



# LAST MILE CHALLENGES IN THE ECOMMERCE ERA CAN BE SOLVED

Nowadays, last mile deliveries have become a key differentiator for companies. The more empowered consumers of today with new expectations have made the last mile such a challenge companies can hardly overcome.

To survive in the new eCommerce era, incorporating cutting edge technologies, entering into strategic partnerships, and creating new business models are paramount.



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## Three enablers are paramount for online-retailer to overcome the challenges of the last mile

Recent years of change within eCommerce combined with new performance requirements forge several challenges for the online retailers. Three specific enablers may solve these challenges as described in the figure below.

In this article we will shortly describe the most important changes and the challenges which last mile situations create and analyse what winning companies do to overcome these and be in front of competition when the consumer / customer needs to be won – without compromising profit.

## What changes have made last mile so important now?

The main changes leading to the tremendous importance of the last mile now more than ever are:

1. The Competitive environment;
2. The empowered customers or consumers of today;
3. Advancement in technology

The exponential growth of eCommerce in the recent year has turned the traditional supply chain on its head. The shift from brick and mortar to online retail has affected the last mile deliveries so tremendously that it has now become key differentiator for online retailers. The giant Amazon has been a driving force for these changes and revolutionized eCommerce and fulfilment. However, this change has in large part been driven by the more empowered consumers of today who will unlikely give a company a second chance if it fails to meet their expectations. Customer expectations have altered as they now require faster, flexible deliveries with more transparency at lower cost, including returns at no cost at all. Personalized delivery experience is becoming just as vital to customer satisfaction as the online shopping experience.

Other changes include technology advancements which has evolved next-day delivery into same day and one-hour delivery. To remain competitive in the coming years companies must immediately step up and invest time and money for better delivery operations. These changes during the recent years are the reason why last mile challenges have become a vital issue now more than ever.

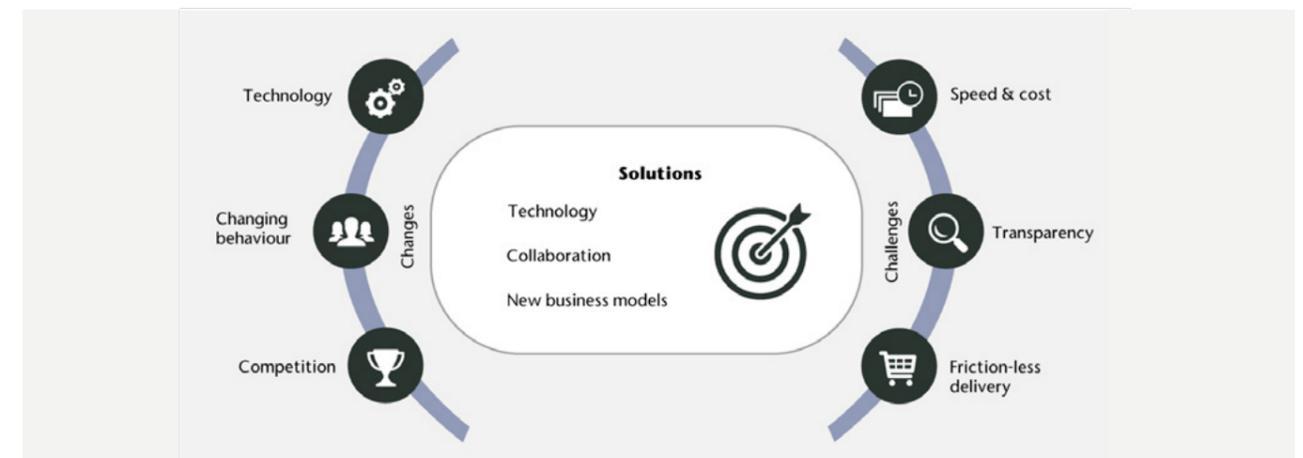


Figure 1: By Zahra Azimi, Synchronic ApS.

### What are the challenges of last mile?

The challenges of the last mile can be traced to the following three factors: 1. Cost; 2. Real-time transparency; and 3. Friction-less deliveries.

Number one challenge of the last mile – fulfilment, delivery, return, and post-purchase services - is cost. In general, around 30 % of the delivery costs to a business belongs to the last mile. Often this gets passed to the customer or consumer, though when it does not, the bottom line gets compromised. Since consumers of today expect free or low-cost shipping, passing these costs to customers is no longer an option.

Last mile delivery cost is not something new. However, returns, inconsistent demand such as higher volumes of purchases during holidays and new expectations regarding same-day / on-demand delivery has put greater strain on the budget. In addition, poor infrastructure, type of goods that decides the extent of planning, high volume of B2C deliveries – where the costs of fuel and time wastage must be allocated to just one package -, and customer nuances which include phenomena like incorrect address, remote locations, cramped locations, absence of the customer to receive the package, returning orders, sudden cancellation of orders etc. all add to the cost of the last mile.

Other challenges of the last mile are transparency and friction-less delivery. Consumers of today are no longer satisfied by the tracking codes as they now desire to have full, real-time visibility over their deliveries. This means that they want to be able to track the driver in real-time and to see exactly when they will arrive. Additionally, they want faster and frictionless deliveries which concerns customer inquiries about their delivery and requests about how it should be delivered for better overall delivery experience. All desires that are hard to sustain for companies.

Though there is no ‘one size fits all’ solution for offsetting the expenses of the last mile, planning and creating efficiencies throughout the supply chain go a long way to neutralize its effect and result in lowering the expenses associated with the last mile.

### How do the winning companies manage last mile challenges?

The many challenges connected to the last mile have resulted that even the giant Amazon are still tweaking around with different strategies to manage the last mile. Though no one seems to have figured it out yet, successful last mile delivery providers make use of a set of different strategies to over win the challenges. Strategies which include incorporating:

- A** Cutting edge technology into their businesses
- B** Entering into strategic partnerships
- C** Developing new models that enhance the management of the many returns and meet new customer concerns in the most effective and efficient way.

### What are the challenges of last mile?

The challenges along with many customer requirements are increasingly complex and if not impossible to fulfil without considering technology. To keep costs in check and meet the new customer expectations, cutting edge technologies such as drone, robots and autonomous vehicles for faster and more efficient deliveries are utilized. Things such as automatically dispatching to the right delivery person, in the right area, at the right time can help increase efficiency and decrease delivery time.

Whereas technology that enables open communication between the customer (consumer) and the company, as well as real time visibility over their deliveries, result in friction-less deliveries.

Nowadays, customer communication is essential. Providing timely notifications throughout the delivery process ensure customer satisfaction and keeping a happy customer base .

Better last mile route planning software is used for increased efficiency and enhanced customer service. To bypass the problem of costly single-packaged B2C deliveries, winning companies appoint company lockers like malls, shops, post offices, gas stations etc. and utilize their brick and mortar shops as delivery hubs . As the supply chain grows more complex and interdependent, strategic partnerships and higher level of collaborations are a necessity.

Other beneficial solutions are data collection and analytics which on the one hand provide valuable customer insight and on the other hand enable to keep these vital operations run smoothly. The latter regard the organizations ability to streamline the flow of goods on their supply-side in most effective and efficient way to obtain competitive advantage with customers on the demand -side. A good example is Amazon FLEX .

Since last mile is a two-way street, how one manages returns can also make or break a business. Hence, the online retailer of today most create new business models for addressing new consumer concerns in more effective and efficient way. An example could be increasing the number and the spatial spread of the distributions centres which can establish a closer proximity to the customer and lead to shorter delivery and return time along with minimized fuel costs.

## Amazon FLEX

Amazon has fully automated its warehouses to streamline the flow of goods on its supply-side.

For its last mile deliveries, the giant has introduced the Amazon FLEX concept which enables anyone to become a FLEX driver who delivers the last mile deliveries using Amazon FLEX app, which entails following steps:

- Step 1:** Grab a ‘block’ through the app;
- Step 2:** Go to the warehouse/ Fulfilment centre (FC);
- Step 3:** Check in and receive a pre-sorted rolling shelf of goods for the route;
- Step 4:** Scan and pack the packages into the car;
- Step 5:** Follow the FLEX app GPS that navigates you to the addresses; and
- Step 6:** Take a picture of the packages delivered at the door of the customer.

Since the drivers are employed on FLEX and are only get paid on an hourly basis, Amazon is not obliged to pay employee insurance. Consequently, this concept enables Amazon to bring down the cost associated with the last mile deliveries.

Besides, the FLEX app does not only provide Amazon real-time tracking but also enable the company to collect data about the delivery, the driver and the time it takes to deliver a package from a fulfilment centre to an end customer. Running analytics on the data collected provide valuable insight and enable real-time decision making to enhance the effectiveness and efficiencies of the last mile deliveries.

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