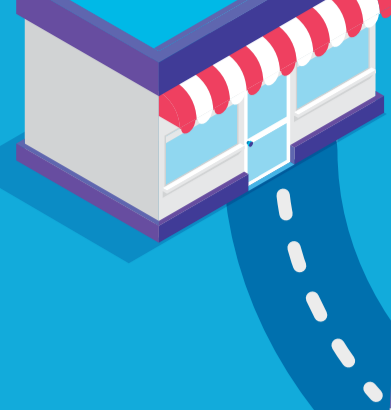


The last-mile delivery challenge

Giving retail and consumer product customers a superior delivery experience without impacting profitability



The battle to win the last-mile experience in the food and grocery segment



As at October 2018, venture capital firms have invested \$3.5 billion in food and grocery delivery services in 2018



Ocado, is working with Kroger, Morrisons, Casino, Sobeys and ICA Group to build automated warehouse for order fulfillment

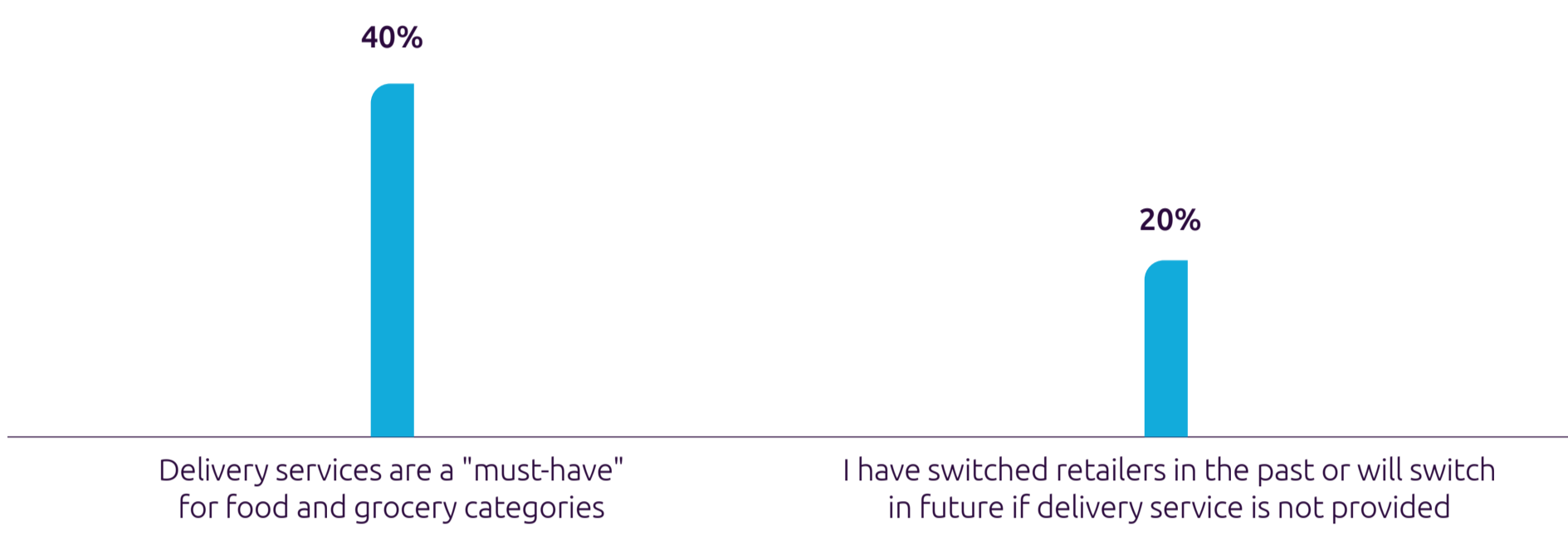


Target acquired Shipt, an online, same-day delivery start-up, for \$550 million in cash – one of the largest acquisitions in Target's history

Last-mile delivery has become a key consumer expectation in food and grocery

Delivery services are increasingly important and influential

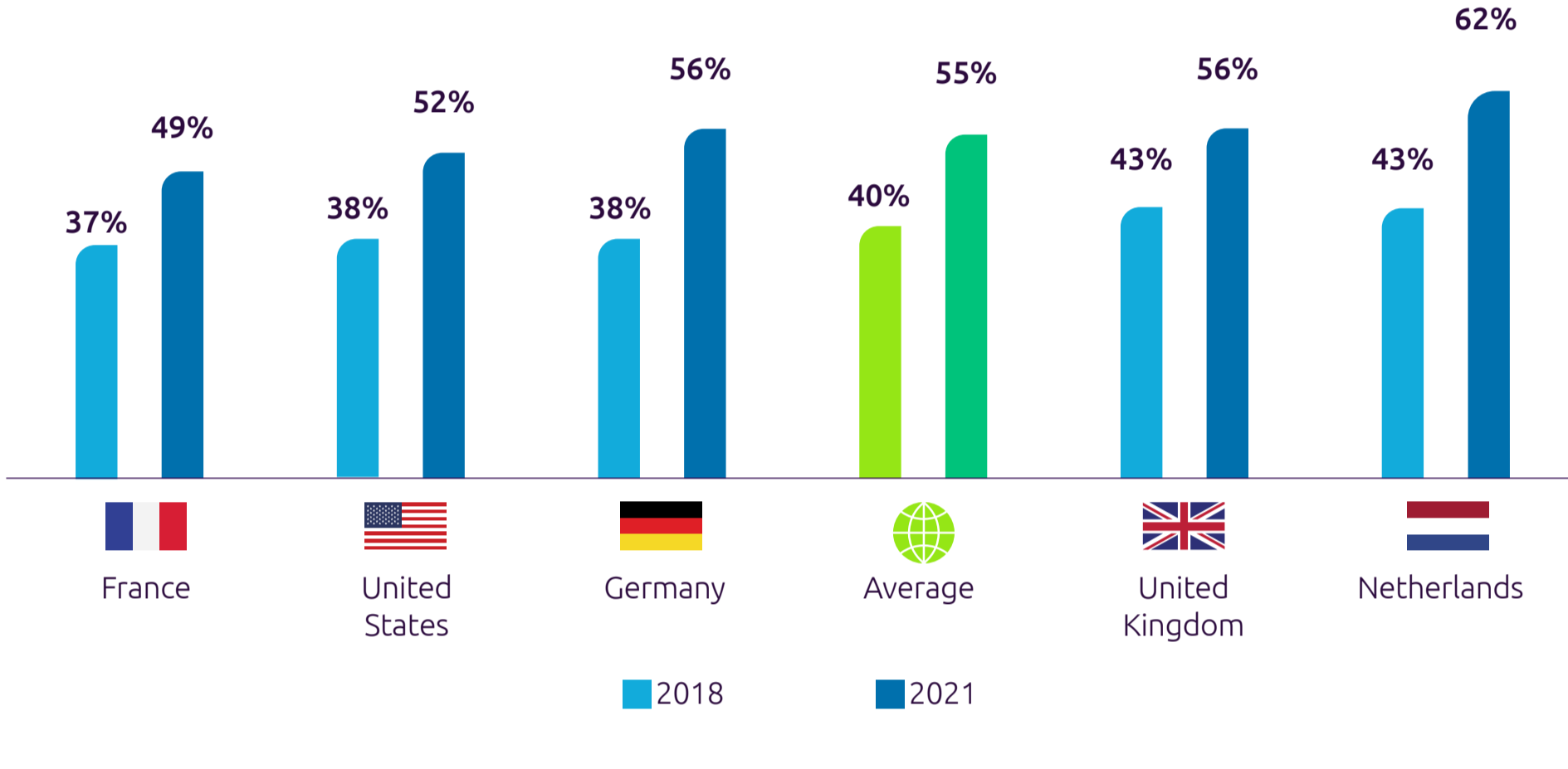
Consumer preference for delivery services for food and grocery categories



Source: Cappgemini Research Institute, Last-mile delivery consumer survey, October–November 2018, N=2,874 consumers

Last-mile becomes even more crucial as consumer adoption of delivery services is set to grow rapidly in the next three years

Share of consumers receiving deliveries once a week or more from grocery retailers

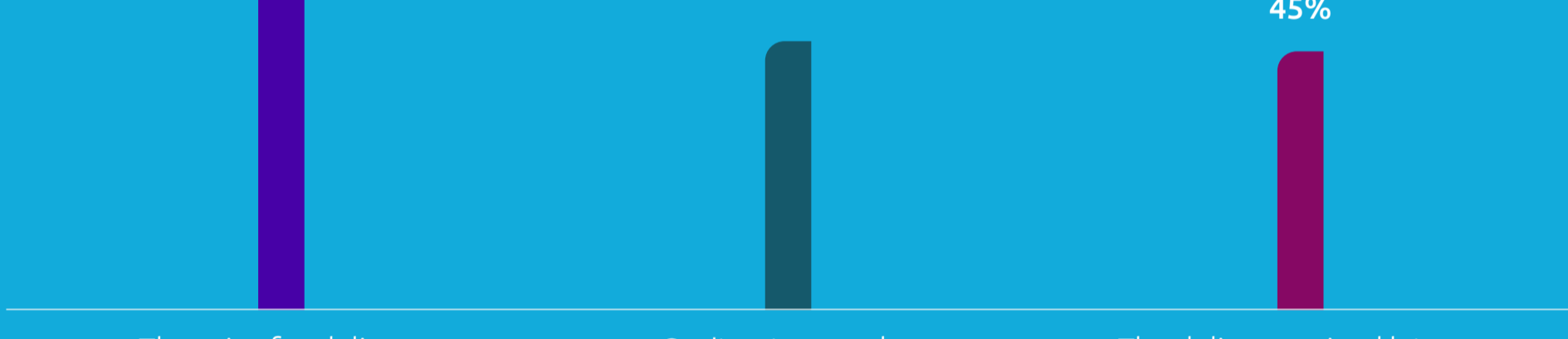


Source: Cappgemini Research Institute, Last-mile delivery consumer survey, October–November 2018, N=2,874 consumers

However, consumers are not satisfied with the current state of last-mile delivery

Consumer dissatisfaction from delivery services

Consumers will not recommend delivery services of retailers because ...



Source: Cappgemini Research Institute, Last-mile delivery consumer survey, October–November 2018, N=2,874 consumers

Retailers who provide great last-mile delivery service will realize significant benefits

82% of satisfied customers have shared positive experiences with friends and family

74% of satisfied consumers intend to increase their spend

53% of satisfied consumers would be willing to purchase a paid membership for delivery services



Yet, current last-mile delivery models are not sustainable

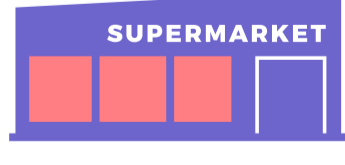
Organizations absorb some part of last-mile delivery cost, enough to erode profits



Source: Cappgemini Research Institute, Last-mile delivery consumer survey, October–November 2018, N=2,874 consumers; Cappgemini Research Institute, Last-mile delivery executive survey, October–November 2018, N=500 executives.

Profits could potentially decline by 26% in three years or \$148 million due to increase in online sales unless addressed through delivery optimization and automation

How to master the last-mile delivery conundrum



Retailers with lower store footprint

Outsource delivery and focus on consumer needs

- Begin by collaborating with grocery delivery services to achieve critical mass
- Focus on genuine customer needs rather than overall market trends



Retailers with higher store footprint

Automate delivery operations to boost profitability

- Automate warehouse operations
- Initiate backroom automation for delivery and click-and-collect orders
- Enable delivery through autonomous vehicles

Optimize fulfillment locations to lower delivery cost



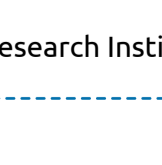
- Equip stores with click-and-collect ordering and delivery capabilities
- Increase use of dark stores for delivery
- Encourage last-mile storage and collection points usage

Encourage multiple avenues for fulfillment resources



- Collaborate with consumers for crowdsourced delivery platforms
- Encourage employees to deliver parcels for additional incentives
- Use the gig economy for delivery during peak seasons

Enable consumer-centric fulfillment offerings



- Encourage customers to visit the store for returns
- Align brand values with consumers' expectations
- Invest in customer-centric initiatives

Source: Cappgemini Research Institute Analysis

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