers can update consumers on the progress of their delivery meaning that, although a delivery may be made beyond the promised time window, a WISMO enquiry may not be made. However, pre-delivery alerts are also the cause of WISMO enquiries. When the carrier fails to achieve the advised delivery day or time window, even if eventual delivery within the original timescale, the customer may consider the delivery 'late'. Their expectations have been changed.

- We assume that enquiries will be made by web search / app (33%) telephone (34%) or online (email or web chat (33%).
- We note that, although increasing in use, carrier independent api's are still not the preferred method for receiving delivery updates<sup>8</sup>.
- In the case of telephone contact, we have assumed that the consumer will equally use a landline or a mobile. However, because many phone contracts provide inclusive minutes, we have assumed that in 50% of cases there will be no incremental cost.
- We have assumed that the api contacts (33%) will be to the carrier and that the phone, email, and chat contacts (67%) will be with the retailer.
- In line with industry norms, we have applied a 75% first time resolution rate and assumed that all repeat contacts will be by phone to the retailer.
- This scenario also runs the risk of customer dissatisfaction and defection and we have factored in a 40% risk that poor delivery service may prevent the customer from shopping with that retailer again. This is a conservative estimate based on industry research.



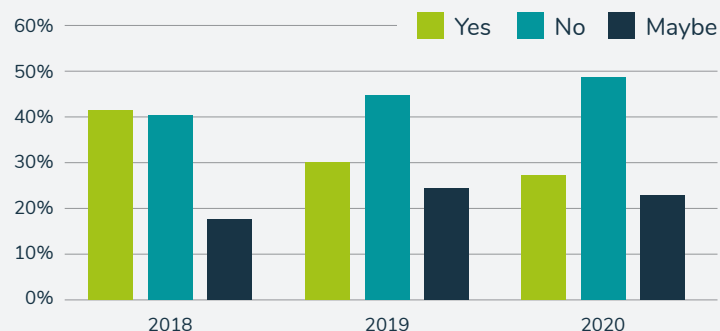
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Source: IMRG UK Consumer Home Delivery Review 2020/21.

## Commentary

Most of the retailer cost recorded in this scenario, comes from the risk of loss of the customer, their lifetime value, and the cost of replacing them. It is clear that the quality of the delivery service customers receive can influence directly and indirectly who they shop with in the future.

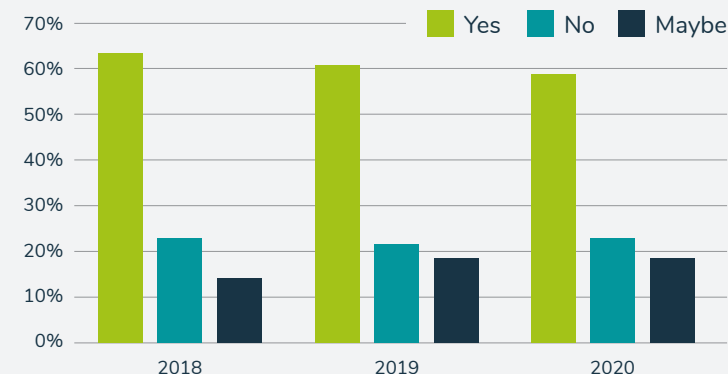
Has a customer review on a retailer's web site or social network comment (Facebook, Twitter, etc.) about a company's delivery service influenced your household's choice of retailer?



## Wincanton Commentary

With the availability of reviews, of both retailers and carriers, influencing consumer behaviour, proactive engagement is important; particularly in the case of a delayed delivery, reducing any inconvenience to the consumer, the risk of losing them and the potential for poor service reviews within social media.

Has a good delivery experience directly encouraged you or people in your household to order again from a particular retailer?



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### Failed delivery – lost order / replacement

#### Scenario outline

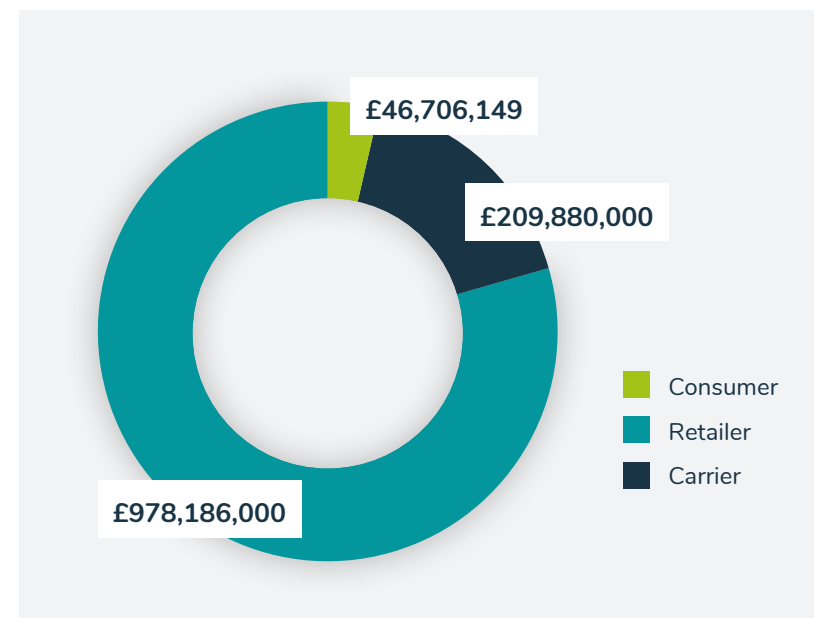
In this scenario we examine the orders that are lost.

- These will necessarily have been considered late initially but will then evolve to produce more customer contact. We have estimated 3 customer contacts in total with 2 of these initiated by the retailer.
- We have estimated assumed that the retailer and carrier will have at least 2 contacts, each initiating 1.
- We have assumed that in resolving this issue a replacement will be provided (although of course a refund could be made).
- It is entirely likely that the retailer would waive the replacement delivery cost but be compensated by the carrier with a credit for the original delivery.
- The retailer may also offer some form of other compensation, but we have applied no additional costs for this discretionary action.
- We assume the loss of 40% of customers because of this poor experience, in line with industry research.

#### Commentary

This is the nightmare scenario for any retailer where all the effort of winning the customer, processing the payment, fulfilling the order, and arranging delivery all comes to nothing and results in financial loss and brand damage.

It is critical to establish quickly (within hours) whether the order can be found and recovered so tracking detail (number of scans which will isolate where the order was last seen) and the ability to access this quickly and accurately (data recovery) is important. Alongside this should be a clear and well executed customer service policy that will minimise any inconvenience to the customer. Immediate replacement by express delivery may be warranted subject to the value of the order / customer.



*The use of technology within the supply chain is key, providing full audit trails of product within the retailers supply chain and through the carrier journey to ensure that lost stock is minimised. The ability to recover from a lost order situation is essential and whilst technology cannot completely eradicate these events it enables the review, challenge and audit of poor delivery experience to ensure that learnings can be developed, and continuous improvement applied.*



# 5.

## Valuing Home Delivery Review 2021

Source: IMRG UK Consumer Delivery Review 2020/21

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## Stakeholder summary

This section provides a view of the delivery failure scenarios by stakeholder using the same data, values and assumptions explained in section 4 and detailed in section 7.

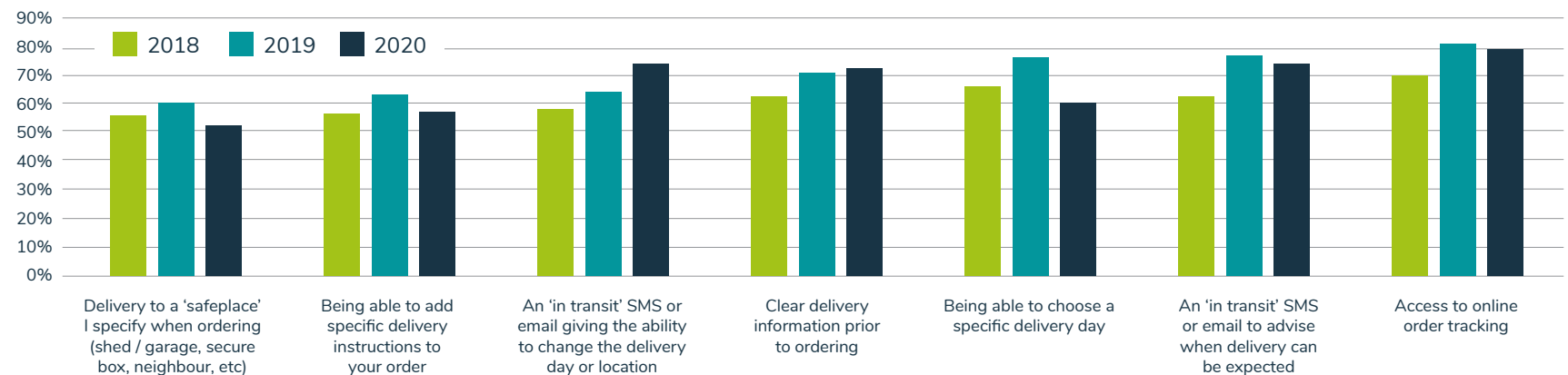
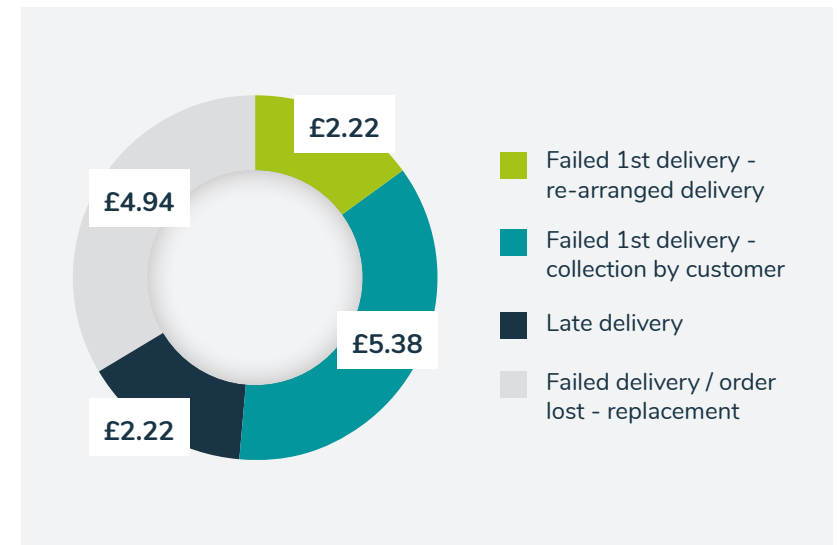
### 5.1 Consumer

The chart here shows the estimated cost per event for shoppers.

#### Commentary

Where the customer feels the most pain on an event-by-event basis is failed first-time delivery and as covered in sections 4.1 and 4.2, specified safe-place delivery and good pre-advice go a long way to avoiding these scenarios, especially if the customer can interact and specify the alternative delivery they want, in real time.

When asked 'what improves your delivery experience?' it is not delivery speed that shoppers want. The top results from IMRG's latest consumer research show the highest scoring elements that consumers want to see are all to do with getting and giving information and the ability to anticipate delivery.



# 5.2

## Retailer

### Valuing Home Delivery Review 2021

<sup>9</sup>An Amazon Online Shopper Study in collaboration with RetailX says 95% of shoppers will repeat purchase from a retailer when an order is received quickly (Feb 2021). The UK Consumer Delivery Review 2020/21 confirms that 59% of shoppers say a 'good' delivery experience has directly encouraged repeat purchases with a retailer but does not limit a 'good' delivery experience to simply fast delivery.

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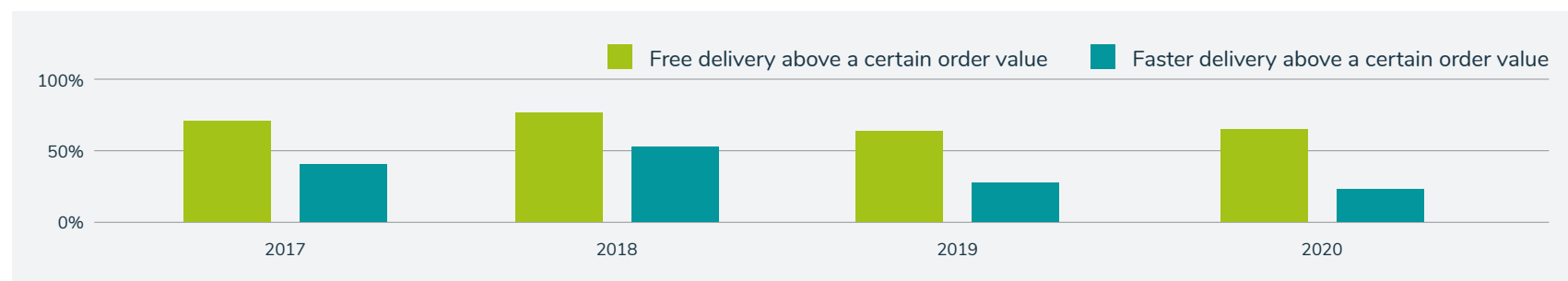
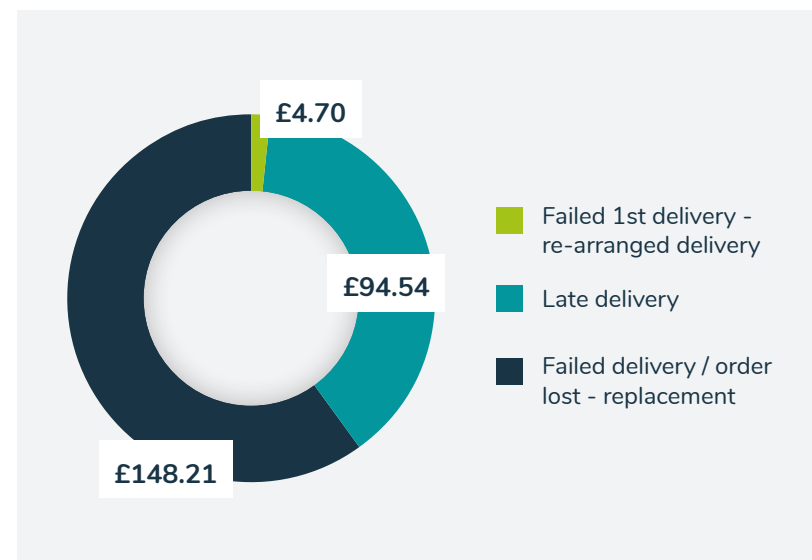
The chart below shows the estimated cost per event for retailers.

#### Commentary

Clearly the big single cost area for retailers is when an order is lost and must be replaced, but even a late delivery produces enough additional cost to wipe out the profit from many online orders.

In recent years we have seen the rush towards faster delivery, to drive customer loyalty<sup>9</sup>. Which deliveries really require next day and how do we prioritise Distress or Need to Have orders over those just taking advantage of a low / no cost next day offer? If everything must be prioritised, nothing can be prioritised. So, the significant question is, just how many express deliveries are really required? Are retailers, in the quest for competitive advantage, providing customers with services that they do not always need, increasing the risk to their delivery promise?

When asked to rate cost of delivery against speed of delivery as a way of getting customers to spend more, cost wins. So, given pressure on online delivery capacity the Covid-19 crisis has created, perhaps the future focus needs to be on delivery efficiency and consolidation.



Source: IMRG UK Consumer Delivery Review 2020/21 - Has an enhanced delivery offer ever encouraged you to spend more than you originally intended

# 5.3

## Valuing Home Delivery Review 2021

<sup>10</sup>Perhaps only 30% of retailers effectively capture delivery instructions which can be passed onto the delivery courier.

Source: IMRG UK Consumer Delivery Review 2020/21.

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## Carrier

The chart below shows the estimated cost per event and per scenario for carriers.

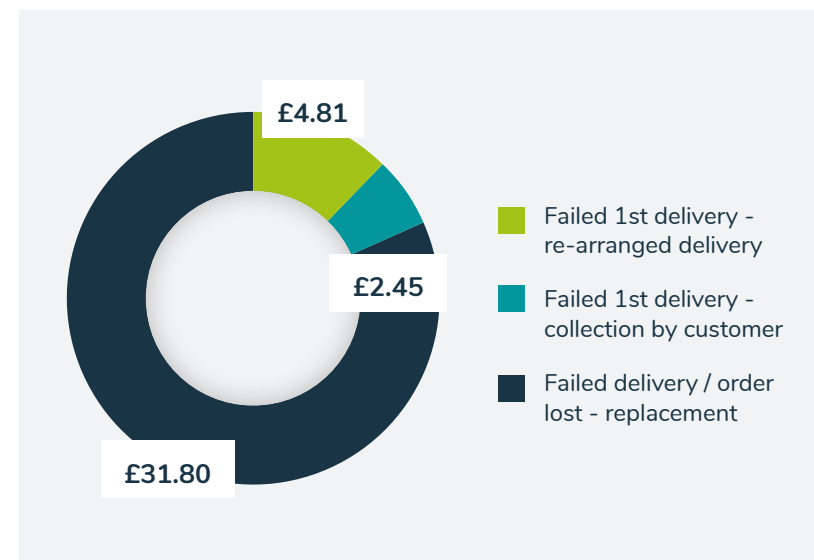
### Commentary

Once again, the biggest single cost scenario at an event level is obviously the lost order, but given the incidence of failed 1st delivery, the costs here stack up.

We expect failed 1st time delivery to increase again once consumers return to something like normal working practices, reducing the level of home occupancy during normal delivery hours. However, some home working will continue, and we also expect carriers to continue with many of the new safe place and non-signature delivery processes introduced during the Covid-19 lockdowns. These should go a long way to reducing the overall cost of failed 1st time events.

Pre-delivery alerts and carrier apps now allow consumers to help delivery drivers by specifying safe place, neighbour, and alternative delivery locations but we would encourage retailers to assist in this too<sup>10</sup>. Asking the customer what they want and demonstrating that their wishes have been adhered to is a powerful loyalty driver:

- 58% of customers want to be able to add specific delivery instructions to their orders.
- 54% of customers want to be able to specify a safe place or neighbour for delivery, rather than leave it to the courier's discretion.
- 95% of customers would like the delivery company to confirm / demonstrate that their delivery instructions have been followed.



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## Root Cause Analysis Summary

## Failed 1st Delivery

- Lack of accurate customer preference information and the ability to communicate it efficiently and reliably to the delivery agent.
  - Reliance on retailer capture and printed labels – no dynamic database.
- Not enough provision of pre-delivery advice solutions that allow customer interaction.
  - Not enough use of parcel-points as default local collection locations.
- Not able to confirm that the delivery agent has followed delivery instructions and left the order in the right place / with the right neighbour.
- Capture delivery preference information – geo-location to identify the exact spot.
- Enable delivery location and preference information to be provided directly to the delivery agent in a dynamic and secure way.
- Ensure that pre-advice delivery communications are interactive and allow 'in flight' changes including to a local parcel-point.
- Enable safe-place delivery confirmation – geo-location, image capture, confirmation in real time to give confidence of a safe delivery.

## Late Delivery – WISMO

- Over-provision of next day delivery services, artificially raising customer expectation and putting the supply chain under increasing pressure.
- How do we know which was a Distress or Need to Have next day delivery rather than those that were requested simply because next day was offered at low cost / for free? Need to ensure that these are the ones that are not missed?
- High-speed, high-frequency delivery reduces natural delivery route optimisation and consolidation, leading to higher delivery costs.
- Review 'everything next day' policy and delivery offer – is this affordable and sustainable?
- Clearly explain and differentiate all delivery services so that the customer makes the right choice for the right order – not everything as fast as possible.
- Allow the customer to anticipate delivery using pre-delivery advice – They may not need it next day, but just to know when 'next day' is.

## Failed Delivery / Order Lost - Replacement

- Clear lost order policy – customer service teams empowered.
- Ensure accurate and prompt tracking analysis with close to real time scan data - multiple scan points to identify location last seen.

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## 7.

## Volumes and values

In this section we provide the foundation volumes and values that have been used to calculate the cost scenarios. The detailed calculations are shown in the Annex to this review.

### Valuing Home Delivery Review 2021

Data		Sources used	Commentary
UK delivered order volumes	2.2bn in 2020	<ul style="list-style-type: none"> <li>IMRG MetaPack Delivery Index – sample 120 million orders over a 12-month period</li> <li>Ofcom</li> <li>Apex</li> <li>Transport for London</li> <li>Statistica</li> <li>Published Carrier Volumes</li> <li>MetaPack analysis</li> </ul>	<p>Ofcom and Apex estimate the total UK parcel market volume to be 3.1bn including B2C, B2B and C2C (although Statistica suggests 2.8bn).</p> <p>TFL estimate B2C volume is 70% (Apex say 65%) of this for 2020 which if using 3.1bn as the base figure, would give a B2C volume of 2.17bn.</p> <p>This is consistent with IMRG 2019 estimates of 1.6bn with 35% growth to produce 2.16bn for 2020.</p> <p>MetaPack estimates a current UK – UK market volume of 2.1bn</p> <p>Adding together recent figures for the top carriers give estimates of:</p> <ul style="list-style-type: none"> <li>Amazon 300m (228m in 2018)</li> <li>Hermes 630m (Hermes web site)</li> <li>Royal Mail 1400m (Total volume of 1188m to March 2019 (Report and Accounts) and estimate 20% growth in 2020). Estimate 60% B2C to give 840m</li> <li>DPD 260m (DPD web site)</li> <li>Yodel 160m (Yodel web site).</li> </ul> <p>Estimate that 20% of volume claimed by Royal Mail, Hermes and DPD will be cross-border and not for UK delivery gives a total of 1.84bn which would be 84% of a UK delivered total of 2.2bn.</p>

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Consumer Data Set	Data	Sources used	Commentary
Average value of consumers time per minute	£0.25p	Office of National Statistics - <a href="http://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/timeseries/kab9/emp">www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/timeseries/kab9/emp</a>	<ul style="list-style-type: none"> <li>Average weekly wage of £549.</li> <li>Estimate an average 37-hour week including full and part time.</li> <li>Data covers Q3 2020.</li> </ul>
Average cost of car travel per mile	£0.41p	<b>Department of Transport</b> <a href="http://www.gov.uk/government/statistical-data-sets/nts09-vehicle-mileage-and-occupancy#car-mileage">www.gov.uk/government/statistical-data-sets/nts09-vehicle-mileage-and-occupancy#car-mileage</a>	<ul style="list-style-type: none"> <li>Average car mileage of 7,400 for 2019 with an average journey of 8.4 miles.</li> <li>Average running costs per annum of £3100 across all car types.</li> <li>HMRC allows £0.45p per mile.</li> </ul>
Average cost of public transport per journey / mile	£4.40	<b>Transport for London</b> Department for Transport - Annual Bus Statistics	<p><b>Bus</b></p> <ul style="list-style-type: none"> <li>25% of the population use a bus on a weekly basis.</li> <li>Average journey distance 2- 5 miles.</li> <li>21% of trips are for shopping of some sort. Average cost per trip - London is cheapest at £1.50 (rising to £1.55 2021) and accounts for 51% of all English bus journeys.</li> <li>Other areas cost more so £3.00 is a conservative figure for a return trip.</li> </ul> <p><b>Tube / metro</b></p> <ul style="list-style-type: none"> <li>London oyster zone 1 and 2 is £2.90.</li> <li>Tyne &amp; Wear £3.20.</li> <li>Use London Oyster x 2 for return trip = £5.80.</li> </ul> <p>Mean average for bus and tube / metro estimated at £4.40.</p>
Average distance travelled to collect an order (round trip / trip chaining)	4.1 miles	IMRG UK Consumer Delivery Review 2020/21	
Average time taken to collect an order (round trip / trip chaining)	28 minutes	IMRG UK Consumer Delivery Review 2020/21	

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Consumer Data Set	Data	Sources used	Commentary
Average consumer cost to make a phone call	£0.20 per minute	Ofcom	Outside of inclusive contracts mobiles can cost 3 - 65p per minute and landlines 20p per minute. Use 20p average but note that many calls will be on inclusive minutes contracts so allow a 50% reduction
Average consumer cost to email / chat	£0.00 per minute		Assume no incremental cost
Average length of customer service call / contact	5 mins 24 seconds (5.73 minutes)	www.callcentrehelper.com	
Average customer service call answer time	20 seconds (0.33 minutes)	www.callcentrehelper.com	
% of WISMO enquiries performed through app or web search / tracking link	33%		Estimate
% of WISMO enquiries performed through phone	34%		Estimate
% of WISMO enquiries performed through email or chat	33%		Estimate

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Retailer Data Set	Data	Sources used	Commentary
Average cost of delivery per order - UK	£3.06	IMRG Quarterly Operational Review - sample 12 months to Dec 2019 covering 7 million deliveries across all service speeds and more than 10 carriers.	A good benchmark for delivery cost per order is 4% of order value. Given an average order value of £93:00 this would equate to £3.72. £3.06 is therefore taken as a very conservative figure.
Average fulfilment cost per order	£2.79		Estimate at 3% of average order value
Average cost of inbound toll paid call	£4.00	contact-centres.com/contactbabel-benchmarking-study-uk-customer-contact-operations/	Cost per inbound call is £4.00, with digital channels between 5%-23% lower
Average cost to email / chat	£3.40	contact-centres.com/contactbabel-benchmarking-study-uk-customer-contact-operations/	
Average length of customer service contact including wrap up	6.75 minutes	www.callcentrehelper.com	Average call length of 5 mins 24 secs in the retail sector. No standard for wrap up but estimate at 25% of call time. Total 6 minutes 45 seconds
First time resolution rate	75%	www.callcentrehelper.com	Global research has revealed a standard benchmark for First Call Resolution of 70% to 75%. Another global study has found that FCR can range from 41% to 90%. (Jan 2021) .
Average % of late / disputed deliveries resulting in a complaint / retailer contact.	15%		Estimate based on confidential retailer data



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Retailer Data Set	Data	Sources used	Commentary
Defection rate - % of customers who will not repeat purchase because of poor delivery service	40%	<p>IMRG UK Consumer Delivery Review 2020/21 (CDR)</p> <p>Sorted / OnePoll</p> <p>Loqate - Survey of 300 US, German and UK retailers – 2018.</p> <p>MetaPack eCommerce Benchmark Delivery Report 2021 – A survey of 10,000 consumers across five major geographical regions: US, UK, Germany, France and the Netherlands</p>	<p><b>CDR</b></p> <ul style="list-style-type: none"> <li>36.5% have abandoned check out due to delivery concerns.</li> <li>27.75% have been influenced by social media comments about delivery, on the choice of retailer.</li> <li>A good experience has encouraged repeat purchase for 59% of consumers with another 18% saying they may have been.</li> </ul> <p><b>Sorted / OnePoll</b></p> <ul style="list-style-type: none"> <li>Nearly half (48%) of UK consumers are less likely to shop with you again if their product is delivered late.</li> </ul> <p><b>Loqate</b></p> <ul style="list-style-type: none"> <li>Well over half of respondents (57%) say they would be reluctant to use a retailer again if their delivery did not arrive on time.</li> </ul> <p><b>MetaPack</b></p> <ul style="list-style-type: none"> <li>36% of shoppers will change their retailer after a negative delivery experience</li> </ul> <p>Suggest a conservative defection rate of 40% for a poor delivery experience would not be unrealistic.</p>
Average Basket Value	£93.00	IMRG Retail Sales Index - ABV	2020 average
Lifetime value	£111.60	Estimate based on lowest frequency and input from IMRG retailer members	Average 2 shops per annum (lowest multiple) at ABV average x 30% (shoppers who repeat purchase) x 2 years (lowest multiple)
Customer Acquisition Cost	£37.20	<a href="http://www.klipfolio.com/resources/kpi-examples/saas-metrics/customer-lifetime-value">www.klipfolio.com/resources/kpi-examples/saas-metrics/customer-lifetime-value</a>	Optimum acquisition cost at 3:1 ratio of lifetime value

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Carrier Data Set	Data	Sources used	Commentary
Average cost per delivery	£2.75	IMRG Quarterly Operational Review - sample 12 months to Dec 2019 covering 7 million deliveries across all service speeds and more than 10 carriers.	Estimate a fully allocated cost of 90% of the charge to retailer allowing 10% margin
Average cost for each repeat delivery attempt	£1.65		Estimate 60% of fully allocated cost per delivery
Average cost to process a depot collection by customer	£1.25	Office of National Statistics - <a href="http://www.ons.gov.uk">www.ons.gov.uk</a>	Estimate 5 minutes staff time per collection
Estimated pick up point fee per parcel	£1.00	IMRG Click & Collect Review	
Average cost of inbound toll paid call.	£4.00	<a href="https://contact-centres.com/contactbabel-benchmarking-study-uk-customer-contact-operations/">contact-centres.com/contactbabel-benchmarking-study-uk-customer-contact-operations/</a>	Cost per inbound call is £4.00, with digital channels between 5%-23% lower
Average cost to email / chat.	£3.40	<a href="https://contact-centres.com/contactbabel-benchmarking-study-uk-customer-contact-operations/">contact-centres.com/contactbabel-benchmarking-study-uk-customer-contact-operations/</a>	
Average length of customer service call / contact including wrap up	6.75 minutes	<a href="http://www.callcentrehelper.com">www.callcentrehelper.com</a>	Average call length of 5 mins 24 secs in the retail sector. No standard for wrap up but estimate at 25% of call time. Total 6 minutes 45 seconds.
First time resolution rate	75%	<a href="http://www.callcentrehelper.com">www.callcentrehelper.com</a>	Global research has revealed a standard benchmark for First Call Resolution of 70% to 75%. Another global study has found that FCR can range from 41% to 90%. (Jan 2021).

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Carrier Data Set	Data	Sources used	Commentary
% of deliveries not made / attempted on time	9.75%	IMRG MetaPack Delivery Index – sample 120 million orders over a 12-month period MetaPack specific analysis January 2021 <ul style="list-style-type: none"> <li>20 million deliveries from over 180 retailers covering the top 36 carriers</li> </ul>	Pre Covid late delivery was running at 9.75% for the year to March 2020. The late delivery rate in the 12 months to August 2020 increased to 11.83%, including peak and the 1st Covid lockdown which produced unexpected demand from April 2020. During January 2021 following peak and at the start of the 2nd lock down, the late delivery rate was 13.6%
% of deliveries failed / not made at all (addressing / access issues etc)	0.43%	IMRG MetaPack Delivery Index – sample 120 million orders over a 12-month period MetaPack specific analysis January 2021 – 20 million deliveries from over 180 retailers covering the top 36 carriers	Weighted average for the 12 months to Aug 2020 This fell to 0.12% for the period January 2021
% of deliveries not made 1st time / card left	4.26%	IMRG Delivery Index – sample 120 million orders over a 12-month period MetaPack specific analysis January 2021 – 20 million deliveries from over 180 retailers covering the top 36 carriers	Pre Covid the normal rate was 4.26%. The weighted average to Aug 2020 reduced to 3.5% with the impact of the Covid lockdown. More people were at home to accept orders and carriers adopted more liberal safe place protocols. During January 2021, this reduction was maintained at 3.14% / 3.93% After Covid restrictions are lifted it is possible that the liberal safe place protocols will remain and help maintain a lower rate of carded delivery
% of deliveries not made on the day / time window of pre-delivery advice	No value applied		There is no reliable data on this industry development, but it does frequently occur and would inflate the WISMO call rate
Lost in transit and damage	0.3%		Industry benchmark
Typical claim refund for lost order - limit of liability	£25		NB: Some retailers will have negotiated no claims agreements in return to better delivery prices

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## About the authors

**Andrew Starkey**

Andrew Starkey Andrew has worked with IMRG as its Head of e-Logistics and Logistics Advisor since 2009, supporting its online retail delivery and logistics programme for the benefit of all IMRG members.

He is also the founder of the strategic online retail and postal consultancy **Spiral4...** and he has a unique background in the world of parcels, packets and postal logistics with over 40 years' experience gained from the commercial sector and the regulatory environment.

**IMRG**

For over 20 years, IMRG (Interactive Media in Retail Group) has been the voice of e-retail in the UK.

We are a membership community comprising businesses of all sizes – multichannel and pureplay, SME and multinational, and solution providers to industry.

We support our members through a range of activities – including market tracking and insight, benchmarking and best practice sharing. Our indexes provide in-depth intelligence on online sales, mobile sales, delivery trends and over 40 additional KPIs.

Our goal is to ensure our members have the information and resources they need to succeed in rapidly-evolving markets – both domestically and internationally.

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## Valuing Home Delivery Review 2021

### Wincanton



**Tracey Clifford**

Account Director –  
Digital & eFulfilment

**Wincanton**

Wincanton is a leading British supply chain solutions company. The Group provides business critical services including storage, handling and distribution; high volume eFulfilment; retailer 'dark stores'; two-person home delivery; fleet and transport management; and network optimisation for many of the UK's best known companies. With almost 100 years' heritage, we are active across a range of markets including food and consumer goods; retail and manufacturing; eCommerce; the public sector; major infrastructure; building materials; fuel; and defence.

#### At the heart of the eCommerce supply chain

Wincanton enables customers eCommerce growth by managing their end-to-end order fulfilment consumer experience. From on-site fulfilment operations to carrier management to premium home delivery and returns, our services support large and small customers across multiple sectors including General Merchandise, Grocery, Consumer and Health, DIY, Home and Garden.

#### Best-in-class home delivery experience

Wincanton empowers brands to enhance consumer experience, grow market share and differentiate their proposition, whilst mitigating customers' risk and optimising cashflows in this increasingly competitive world.

We provide best-in-class digital eFulfilment service, comprising the full spectrum of stock management, order fulfilment and delivery operations delivered by technology-enabled means. We deploy leading automation solutions and robotics where appropriate to optimise costs and create resilience in service. We pride ourselves in our sustainable approach that is based on tangible commitments that will deliver a net zero carbon footprint by 2040. We offer sustainable delivery options to all our customers, while through W<sup>2</sup>, our Innovation programme, we pioneer new technologies and collaborate with a network of partners and suppliers.

Find out more about our services or Contact our team at <https://go.wincanton.co.uk/imrg>

- Two-person white glove home delivery
- Carrier Management services
- High volume eFulfilment
- Dark stores
- Returns management and value recovery

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**Wincanton**



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## Stakeholder calculations - Consumer

## 1. Failed 1st delivery - Redelivery

Data	Time, Cost and Activity				
	Time	Costs	Activity	Quantity	Total Cost Calculation
Estimate 50% of failed 1st deliveries will be re-delivered					
Total number of attempted deliveries to be re-delivered			50%	46,860,000	
Number of app or web searches			33%	15,463,800	
Number of phone enquiries			34%	15,932,400	
Number of email or chat enquiries			33%	15,463,800	
Value of consumers time - per minute		£0.25			
Time to web search / make call / enquire on internet	5.73 mins				
Waiting time (minutes)	0.33 mins				
Consumer cost of telephone call - per minute		£0.20	50%		
Consumer cost of online enquiry - web cost		£0.00			
First time resolution rate			75%		
Enquiries requiring a second contact			25%		
Consumer Costs - Time (1st contact)					£69,717,136.50
Consumer Costs - Time (2nd contact)					£17,748,225.00
Consumer contact costs (1st contact)					£9,655,034.40
Consumer contact costs (2nd contact)					£7,099,290.00
<b>Total Scenario Cost</b>					<b>£104,219,686</b>
<b>Average cost to consumer per event</b>					<b>£2.22</b>

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## Stakeholder calculations - Consumer

## 2. Failed 1st delivery - Collection by customer

Data	Time, Cost and Activity allocation				
	Time	Costs	Activity	Quantity	Total Cost Calculation
Estimate 50% of failed 1st deliveries will be collected					
Total number of carded deliveries to be collected			50%	46,860,000	
Time to web search / make call / enquire on internet (minutes)	5.73		50%		
Value of consumers time - per minute		£0.25			
Average time expended to collect - round trip minutes	28				
Average distance travelled - round trip miles	4.10				
Journeys made by car - per mile		£0.41	60%	28,116,000	
Journeys made by public transport (per journey)		£4.40	30%	14,058,000	
Journeys made on foot / no cost		0	10%	4,686,000	
Trip Chain adjustment			50%		
Consumer costs - research					£33,563,475
Consumer costs - collection by car					£122,037,498
Consumer costs - collection on public transport					£80,130,600
Consumer costs - pedestrian					£16,401,000
<b>Total Scenario Cost</b>					<b>£252,132,573</b>
<b>Average cost to consumer per event</b>					<b>£5.38</b>

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## Stakeholder calculations - Consumer

## 3. Late Delivery - WISMO

Data	Time, Cost and Activity allocation				
	Time	Costs	Activity	Quantity	Total Cost Calculation
Estimate that 25% of late deliveries will generate a WISMO enquiry.					
Number of late deliveries (outside original delivery promise or missing pre-delivery alert window / day)			25%	55,990,000	
Number of phone enquiries to retailer			34%	19,036,600	
Number of email / chat enquiries to retailer			33%	18,476,700	
Number of app / web enquiries to carrier			33%	18,476,700	
Value of consumers time - per minute		£0.25			
Time to web search / make call / enquire on internet (minutes)	5.73				
Waiting time (minutes)	0.33				
Consumer cost of telephone call - per minute		£0.20	50%		
Consumer cost of online enquiry -web cost		£0.00			
First time resolution rate			75%		
Enquiries requiring a second contact			25%		
Consumer Costs - Time (1st contact)					£83,300,522.25
Consumer Costs - Time (2nd contact - phone or chat)					£21,206,212.50
Consumer contact costs (1st contact)					£11,536,179.60
Consumer contact costs (2nd contact)					£8,482,485.00
<b>Total Scenario Cost</b>					<b>£124,525,399</b>
<b>Average cost to consumer per event</b>					<b>£2.22</b>

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## Stakeholder calculations - Consumer

## 4. Failed Delivery / Lost Order / Replacement- Possible loss of customer goodwill and customer

Data	Time, Cost and Activity allocation				
	Time	Costs	Activity	Quantity	Total Cost Calculation
In this scenario we examine the orders that are lost.					
Number of lost deliveries			0.30%	9,460,000	
Number of phone enquiries to retailer			34%	3,216,400	
Number of email / chat enquiries to retailer			33%	3,121,800	
Number of app / web enquiries to carrier			33%	3,121,800	
Time to make each call / enquiry online	5.73				
Waiting time	0.33				
Consumer cost of telephone call - per minute		£0.20	50%		
Consumer cost of online enquiry -web cost		£0.00			
Value of consumers time - per minute		£0.25			
1st consumer to retailer / carrier contact	6.06		1		
Retailer to consumer contacts	11.46		2		
Consumer Costs - Time 1st contact					£18,803,879
Consumer Costs - Time retailer contact to consumer					£27,102,900
Consumer contact costs - 1st contact					£799,370
<b>Total cost</b>					<b>£124,525,399</b>
<b>Average cost to consumer per event</b>					<b>£2.22</b>

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## Stakeholder calculations - Retailer

1. Failed 1st delivery - Redelivery					
Data	Time, Cost and Activity allocation				
	Time	Costs	Activity	Quantity	Total Cost Calculation
Estimate 50% of failed 1st deliveries will be re-delivered					
Total number of attempted deliveries to be re-delivered			50%	46,860,000	
Number of carrier contacts			67%	31,396,200	
Number of phone enquiries to retailer			50%	7,731,900	
Number of email or chat enquiries with retailer			50%	7,731,900	
Time to receive and deal with enquiry by phone or online including wrap up	6.75 mins				
Inclusive cost of inbound enquiry - phone		£4.00			
Inclusive cost of inbound enquiry - email or chat		£3.40			
First time resolution rate			75%	11,597,850	
Enquiries requiring a second contact			25%	3,865,950	
Retailer costs - 1st contact					£57,216,060
Retailer costs - 2nd contact					£15,463,800
<b>Total</b>					<b>£72,679,860</b>
<b>Average cost to retailer per event</b>					<b>£4.70</b>

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## Stakeholder calculations - Retailer

## 3. Late Delivery -WISMO

Data	Time, Cost and Activity allocation				
	Time	Costs	Activity	Quantity	Total Cost Calculation
Estimate that 25% of late deliveries will generate a WISMO enquiry					
Number of late deliveries resulting in follow up action			25%	55,990,000	
Number of enquiries to retailer			67%	37,513,300	
Number of phone enquiries to retailer			50%	18,756,650	
Number of email or chat enquiries with retailer			50%	18,756,650	
Time to receive and deal with enquiry by phone or online (including WISMO tracking check with carrier if required) including wrap up	6.75				
Inclusive cost of inbound call / enquiry - phone		£4.00			£150,053,200
Inclusive cost of inbound call / enquiry - email or chat		£3.40			£63,772,610
First time resolution rate			75%		
Enquiries requiring a second contact			25%		
Number of customers lost / to be replaced			40%	22,396,000	
Loss of customer - lifetime value aggregated across all consumers		£111.60			£2,499,393,600
Replacement acquisition cost 3:1 ratio net		£37.20			£833,131,200
<b>Total Cost</b>					<b>£3,546,350,610</b>
<b>Average cost to retailer per event</b>					<b>£94.54</b>

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## Stakeholder calculations - Retailer

## 4. Failed Delivery / Lost Order / Replacement- Possible loss of customer goodwill and customer

Data	Time, Cost and Activity allocation				
	Time	Costs	Activity	Quantity	Total Cost Calculation
In this scenario we examine the orders that are lost.					
Number of lost deliveries			0.30%	6,600,000	
Number of phone enquiries received			50%	3,300,000	
Number of email / chat enquiries received			50%	3,300,000	
Time to receive and deal with initial enquiry by phone or online including wrap up	6.75				
Inclusive cost of inbound call / enquiry - phone		£4.00			
Inclusive cost of inbound call / enquiry - email / chat		£3.40			
Inclusive costs of an outbound contact by email to carrier or consumer		£3.40			
Inclusive costs of an outbound contact by phone to consumer		£4.00			
Cost of inbound contacts from consumer			1		£24,420,000
Cost of outbound contacts to consumer (50% phone and 50% email)			2		£48,840,000
Cost of outbound contacts to carrier			1		£22,440,000
Cost of inbound contacts from the carrier			1		£22,440,000
Additional fulfilment cost of replacement order		£2.79			£18,414,000
Additional delivery cost of replacement order - no recovery charge from consumer		£3.06			£20,182,800

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## Valuing Home Delivery Review 2021

### 4. Failed Delivery / Lost Order / Replacement- Possible loss of customer goodwill and customer

Credit from carrier for delivery cost of replacement order					-£20,182,800
Average cost of replacement order		£93.00			£613,800,000
Claim refund from carrier for lost order - limit of liability £25		£25.00			-£165,000,000
Loss of customer - lifetime value and % of events resulting in lost customer		£111.60	40%	2,640,000	£294,624,000
Replacement acquisition cost 3:1 ratio net		£37.20			£98,208,000
<b>Total</b>					<b>£978,186,000</b>
<b>Average cost to retailer per event</b>					<b>£148.21</b>

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## Stakeholder calculations - Carrier

## 1. Failed 1st delivery - Redelivered

Data	Time, Cost and Activity allocation				
	Time	Costs	Activity	Quantity	Total Cost Calculation
Estimate 50% of failed 1st deliveries will be re-delivered					
Total number of attempted deliveries to be re-delivered			50%	46,860,000	
Proportion of enquiries directed to the carrier			67%	31,396,200	
Number of app or web searches where customer self serves			33%	10,360,746	
Number of phone enquiries			34%	10,674,708	
Number of email or chat enquiries			33%	10,360,746	
Time to receive and deal with enquiry by phone or online including wrap up	6.75				
Inclusive cost of inbound call / enquiry - phone		£4.00			£42,698,832
Inclusive cost of inbound call / enquiry - email or chat		£3.40			£35,226,536
First time resolution rate			75%		
Enquiries requiring a second contact			25%		£31,396,200
Carrier cost of 1st re-delivery contact					
Carrier cost of 2nd redelivery contact					
Cost of re-delivery - estimate 60% 1st attempt, 30% 2nd attempt, 10% 3rd and final attempt		£1.65		70,290,000	£116,071,283
<b>Total cost</b>					<b>£225,392,851</b>
<b>Average cost to carrier per event</b>					<b>£4.81</b>

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## Stakeholder calculations - Carrier

## 2. Failed 1st delivery - Collection by customer

Data	Time, Cost and Activity allocation				
	Time/Distance	Costs	Activity	Quantity	Total Cost Calculation
Estimate 50% of failed 1st deliveries will be collected					
Total number of carded deliveries to be collected			50%	46,860,000	
Number of app or web searches where customer self serves			33%	7,731,900	
Number of phone enquiries			33%	7,731,900	
Number of email or chat enquiries			34%	7,966,200	
Time to receive and deal with enquiry by phone or online	6.75				
Carrier cost of inbound call /enquiry - phone		£4.00			£30,927,600
Carrier cost of inbound call /enquiry - email or chat		£3.40			£27,085,080
Carrier collection cost - depot		£1.25	83%		£48,617,250
Carrier collection cost - pick up point		£1.00	17%		£7,966,200
<b>Total cost</b>					<b>£114,596,130</b>
<b>Average cost to carrier per event</b>					<b>£2.45</b>

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## Stakeholder calculations - Carrier

## 4. Failed Delivery / Lost Order / Replacement - Possible loss of customer goodwill and customer

Data	Time, Cost and Activity allocation				
	Time	Costs	Activity	Quantity	Total Cost Calculation
In this scenario we examine the orders that are lost.					
Number of lost deliveries			0.30%	6,600,000	
Time to receive and deal with enquiry by phone or online including wrap up	6.75				
Inclusive cost of inbound call / enquiry by email		£3.40			
Number of outbound calls / contacts to retailer			1	6,600,000	£22,440,000
Number of inbound calls / contacts from the retailer			1	6,600,000	£22,440,000
Cost of credit for original delivery		£3.06			£20,182,800
Revenue from replacement delivery		-£3.06		6,600,000	-£20,182,800
Lost goods - claim from retailer		£25.00		6,600,000	£165,000,000
<b>Total</b>					<b>£209,880,000</b>
<b>Average cost to carrier per event</b>					<b>£31.80</b>

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