Owning the customer experience

From order capture through last mile

KÖRBER

RADARO

Contents

Introduction

Winning brands don't underestimate the importance of customer experience. From consistent advertising to a sharp website, the in-store environment and all the way to the customer's doorstep – a throughline of intentional brand encounters make for repeat customers.

We know this to be true because of a negative encounter's lasting impact: **80 percent** of customers abandon their purchases due to a bad experience.[1] That's a loss of one customer's current and future sales, an immediate halt to their word-of-mouth referrals and possibly a bad review on social media. There goes your social proof.

It's bad enough to lose your own sales, but if a potential customer got far enough in the process to abandon their would-be purchase, they're likely heading straight for your direct competitor.

So what can be done about it?

Digitization is key as the world advances toward online-centric retail. Need it even be said at this point? Smartphone and tablet compatibility or specific apps are a must to transform a brand's customer experience (CX) operations, as well as to increase productivity and visibility. Those without a digital strategy – or using outdated technology – risk losing customers.

As one example, total retail sales for the fourth quarter of 2021 were estimated at $1,688.6 billion, with an increase of 2.5 percent from the previous quarter.[2]

There is money to be made, and why shouldn't your brand be the one to make it? There's an obvious way to wrangle control and jump to the front of the line: own the last mile.

> **"Today's consumers do not buy just products or services – more and more, their purchase decisions revolve around buying into an idea and an experience. This change in expectations will give product and service businesses opportunities to create new revenue streams by expanding into adjacent territories. Given these complexities, the shift also requires an innovative approach to business models and a new look at how companies provide value to customers."[3]**

Raffaele Breschi, Tjark Freundt, Malin Orebäck, and Kai Vollhardt
McKinsey & Company

The significance of the last mile

The last mile is the final and most expensive leg in the supply chain, when a purchase is moved from a fulfillment center and into the expectant customer's hands. There are a number of reasons it's so costly, including:[4]

- **Failed deliveries:** Costs add up when the wrong product is delivered, a delivery window is missed, the customer is unavailable, the delivery wasn't properly scheduled, the delivery address is incorrect or the delivery vehicle breaks down.
- **High fuel use:** Drop-off points can be miles apart in rural areas, while urban deliveries tend to involve heavy traffic, driving at low speeds and parking woes.
- **Delivery driver shortage:** With more COVID-enabled eCommerce orders, more deliveries were being made. Increased demand for delivery drivers outpaced supply.

But don't make any sudden movements. First you need a transition roadmap, a people plan and the right technology in your stack.

The last mile delivery market is expected to grow by $165.6 billion USD from 2022 to 2027,[6] at a compound annual growth rate (CAGR) of 15.62 percent. Thirty-five percent of the growth during this forecast period will come from North America.

"Once you can own the moment that matters, you build a loyal customer base."

Sucharita Mulpuru
Retail Analyst at Forrester Research to the New York Times.[7]

"It amazes me how many retailers quickly shifted their models to offer buy online and pick up in store and other omnichannel services, but then didn't change their staffing and incentives on the back end to support these moves. Long lines of disgruntled customers waiting for harried employees to fetch items from the stockroom is not a recipe for customer satisfaction."

Christiana Shi
Former Nike Direct-to-Consumer President at Nike.[5]

"The new frontier to conquer"

Anything to optimize and bring brands enhanced transparency and control is helpful. For example, last mile delivery has become a key factor in consumer expectations for food and grocery, CapGemini Research found.[8] It's why Instacart became such a force – and an essential service – during the pandemic: the ability for faster and more frequent deliveries.[9]

How this translates in numbers: the grocery app was losing $25 million each month in 2019. In April 2020, it saw its first monthly profit at $10 million.[10] The company is backed by insight: CEO Apoorva Mehta, a former supply chain engineer for Amazon, started the company in the early 2010s.

Owning the last mile is a shift from a pure operations focus to a digital customer experience focus. The pressure is on for marketing leaders to deliver those customer experience (CX) results.
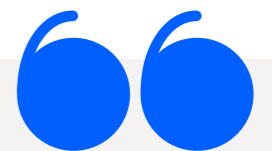
"... customer experience (CX) has become the new frontier to conquer."

Sarah Nucastro
Author for SupplyChainBrain.[11]

> **"Our view is that retailers must take a partnership view to their 3PL relationships, focusing on transparency throughout the last mile so that customer promise can be shared across all last mile inputs. Additionally, choosing a carrier whereby your business scale becomes important for the carrier will encourage a more collaborative relationship. It's not just about price per drop."**
>
> **Brenton Gill**
> Radaro's Co-Founder and Managing Director.

Myriad challenges

We covered earlier why the last mile is so costly, but the expense isn't the only hurdle. The good news is we can offer solutions.

Problem: trust in carriers
Solution: Numerous factors, such as staff availability and budget, influence a retailer's fulfillment solution. Options include parcel companies like UPS and FedEx, dropshipping and third-party logistics (3PL) delivery partners.

Small businesses might opt to transform into micro-distribution centers, handling fulfillment themselves via ship from store.

A brand's customer experience, good or bad, depends on its delivery method. Missed deliveries, delayed deliveries or damaged packaging – it all reflects on the brand itself and not on the responsible carrier. Choosing one you have faith in, one with good reviews, is paramount for a brand's reputation.

Problem: inventory availability
Solution: A positive delivery experience is impossible if it's discovered that there's no available inventory to pull.

Employ inventory management tools to identify purchase trends and forecast demand. If using a fulfillment center (vs ship from store, for example), that inventory can be sent there for ready, quick delivery.

Problem: late deliveries
Solution: It can be expensive when a retailer can no longer stick to a timeline. It could also mean a reputation hit and your customer turning elsewhere to purchase.

While a robust route-planning method is key, manually optimizing the route is unsustainable. Instead, implement algorithms and auto-dispatch technology so drivers make the most predictable, efficient trips. This way, both the brand and the carrier have a greater sense of pending and day-of-delivery status. Access to real-time network performance enables brands to give far greater assurances and updates to customers.

**Problem: customer visibility**
Solution: Buyers want more visibility on the location of their purchases to be able to track the time and distance. Lack of visibility reduces that knowledge, especially if the delivery is late. Is it because of traffic, bad weather or something else?

Use tracking codes, real-time location information, text updates and delivery estimates in order to manage customer expectations so they feel central to the delivery journey.

Problem: data
Solution: In order to correct your inefficiencies, you must know where they are. Radaro's last mile delivery platform[13] can monitor and analyze logistics data and provide complete, end-to-end brand control over your 3PL or ship from store last mile.

Last mile expenses are 53 percent of the total transportation cost[12]

53%
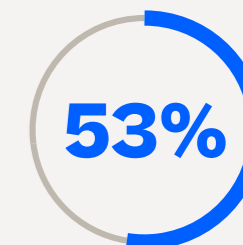
Technology impacts the last mile

Whether you build, buy or rent the technology to connect a complex system of product inventory, supply chains, customer data, etc., tech is the integral success component. It's important to have the right technology in your stack to control data and resources.

Technology that impacts the last mile includes:

• Order management systems (OMS)

• Warehouse management systems (WMS)

• Transportation management systems (TMS)

• Delivery management platforms

It's a seeming contradiction that some human-first brands are using artificial intelligence (AI) as part of their stack to increase customer connection. Yet putting the right technology in place to understand and anticipate customer needs lets humans use that information to bring the sale home.

Sephora started experimenting with AI in 2013, applying it to customer relationship management.[14] By using AI, the beauty retailer can personalize product recommendations that anticipate a customer's needs. The brand is perceived as listening – which it is – and that has value.

There are other ways to incorporate tech for the consumers' benefit. Lux Research predicts automated delivery technologies will generate up to $48.4 billion in revenue by 2030.[15] Automating that last mile yields quicker delivery, which we know, officially and anecdotally, customers want.

The technological capabilities you embrace depend on what you want to deliver to your customers as a brand: no-contact delivery? Real-time visibility? Same-day delivery? With an ear to the ground to learn customer wants, anticipate future needs and market toward that desirability, just as Sephora has, the customer relationship strengthens – and that's where loyalty comes in.

Companies now need to get on board and adapt to customer expectations of ever-quicker deliveries. Failure to do so means losing out on many other benefits, including dynamic route optimization, the ability to track fuel usage, improve communication and increased efficiency and flexibility for fleet managers.[16] Not to mention knowing your market better and cutting costs.

> "We can get a better understanding of the population interest in the area. We can also see how we can improve the stock allocation of our inventory. So, it means we can save space for warehousing and utilities."

Alex Raskita Ginting
Eureka AI.[16]

The last mile's relationship to brand loyalty

A brand is only as strong as its perception in the market, therefore, more brands are wanting a tighter control on their customer experience.

But first, a word about outsourcing.

If tightening the belt is your main focus, don't assume relinquishing delivery to a big-time player is cheaper for you.

There are a myriad of options available. The global evolution of hyper-fast, venture-backed delivery startups has had a significant impact on driving customer expectations towards digital-first last mile, yet many of these groups achieve market penetration only through unsustainable cost leadership or misaligned data incentives. Furthermore, this is true for brands that do not have sufficient density to control their last mile, yet want to borrow from the perception that they do.

Ultimately, the effect of this can lead to an unfavorable market rate adjustment for brands. As a result, delivery groups are then required to fund their models from cash flow and not investor funds. Retailers are left with an uncompetitive market offer and diminishing trust.

Outsourcing order fulfillment can make you lose control of the customer experience as any errors from the third party can reflect on your brand.[17] When you send products to Fulfillment by Amazon, for example, you lose control of the "delivery" brand experience. It's then an Amazon experience, so that company gets the glory or the grief. There's also something to be said for Amazon fatigue, as the company accounts for 42 percent of US eCommerce.[18]

60%
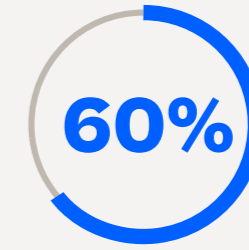
"Customer-centric companies are 60 percent more profitable than companies without a customer-focused strategy."[20]

When fulfilling through a 3PL, the brand should have digital control of its customers and not hand that over to the transport provider. European CRM provider SuperOffice reports that "highly engaged customers buy 90 percent more frequently, spend 60 percen more per purchase, and have 3x the annual value (compared to the average customer)."[19] It's proven, then, that surprising and delighting customers through safeguarding their last mile experience may land a win.

How do you surprise and delight?
Consider how you interact with customers so that across teams, you're providing a consistent experience. That means:

- **Marketing:** Your digital-first marketing strategy enables you to create targeted messaging on search engines, via account-based marketing and email marketing campaigns.

- **Customer service:** Proactively assist customers wherever they're seeking support, like community forums, social media, chatbots and review websites. Moreover, don't forget to have internal stakeholder transparency by providing customer care or retail front-line teams with real-time visibility to quickly and confidently solve customer inquiries.

- **Sales:** Your brand should connect on social media to establish a rapport and share relevant knowledge about the problem potential customers desire to solve, as relationship building creates long-term clients. Keep in mind that social media content is not a one-size-fits-all strategy.

A word of warning: if your brand cannot reliably offer a smooth and consistent last mile experience, you should consider handing it over to a third party in order to preserve brand loyalty. Retailers should leverage omnichannel strategies such as 3PL to provide exceptional customer service if it isn't in their wheelhouse.

What begins with an intentional, in-house engagement strategy continues through a customer's omnichannel fulfillment – rolling right on through to their soon-to-come next purchase order.

"Brand experience encompasses all the feelings consumers have before, during, and after interacting with your brand."[21]

HubSpot

4 ways retailers and brands can have more control over the last mile

With the benefits of harnessing the full customer journey in mind, let's talk about the systems needed in order to achieve control over the last mile.

1. Leverage a modern OMS
Once again, tech is the name of the game. Your order management system has to seamlessly integrate with your tech stack, include robust cloud-based microservices order management and leverage a systems network for quick, satisfactory customer orders. A strong OMS positively impacts top- and bottom-line revenue and increases profitability. Using a solution like Körber OMS, have your OMS built for purpose instead of order management as a tack-on capability.[22]

2. Create a microservices architecture implementation plan
The ship has sailed on huge, clunky eCommerce platforms. Steadily retire legacy services over a set time period (a thoughtfully created project roadmap will help with this) and slide in cloud-based microservices.[23] Your "new" platform – for which you can now purchase only what you need – will be more manageable, flexible and scalable.

3. Move to the cloud
When you need to hit the ground running (i.e., within hours), SaaS is the way to go. Tailored cloud-based software rapidly scales without a high licensing cost. With Körber's cloud-native order management system, Titan Brands has been able to improve their real-time inventory and decrease freight costs.

4. Don't underestimate integration-first framework (bonus if your OMS has an iPaaS platform)
OMS implementations are complex and often vastly underestimated – for instance, the platform should be able to integrate and connect with 20 or more other systems. A next-gen OMS built on iPaaS reduces integration complexity: it can be up and running in 15–20 weeks.

> **"Order management has moved from a cost center for brands, to a true revenue driver. Retailers are uncovering the potential to curate their ideal customer experience while still recouping sunk cost from inefficiencies."**
>
> **Jim Barnes**
> EVP of Commerce Technology
> Körber Supply Chain

4 ways OMS optimizes the last mile

Now that we're on the same page about the value of a strong OMS, here's how to apply it toward your new last mile ownership plan.

1. Robust order-routing
Both for cost efficiency and to make sure orders are fulfilled from the best location. Target experienced 80 percent of digital sales' growth driven by same-day fulfillment options.[24]

2. Micro fulfillment allows you to control your brand
Employing OMS, drop to a physical store or dark store and then route, pick and fulfill from that store with your own fleet – all while still maintaining full control over the digital customer experience.

3. Real-time visibility
Keep customers up to date on order status via email, SMS etc. 51 percent of customers want real-time visibility on their orders.[25]

4. Extend cross-functional visibility and transparency to associates and customers
Extended cross-functional visibility includes a central view of orders, where customers are in the order lifecycle, complete access to modify, etc. Boosting last mile transparency is key to elevating customer experiences and optimizing costs.[26]

Your brand can drive the customer journey

In an "omni" world, the supply chain is more complex than ever. Customer expectations are always changing and increasing (same-day, next-day, Prime Now, etc.). It can make a person's head spin, but one aspect unlikely to change is last mile's cost – and the power in owning it.

Brands are wanting and taking more control of disparate aspects to ensure they can deliver on their customers' expectations. Technology is the best way for brands to innovate, take control, own their experience and delight their customers.

Learn how Körber's OMS can transform your business

Our market-leading order management system (OMS) is the cornerstone solution required for omnichannel retail success. Our functionally rich OMS – built as microservices architecture on a multi-enterprise integration framework and common data model – simplifies integrations, enabling retailers to implement in 4 to 5 months and in some cases, as little as 8 weeks.
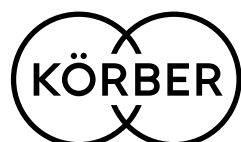
Learn more >

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About Radaro

Radaro is a global leader in last mile dispatch technology. With offices across APAC, the US and Europe, Radaro powers the digital-first last mile initiatives of some of the world's leading brands.

API first, integrating with OMS, WMS and TMS capabilities, Radaro has deployed more than 1,500 microservice SaaS platform implementations across the globe, to enable brands to control the complete digital customer experience (CX) and operational execution of their last mile.

www.radaro.com.au

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