The Impact of Delivery Speed and Complexity on E-Commerce Growth

Businesses today face order delivery demands that push their capabilities to the edge. Though online shoppers want their orders quickly and fully trackable, e-commerce sellers face pressure to cut costs amid market volatility and a growing number of competitors that make it more expensive to conduct business. These challenges, among others, mean that maintaining real-time visibility is a pain point that many organizations have yet to solve.

Supply chain executives report that offering fast delivery increases median conversion rates by 47% and say that those delivery windows continue to shrink. This statistic was among the key findings from a recent survey of supply chain executives conducted by Standvast Fulfillment and Supply Chain Dive's studioID. The survey also revealed that the vast majority (94%) of those executives are pushing to meet their customers' "two days or less" delivery expectations.

Meeting these growing customer expectations from a single-node fulfillment network continues to get more complex and expensive. Industry leaders now agree that spreading inventory across multiple fulfillment centers has enabled

faster delivery at the same or lower costs. Though most companies try to ensure those fulfillment locations are as close to their customers as possible, making that happen isn't always easy or affordable. For help, a growing number of companies are turning to reliable logistics service providers (LSPs) that have robust multi-node, national networks.

Concurrently, the costs of doing business through online marketplaces have increased significantly over the last two years, with 93% of respondents reporting increases of anywhere from 5% to 20% or more. And while advanced technologies like order management systems, artificial intelligence, machine learning and distributed order management platforms help organizations streamline the fulfillment process, many supply chain executives say their companies still lack real-time inventory visibility when coordinating movement across different channels.

In this report, you'll find exclusive data and expert insights you can use to evaluate your own company's fast shipping strategies, gauge the associated costs, and find new ways to optimize your supply chain, boost your bottom line and win more customers for life.

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94%
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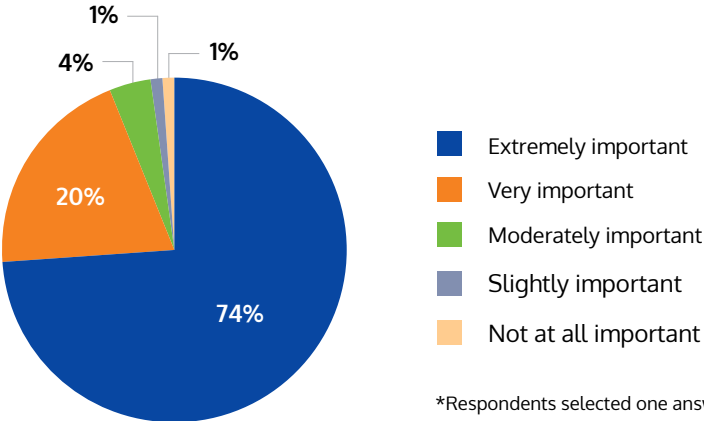
Welcome to the Era of Instant Gratification

Whether they're streaming a TV series, ordering dinner or buying goods online, consumers expect to get what they want when they want it. This era of instant gratification has put immense pressure on organizations to deliver orders and services of all types within increasingly shorter timeframes.

The survey data proves this point. Over the past 12 months, customer expectations have shifted significantly, with an increasing demand for fast delivery, typically within one or two days. This shift has led companies to prioritize offering fast delivery options, which are now critical to revenue and customer growth strategies.

**How important is fast delivery (two days or less) to your customers?***

1%
1%
4%
20%
74%

- Extremely important
- Very important
- Moderately important
- Slightly important
- Not at all important

*Respondents selected one answer.

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Case in point: almost all (94%) of supply chain executives say fast delivery of two days or less is either very or extremely important to their customers, and 91% say fast delivery expectations as a whole have increased over the last 12 months. When defining "fast delivery," respondents say it means next-day (35%), two-day (35%) or same-day service (26%).

Companies that don't want to be outdone by their competitors are stepping up to the plate and responding to these demands. For the most part, the ultra-fast delivery comes at a price for the company: most of them (47%) provide two-day service at no additional charge while 44% offer three-to-five-day service without an additional shipping fee. Just 34% of respondents provide one-day or same-day service at no additional cost to the customer.

How have your customers' fast delivery expectations changed in the last 12 months?*

9%

74%
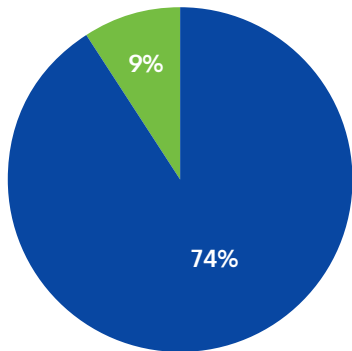
■ More customers want fast delivery

■ Fewer customers want fast delivery

■ Customer delivery preferences have stayed about the same

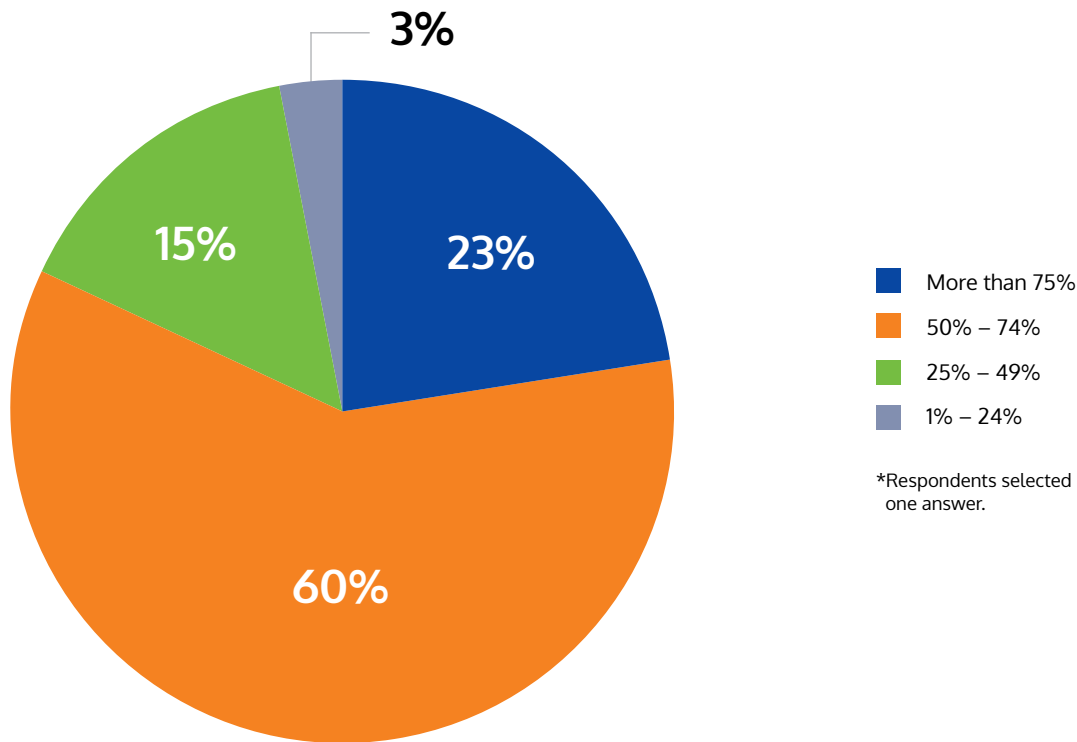*Respondents selected one answer.

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You Can't Ignore This Any Longer

Fast delivery is clearly something that companies can't afford to ignore, primarily because demand is coming from the customers themselves. According to the survey, 83% of respondents say that more than half of their customers expect two days or less as a delivery option when placing orders. Just 18% of respondents say that under half of their customers have such expectations.

There does appear to be a dividing line between what can and can't be feasibly shipped within a day or two. Parcel shipments see the most two-day (38%) or one-day (29%) delivery speed requests from customers. However, most customers either expect two-day (38%) or three-to-five-day (33%) service when it comes to big-and-bulky deliveries. This reveals an understanding on the consumers' part that while smaller shipments can readily appear on their doorsteps in a day or two, delivering large sporting equipment or outdoor patio furniture requires a bit more effort and time.

What percentage of your customer base expects two days or less as a delivery option when placing orders?

3%
15%
23%
60%

- More than 75%
- 50% – 74%
- 25% – 49%
- 1% – 24%

*Respondents selected one answer.

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"The data indicates most customers are fine with two- to three-day delivery, especially for larger orders, and same-day isn't a priority yet. It took nearly two decades to reach this point, so same-day delivery likely won't be the norm for another five to ten years," says Cayce Roy, CEO at Standvast Fulfillment. "For the vast majority of the U.S., current consumer demands around shipping are addressable with the help of a fulfillment partner that has a multi-node network in place."

What is the most popular delivery speed requested for the following categories?

Delivery speed	Parcel	Big & Bulky
Same day	25%	6%
1 day	29%	19%
2 days	38%	38%
3-5 days	9%	33%
5+ days	0%	5%
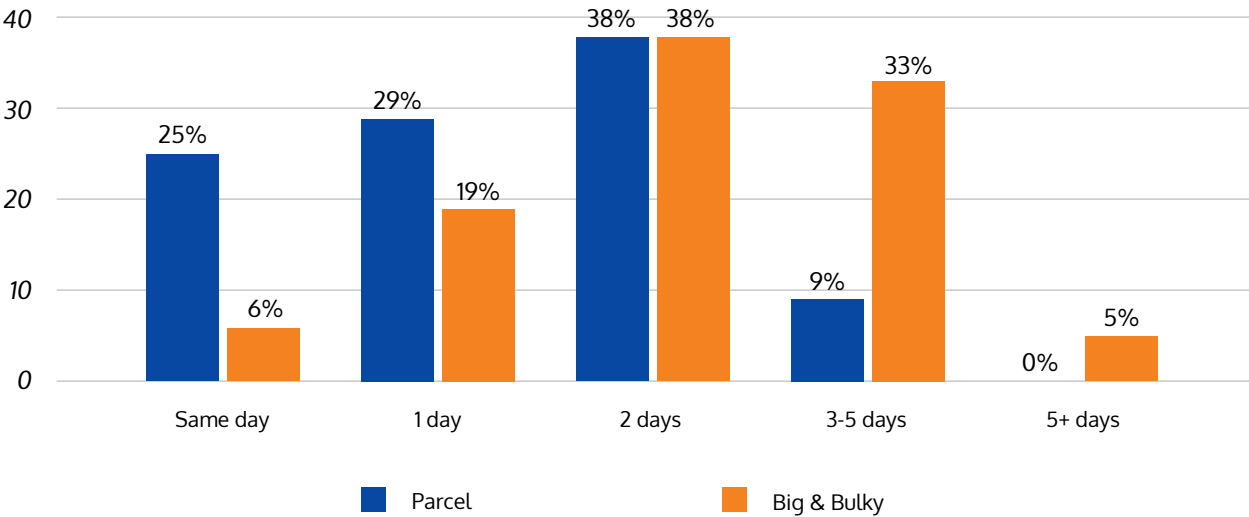
*Respondents selected one answer for each shipment speed and delivery type.

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Fast Delivery = Higher Revenues and Conversion Rates

The survey also found that 95% of respondents whose companies focus on sales and conversion rates view fast delivery speeds as either extremely or very important tools for achieving those goals. The same number of companies consider fast delivery a critical factor in their revenue and customer growth strategies.
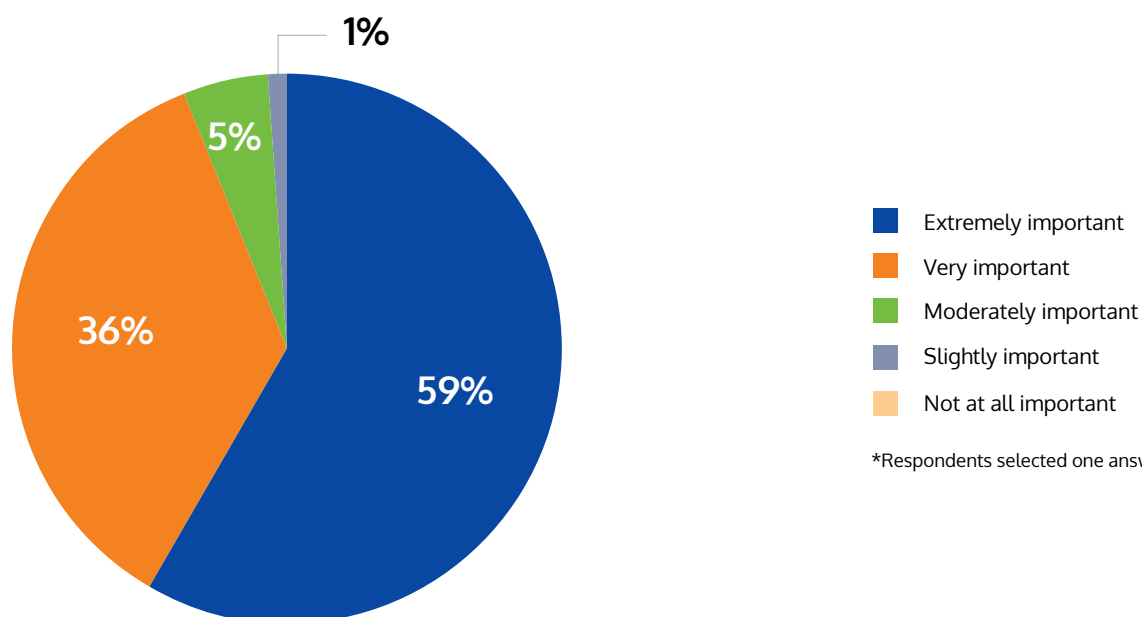
The fast delivery-higher sales connection doesn't surprise Roy, who says faster delivery has become an increasing priority for more companies in recent years. The survey data bears out that point.

Survey respondents say offering faster delivery speeds pays off, with 89% saying faster deliveries have increased their conversion rates. The other positive impacts of offering faster delivery include decreased cart abandonment (73%), higher customer retention rates (90%) and an improved customer experience (95%).

Median uplift for conversion with two-day delivery is the biggest impact fast delivery can have on your business.

When deciding how to generate more sales and improved conversion rates, how important is offering faster delivery speeds to your customers?*

1%

5%

36%

59%

- Extremely important
- Very important
- Moderately important
- Slightly important
- Not at all important
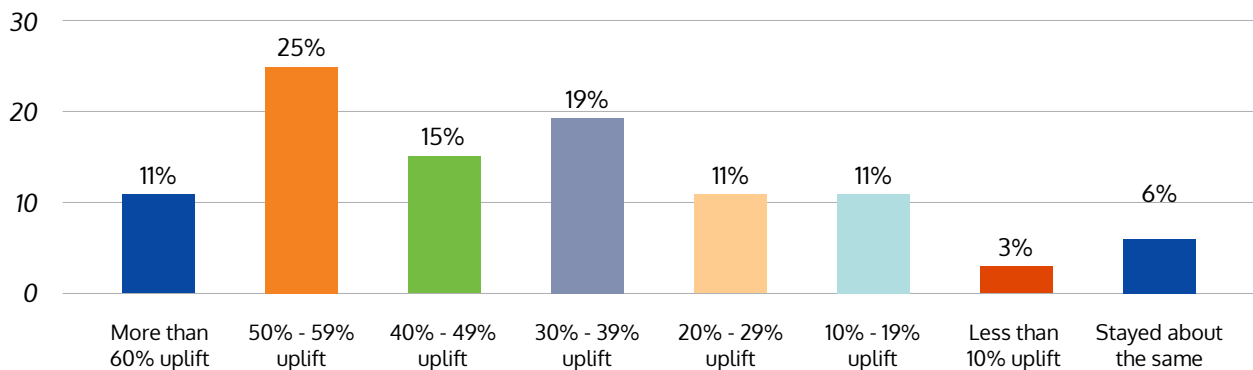
*Respondents selected one answer.

There is widespread agreement that offering faster delivery has produced positive business outcomes, particularly in terms of improving the customer experience, increasing conversion rates, increasing revenue, and increasing customer retention rates. However, some say that offering faster delivery has created challenges for their logistics/fulfillment teams. Offering fast delivery has improved overall conversion rates — **creating a median uplift of about 47%.**

"Overwhelmingly, companies are saying you can boost your sales conversions by roughly 50% if you offer deliveries within a two-day window," Roy explains. "Companies that don't recognize and react to this now will lose market share."

### How does offering fast delivery impact your overall sales conversion rate?*

*Respondents selected one answer.

Building a Successful Multi-Node Fulfillment Network

This far into the e-commerce boom, most organizations understand the limitations of using internal resources to get orders shipped fast to customers across the country. In fact, most companies surveyed (59%) are already working with a logistics provider to help boost their one-time delivery ratings for ultra-fast shipments. Meanwhile, 31% are currently seeking a logistics provider to help for this specific reason.

Do you believe a logistics service provider could help you improve on-time delivery ratings for orders with faster shipping speeds?*
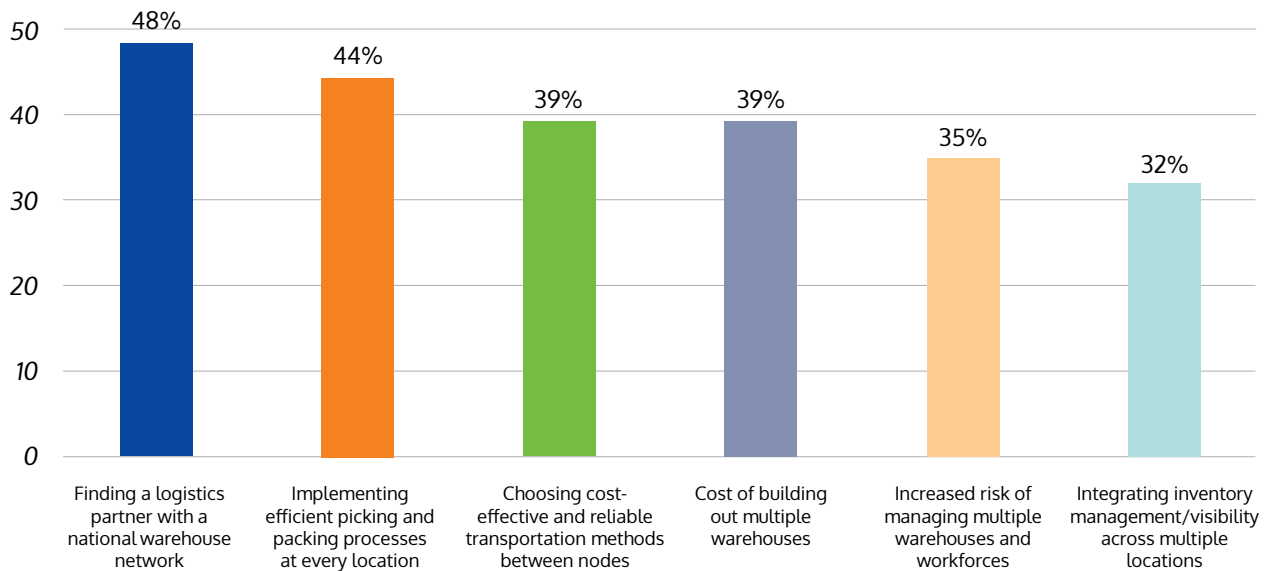
3%

7%

31%

59%
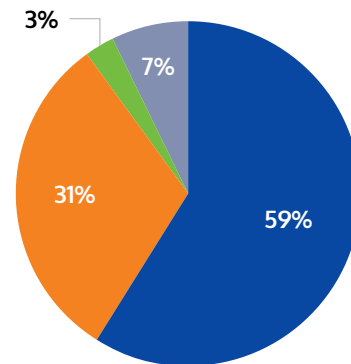
■ Yes, and we already work with a logistics provider for this purpose

■ Yes, and we're looking for a logistics provider for this reason

■ No, we use a logistics provider, and it hasn't helped us improve those metrics

■ No, we don't believe it would help

*Respondents selected one answer.

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The majority of respondents (52%) fulfill orders from multiple distribution points year-round while 20% reserve their multi-fulfillment strategies for peak season only. Just 9% ship from a single fulfillment operation and 15% plan to expand to the multi-facility fulfillment model within the next 24 months.

Of the companies that use multiple fulfillment centers, their biggest multi-node network setup and usage challenges include finding a logistics partner that has a national warehouse network (48%), implementing efficient picking and packing processes at each location (44%), construction and implementation costs (39%) and finding cost-effective transportation options (39%).

What are the biggest challenges have you experienced when setting up and using multi-node networks?*

Challenge	Percentage
Finding a logistics partner with a national warehouse network	48%
Implementing efficient picking and packing processes at every location	44%
Choosing cost-effective and reliable transportation methods between nodes	39%
Cost of building out multiple warehouses	39%
Increased risk of managing multiple warehouses and workforces	35%
Integrating inventory management/visibility across multiple locations	32%

*Respondents selected their top three challenges.

Geographical proximity also matters when establishing new fulfillment centers. In fact, 58% of respondents make sure those facilities are as close to their customers as possible, and an additional 28% factor proximity into site selection but say it's not a priority. About 9% of respondents feel that a single node situated in the central U.S. is close enough to most of their customers.

John Appert, Standvast Fulfillment's chief supply chain officer, says most companies recognize that multi-node networks are "the way to go" in the current shipping environment, and many of them have adopted this mindset over the last few years. "Five years ago, companies were still using single-node, West Coast supply chain networks — but that's changed," says Appert.

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Companies are also paying closer attention to the total landed cost of getting shipments to customers, and understand that speed and conversion rates — both of which rose to the top as key concerns in the report — must be factored into the equation. "Organizations have to be able to hit those delivery times in order to raise their conversion rates and reduce cart abandonment rates," says Appert, "but they're realizing that it's very expensive to do that from a single node."

A bigger focus on environmental, social and governance (ESG) also comes into play here as companies look for ways to reduce their carbon footprints and operate in a more environmentally sustainable manner. As the biggest contributor to U.S. greenhouse gas emissions,[1] transportation can be a low-hanging fruit area for companies looking to lower their carbon footprints.

"When you reduce your total landed costs, improve your conversion rates, reduce abandonment rates and deliver faster, you can also start to lower your carbon footprint," says Appert. "Doing the right thing for the bottom line translates into myriad other benefits."

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JOHN APPERT
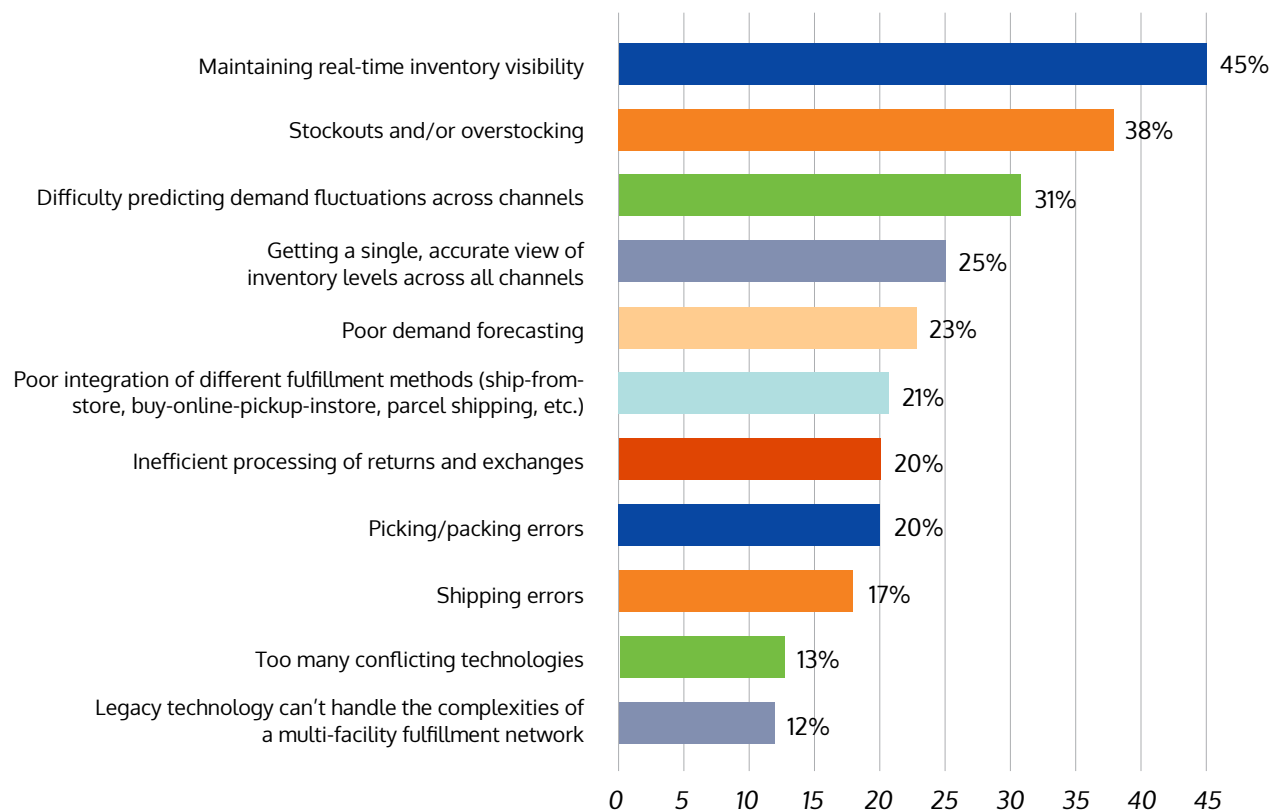Chief Supply Chain Officer, Standvast Fulfillment

Getting Inventory Management Right

When coordinating inventory across multiple sales channels, including e-commerce storefronts, marketplaces and brick-and-mortar locations, the primary roadblocks include maintaining real-time inventory visibility (45%), stockouts and overstocks (38%), predicting cross-channel demand fluctuations (36%) and obtaining a single, accurate view of inventory across channels (30%).

Other key challenges include poor demand forecasting, a lack of integration across fulfillment methods and inefficient returns and exchange processing. Most companies (88%) are either already working with a logistics provider or searching for one that can help them address these key issues.

When deciding how to generate more sales and improved conversion rates, how important is offering faster delivery speeds to your customers?*

Challenge	Percentage
Maintaining real-time inventory visibility	45%
Stockouts and/or overstocking	38%
Difficulty predicting demand fluctuations across channels	31%
Getting a single, accurate view of inventory levels across all channels	25%
Poor demand forecasting	23%
Poor integration of different fulfillment methods (ship-from-store, buy-online-pickup-instore, parcel shipping, etc.)	21%
Inefficient processing of returns and exchanges	20%
Picking/packing errors	20%
Shipping errors	17%
Too many conflicting technologies	13%
Legacy technology can't handle the complexities of a multi-facility fulfillment network	12%

*Respondents selected one answer.

To streamline inventory management across multiple sales channels, most respondents use order management systems (51%) followed by artificial intelligence and machine learning (50%) and warehouse management systems (42%).

Which technologies/methods are you using to streamline inventory management across multiple sales channels?*

Technology/Method	Percentage
Order management system (OMS)	51%
Artificial intelligence/machine learning	50%
Warehouse management system	42%
Enterprise resource planning	41%
Inventory management system	36%
Manual inventory management practices (recording inventory on paper/spreadsheets, cycle counting, physical stocktaking, etc.)	34%
Automated sortation systems	30%
Distributed order fulfillment (storing products in close proximity to customers)	30%
Forecasting demand and replenishing based on historical sales data	27%
Ship-from-store	23%
Setting automated reorder points to trigger restocking	22%
Goods-to-person robotics	7%
Our fulfillment/logistics partner handles these efforts/provides these technologies for us	5%

*Respondents selected one answer.

Offering Prime-Like Service Without Breaking the Bank

One of the major findings from the survey revealed that the costs of doing business through top online marketplaces are climbing significantly. Companies say they are paying more to sell their goods on marketplaces, and those added fees cut into those profit margins. For example, 16% of companies have seen their marketplace costs increase by more than 20% over the last two years, while 48% say costs have risen 10% to 20%, and an additional 29% say marketplace costs have gone up 5% to 10%. A mere 7% claim they haven't seen a change in these costs.

These price hikes can be very impactful for middle-market e-commerce companies that don't have national networks in place and rely on marketplaces to get their orders fulfilled and delivered. "If you're trying to do this on your own — and if you're fairly large, but not huge," Appert explains, "you can't really make the dollars-and-cents of a multi-node network work if you're bearing that total fixed cost on your own."

This is where a reliable, reputable logistics service provider like Standvast Fulfillment can step in to help.

94% of supply chain leaders say that the costs associated with selling via marketplaces have increased over the last two years

Through a shared services model, companies can achieve economies of scale by piggybacking on a larger supply chain network.

JOHN APPERT
Chief Supply Chain Officer, Standvast Fulfillment

"You can offload some of those fixed costs to a provider that has a multi-node network, so they can execute at a national level and provide a strong support structure," says Appert. "Through a shared services model, companies can achieve economies of scale by piggybacking on a larger supply chain network."

When companies leverage the power of a multi-node logistics service provider, the magic starts to happen pretty quickly. Revenues increase, orders increase, total landed costs per order decrease, and Prime-like service becomes a reality versus just a pipe dream. As a former Amazon executive and one of the architects of that company's two-day delivery service, Roy has valuable insight into this model.

"The assumption that you have to be Amazon and invest in your own fast delivery infrastructure is false," says Roy. "You can get all of these benefits and more by simply tapping into a shared services model."

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Get in the Race for Rapid Delivery

As large e-tailers figure out new ways to meet their customers' demands for quick deliveries, those demands will likely increase. To keep pace, companies must reimagine their existing logistics infrastructure and find new ways to position inventory closer to key customer markets, bridge final-mile delivery gaps and whittle down delivery windows.

By prioritizing fast and reliable delivery and working with logistics providers that have established multi-node networks, organizations can meet the expectations of today's demanding consumers and secure strong positions in the marketplace. Those who ignore the trends and continue to absorb high delivery costs and double-digit marketplace fee increases will wind up with unsustainable total landed costs on every order.

"For any retailer right now, fast delivery is table stakes that's not going away," says Appert. "In fact, it's only going to increase as consumer shopping tools and platforms improve. The e-commerce space is incredibly competitive, and if your company isn't focused on speed it's going to lose customers to someone who is."

Sources

1. "Fast Facts on Transportation Greenhouse Gas Emissions," U.S. Environmental Protection Agency, https://www.epa.gov/greenvehicles/fast-facts-transportation-greenhouse-gas-emissions

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Fulfill your promise.

Founded in 2017, Standvast believes every great product, retailer, and marketplace seller deserves an equally great fulfillment center network and suite of supply chain technologies. Led by some of the industry's top professionals, Standvast is shaping the future of order fulfillment by augmenting or replacing all of a brand's existing solutions with innovative technology and fulfillment services. Through a shared services model, Standvast democratizes the supply chain to put brands on an equal footing with the most prominent names in retail.

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