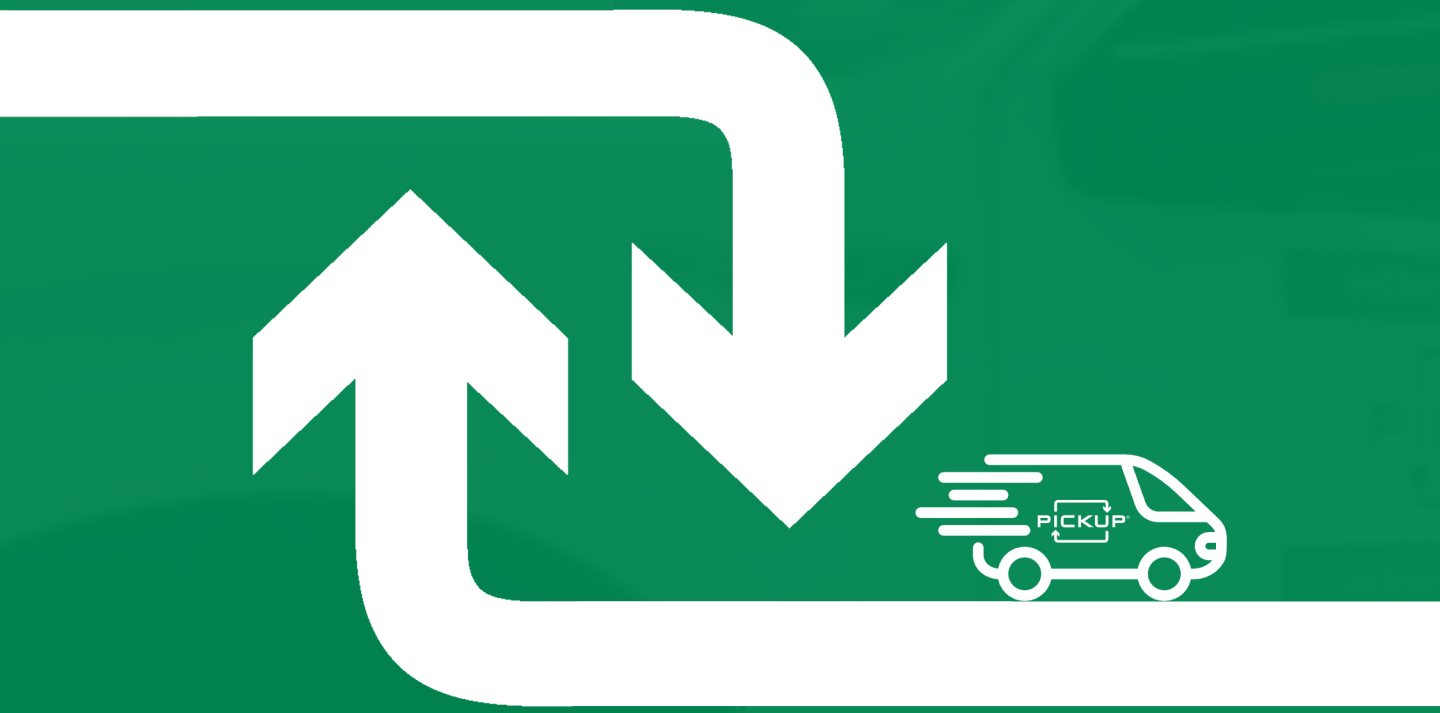
2022

Navigating the State of **Last Mile Logistics**



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Executive Summary

Everybody feels the impact of logistical challenges. The past two years of the pandemic have demonstrated the ripple effects of supply, demand, and growing customer expectations.

When we look back in time, we see how the last-mile logistics industry has adapted to meet the needs and wants of consumers. There are plenty of success stories showing how businesses have adapted appropriately, like Amazon and Target, even in the face of something as unpredictable as a pandemic.

However, a number of financial failures demonstrate what happens when businesses don't meet or correctly understand the ever-changing expectations of their customers.

understand
customer expectations

learn how to
orchestrate & optimize last mile

Whether it's Webvan in the late 1990s, ToysRUs.com, or the hundreds of thousands of businesses in the past two years, consumers have communicated that they hold the true power.

It's easy to understand why a company may feel overwhelmed when developing or reevaluating its programs for last-mile logistics in 2022. They face challenges such as **cost, routing efficiency, predicting delivery density, unpredictability in transit, customer availability issues, and outdated tech**. And research shows that at the center of all of this is the increasingly unforgiving consumer, willing to part ways with a retailer after only a single negative experience.

The good news is that organizations can navigate the state of last-mile logistics in 2022 by first understanding customer expectations and then learning how to orchestrate and optimize their last-mile logistical processes.

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Introduction

Logistical challenges impact everyone. You don't have to be on the executive team of a major company to experience disruptions in the supply chain. Anyone who's tried to purchase vehicles, furniture, or essentials has probably noticed significant shortages in stock and worsening delays.

And while customer expectations for delivery are higher than ever, the stakes for businesses to deliver are equally as high. Poor delivery experiences reflect negatively on companies, whether or not they are at fault.

While some issues are out of the control of most businesses, there are several areas where companies can evaluate their last-mile logistical strategies and identify places they need to adapt.

We'll take a look at how the industry has developed alongside technological advancements and overcome challenges presented by numerous sources. By reviewing the successes and failures of past and current companies, we'll see why some organizations are able to navigate the choppy waters of last-mile logistics and why some ultimately drown.

The Fluidity of Last Mile Logistics

It's easy to examine the current state of logistics and conclude that we're facing the most difficult problems the industry has ever seen. After all, it's not often that the world experiences a pandemic that essentially ceases all business operations for two years. However, history has shown us that no challenge has proven to be impossible to overcome.

The logistics industry, especially for the last mile, has a background of fluidity. This is possible because key players have demonstrated adaptability when it mattered most. It's usually the businesses that fail to understand the past, present, and future of consumerism that don't last.

adapting to current and foreseeable trends is a precise process

Imagine if we still had to order goods and services from a catalog. You'd snail mail your order information and payment to the business and would maybe receive your product six weeks later. The idea is archaic now, but for the time it was the most practical and convenient method of doing business.

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As technology advanced, so did the ways we get our goods. But adapting to current and foreseeable trends is a precise process. As retailers began offering eCommerce in the mid to late 1990s, many made huge mistakes. Some were fixable while others did irreparable damage.

Failure to Adapt

There's a good chance you've never heard of the online grocery store, Webvan. The company decided to build its distribution infrastructure from scratch. It seemed pretty impressive at the time, as it included real-time inventory management algorithms, delivery routing, and real-time delivery confirmation. However, because they bit off more than they could chew at the time, the company went bankrupt in 2001 after only existing for three years. To their credit, Webvan tried to adapt, but they overshot the mark.

$218B

extra eCommerce contribution to bottom line over the past 2 years

ToysRUs.com, on the other hand, came up short with their adaptations. In 1999, to keep up with the competition, the toy store promised that all purchases made before December 10th would be delivered in time for Christmas. Even though they had the inventory; they had multiple website issues and lacked the workforce necessary to fulfill the orders. Two days before Christmas, the retailer sent out "We're sorry" emails informing customers that their orders would not arrive on time. Even though the store recovered from the incident, it eventually failed to adapt in a way that would keep the business sustainable.

Over the next decade or so, businesses were forced to adapt at lightning speed. In 2005, Amazon began offering the fastest shipping times by rolling out Amazon Prime, their solution for two-day shipping. Ever since then, local and national retailers have been trying to catch up by offering the quickest shipping and delivery solutions they can provide.

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Because they anticipated the needs and desires of consumers, Amazon eventually began offering next-day and same-day delivery. They raised the bar again, spurring all other retailers to adapt.

We now find ourselves in another period of rapid advancement. The pandemic forced the hands of the businesses that had yet to catch up. According to the World Economic Forum, business-to-consumer parcel deliveries rose by about 25% in 2020 alone, with 10-20% growth expected to remain post-pandemic. Digitalcommerce360 says the pandemic contributed an extra $218.53 billion to ecommerce's bottom line over the past two years. The additional income was not experienced by all, though. Roughly 200,000 businesses closed for good during 2020. Notable bankruptcies include J. Crew, Tailored Brands, GNC, and J.C. Penney.

Not all recent closures can be directly attributed to the failure of the businesses to navigate the current state of last-mile logistics. There are many factors in play. However, if there's one area that businesses should focus on when it comes to adapting, it's the customer experience.

Challenges Facing Last-Mile Logistics in 2022

Cost
Meeting customer demands for high-quality speedy deliveries can be a pricey endeavor. When you factor in fuel, labor, complex routing, and penalties for delays, last-mile delivery accounts for an average of 53% of the total cost of shipping.

Routing Efficiency
To reduce costs and improve delivery experiences, planning efficient routes is a must. However, it's a difficult task dependent on a multitude of factors such as fuel efficiency and sustainability. The pressure of efficient route planning is so great, that failure to do so correctly can result in delayed or missed deliveries, thus negatively affecting the customer experience.

Predicting Delivery Density
Businesses must strike the right balance of having the appropriate delivering capacity. An excess of drivers equals wasted resources. However, being overwhelmed with orders and unable to deliver them in the expected time frame is harmful to the company's image and will hurt the business in the long run. The challenge of juggling delivery volumes with existing delivery processes is becoming more difficult.

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Unpredictability in Transit
The task of developing a last-mile logistics solution based on measurements, data, and calculations is difficult enough. Organizations must also predict the unpredictable in the delivery process. Many factors are uncontrollable, such as weather, sudden road closures, vehicle collisions, and even runaway bulls.

Availability of Customer
Even after demanding deliveries in their desired timelines, customers will miss their scheduled delivery appointment. There are instances where customers are unable to make themselves available or experience schedule conflicts and the onus is with the retailer to make it right.

Outdated Tech
Retailers who lack the necessary tech infrastructure will fall behind competitors who have invested in it. Without the right tools, there are many challenges that last-mile logistics can introduce or amplify, like poor order visibility, scheduling issues caused by confusion or miscommunication, and ambiguous inventory levels.

Customer Expectations

Customers have been conditioned to get what they want when they want it. As soon as a need or want is fulfilled, they only want something bigger, better, faster, newer, etc. It's the reason why we don't order from catalogs anymore. Companies that can't or refuse to cater to the growing expectations from consumers for elevated last-mile delivery experiences will be left in the dust.

A report from Anyline, a mobile data capturing company, shows that each generation has less patience for negative delivery experiences. 57% of Silent Generation respondents said they would reconsider shopping with a company again after a poor delivery experience. The figures rose to 72% among Baby Boomers, 76% for Generation X, 81% for Millennials, and 86% for Generation Z.

To elevate last-mile deliveries, companies must look at the factors influencing consumers' shopping decisions.

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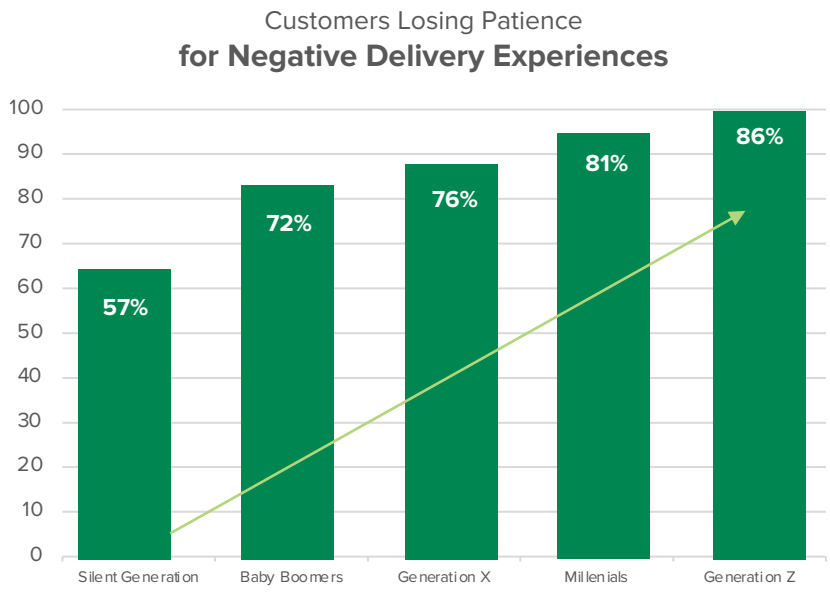

Source: Anyline

Speed

Customers have been conditioned to get their purchases immediately. 56% of online consumers between the ages of 18 and 34 years expect to have a same-day delivery option and 96% of customers consider "fast delivery" to mean same-day delivery. Having a solution for "fast delivery" is critical to attracting and retaining customers.

Even though faster delivery may seem cost-prohibitive for some groups of people, the report from Anyline suggests otherwise. Younger consumers will pay significantly more for speedy delivery than older generations. 7 in 10 Millennial and Gen Z shoppers are willing to pay more than $10 for same-day delivery, while half would also pay $10 for next-day delivery. Clearly, the desire for customers to have their purchases arrive on time and as quickly as possible is only going to grow.

Communication and Transparency

83% of shoppers expect regular communication about their orders. It's too large a number to ignore. Businesses must adapt their last-mile logistics strategy to include transparent communication. The customer should be informed at every step of their purchasing journey.

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The key points include:

- Order confirmation
- Delivery schedule confirmation
- Who to expect
- When an order is picked up
- Estimated delivery time that updates in real-time
- Notification of any delays
- Delivery confirmation
- Rate changes
- Other preparatory needs

In addition to the messages getting to the customer, they should be able to contact the store, delivery team and customer support with any questions or concerns they may have. If there's a delay, it's their right to inquire about it. And, if an item was delivered damaged, they should immediately be able to contact the right party to get the issue resolved as quickly as possible.

Convenience/Control

Customers have demonstrated that they want to have full control over when, where and how their purchases are delivered. In fact, almost 9 in 10 shoppers (88%) want the ability to redirect deliveries en route. "With the impressive growth of delivery volume since 2020, consumers' expectations for control over their deliveries has also intensified," said Lukas Kinigadner, CEO and founder, Anyline. Therefore, flexibility and convenience must be offered with every delivery.

Retailers can satisfy customers by offering a variety of delivery options. The ability to plan deliveries around work and other commitments is a major selling point. Consumers are more likely to move forward with a purchase if they can select exactly when it will be delivered. 77% of global consumers have abandoned their purchases because they didn't like the available delivery options. And according to McKinsey & Co., over 60% of customers will abandon purchases of big and heavy items if there's no delivery solution available.

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Environmentally Sustainability
More and more, consumers are looking beyond themselves for reasons to do business with a company. Currently, a deciding factor for shoppers is whether a business meets their expectations around environmental sustainability. According to Gartner, 54% of customers will only do business with companies that practice environmental and social sustainability.

This is an issue relevant to all providers of last-mile logistics. Even though drones and robots are beginning to make deliveries, carbon-emitting vehicles are what's getting products from point A to point B. Now is the time to set yourself apart by investing in a carbon offsetting program.

Delivery as Brand Extension

A wise approach to last-mile logistics is to think of delivery as an extension of your brand. In fact, customers don't care whether a business has its own delivery infrastructure, or they use a third-party logistics partner (3PL). If a contracted delivery person does a bad job meeting a customer's expectations, there's a good chance that the customer will still blame the business. 41% of consumers place the blame for late deliveries on retailers regardless of who is at fault.

In this current climate of "one strike and you're out" shoppers, Anyline concludes that brand loyalty is weaker than ever. Whatever your solution for last-mile logistics is, the factors listed above must be addressed in a way that positively represents the brand.

Orchestrating and Optimizing Last-Mile Delivery

The only way to keep up with current and future customer expectations is to orchestrate last-mile logistical processes. When expertly executed and maintained, orchestration and optimization address the challenges facing the industry in 2022.

The Necessity of Being Tech-first
The key piece of the puzzle is technology. With such advanced tech at our fingertips, businesses can have the tools they need to become more proactive about deliveries rather than reacting to hurdles after they arise.

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The latest Gartner Hype Cycle Supply Chain Study explains that logistics visibility, mobile supply-chain execution, track and trace, and carrier and supplier appointment scheduling are well advanced in delivering value. The report stated, "By orchestrating every aspect of deliveries, companies can maintain full visibility and control that they can then share with their customers. This leads to more predictability. Effective orchestration systems include real-time tracking, route optimization, status updates, automation, and proof-of-delivery. Using advanced systems will also supply indispensable data necessary for making informed decisions about how to optimize operations."

Orchestrating the Right Delivery Model

A robust last-mile delivery technology stack can accommodate any delivery model a business desires, allowing for a BADA (Buy Anywhere, Deliver Anywhere) model. Without limitations, a company can decide which model will bring their customers the most elevated delivery experience possible. Any of the following models can be successfully implemented:

BOPIS (Buy Online, Pick Up In Store)
Rather than waiting for a delivery, customers can shop online and pick up their purchases in-store or at any location when convenient for them.

BODFIS (Buy Online, Deliver From Store)
With this model, shoppers receive their orders at their homes directly from the store, not a warehouse or distribution center.

Port to Door
To further reduce the number of logistical friction points, products are delivered directly from ports or terminals, eliminating stops at multiple centers and checkpoints.

Distribution Points
Here, deliveries come from distribution centers strategically positioned in a geographical area rather than a store.

> "By orchestrating every aspect of deliveries, companies can maintain full visibility and control that they can then share with their customers. This leads to more predictability.

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Conclusion

Investment groups and large corporations have demonstrated their complete understanding of the current stakes of last-mile logistics. Rather than developing their own systems, many companies have turned to high-performing 3PLs, acquiring their networks and technology.

In 2020, over nine billion U.S. dollars were invested in last-mile delivery startups in North America. According to FreightWaves.com, last year, FreightTech raised $64.4 billion in venture capital across 1,513 deals, up 64% from 2020's $39 billion. The industry looked to companies like Gopuff, Flock Freight, and project44 for the answers to current challenges in last-mile delivery, capacity optimization and global freight tracking with companies like Gopuff, Flock Freight and project44.

Companies are desperately trying to keep up with the trends. The ones that invest now will continue to be viable. Whether your business partners with a 3PL or develops processes of its own, the time to take last-mile logistics seriously is now.

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About PICKUP

PICKUP is one of the nation's fastest growing enterprise-grade, last-mile delivery providers. The company's fully vetted delivery pros deliver a broad assortment of big, heavy, and high value items directly to customers' locations. PICKUP partners with leading retailers and commercial businesses to transform their omni-channel delivery experience. PICKUP successfully achieved the SOC 2 Type 2 certification that securely processes customer data. The company's people and technology enable delivery pros to consistently provide elevated delivery experiences. PICKUP currently operates in over 85 service areas and reaches 150 million people, with plans for aggressive expansion. To learn more about PICKUP, visit pickupdelivers.com.

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