WHITE PAPER

"Last Mile" Delivery Challenges

Introduction

In today's highly competitive marketplace, keeping up with the competition is crucial. With the recent dramatic changes in business supply chain triggered by the global pandemic, acquiring and keeping customers happy is more competitive and challenging than before. For companies that deliver products and services to customers the challenges are even more complex. Customers and now demanding a certain level of sophistication in the delivery of their goods and services thanks to the trends set by early adapters to data driven supply chain services.
The service expectations from customers and the increasing cost of commercial carriers have driven many companies to take on delivery to customers themselves. But can businesses whose expertise is in the product and service they provide really compete or compare to larger companies in terms of dependability, transparency, reliability, and efficiency?

Are you concerned that you are giving your customers substandard quality courier service because you lack sophisticated tools with features such as proof and quality of delivery, quality of service, customer confirmation and an on-line self-service portal, the same benefits they could enjoy with larger commercial carriers?
Do you have the ability to identify a delivery or remote service problems well before it becomes a customer disaster?
Do you desire to handle processes and serve customers in a manner that goes beyond "keeping up" to become a differentiator?

It can be done. But first, it is important to recognize and acknowledge that this is our new reality and the new expectations from customers. We must understand the new rules that customer satisfaction and operational efficiencies are not just expectation of larger organizations but a necessity for every business to compete in the new marketplace.

Technology, Visibility, Accountability

Not that long ago, companies would deliver their products to customers through LTL (less-than-truckload) carriers. Things might have seemed complex at the time, but there was no real thought of what possibly could happen if there is disruption in the supply chain. Back then, the large orders might have been on a three-to five-day timeline.

But customers began wanting items more frequently. Rather than once a month, why not once a week? And if they arrive once a week, why not reduce that delivery timeline to two or three days? The challenge was not that the volume increased—just the order frequency.

The trend continued. Order size decreased and decreased some more, and frequency went on rising. Also on the rise: transportation and shipping costs as a percentage of the total cost of goods sold.

Increase Shipping Cost

Consider the regional distributor previously delivering one shipment a month to his customer. That $500 monthly order used to cost about $50 in shipping cost. Today, that customer is still ordering $500 a month; it's just in 25 smaller orders in individual boxes, and they cost at least $8 a piece to ship by a courier.

In that example the cost of shipping has quadrupled, eating into margin; worse yet, today's customers are not interested in taking that cost on themselves.

A Potential Solution

On the surface, it seemed the most simple answer is to have a trusty employee, make the rounds in his van, offering a better quality of service at a lower cost than a commercial carrier.

Customer experience, after all, has become a very important requirement in business. Gartner has predicted that by 2022, more than 60 percent of organizations would "implement significant business model changes in their efforts to improve customer experience."[1] In large part, Amazon may well be the one to thank; as reported at the Internet Retailers Conference and Exhibition in mid-2017, there are now 80 million Amazon Prime members. That's 64 percent of the households in the U.S., meaning Prime delivery time frames have become the norm.

As customer demands are increasing, the number of distribution network employees and the amount of building space are on the decrease.

Delivering on Expectation

Truly competing in delivery today means so much more than just getting a package from Point A to Point B. Key components to handling the increasing complexity include:

Remote Tracking and Visibility

Consumers have been trained to ask—and to receive a ready answer
for—"Where's my stuff?" Knowing the movement of each item in a delivery network has moved from a "nice-to-have" to a "must have". In addition, modern distributors also must answer a more difficult question: "When will I get to see my stuff?" The level of control needed to predict delivery times and track against estimated delivery times often is beyond the informal courier systems in place at distributors.

Security and Accountability

In addition to real-time traceability, added controls may include signatures, employee badge proof-of-activity, and breadcrumbs throughout the delivery process to guarantee the ability to backtrack and resolve delivery issues.

Cross-dock Management

Items must move through warehouses, from regional distribution to other centers, and then on to customers with 100 percent accuracy. Grouping, pre-sortation, truck loading, and other practices can make or break the efficiency of a successful delivery operation.

Driver Management

Is the company aware of where all drivers are, at all times when on the clock? Is the company aware of what those drivers are doing? Do they have the information on hand to perform all needed actions with every customer and every delivery and/or return pick-up? Are checkpoints in place to ensure drivers are completing all needed tasks? Today the requirements for courier flexibility, white glove services, customer appointments, and so on often
are the key differentiators between competitors. Giving the driver all the information he needs to provide these special services at each customer stop is a vital part of the success or failure of such personalized service.

Courier Dispatch

When an on-demand call comes in, are the capabilities in place to dispatch and track the needed actions, such as drivers already out on routed calls—without affecting overall customer service?

Efficiency

Sustainability in today's distribution logistics market requires a streamlined, seamless, consistent, efficient operation. Proper pre-sortation into totes and onto pallets, for example, allows drivers to deliver numerous orders and packages with a single scan. Advanced routing techniques allow the sorting and staging of orders and packages with similar destinations. Detailed instructions allow drivers to maximize their time and efforts at every stop. Real-time, on-route tracking allows visibility into all deliveries and pick-ups.

Best-in-class resource management means the right size vehicle is used on every route, and the driver makes the right number of stops to provide the best level of customer service. This goes beyond the concept of dynamic routing. That idea—building each route every day based on least miles traveled—seemed good at the outset. But it has been destroyed by home delivery in the Business-to-Consumer (B2C) market. Customers increasingly are insisting upon appointment delivery, with items to arrive within a set timeframe to match their personal schedules. It matters not that a customer's home or business may be the most efficient first stop. (On a positive note, some companies are learning to insulate themselves from additional costs of delivery: if the customer misses the appointed time, it's increasingly common that the company will charge a fee for the repeat trip.)
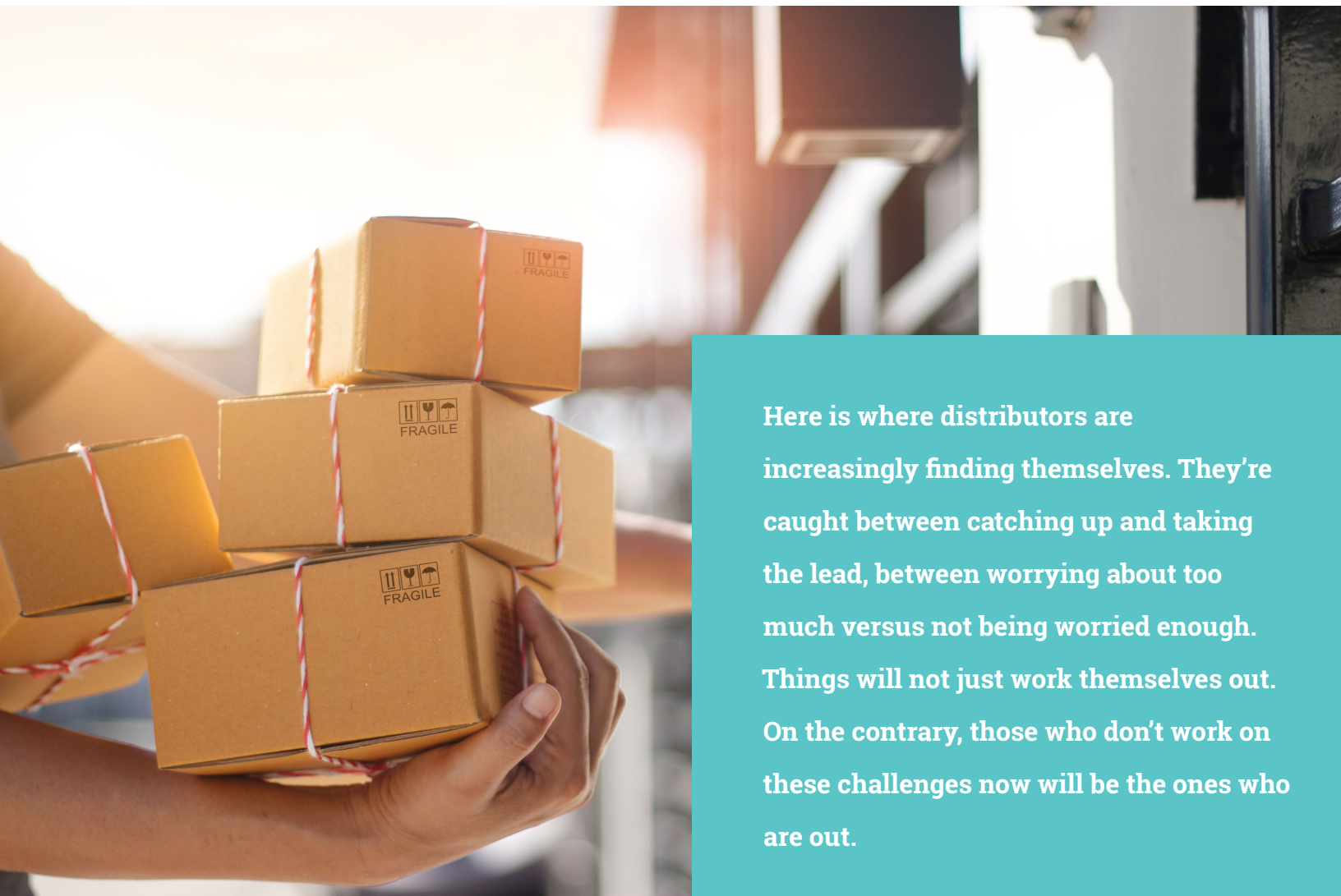
Here is where distributors are increasingly finding themselves. They're caught between catching up and taking the lead, between worrying about too much versus not being worried enough. Things will not just work themselves out. On the contrary, those who don't work on these challenges now will be the ones who are out.

Competitive Advantage

Top-performing companies are beginning to use logistics—and last-mile logistics in particular—as a key competitive advantage. An example of this is in electrical parts distribution; regional distributors are under pressure from an overcrowded marketplace and increasing sales through the big online retailers. They fight back by differentiating themselves through logistics. That might enable, for example, a policy of "order by noon, and you'll have it at your jobsite before work tomorrow morning." It means that electricians no longer have to worry about the cost of carrying inventory or planning for long-term inventory; they simply can order each day for the next day's work.

Finding Help to Solve Your Last Mile Challenges

Knowing where to turn for help presents challenges on its own. There are necessary functionalities in driver management systems, courier management systems, telematics, and supply chain solutions. But not necessarily all of the components are needed—especially for medium-size to smaller operations.

An ideal answer might involve taking the most relevant parts of each, and combining them for greatest effect. The healthcare industry provides a great example: For years now, healthcare networks have managed the last mile of delivery with courier fleets providing real-time, online traceability of shipments; dock control; driver management; dispatch capabilities; and management analytics. Due to the nature of the healthcare industry, security and accountability are inherent.

With accelerated adoption of the online buying economy, many industry supply chain organizations have acknowledged needs to transform processes toward what is often termed as 'digital transformation.' The challenge up to now has been readiness, resources, and timing.

Transformation will be both customer-facing and supplier-facing, according to Ferrari, and small to mid-sized business have the most potential for positive impact: they won't be hobbled by legacy processes and supporting systems, and can "move toward digital transformation with fresh thinking and a quicker pace."