milkman

Why customer loyalty and delivery excellence must be at the heart of retailers' strategies

Persuading customers to pay more for delivery is a key focus for many retailers. The problem is that customers like it when they don't have to pay very much or even nothing at all. Any business that wants to increase the price it charges for a service must be able to demonstrate there is a real value to that service. Doing that calls for a commitment to excellence, a willingness to make strategic investments, and an almost compulsive desire to build true customer loyalty.

The retailer I use to buy most of my groceries just increased its delivery plan charge by more than 400%. That's fine by me.

When was the last time you raised the price of anything your business does by 100%? How about 200%, or even 400%? And if you did, how do you think customers would react? You might be thinking that you wish you had more customers like me. Well, I wish more retailers could be like them.

I'm talking about Ocado, the online grocery and technology supremo. Ocado sent me an email on Sunday to tell me the cost of its SmartPass service – where customers pay their delivery fees up-front instead of per order – is increasing to £8.99 per month in July.

At the moment I pay just £1.99. That's a rise from about €2.30 to about €10.45 – an increase of 450%. I have already signed and paid for a year in advance.

Loyalty or technology? No, both!
Now, I'm sure that many Ocado customers will not want to pay the new price and some may feel very angry. Not me. Throughout the 15-16 months of pandemic pandemonium, I have shopped with Ocado and the service has always been great. Sure, there were some issues in the early weeks of the chaos. But it was able to meet the needs of customers week-in, week-out – from placing the order to receiving it.

There you have it: Ocado's sustained investment in super-slick logistics and a back-end most tech companies can only dream of, pays off in multiple ways. It meant the company could keep going under duress, earning the respect and loyalty of grateful customers like me who would one day pay a price that reflects the value of the service.

The last mile has always been a challenge for retailers, in all categories. A 2019 survey from Capgemini found that an astonishing 97% of retail businesses were unhappy with their last mile set-up. The nature of the problem was that in the face of growing demand, they couldn't scale-up fast enough while keeping costs under control.

These are the things that modern retail is made of. It used to be said that price, promotion and place were the three Ps of marketing, the determining factors in shopper behaviour. When the 'place' becomes someone's doorstep, you need another P – process. And it had better be a good one.

Automation for the nation

We all know the importance of warehouse automation, don't we? It has been discussed widely for years. It has been an even greater success factor for those retail and logistics businesses who managed to ride the many waves of the Covid-19 pandemic.

Online orders rocketed to record levels. That would have been great, except in many places there were no staff in the warehouses or no drivers in the trucks, because they were living under lockdown.

Capgemini's Vice President for Consumer Goods and Retail, Kees Jacobs, writing recently in Supply Chain Digital, highlighted the importance of warehouse automation for the future of retail logistics. "With warehouse and sorting … representing one-third of supply chain costs, there is a significant opportunity to reduce costs and improve safety through automation," he says. "Technologies such as robotics, Internet of Things (IoT) and AI can be deployed for end-to-end warehouse operations."

The elimination of human error further down the supply chain can mean a better and more consistent delivery experience for customers, too. From delivery and route consolidation through to customer notifications, technology is at the heart of this approach. The benefits it can bring range from avoiding unwanted product substitutions that can lead to disappointment, to being able to up-sell premium delivery slots at discounted rates. Customer satisfaction goes up. Costs go down. Well, they don't go up, at least.

Investing in technology has been a must-have for businesses for decades. But the most recent iterations of digital technology have the potential to start offering small and medium retailers access to the kind of advantages that used to belong to the big brands only. While this is fantastic news, of course, just buying digital tools is never going to be enough. You need a clear plan, a strategy that can sustain change and withstand pressure and a commitment to consistently keeping your promises to the customer. Who knows, perhaps then you can increase your delivery charges by 450% too.