



## **Last Mile Delivery**

### ***Home Industry***

A benchmark series of the Swedish market

# Imagine that your competitors ...

... offer customers real time insights, offer ordering and fulfilment wherever and whenever customers want, deliver within hours for free, and provide seamless returns.

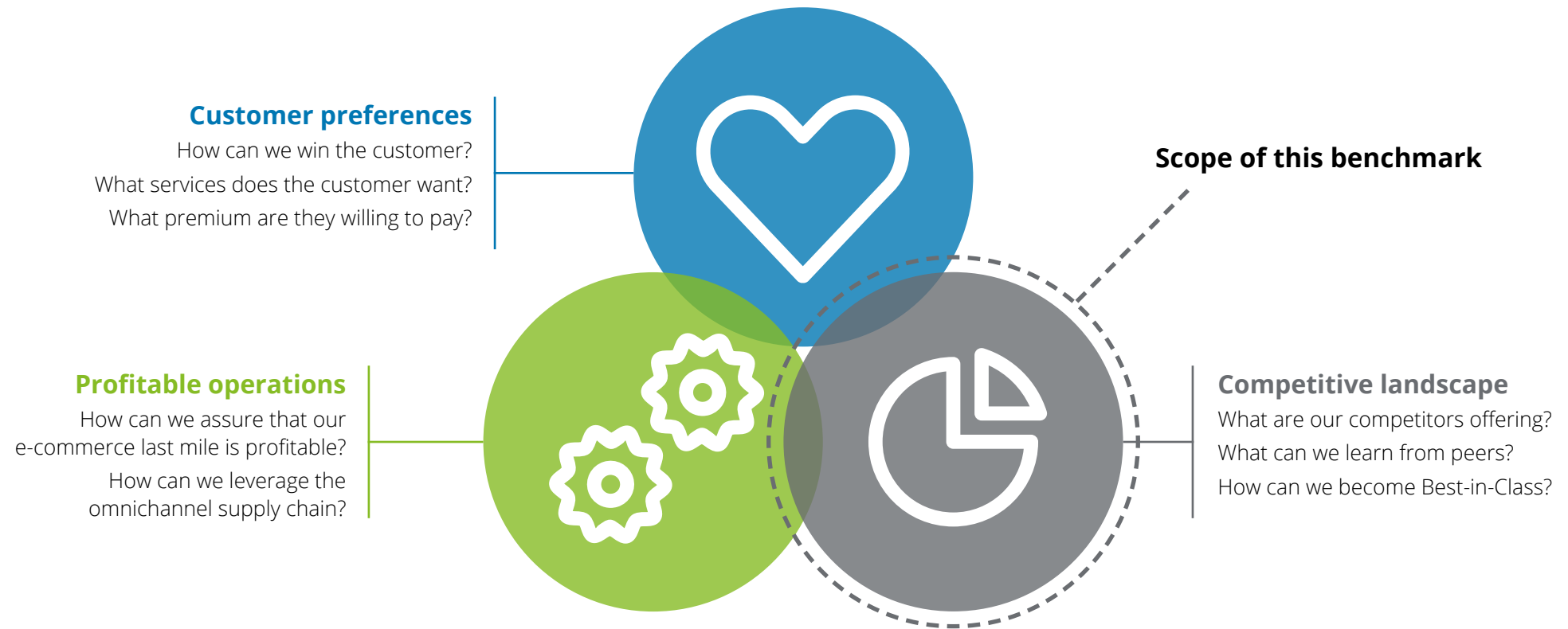
What can you do to  
**win the customer?**

What can you do to be ready for your  
**nightmare competitor?**



# Scope of benchmark

Determine the last mile service offering from your company in order to build a differentiated and profitable offering and value proposition



# Contents

**Executive summary**



**Omnichannel visibility**



**Delivery terms**



**Return terms**



**Methodology**



# Executive summary





# Introduction

## The last mile delivery benchmark series

**Home** is the third publication of the “Last mile delivery benchmark series”, where **>200** retailers are compared in delivery & return services



Beauty & Care



Electronics & Telecom



Home



Food



Fashion & Apparel



Leisure

## Methodology<sup>1</sup>

Industry segments are compared to Best-in-Class segments and cross-retail average, resulting in a scoring model per service category.



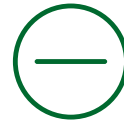
### Best-in-Class

Highest cross-retail score



### Leading

Higher than cross-retail average



### On par

Similar to cross-retail average



### Lagging

Lower than cross-retail average



### Least performing

Lowest cross-retail score

<sup>1</sup>Data gathered March 2019

# Key findings

## Huge improvement opportunities

Generally, Home retailers offer slower lead times and higher delivery costs across the board. Only 60% of Home retailers deliver within a work week. Home retailers are leading in number of delivery offerings with 84% of companies offering home delivery but lags in general delivery terms.

## Home delivers, delivers in express category

The Home industry lags in both lead time and costs, with the exception of some 16% of companies that offer express delivery. The industry's many Brick-and-Click players benefit from physical store presence, through which costumers can pick up furniture and interior design in stock.

## Hefty return costs

78% of companies charge an average of 95 SEK or full postage return fee for product returns.



# Suggestions for improvement

Three things Home could do to bring last mile delivery services to the next level

## Segment in performance

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**Variation in product size, shape and weight calls for proper segmentation.**

Home products are known for their large variation in size. Some retailers in this segment already differentiate between those product characteristics in their delivery cost. It is recommended to apply this reasoning also for delivery lead times, return terms, and other services.

## Utilise strong areas for growth

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**Expand on leading in-store and home delivery offerings.**

The Home industry lags in both lead time and costs, but offer a range of delivery options. Brick-and-Click players benefit from physical store presence, through which consumers can pick-up furniture and interior design in stock. Home retailers could excel by developing home and in-store proposition.

## Be creative on returns

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**Get on your way to integrate returns and offer convenient services.**

A significant amount of Home retailers has partially integrated return channels. These retailers have the opportunity to become Best-in-Class when they succeed to make that next step to a fully integrated return channel.

Convenience and customer experience should always be part of the equation.



# Omnichannel visibility



Only 21% of Swedish Home retailers offer in-store stock visibility. In-store stock visibility can drive traffic to store and prove a competitive advantage to increase spontaneous in-store purchases.

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# In-Store stock visibility

One in five Home retailers offer in-store stock visibility

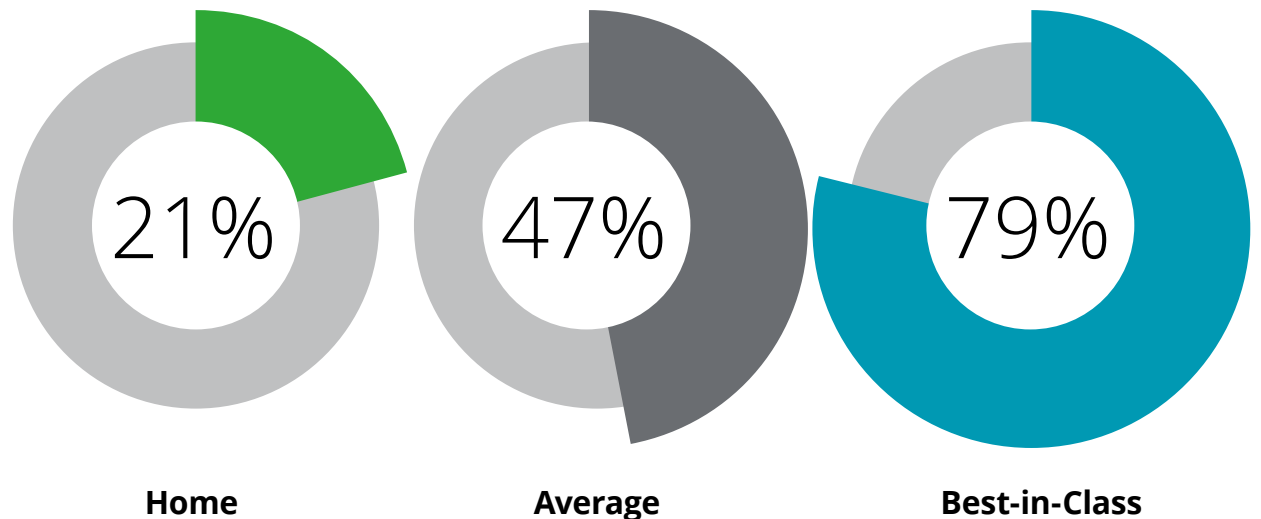
## Least performing

Compared to the cross-industry average, Home is lagging in terms of providing in-store stock visibility services.

While 76% of Home retailers sampled are Brick-and-Click, only 21% of this sample offer in-store stock visibility.

In-store stock visibility can drive traffic to stores due to the 'look-and-feel' aspect. Distinguishing for this industry is the relative expensive products a purchase can involve. Therefore, offering customers to identify where a product can be seen in real life can prove a competitive advantage and also has a positive effect on sales, increasing spontaneous in-store purchases.

## In-store stock visibility for customers<sup>1</sup>



<sup>1</sup> Brick-and-Click retailers only

# Delivery terms



**Home retailers lag in delivery time and cost compared to cross-retail average. The variation in product size, shape and weight sets higher demands on logistics.**

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# Delivery options

The Home industry is market leader in home delivery, but seldom offer pick-up point

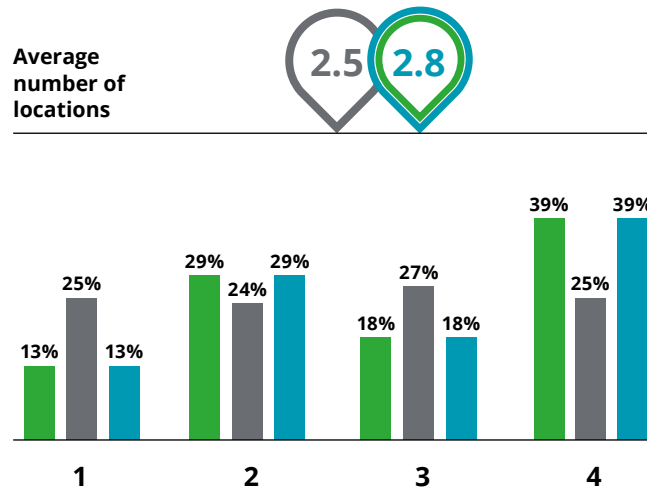
## Best-in-Class

Home is market leader in home delivery and leading in in-store delivery.

In pick-up point delivery, Home is lagging with only 71% of companies offering this service.

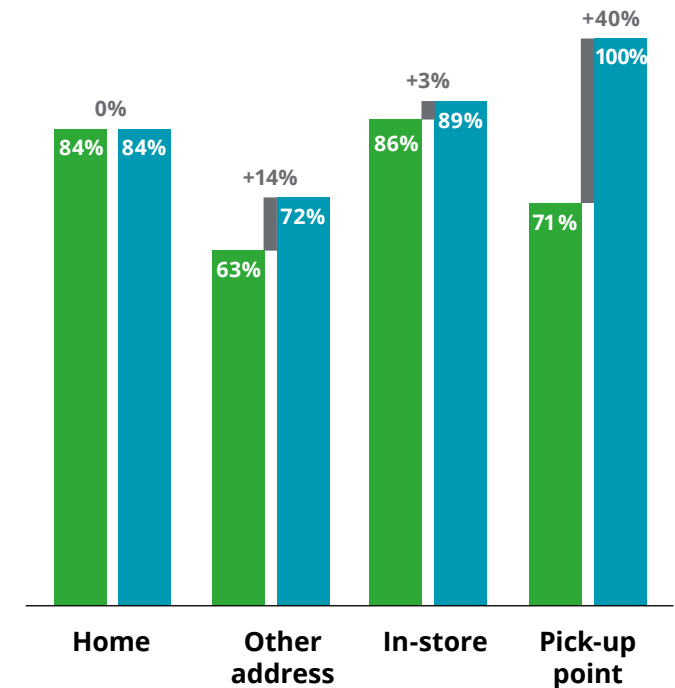
In-store delivery provides a competitive advantage for Brick-&-Click companies to add value to customers by utilising their store network compared to pure Digital players.

## Average number of delivery location types offered



The customer of tomorrow will demand more delivery options as they get accustomed to the convenience of having products delivered to where they want. Increasing the number of options might boost sales and cater to the different consumer needs.

## Share of companies offering delivery location types





# Lead times

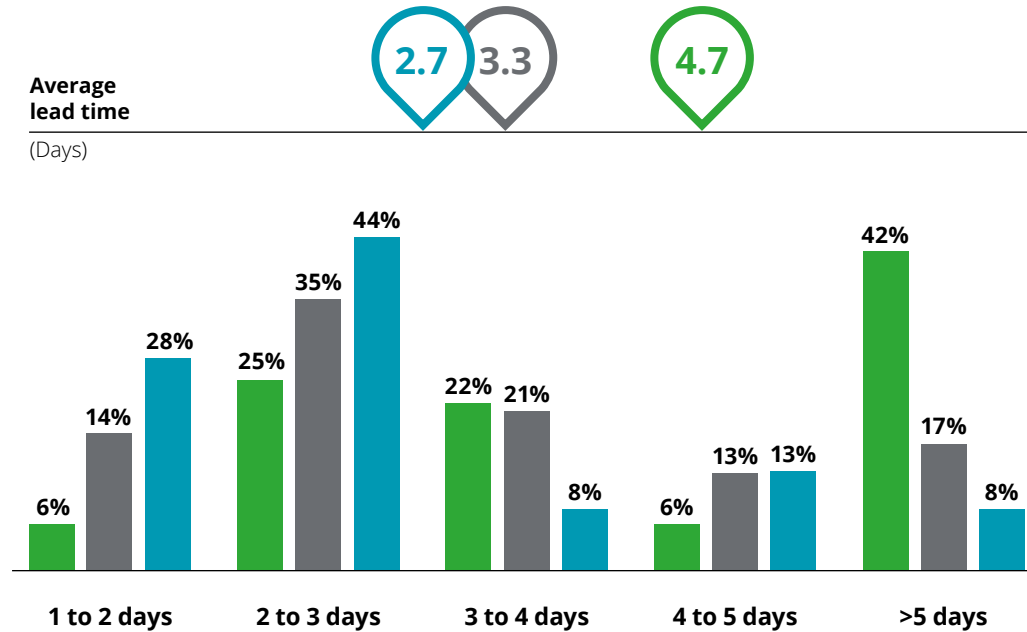
Home is the least performing industry with only 58% offering lead times less than 5 days

## Least performing

In general, companies offer more favourable delivery lead times in the larger cities in Sweden compared to rural areas. They also have a broader variety of delivery providers, for example Budbee, Airmee, etc. (at least for smaller items). Generally, larger furniture such as sofas and beds are associated with longer lead times, ranging from two to several weeks depending on specifications.

Lead time for Home is least performing with an average of 4.7 days compared to average retailer with 3.2 days lead time. 42% of Home retailers have a longer delivery lead time than 5 days.

## Average lead times<sup>1</sup>



<sup>1</sup> Excluding express delivery

# Delivery cost<sup>1</sup>

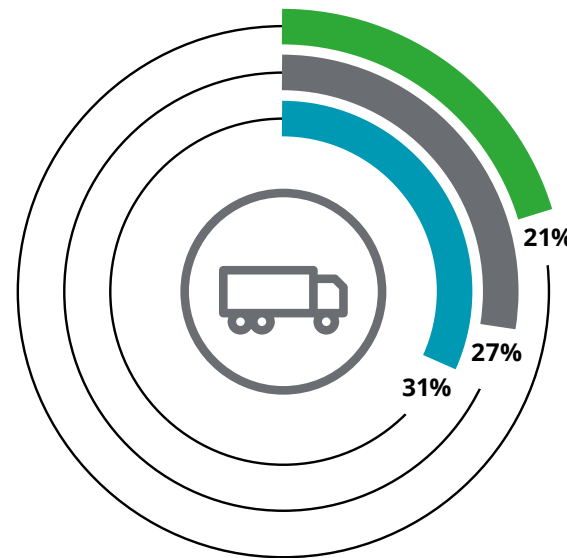
Home is least performing with below par free delivery offering and highest fees

## Least performing

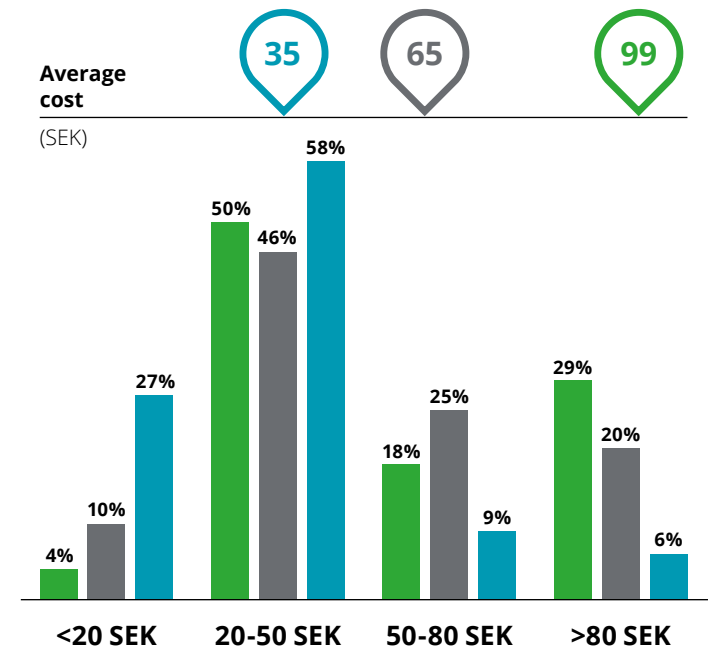
21% of Home companies offer free delivery. The industry is offering free delivery less than other industries and have the highest average cost for delivery.

On the one hand a lower fee is attractive for customers to incentivise purchase. On the other hand, the high costs associated with furniture transportation increase the need for elevated fees.

## Unrestricted free delivery offering



## Average delivery cost in case of paid delivery



<sup>1</sup> Excluding express delivery and pick up at store

<sup>2</sup> "E-handeln i Norden", Postnord

# Delivery cost – threshold

Half of Home retailers have a free delivery threshold of 1144 SEK on average on average

## Least performing

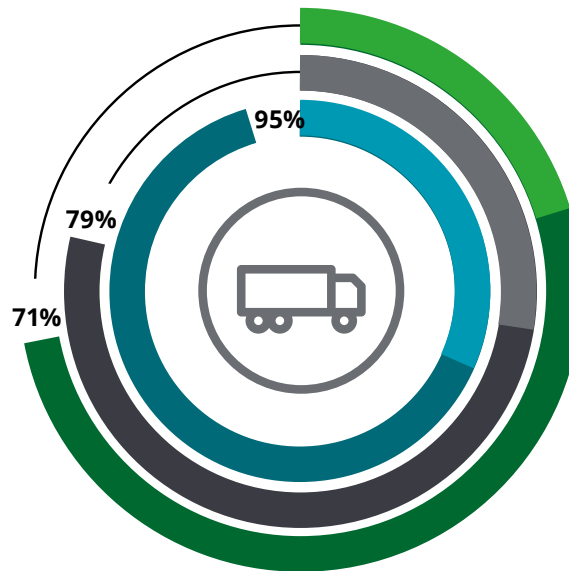
21% offer free delivery without a threshold.

The number of Home retailers offering free delivery above a threshold is 50%.

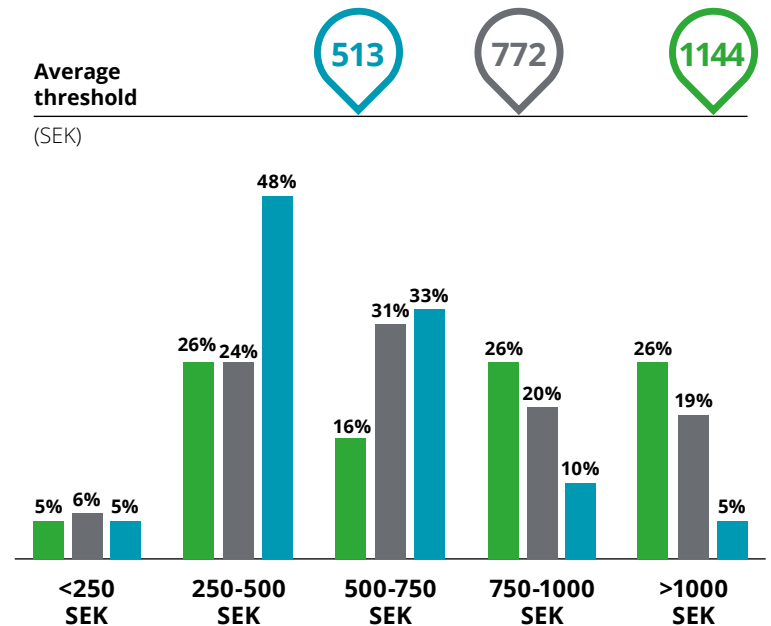
When a threshold is in place, it is higher than other industries with 1144 SEK on average, 372 SEK higher than cross-retail average.

A free delivery threshold, when adapted to the target customer, can increase basket size and boost revenues. On the flip side, if the threshold is set too high, customers might decide to shop elsewhere. Knowing your customers is important, to set an appropriate threshold.

## Free delivery offered (including above a threshold)



## Average threshold for free delivery



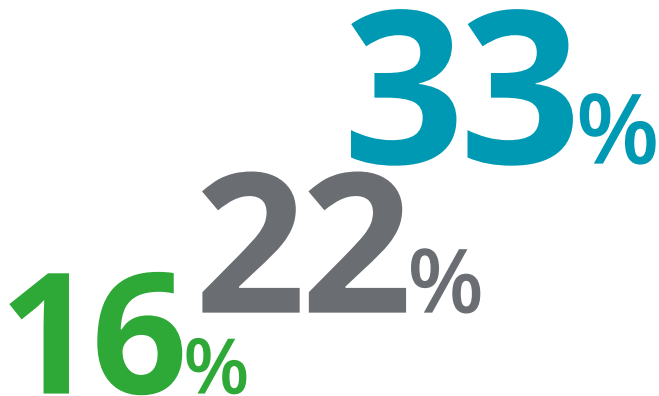
# Express delivery

Few Home retailers offer express delivery

## Least performing

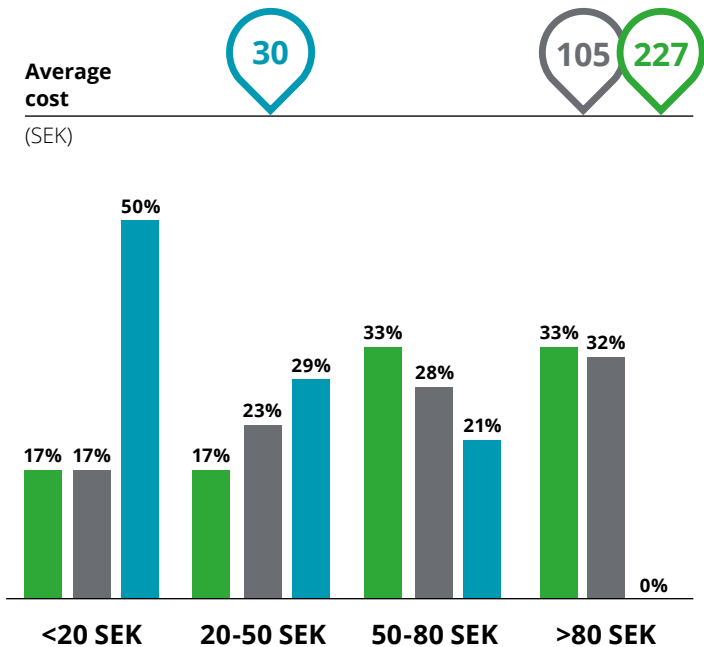
Only 16% offers express delivery with an average express cost of 227 SEK. On average, Home retailers offer the most expensive express offering; on average 88 SEK more expensive than the second most expensive industry. Beauty & Care is Best-in-Class in the category with an average express delivery cost of 30 SEK.

## Share of companies offering express delivery



Average express delivery lead time for Home is 1.00 days which is Best-in-Class and can be compared to the cross-industry average of 1.44 days.

## Average express delivery cost



The Home industry stands out as the industry with longest average lead time and high delivery costs.

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# Delivery options





# Home delivery - lead time and cost

Home retailers are lagging in both speed and cost aspects of home delivery offering

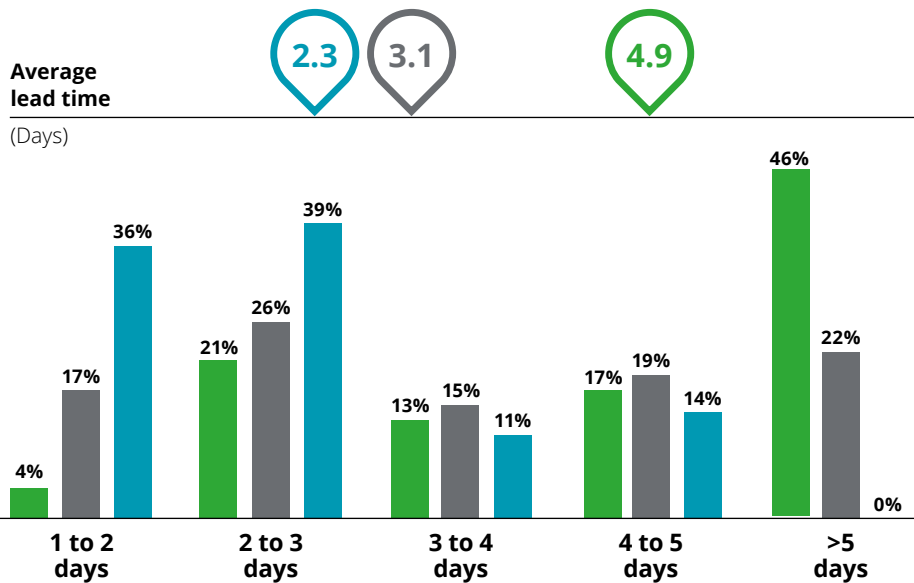
## Least performing

Home retailers offer long lead times for home delivery compared to cross-industry average. 46% of companies have more than 5 days lead time for home delivery.

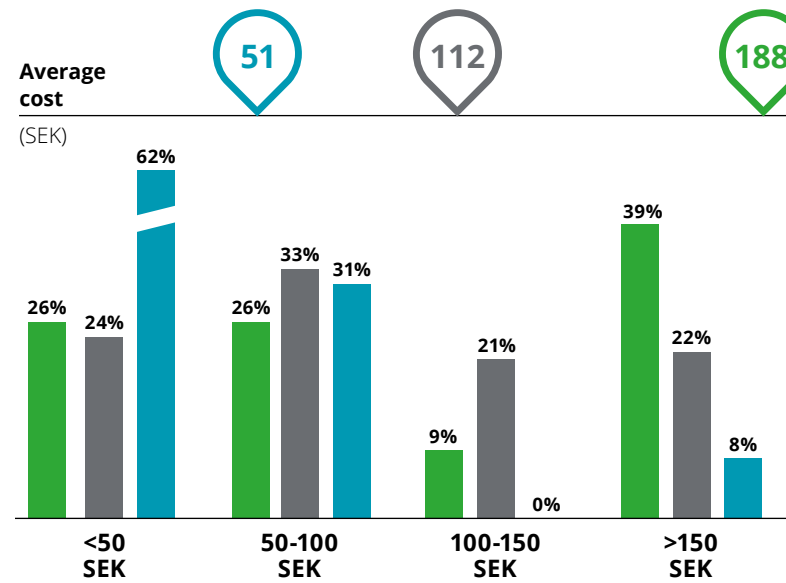
Fashion & Apparel and Beauty & Care respectively are Best-in-Class when it comes to average lead time and cost.

Home delivery in the Home industry is often offered by the associated retailer but also through a range of external players such as PostNord, Schenker, and DHL etc.

## Average lead time for free delivery



## Average delivery cost in case of paid delivery



# Free home delivery and threshold

Home retailers offer free home delivery more frequently compared to the cross-retail average

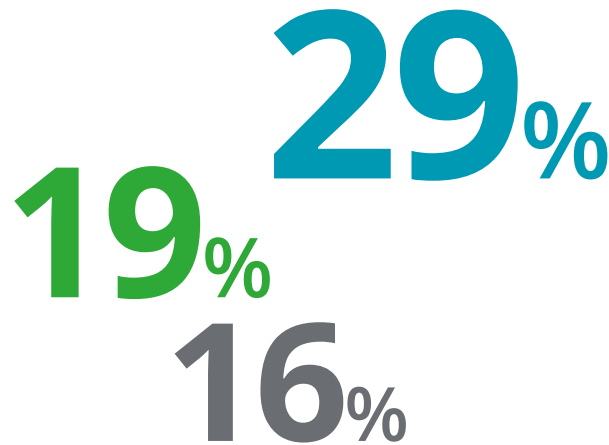
## On par

Home delivery is one of the average Home retailers' most competitive delivery option. One in five Home retailers offer free home delivery.

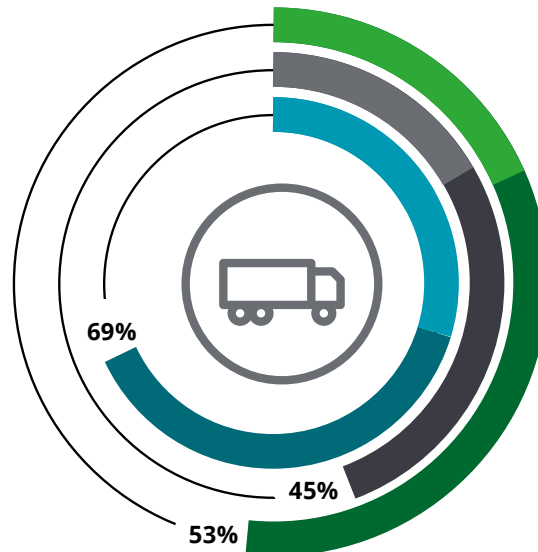
When freight is not free, Home retailers have the highest average delivery cost across all six industries.

Food is Best-in-Class for free home delivery and Electronics & Telecom when it comes to offering free delivery above a threshold.

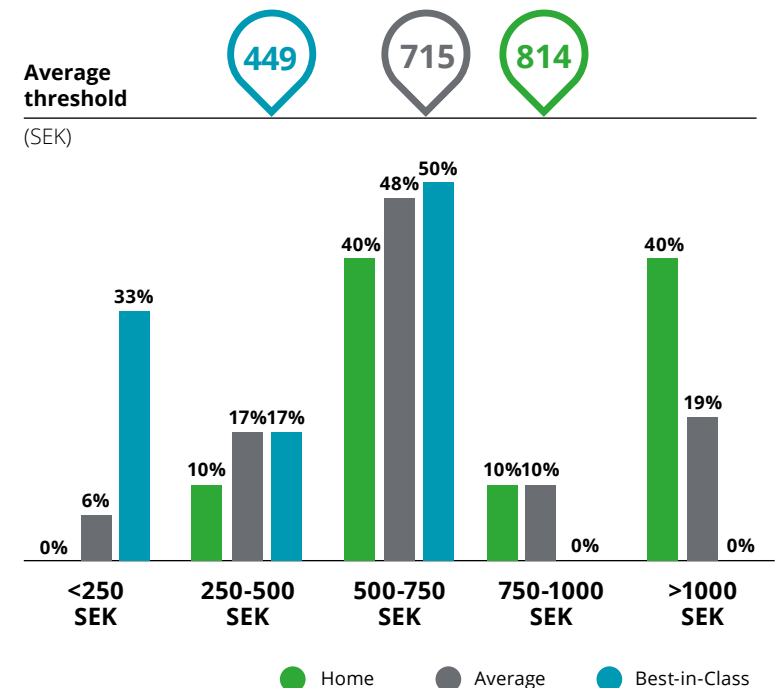
### Share of companies offering free home delivery



### Share of companies offering free delivery (including above a threshold)



### Average threshold for free delivery



# Pick-up point – lead time and cost

Only 74% of Home retailers deliver to a pick-up point within a business week

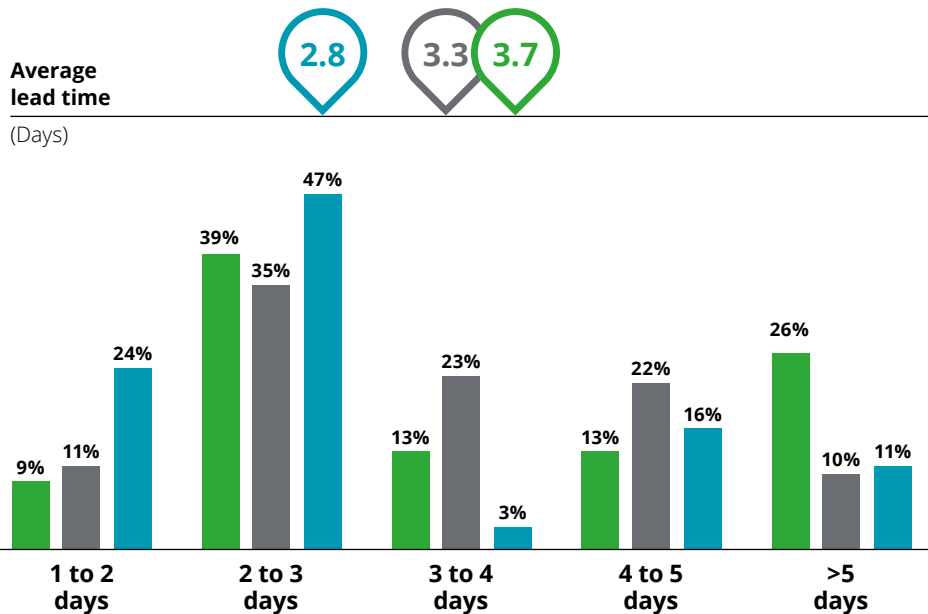
## Least performing

Home retailers are least performing in the pick-up point delivery option.

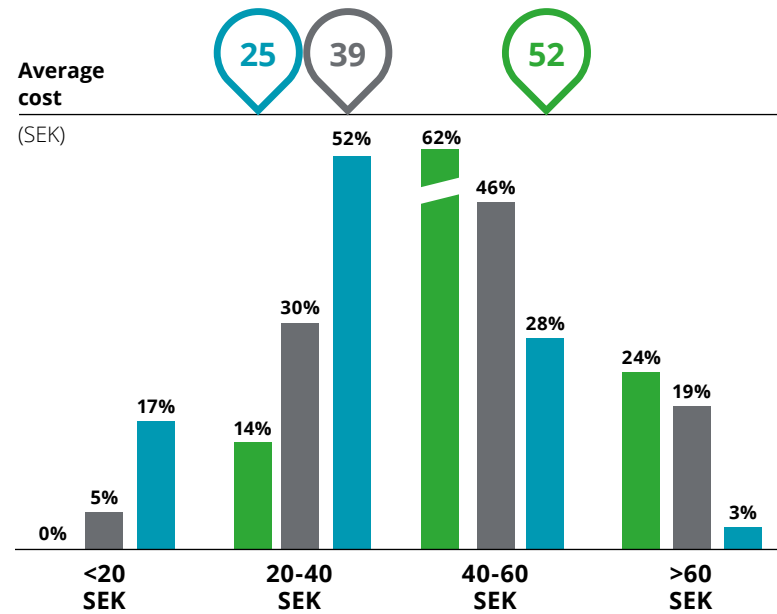
When freight is not free, Home retailers have the highest average delivery cost across all six industries.

Beauty & Care is Best-in-Class in both pick-up point time and cost.

### Average lead times



### Average delivery cost in case of paid delivery



# Free pick-up point delivery and threshold

Home retailers are least performing in pick-up point option: both in free offering and threshold

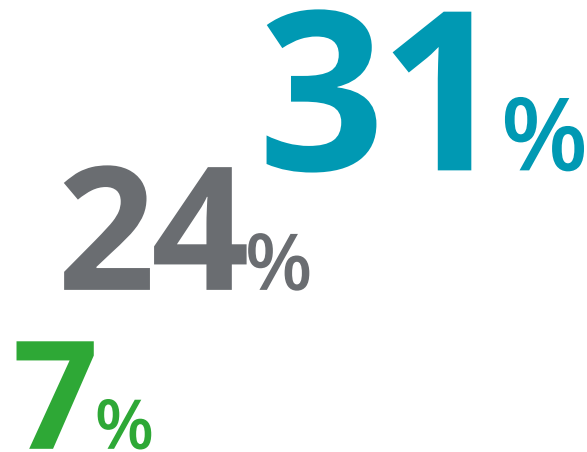
## Least performing

Only 7% of Home retailers offer free pick-up point delivery which is a lower score than any other industry.

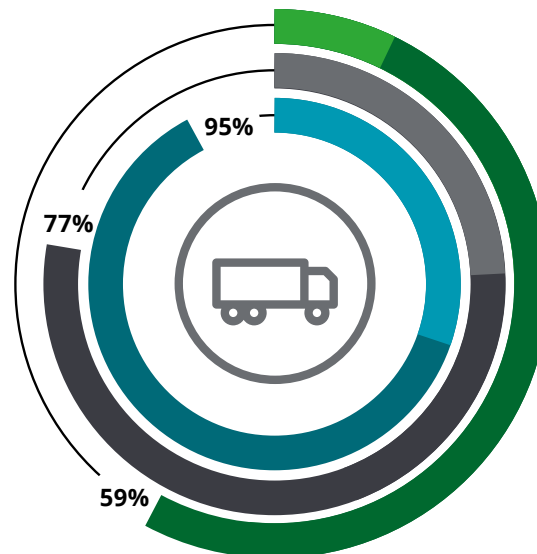
Fashion & Apparel are Best-in-Class with 31% of companies offering free pick-up point deliveries, with another 64% offering free deliveries above a threshold.

21% of Home retailers offer free deliveries only above 1000SEK, which is more companies than any other industry.

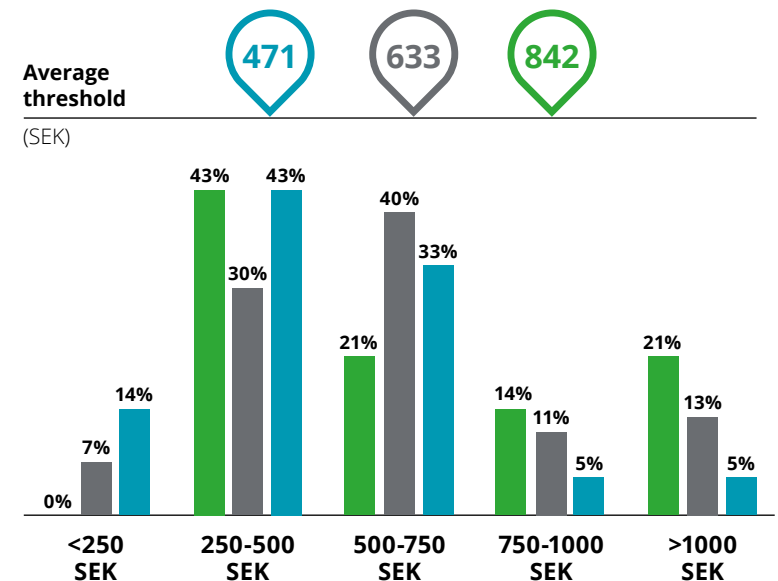
### Share of companies offering free pick-up point delivery



### Share of companies offering free delivery (including above a threshold)



### Average threshold for free delivery



# In-store lead times

Compared to other industries, Home is lagging in both free delivery and average lead times

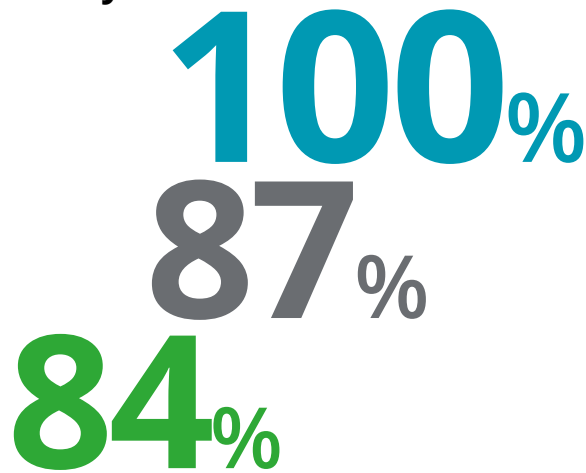
## Lagging

84% of Home retailers offer free in-store delivery. The average in-store delivery time in the Home industry is 3.6 days.

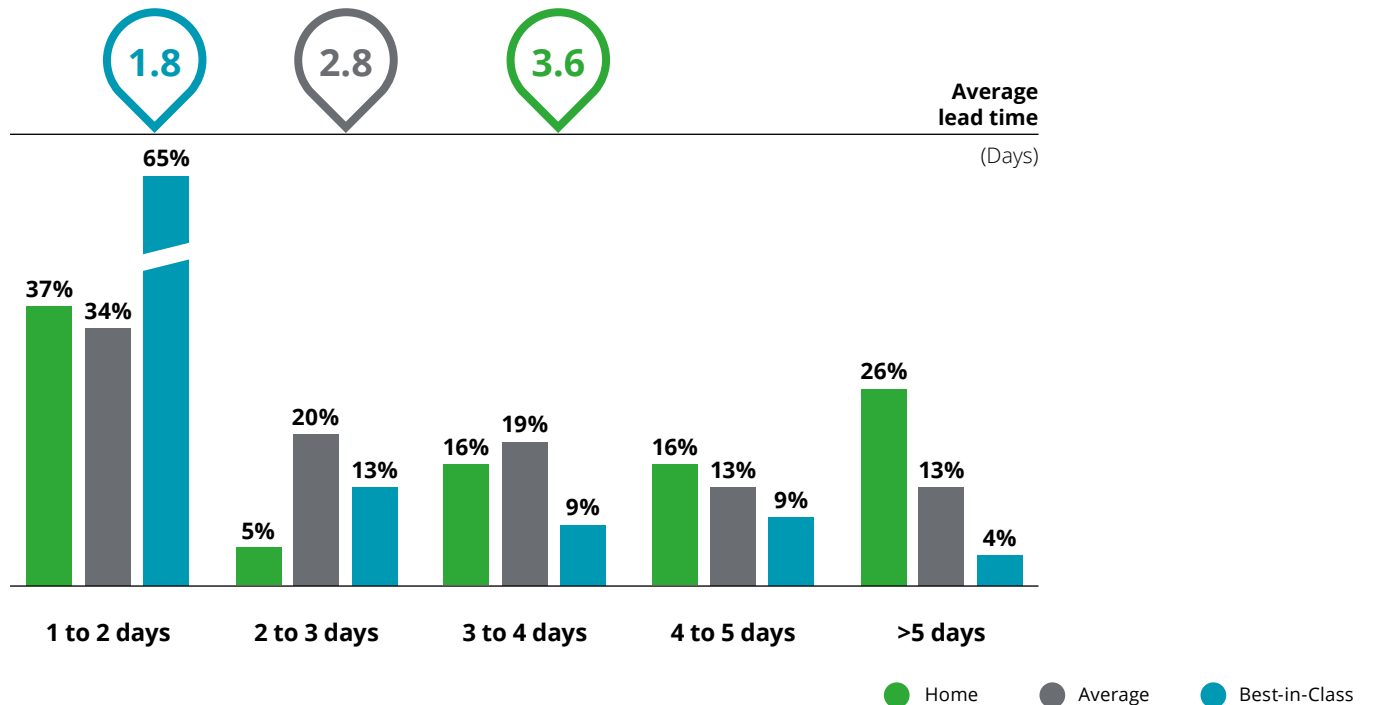
Leisure and Electronics is Best-in-Class with 100% offering free in-store delivery. Best-in-Class on average lead time to store is Electronics & Telecom.

Not offering in-store delivery results in a lost opportunity to benefit from in-store add-on sale.

### Percentage offering free in-store delivery<sup>1</sup>



### Average lead times



<sup>1</sup> Brick-and-Click retailers only

Home retailers are relatively good in return terms. Because of the important “look-and-feel” factor retailers in the industry have potential to gain a competitive advantage in expanding on return offering.

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# Return terms



# Free returns

Home retailers score below average, with only 22% of companies offering free returns

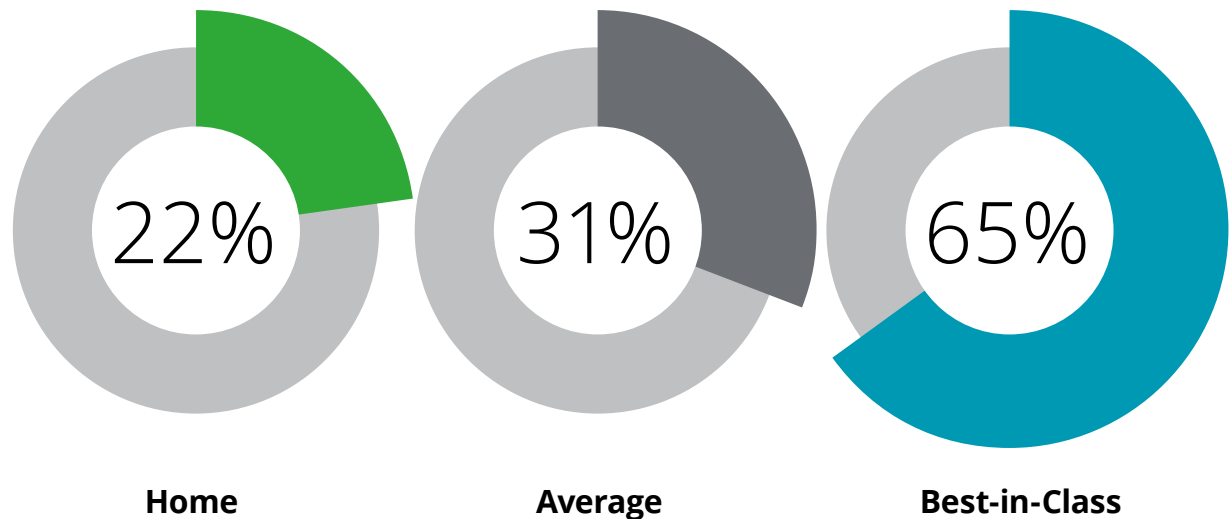
## Lagging

The home industry lags behind cross-retail average with only 22% offering free returns. Compared to Best-in-Class (Fashion & Apparel), there is still a 43 percentage gap and improvement opportunity.

### Think outside the return box

The store network is a great way to improve consumer satisfaction and drive additional revenue. Consumers at your store are more likely to purchase additional products and you will reduce your last mile and return costs.

Share of companies offering free returns



# Return location options

Home retailers generally score above average in return flexibility, but lag in some categories

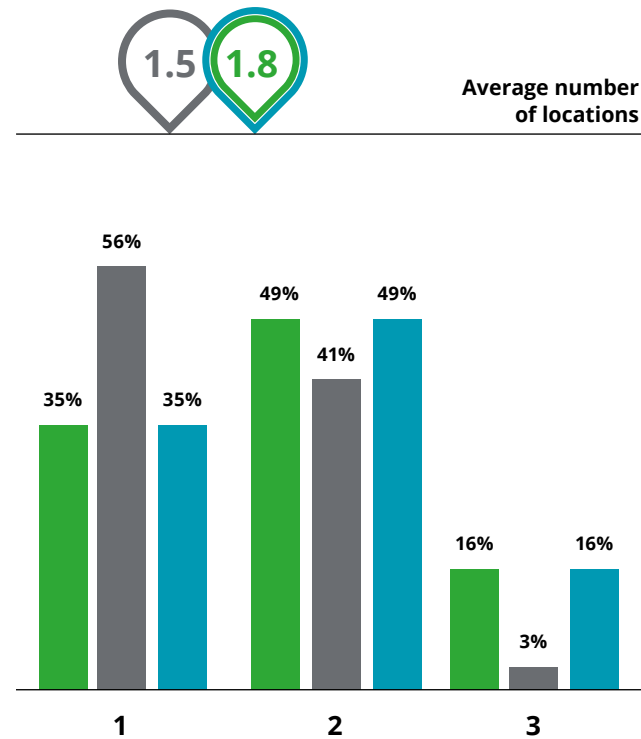
## Best-in-Class

Home has on average 1.8 return location types, which is industry leading. The high average can likely be traced to the fact that Home is the only industry offering courier and distribution centre return.

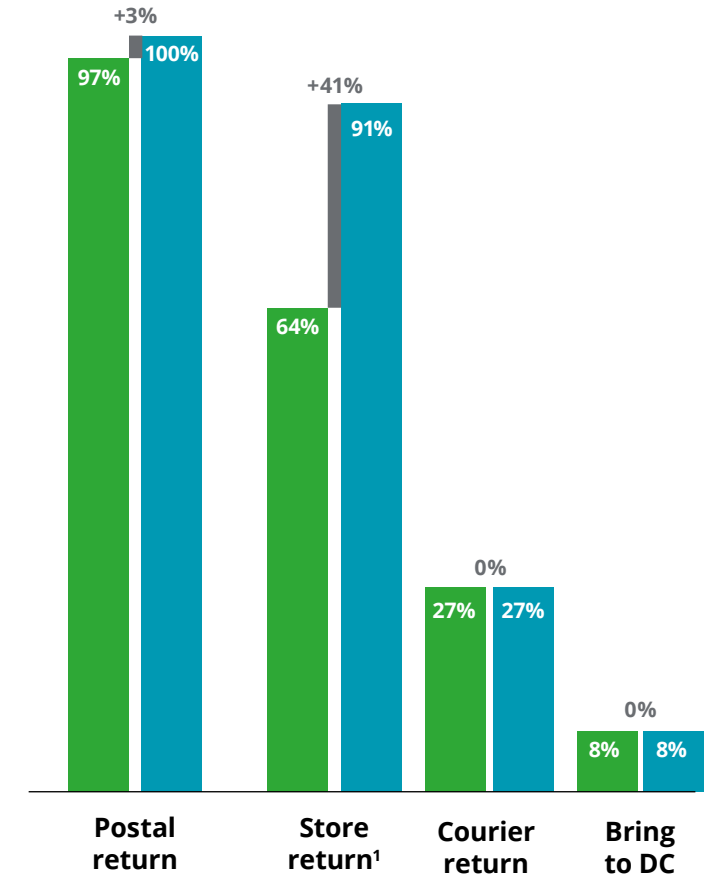
However, Home is lagging in store return category, where Home can learn from industry leaders Electronics & Telecom.

Similarly to delivery options, Home industry often offer a variety of location offerings, but as this data shows, can improve in postal and store categories.

**Average number of return location types offered**  
(percentage of companies)



**Share of companies offering return location types**



<sup>1</sup> Brick-and-Click retailers only

# Return channel integration<sup>1</sup>

Home retailers are on par but has improvement potential when it comes to return channel integration

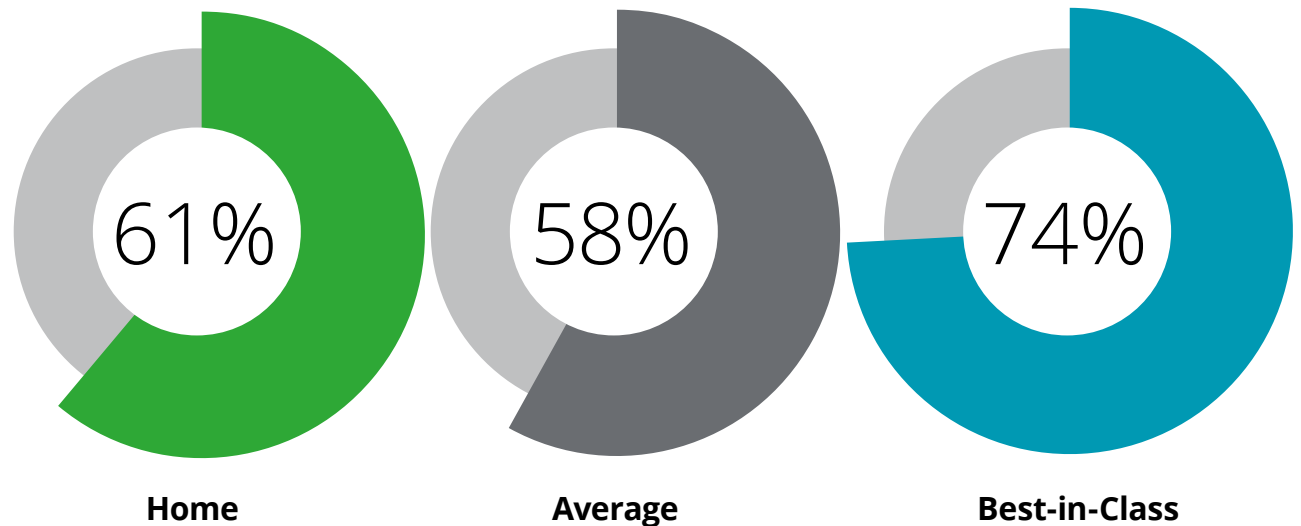
## On par

61% of the Home retailers offer certain return channel integration.

Fashion & Apparel is Best-in-Class with 74% offering return channel integration. The large products can be one reason why Home retailers are 13% below the industry leader.

Another reason can be the higher retail value and lower product quantity turnover which can explain a certain discrepancy between Home and Fashion & Apparel.

## Share of companies offering return channel integration



<sup>1</sup> Brick-and-Click retailers only

# Return window

The Home industry has leading return time windows

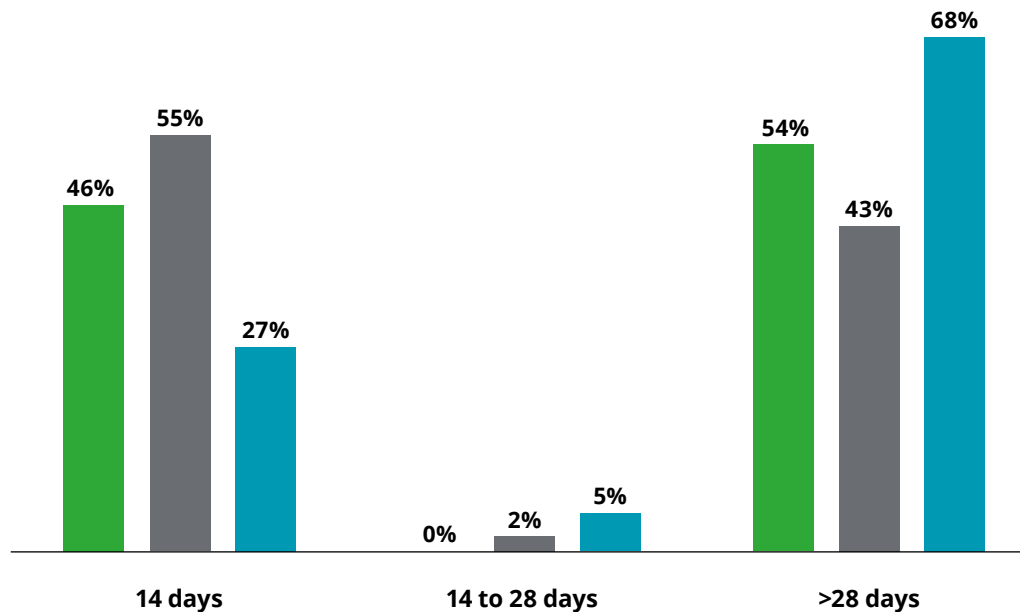
## Leading

The Home industry average return time window is 44 days above the cross-retail average. Leisure is Best-in-Class with some retailers offering a full year return window.

There is a visible split between companies that have a longer return time windows (54% have > 28 days) and those with standard return time windows (46% have the legal requirement of 14 days).

## Average return time window (percentage of companies)

Average  
lead time  
(Days)



# Methodology





# Benchmarked services

## Omnichannel visibility

### Store Stock Visibility

The percentage of retailers showing the availability of stock in their stores



## Delivery terms

### Lead times

The average standard lead time from order to delivery according to the retailer's website



### Delivery costs

The costs of a standard delivery for the customer



### Free delivery threshold

The order size above which retailers offer free delivery



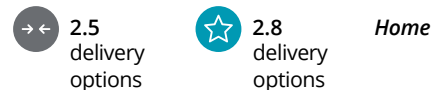
### Express delivery

Any form of express delivery offered by the retailer that reduces the lead time of the delivery option



### Delivery locations

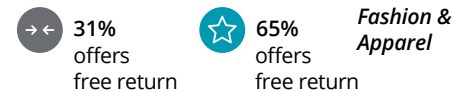
The delivery locations offered by retailers – home, other addresses, store, and pick-up point are assessed



## Return terms

### Free returns

Share of companies offering free returns



### Return locations

The return locations offered by retailers – postal, store, courier and bring to DC at home are assessed



### Return channel integration

The freedom the customer has to return at the place he/she desires – independent of the purchasing channel



### Return time window

The time a customer has from the moment of delivery to return a product – excluding warranty returns



- Average
- Best-in-Class



# Available benchmarks



**Beauty & Care**

**40 companies benchmarked**



**Electronics & Telecom**

**50 companies benchmarked**



**Home**

**38 companies benchmarked**



**Food**

**32 companies benchmarked**



**Fashion & Apparel**

**40 companies benchmarked**



**Leisure**

**37 companies benchmarked**



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