

An IMRG Report

Five charts illustrating the state of online delivery

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IMRG Delivery Summit 2021

Introduction

On 21-22 April 2021, IMRG ran a virtual summit focusing on online delivery and how it has been impacted by the dual challenges of the pandemic and Brexit. While they have both been disruptive to businesses across many industries, supply chains have been the areas where the impact has been most keenly felt. There were delays in lead-times and a dip in returns in the early phases of the pandemic, as may have been expected, but are there changes that may be part of a longer and possibly more permanent trend?

Using a range of different datasets and studies, we looked at everything from how customers return items to how many delivery options retailers offer, cross-border online volumes and the costs associated with failed delivery.

This report analyses five charts that illustrate the state of online delivery in the UK.



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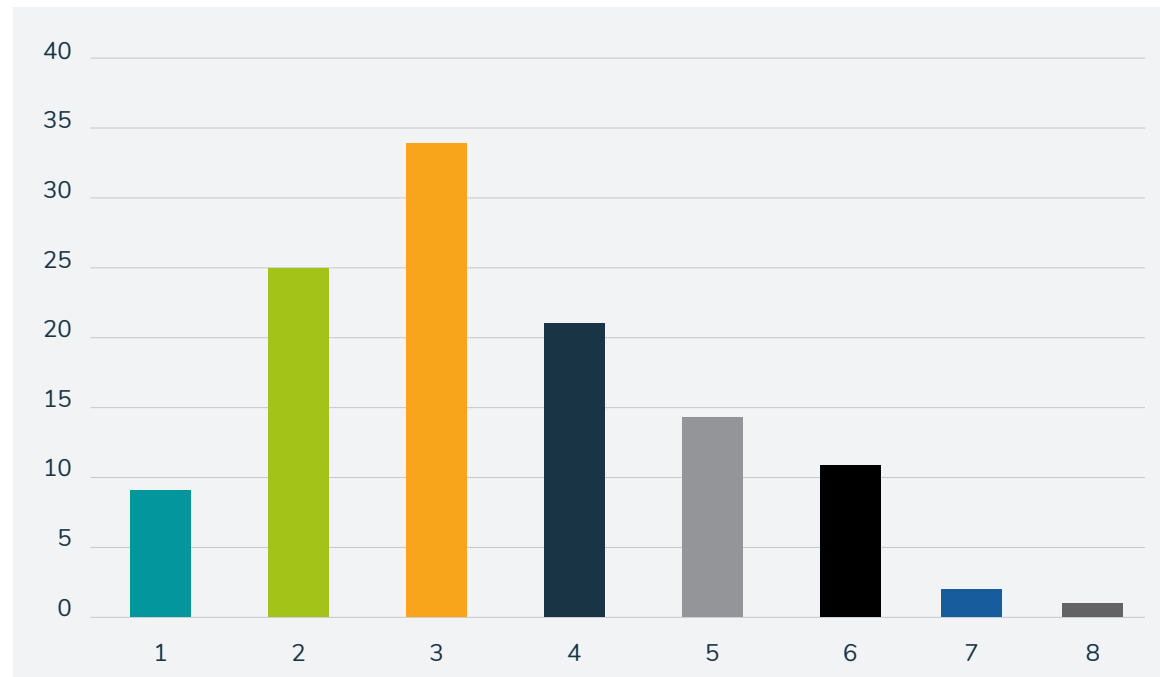
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The number of delivery options offered by retailers is increasing

In April 2020, IMRG looked at a few hundred UK retail sites to track the delivery and returns proposition offered by each retailer, such as how many delivery options were available, and whether customers could get click and collect or next-day for their orders. When this tracking was repeated in April 2021, the biggest change was in the number of delivery options – the most common number of options had increased from two to three over that period.

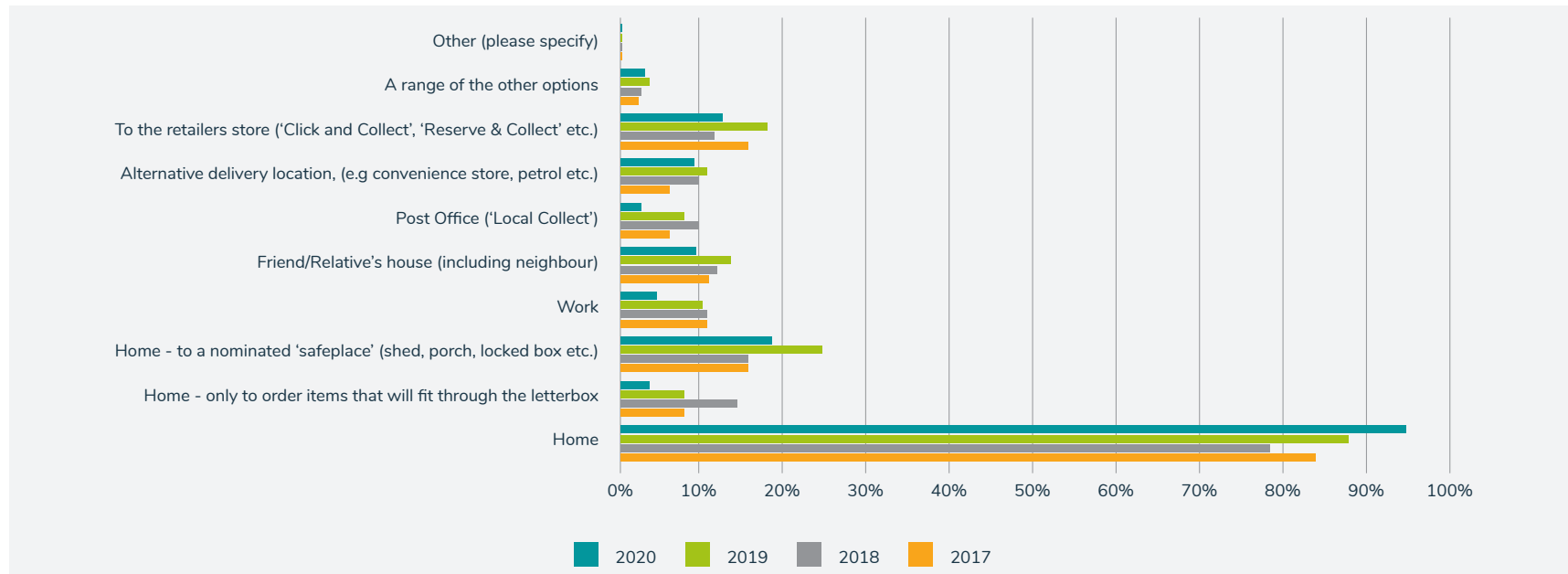
While it was not possible to extrapolate from the research exactly which specific types of options had been added on, that increase does seem consistent with a general appetite among retailers to expand the range of choice available to customers; not just in terms of delivery, but also in things like payment options on the checkout.



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C&C use halved during COVID



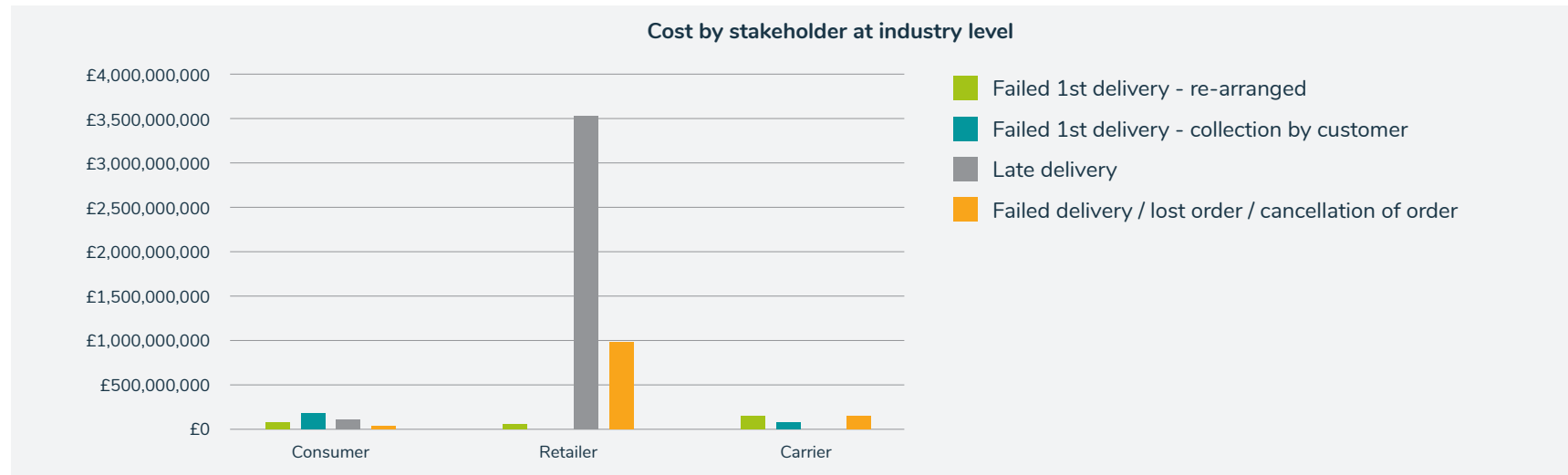
Perhaps unsurprisingly, the proportion of online orders selected for click and collect pick-up dropped dramatically during 2020 – by more than half. We might have anticipated that it would drop further than that, almost down to zero since stores were often closed, but in-store collection is only one option. There are also lockers and pick-up, drop-off (PUDO) points that were able to continue, and stores were allowed to offer click and collect even if they were technically closed.

Click and collect was a popular option before the pandemic but, as the above chart shows, people have a very strong preference for home delivery in the UK, and this has been further extended in 2020. What does this mean for the future of click and collect, how will it evolve and adapt and what will demand be across the various options? At present, things still seem too unpredictable to come to reliable conclusions.

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Late deliveries cost retailers over £3.5bn per year



IMRG recently published the latest edition of [Valuing Home Delivery](#), which illustrates the costs involved when online shopping fails to meet the customer expectation of delivery to the right place, first time, on time, every time. To do this we examine the four most common delivery failure scenarios (see box in chart), and analyse the financial impact on retailers, carriers and customers.

As the above chart shows, the biggest cost to industry by far is that borne by retailers when deliveries are late. Using 2020 volume data we conservatively estimate that the cost of failed delivery (through the eyes of the customer) would have totalled:

- 156 million events
- At a total potential cost of £5.7bn
- Or, to put it another way, £36 per event across all three stakeholders

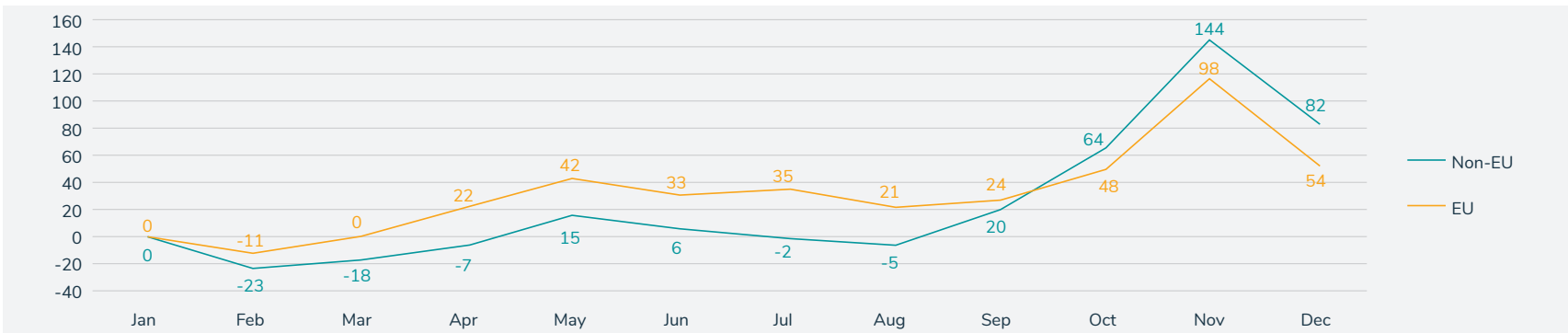
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There was a surge of ordering from EU customers during peak

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The above graph shows the percentage growth in cross-border order volumes to EU (black line) and non-EU (orange line) destinations across 2020. The data is taken from the IMRG Global-e Cross-Border Index, and is based upon data from a sample of over 270 UK retailers and brands trading internationally on the Global-e platform (it starts at zero in January because that was when the index was launched, hence it represents the base).

Obviously the trend lines are going to be influenced by the dual big issues affecting business trade in 2020 – the pandemic and Brexit. For the first eight months of the year, it is the pandemic that seems to be exerting the strongest influence, as growth in orders to non-EU destinations outstrips that of EU by a consistent distance. European countries were amongst the hardest hit in the first half of 2020, so this may have been a factor, but the final three months of the year saw very strong demand from EU countries. There are two possible reasons for this – one is that, with Brexit coming, shoppers in the EU might have seen it as a last opportunity to buy from British brands before potential disruption started; the second is that Black Friday has been growing in significance in countries such as France and Germany, so it may just be a result of that.

Avalara Comments

There are a number of customs and duties implications emanating from Brexit, which can best be summarised as follows:

- A lack of accurate commodity code ID/HS code delays shipments
- Mistakes on tariff calculations mean tax penalties and shipment hold-ups
- Import VAT liabilities, foreign VAT filings and fiscal representation obligations risk compliance fines and cancelled customer contracts

However, while it's true that tax obligations and the associated complexities are growing more complicated and impacting more businesses, not just in relation to Brexit, the opportunities for international commerce online are big and only accelerating. If you're moving goods across borders, the key thing to focus on is ensuring you're creating a good experience for your customers.

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The highest share of returns come back between 1-2 weeks after purchase

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Return Time Frame	Total Market	Clothing
Item return processed date is less than 1 week after purchase	22%	11%
Item return processed date between 1 and 2 weeks after purchase	35%	39%
Item return processed date between 2 and 3 weeks after purchase	22%	26%
Item return processed date is more than 3 weeks after purchase	20%	24%

Making a sale to a customer is usually good news for the retailer, but when the item they have purchased comes back as a return it becomes an operational problem. Not only does the original revenue have to be refunded, but there are additional costs to consider too – that of transporting the product back physically, but also the potential processing and cleaning required, plus the fact that it has been out of stock (and therefore not sellable to another customer); an issue that is particularly pertinent when an item is seasonal.

Research from IMRG found that the highest share of returns (35%) come back between 1-2 weeks after purchase. This just seems to be a reflection of how people return things generally; even those who offer very long returns periods (100+ days) see the bulk of the actual returns in the first few weeks after purchase. A long returns offering then might be more accurately viewed as part of a customer acquisition and retention strategy, and an expression of confidence in the quality of product offered.

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Sponsor comments

Avalara Comments

On July 1 2021, the European Union (EU) will introduce the Import One-Stop Shop (IOSS) scheme.

Sell to all 27 member states with just one VAT return.

Get started with IOSS in three easy steps

- 1 Get an IOSS identification number to put on all packages under €150
- 2 To use IOSS you will need to calculate and charge VAT at point of sale and submit invoice with the package
- 3 File your returns monthly... you may need an intermediary

Scurri Comments

The choice of delivery option, (or lack of) has a major influence over purchasing decisions; of those who abandon their basket due to delivery, almost 70% do so because it is too expensive. Things to consider:

- **Free delivery** is rated as the most important consideration for shoppers when making an online purchase. Offering free delivery on a minimum spend threshold is a popular mechanism among retailers to help maintain margin and avoid losing money on smaller transactions.
- In this age of instant gratification, it's hardly surprising that **fast delivery** is ranked as the second most important delivery consideration for online purchases.
- However, it has been proven that offering a **range of delivery options at checkout** and empowering the customer to choose the speed and cost of delivery most convenient for them is the key to boosting conversion.
- Maximizing the efficiency of daily fulfilment and delivery processes in the warehouse and beyond can **save significant amounts of time**

and money. A first-class **carrier management system** can provide exponential benefits by automating these processes, the benefits of which are passed on to the customer.

- Having a **range of carrier services** at your fingertips and the **flexibility to switch** between them when required to ensure the goods get to the customers quickly and safely shouldn't be underestimated; this was a lifeline to many retailers during the Covid and Brexit times to maintain continuity.
- Retailers also need **actionable visibility and control** over the full delivery journey and how they communicate parcel updates to their customers. Not only do they need to be able to access delivery data in real-time, but they also need to be empowered to resolve service issues before becoming customer-facing and reduce 'where is my order calls' using tracking updates that are meaningful to the customer.

Conquering delivery is arguably half the battle, with the "returns" journey playing a significant role in customer conversion and loyalty.

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