



Same-day delivery: The True Gamechanger



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Overview:



Over the past few months customers have moved quickly to online shopping.

Retailers, across different verticals, are looking for ways to quickly deliver their products to customers.

Online grocery sales grew over 9% to a record-setting \$7.2 billion, compared to May's \$6.6 billion. This continued growth is driven by a 16% increase in the total number of orders in the past 30 days (85.0M vs. 73.5M in May) and relatively strong spending per order (\$84 in June vs. \$90 in May). - June 2020 Brick Meets Click/Mercatus Grocery Shopping Survey, US.

Retailers are faced with a need to immediately transition from in-store sales to fast and reliable delivery.

What is Same-day Delivery?

Same-day delivery implies delivery of products in less than 24 hours or within the same day.

For example, a customer processing a product purchase in the afternoon will receive it the next morning.

Although delivery does not take place on the same day, it is still called same-day delivery.

Same-day delivery is not a magical teleporting system to deliver products to customers. It involves tricky logistics to ensure that products reach customers in good condition and in quick time. Same-day delivery has truly pushed the boundaries of last-mile delivery.

This e-book will cover:

- Same-day delivery: A general perspective
- Prerequisites of same-day delivery
- Future of same-day delivery
- Why do consumers in the US prefer same-day delivery?
- What makes same-day delivery a real game changer in last-mile delivery?

Same-day delivery: A general perspective

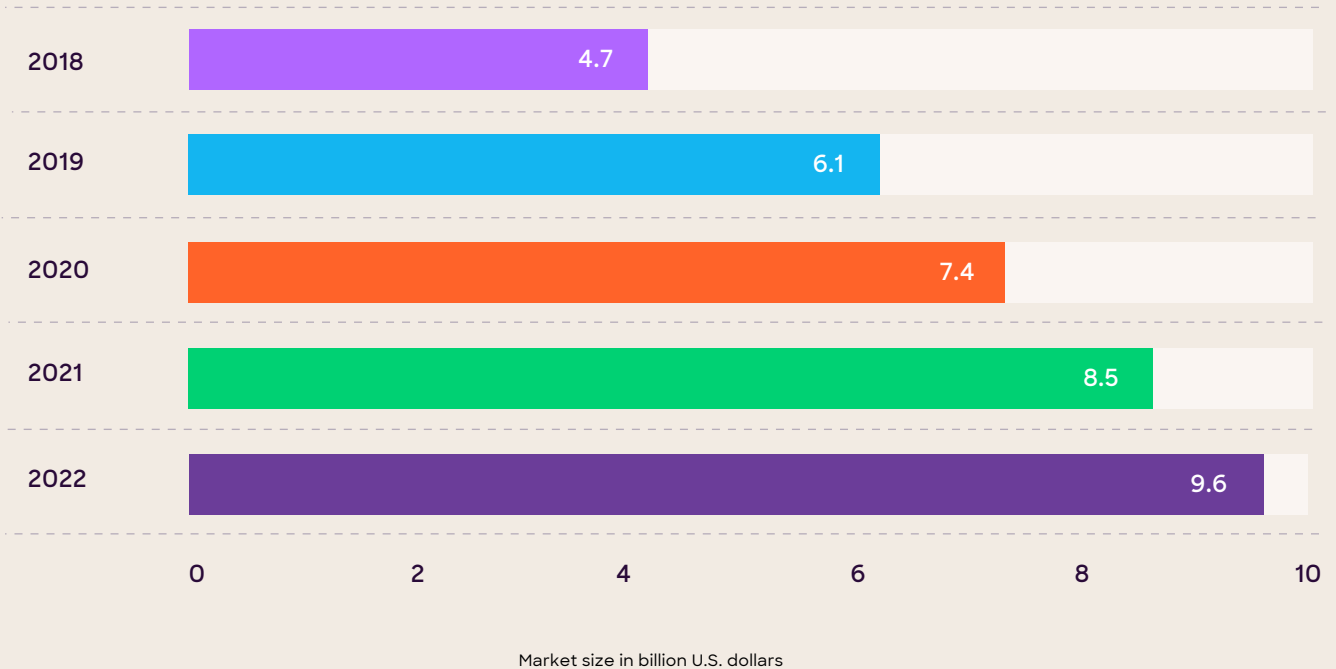
Same-day delivery of merchandise and groceries to consumers represented 249 million packages in 2018, which is only about 2 percent of all domestic parcel deliveries. - Same-Day Delivery: Implications for the U.S. Postal Service, January 8, 2020

Though same-day delivery is a rapidly growing market, it appeals mostly to urban millennials. Even if consumers are interested in same-day delivery, it only applies to urgent needs like medications and groceries. This was true until the COVID-19 global pandemic happened.

Same-day and instant delivery, however, are the fastest-growing segments in the last-mile environment, growing by 36% and 17% annually. - Future of the last-mile Ecosystem, Jan 2020, World Economic Forum.

The COVID-19 outbreak has ensured that speed of delivery is now important across most verticals. It is, in fact, a core factor of customer satisfaction. Outbreak has made same-day delivery more of a necessity than just a luxury.

Same day delivery market size in the US from 2018 to 2022 (Source: Statista 2020)



Why do consumers in the US prefer same-day delivery?

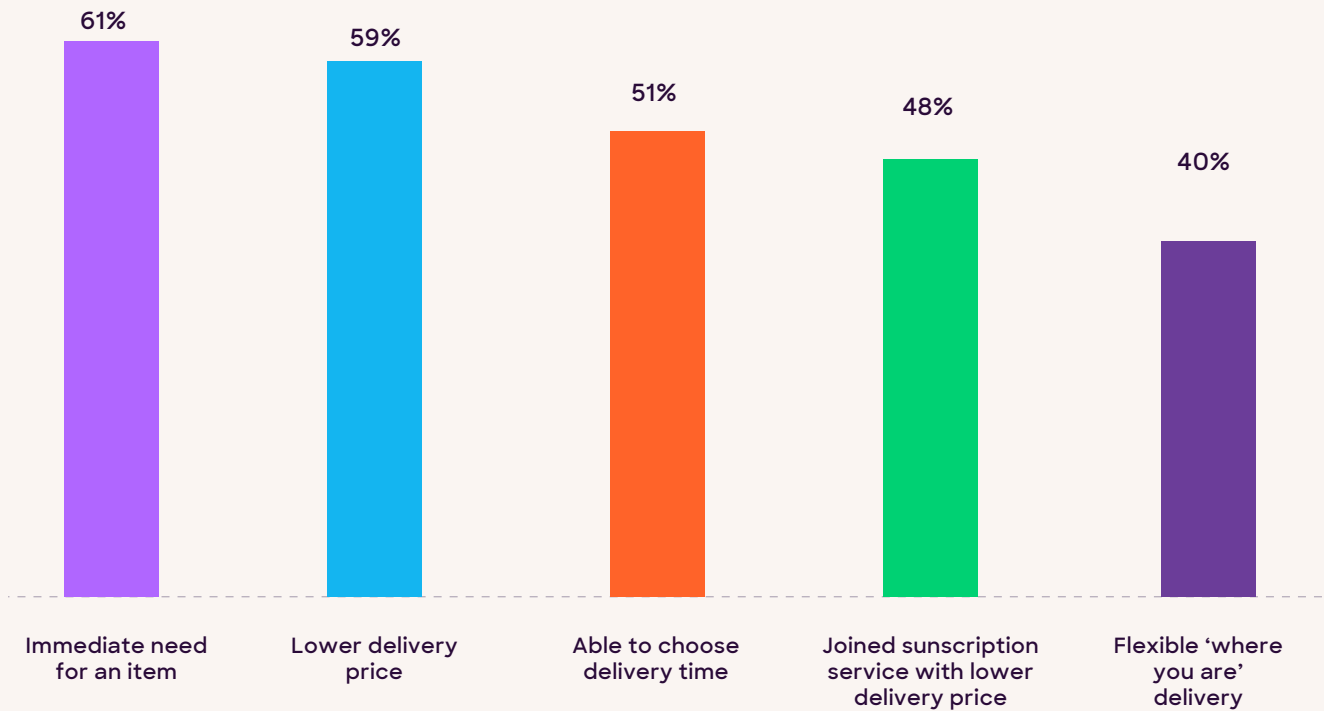
Consumers in the US prefer same-day delivery for many different reasons. Here are a few of them.

- Free delivery or a limited subscription fee
- Health emergency
- Fast delivery options
- Immediate requirement of food or drink
- Quick need of a gift, and so on.

Here are more insights on the US customers opting same-day delivery and what prompts them to do so.

What could prompt consumers to choose Same-day Delivery more often?

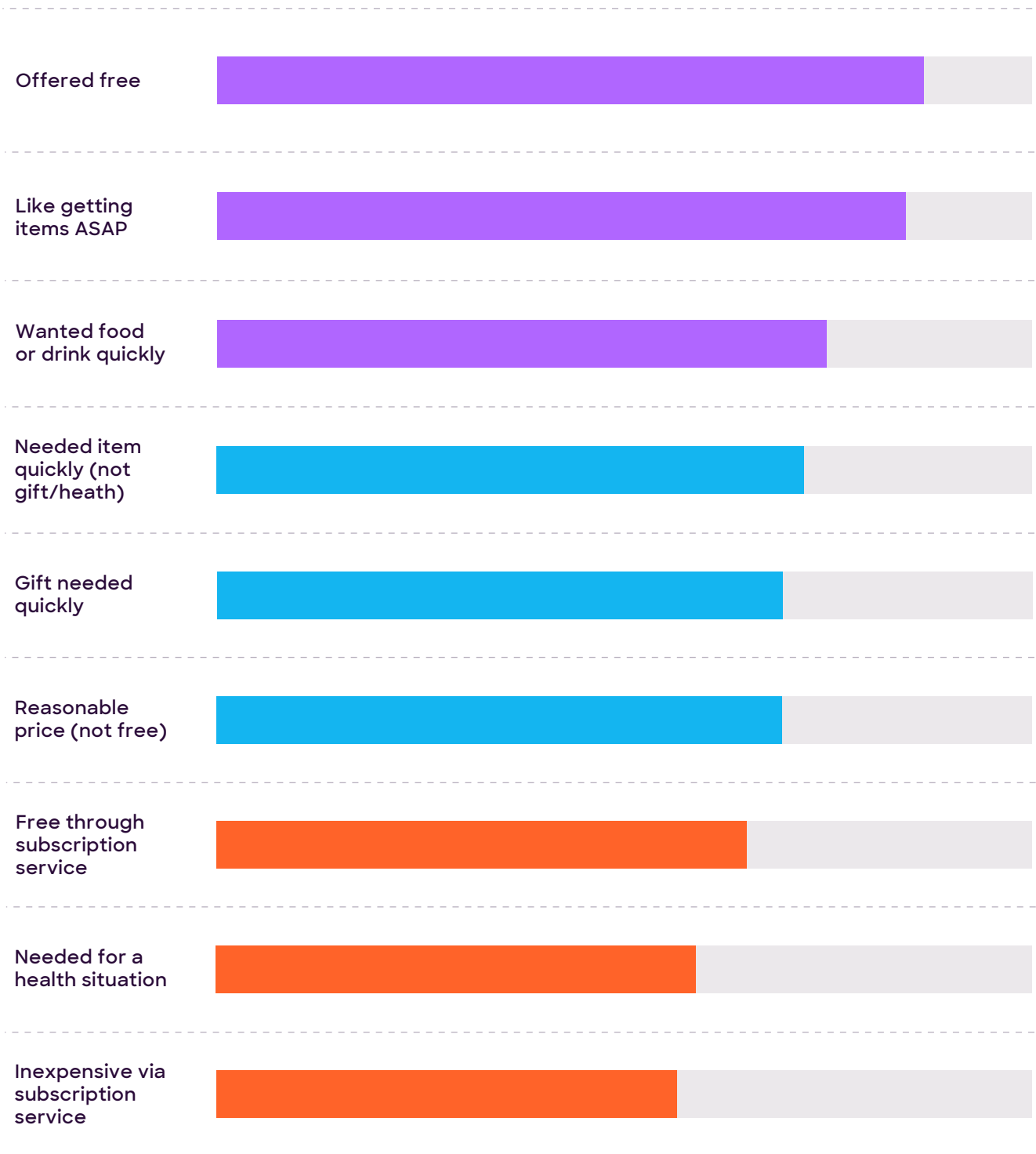
Six out of ten customers would choose same-day more often if they had urgent needs or delivery was cheaper.



Source: OIG online consumer survey (n=2,572)

Reasons for selecting Same-day Delivery

Three-quarters of customers say they choose same-day delivery when it free or because they like getting things ASAP.



Source: OIG consumer survey (Among same-day purchasers, n=1,062)

Pre-requisites of same-day delivery

There are four prerequisites for same-day delivery. They are:



Local availability of product



Real-time product visibility



Fulfillment capacity



Flexibility last-mile capability

- **Local availability of product:**

Retailers generating enough volume of locally available products for frequent pickups and deliveries are crucial for same-day delivery. Same-day delivery is a service that is limited only to some urbanized areas and not for the entire population of the country. With their network of stores, multichannel retailers already have local product availability. But online retailers should invest in building up a network of local warehouses.

- **Real-time product visibility:**

Real-time tracking in warehouses and outlets enables retailers to determine the availability of goods for same-day delivery during the checkout process. Retailers should invest in IT infrastructure to enable.

- **Fulfillment capacity:**

Retailers should make sure that their picking and packing processes are quick and fast-tracked.

Amazon has shown that investing in logistics infrastructure can reduce the lead time. Hence, retailers should develop their abilities to efficiently fulfill orders in-store, before shipping orders from the store.

- **Flexibility last-mile capability:**

[Dynamic routing](#) helps to respond to new shipment requests instantly. It [ensures great customer satisfaction](#).

What makes same-day delivery a real game changer in last-mile delivery?




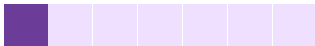

The changing customer expectations, rapid e-commerce adoption, and increasing urbanization are crucial factors driving same-day delivery. Same-day delivery has genuinely changed the general perspective of **last-mile delivery** in many ways.

Same-day delivery = Convenience of online shopping + Quick Product access

The rising share of online retail has been a driving force for the evolution of quick and efficient delivery services. The next-day or same-day delivery is an industry-standard in developed countries. But the upcoming evolutionary step is affordable same-day delivery.

Same-day delivery enables delivery of orders within a few hours after purchasing them or in a **preferred time-window in the same-day**. It has redefined the last-mile delivery from a mere delivery to people to ensuring a delightful customer experience.

Evolution of B2B parcel delivery

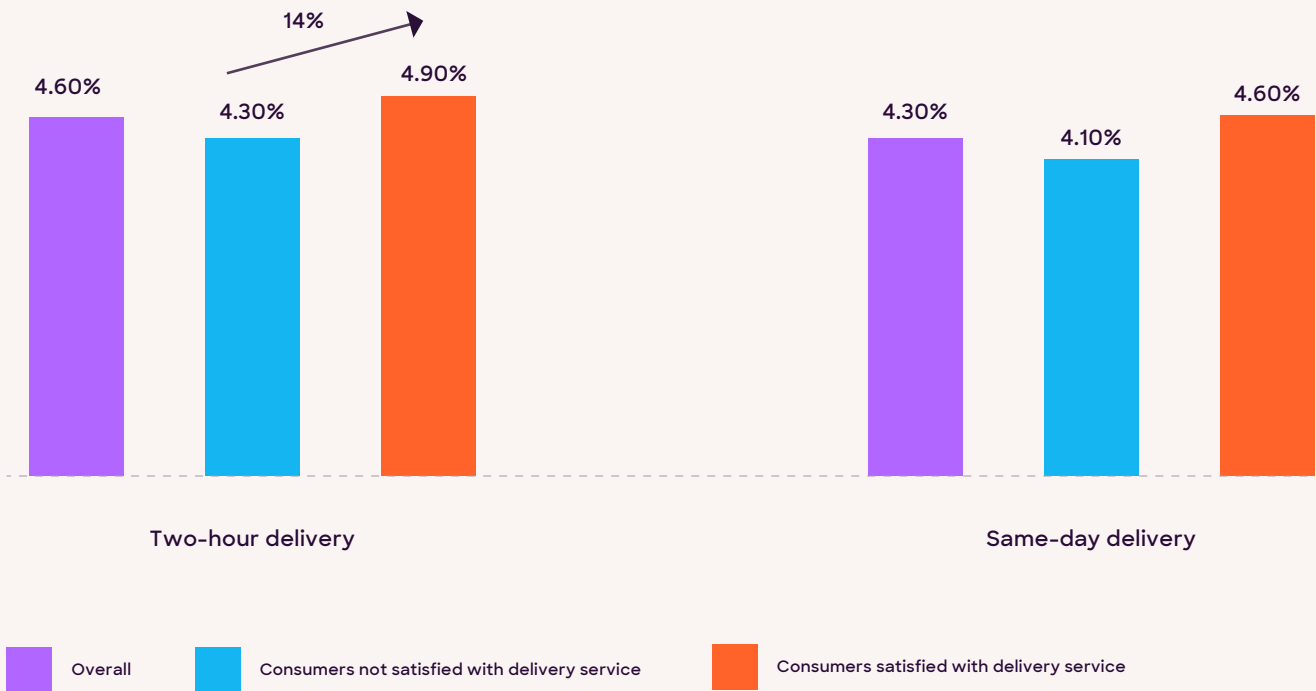
	Deferred Delivery	Next-day Delivery	Same-day delivery
Delivery time	 3-5 days	 1 day	 1-12 hours
Typical use case	<p>Mail-order deliveries</p> <p><i>"I want to try on those clothes i found in the catalog at home and I don't mind waiting for a couple of days."</i></p>	<p>E-commerce deliveries</p> <p><i>"I want to get the new camera I found online for a cheaper price than in the electronics shop as quickly as possible, otherwise I'll just buy it in the shop."</i></p>	<p>Urgent deliveries</p> <p><i>"I need a new suitcase before tomorrow, but couldn't find the one I like in the shop next door. I don't have the time to check out other stores, but I need it today."</i></p>

Willingness to pay higher delivery charges for fast delivery

41% of consumers are willing to pay a charge for same-day delivery while nearly a quarter (24%) of shoppers said they would pay more to receive packages within a one- or two-hour window of their choosing. - Pwc, Global Consumer Insights Survey, 2019.

Consumers, especially in the metropolitan areas, are willing to pay a premium for same-day delivery. This provides an opportunity for companies to balance their [last-mile logistics costs](#).

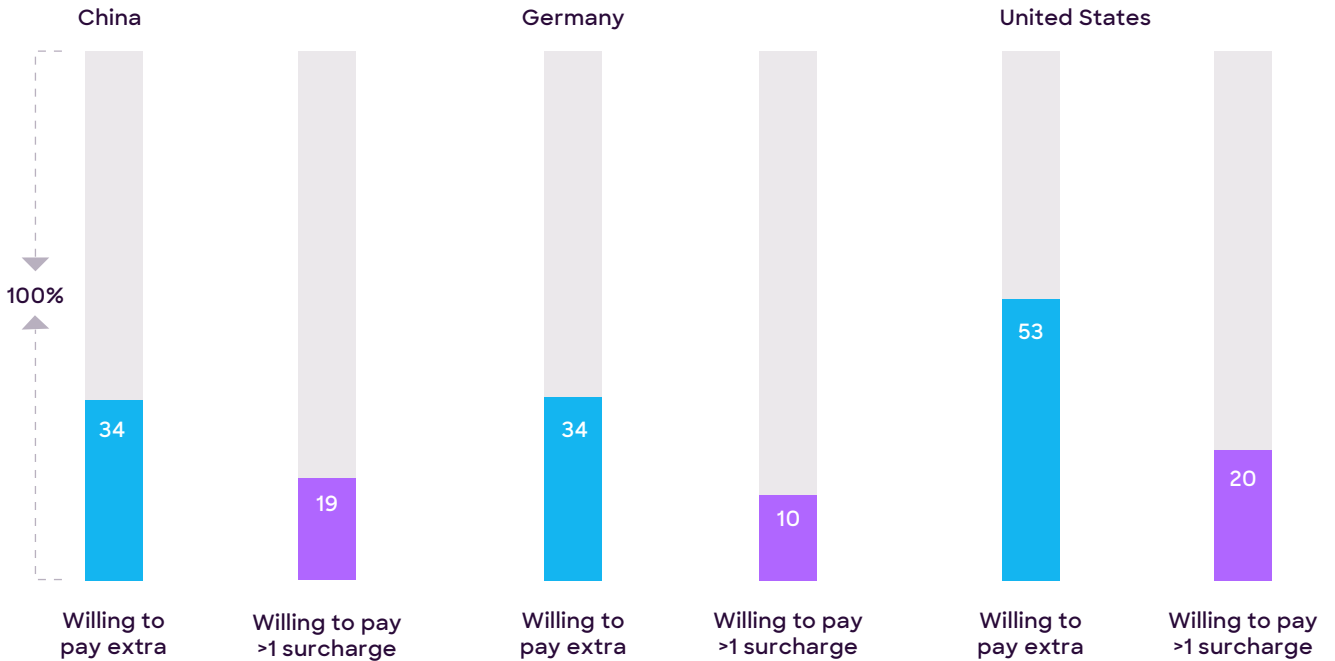
Percentage of the order value consumer are willing to pay for delivery



Consumers from the highly developed urban areas have great expectations for delivery. Despite the limited willingness to pay extra for same-day deliveries, the US consumers have at least a general interest in it. The acceptance of higher fees for faster delivery varies between countries.

Acceptance of higher fees for faster delivery varies by country.

Willingness to pay for same-day delivery, % of respondents (n=4,700)



Source: McKinsey Future of Last Mile study

Market developments around same-day delivery

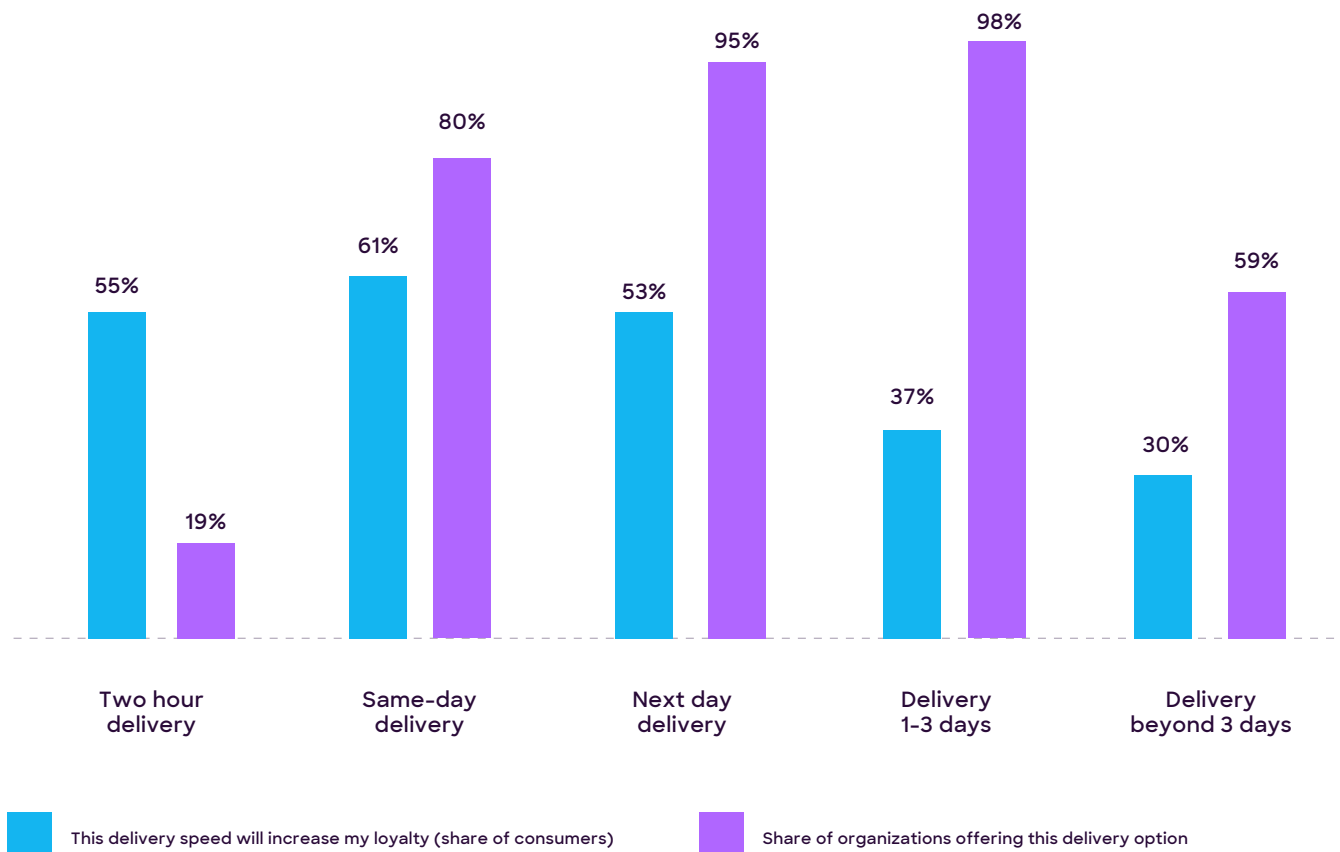
- Dot com era**
 Startups like Webvan and Kozmo identified same-day delivery as an opportunity. But they failed to build a sustainable business model around it.
- Amazon ups its game**
 Amazon, after the 2010s, had started to develop same-day delivery in several cities.
- Walmart and Alibaba add multi-channel**
 Walmart and Alibaba are upping their same-day delivery ante too.

Builds Customer Loyalty

55% say that a two-hour delivery option would increase their loyalty and 61% say the same for same-day delivery. But when delivery moves out to three days or more, only 30% say this will increase their loyalty.

Source: Capgemini Research Institute, Last-mile delivery consumer survey, October–November 2018.

Faster delivery options, like same-day delivery, increases customer loyalty. Despite the opportunity, only 19% of firms offer two-hour or quicker delivery. Developing faster delivery options enables a firm to meet its consumer expectations and differentiate themselves from their competitors.



Source: Capgemini Research Institute, Last-mile delivery consumer survey, October–November 2018, N=2,874 consumers; Capgemini Research Institute, Last-mile delivery executive survey, October–November 2018, N=500 executives.

Same-day delivery: A Necessity

23% of online shoppers do not mind paying additional shipping fees to receive their parcels on the same day. Parcel Delivery, The future of last mile, Mckinsey and Company, Sep 2016.

Customers want their orders delivered to their doorstep, even if it means premium prices. Thus, next-day delivery has become a matter of the past. Same-day delivery is no longer a luxury but an inevitable necessity. If retailers cannot satisfy customer's appetite for same-day delivery, they will risk losing the market.

New Delivery solutions and models to develop same-day delivery



Same-day delivery requires processing and delivering an order within a few hours. This complex challenge demands new types of networks. The present processes that logistics providers use are not suited for same-day delivery at scale.

Managing a large volume in a same-day delivery network demands extensive upfront investment. Logistics businesses require a sophisticated asset and capability base to reach an optimum speed for same-day delivery and achieve higher price point for their service.

Logistics businesses have started to create networks to fulfil same-day delivery at scale. Three archetypes have been identified for this purpose. They are:

- **Brokers of courier capacity**

Retailers use some broker platforms to offer scheduled delivery and provide access to existing courier capacity

- **Multichannel retailers building their own fleet**

Some giant E-commerce companies maintain their own fleets to handle same-day deliveries. They add additional charge to the product's rate.

- **Parcel logistics provider enabling same-day delivery**

It involves transportation through existing logistics providers with an additional delivery charge. The infrastructure and processes of parcel logistics companies are optimized for next-day delivery. Their biggest challenges are to enhance existing assets and capabilities. As same-day delivery requires intra-day pickup and delivery with a maximum of one transition point, parcel logistics providers struggle to offer it. It is the cost constraint and delivery volume that determine all the three archetypes of same-day delivery networks. These same-day network models have helped logistics businesses to execute cost-effective last-mile deliveries.

Backroom Automation for same-day delivery



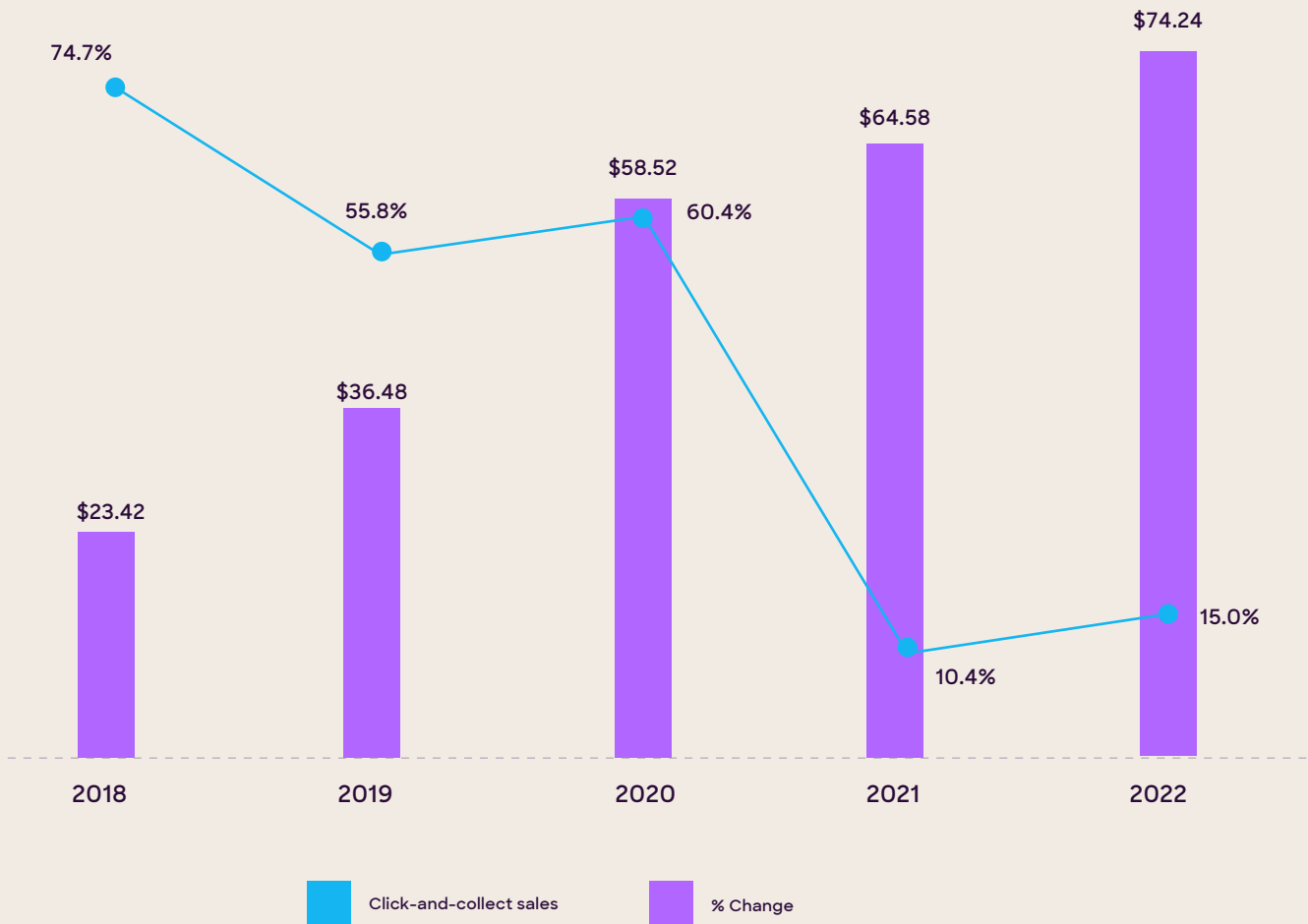
89% of organizations are now investing in mechanization and automation of store backrooms to help expedite fulfillment and deliveries. -Capgemini, The Last-mile delivery challenge, 2019.

Customers are increasingly turning towards same-day delivery and click & collect services. A higher proportion of in-store sales come from online orders. Thus, retailers should seriously explore the amount of space dedicated to sales floor backrooms that act as mini-warehouses.

Mechanization and automation become crucial to execute fulfillment of orders. Hence, retailers are investing in technologies that support the mechanization and automation of store backrooms.

Backroom automation could potentially increase profit margins by 14% by reducing the fulfillment cost for click-and-collect orders and deliveries from the store. - Capgemini, The Last-mile delivery challenge, 2019.

US Click-and-collect Sales, 2018-2020



Source: emarketer, May 2020

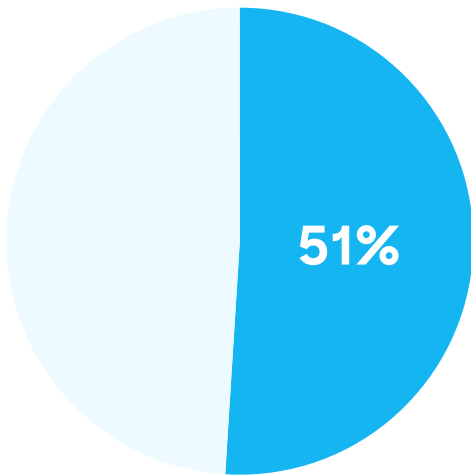
Developing countries leapfrogging in same-day delivery

Most retailers in less developed countries do not provide same-day delivery services. Only rapidly growing E-commerce players like Alibaba, JD, Dafiti, Submarino, Tencent, and so on invest in these services.

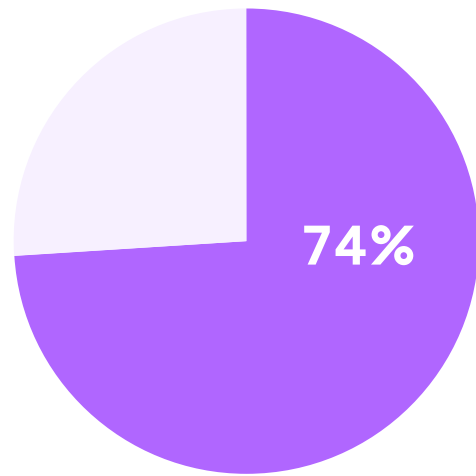
Some E-commerce players invest a massive amount of money into their own logistics infrastructure. The online players in less developed countries are adding warehouse fulfillment and last-mile abilities into their operations.

Example: Alibaba, a Chinese E-commerce platform, plans to enable same-day delivery in over 2000 Chinese cities. JD, Alibaba's primary competitor, offers same-day delivery with its own logistics infrastructure in more than 25 cities. Retailers in developing countries are looking to introduce same-day deliveries in big cities. Dafiti in Sao Paulo is an example.

Same-day deliveries in Southeast Asia



*Customers Preferring Same Day Delivery Services**



*Customers Who Are Willing to Pay More for Same Day Delivery**

Source: Tech logistics in SEA by INSEAD

Future of same-day delivery



Logistics businesses are aiming to achieve higher levels of efficiency through extended service hours at a lower cost. Technology innovations have potential to shorten the average delivery time to just a few minutes.

The future of same-day delivery is going to be a blend of localized supply chain networks with innovative technologies like automated warehouses, driverless vehicles, and drones.

Automated Vehicles or Driverless Vehicles

A new study conducted by research firm Strategy Analytics and commissioned by Intel predicts that driverless vehicles will constitute a \$7 trillion economic value by 2050, with \$4 trillion from consumer use and another \$3 trillion from business use.

Most countries are facing a shortage of truck drivers with a simultaneous rise in volume of orders. Logistics experts are of the view that by 2025, companies will be forced to employ autonomous and driverless vehicles.

As goods start getting delivered to homes directly through autonomous vehicles, it will impact in-store purchases and also convert brick-and-mortar stores into experience centres and fulfilment nodes. It will turn drivers into customer executives and supply chain experts.

Drone delivery adding a new dimension to same-day delivery



75 percent of all recipients in the US live in cities with less than 50,000 inhabitants - and all other delivery models are far too expensive or not feasible. So drones may be the only solution to offer same-day and time-window services in rural areas Parcel Delivery, The future of last mile, Mckinsey, Sep 2016.

Today, if we run out of some product we take a vehicle, visit a nearby store and purchase it. The advent of drones can change this. A quick visit to a website and a few clicks of the mouse can bring the desired products to home.

To provide a 30-minute or less delivery promise through drones, a logistics business requires warehouse and dispatch centers sprinkled all over the country. There are high chances for hyperlocal and suburban retail outlets to function as drone delivery dispatch centers.

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