

DESCARTES™

DELIVERY: THE NEW MOMENT OF TRUTH



CHAPTERS

Delivery: The New Moment of Truth

Higher Expectations Evolving Retail

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Descartes' Integrated Solutions for Retail

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Delivery: The New Moment of Truth

In 2005, A.G. Lafley, Chairman, President & CEO of Procter & Gamble defined two “Moments of Truth” for consumer sales. The rapid growth of ecommerce and home delivery in today’s marketplace has compelled companies to focus on a new moment of truth: delivery of the product.



▶ THE FIRST MOMENT

When a customer first encounters the product either in the store or online. It’s during these first 3-7 seconds that marketers have the ability to turn a browser into a buyer. Of course, if the product isn’t on the shelf or in stock, the opportunity is lost.



▶ THE SECOND MOMENT

When a customer purchases and uses a product. Will the customer’s experience live up to the brand promise?



▶ THE NEW MOMENT

The experience around shipping and delivery can either strengthen a brand’s reputation or potentially lose a customer for life. In fact, poor delivery can quickly negate a positive sales process.

In this eBook we will explore what’s driving consumer expectations higher than ever, how retailers are addressing the evolving expectations and the resulting impacts on transportation strategy.

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Higher Customer Expectations are Evolving Retail

THE AMAZON EFFECT



The reality is consumers have higher expectations for delivery today. They want products delivered quickly, in tighter time windows and preferably at no cost. The rise in service demands are often referred to as the Amazon Effect.

Amazon has fundamentally changed the retail industry by driving heightened consumer expectations and introducing innovative concepts. And the pace of innovation is accelerating. Before the rest of the industry can respond to Amazon's latest concept, the company has introduced a new unexpected innovation. Shipping and delivery options are primary examples of this continuous innovation.

AMAZON'S GROUNDBREAKING HISTORY IN SHIPPING AND DELIVERY

For years, Amazon aggressively promoted free shipping, leveraging it across products and its supplier marketplace. The result put tremendous pressure on other retailers and their ecommerce logistics operations.

Amazon Prime was introduced featuring 2-day free shipping with an annual subscription.

In 2014, Amazon Prime Now promised one- or two-hour deliveries for a small variety of consumer staples. Today, it operates in more than 30 U.S. cities.

The company continues to raise the bar, introducing a multitude of delivery options in the last few years, including a growing network of 3,000 delivery lockers supported through its Whole Foods acquisition.

For delivery of large items, Amazon offers special options including Porch Delivery, Room of Choice and Inside Entry Way.

Constant innovations have other retailers not only questioning how they will compete in the current marketplace but wondering how they can prepare for what is coming next to further impact delivery – the new moment of truth.

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Transformation of Supply Chain Distribution Networks



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Aligning with Customer Expectations

Rising customer expectations are having a ripple effect on supply chains and distribution networks. Networks originally designed to flow truckloads of products from large distribution centers to stores are becoming outdated in this new market where speed of delivery and dynamic inventory allocation are paramount.

To address changes in the market, leading retailers are making significant investments to re-architect their supply chains to better align with what today's consumers expect. The following excerpts from The Wall Street Journal outline how Target and Home Depot plan to transform their distribution networks.



"Target is testing a new distribution strategy aimed at speeding up its restocking and making the retailer more nimble in stores and online. The aim is to pare what Target calls its replenishment cycle from days to hours and reduce inventory at stores." [Source](#)



"Home Depot is investing \$1.2 billion over five years to redesign its distribution and delivery network to "create the fastest, most efficient delivery network in home improvement." The home improvement retailer "will add 170 distribution facilities across the U.S. so that it can reach 90% of the population in one day or less." [Source](#)

Manufacturers are also transforming their networks. In February 2018, The Wall Street Journal reported that Proctor & Gamble is undertaking a multi-billion-dollar effort to remake its network of factories, warehouses and offices into a new model. Once complete, P&G said its new supply chain will enable 80% of U.S. production to reach stores within 24 hours.

The bottom line is while there is significant discussion about supply chain digital transformation, it's becoming clear that companies need to physically transform their networks to adequately address the changes and opportunities they face today.

The Changing Role of Transportation

Evolving from Cost Center to Competitive Advantage

With the increasing focus on meeting rising consumer expectations, leading retailers are transforming their transportation strategy from cost-centric to consumer-centric — and creating a competitive advantage.

EXECUTIVE VIEW OF TRANSPORTATION



In 2017, Adelante SCM polled transportation executives to learn how management in their companies viewed transportation. Although results indicated the cost center view still prevails, the competitive advantage perspective is gaining ground with executives.

One driving force behind this shift is the success of Amazon Prime, a textbook example of how transportation and delivery can be leveraged as a competitive weapon.

MARKET DOMINANCE BUILT ON DELIVERY

In July 2018, Amazon's share of the ecommerce market was reported to be 49%, or 5% of all retail spend. Amazon Prime, a subscriber program originally built around 2- and 3-day delivery, now boasts more than 100 million members. On average, Prime members spend about \$600 more per year than non-members.

By pushing the Prime program to the forefront, Amazon leveraged delivery and logistics operations to drive topline growth and increase market share. If a company understands its delivery capabilities, and has the right systems, processes and strategies in place, transportation can provide a competitive advantage and not be focused solely on cost reduction.

FINDING THE PERFECT BALANCE

Now more than ever, executives are looking for the perfect balance of time, quality and money to ensure customer satisfaction while improving the bottom line.



Time
Consumers are not only demanding faster delivery times, but are moving towards same-day service requests. Both B2C and B2B customers are expecting shorter, more time-definite windows for more reliable, predictable deliveries.



Quality
This is directly linked to customer experience. Competing on customer experience is becoming a supply chain metric for both B2C and B2B companies today. When there is a great deal of parity on costs and product features, the delivery experience can be a lever to gain market share and solidify customer loyalty.



Money
The challenge is how to meet customer expectations profitably. It's no secret that delivery isn't free. Finding cost-effective delivery solutions is a must for success in today's volatile market.

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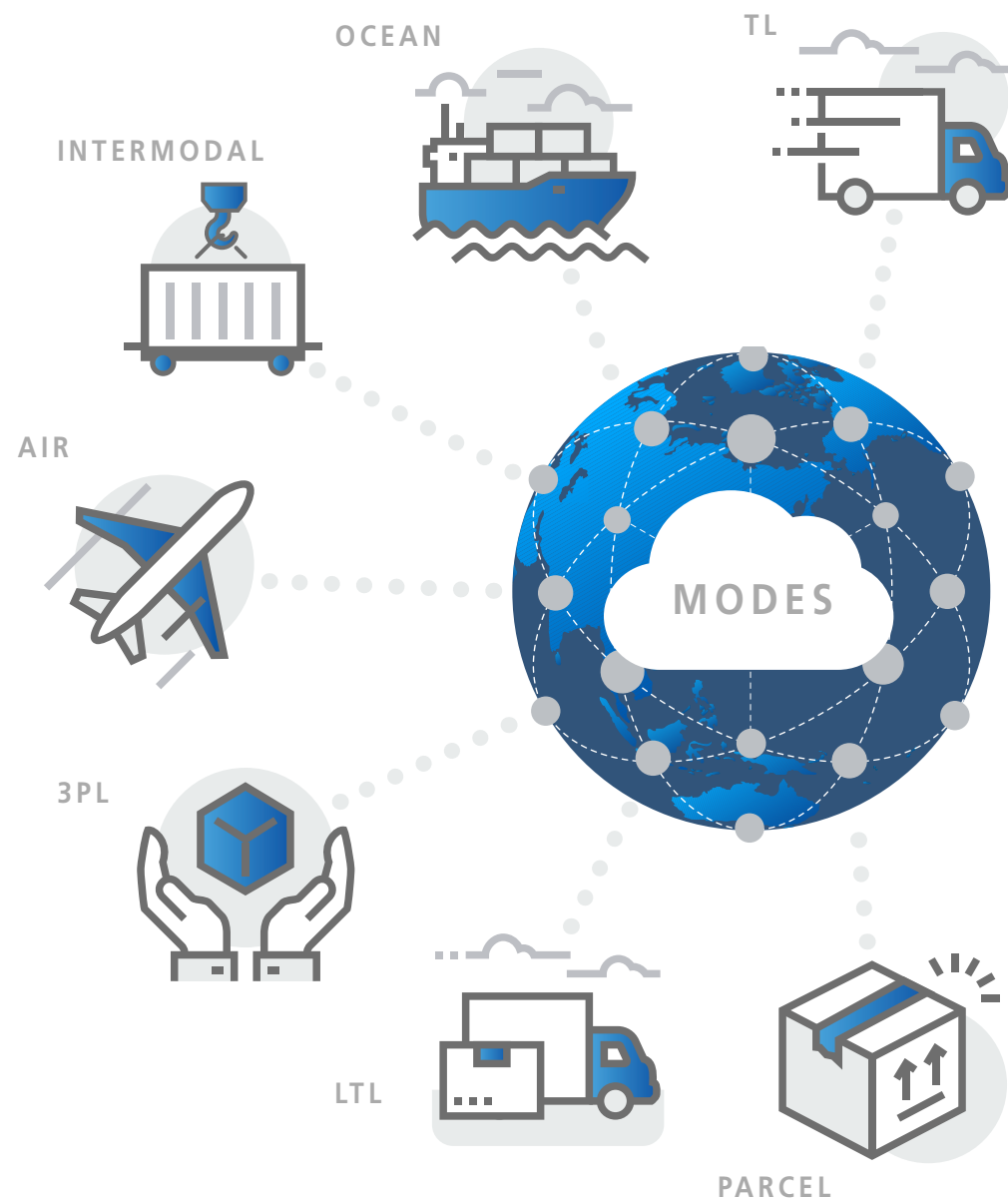
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Impacts on Traditional Transportation Organisations

Historically, transportation management has evolved in silos. Inbound and outbound were managed separately, private fleets and common carriers operated independently and parcel deliveries were only a small segment of transportation spend for retailers and manufacturers. Things are changing.



As organisations take a more holistic and integrated approach to transportation, market trends and heightened customer expectations are driving convergence. Here are the primary catalysts:

Service Innovation – Customer expectations are being driven higher by continuous innovation including faster deliveries, expanding services and the endless aisle that offers consumers more choice.

Expanded Delivery Modes – The complexity of the fulfillment and delivery process is growing. To stay competitive and leverage new markets, retailers are expanding their delivery choices to meet consumer requests. As a result, there is a need for more transportation partners to provide new modes of delivery.

Continued Globalisation – Expansion of the overseas supply base is leading to longer international supply chains with more inventory tied up in transit. This increases the complexity of inventory allocation. Better visibility and control of in-transit inventory are required to dynamically allocate products across multiple channels and address customer demands in real time.

Capacity Crunch – Constraints in today's volatile market are impacting cost and service levels, while requiring greater control over carriers. Shippers facing higher freight rates and more turndowns are feeling increasing pressure to optimise assets and potentially work more with 3PLs and brokers.

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GROWING SPECTRUM OF DELIVERY OPTIONS

To capture and retain customers during the new moment of truth, companies must deliver products when and where consumers expect them. That requires offering a growing number of delivery options ranging from in-store pickup, parcel service and locker deliveries to home delivery appointments with installation and set-up included. But balancing costs to address this expanding set of consumer choices is challenging.

To address this from a technology perspective, companies need:

- Global end-to-end visibility
- Flexibility to leverage expanding modes and to optimise
- A digitally connected network of partners
- A network that quickly adapts to capture market opportunities



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Visibility

End-to-end visibility is fundamental to flexibility. That's not just across transportation operations but with other organisations throughout the company, external partners and customers. Different entities in the supply chain distribution network each have their own business processes that are impacted by visibility technology.



Flexibility

To succeed in today's consumer-centric environment, a company needs a flexible network that can have the right partner make the right delivery at the right cost. As consumers opt for new delivery options, it's critical to have the flexibility to plug in new partners and access new modes. That could mean supplementing current TL/LTL, parcel and regional carriers with specialty couriers and partners offering white glove service and product expertise.



Digital Partner Network

Building out a trading partner network has transitioned in the past few years. It's evolved from having a logistics network that simply ties and automates transactions to one enabling collaboration by providing data and information and managing exceptions with analytics across all partners. To drive greater speed, agility and collaboration, it's critical to move business intelligence automation to Big Data analytics and visualisation as more partners enter the supply chain.



Adaptability

New market expectations are requiring retailers to quickly adapt their delivery networks to address special customer needs for a best-in-class service experience. That can require transforming their delivery approach from transportation-focused to a consumer-centric approach. One retailer recently adapted its delivery approach for big, bulky products to be more customer focused. The characteristics and results of the two approaches are compared on the right.

TRANSPORTATION-FOCUSED

- Siloed networks across inbound, outbound, modes
- Limited supplier direct shipment to consumer
- Cost focus on carriers and 3PLs
- No specialisation on customer deliveries

VS.

CONSUMER-CENTRIC

- Integrated network across modes, including suppliers
- Dynamic use of supplier direct ship based on inventory, product type
- Flexibility and service levels key criteria for carriers and partners
- Value added options and expertise on home delivery

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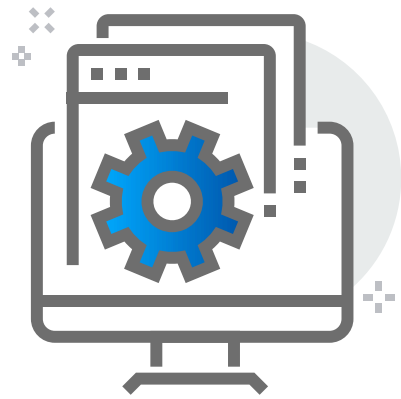
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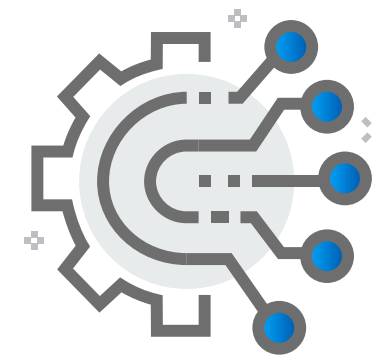
DELIVERING ON A VISION

Customer-centric organisations are moving toward convergence in their transportation operations to address market changes. In addition to the three core capabilities needed to achieve convergence outlined earlier -- end-to-end visibility, flexibility of modes and a digitally connected trading network – there are two additional factors that are important for successful initiatives.



▶ DATA QUALITY MANAGEMENT

Data quality has historically been an Achilles heel for supply chain projects. As trading networks grow more complex, a lot more data is being shared between more systems and more suppliers. Plus, with increased use of newer technologies on the horizon such as the internet of things, mobility and blockchain, trading partners need to be sure that the decisions they are making and the processes they are creating are based on quality data.



▶ OPTIMISATION

In the transportation realm, optimisation has often been considered as a phase two deployment. Phase one usually included automation, booking, tendering and track and trace, which delivered cost savings. But optimisation technology was delayed to phase two, possibly because companies found it too complex, felt they didn't need it or believed it was too expensive. However, companies have come to realize that optimisation technology is a necessity in today's rapidly changing market where delivery is a critical element of the customer experience.

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ENABLING AN AGILE, ITERATIVE APPROACH

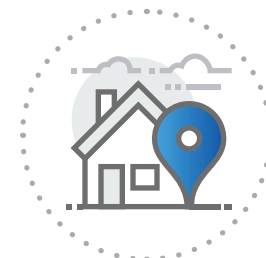
Descartes helps both large and small leading retailers better manage the end-to-end processes involved in transporting goods from suppliers to end consumers by helping:

- Define a Vision
- Create Organisational Alignment
- Optimise Trading Partners
- Enable Assessment
- Build Business and Operational Plans
- Strengthen TMS Capabilities
- Measure and Improve

We have an extensive footprint of next-generation software solutions for retail that is connected to the Descartes Global Logistics Network™.

[Visit our Retail Solution Center](#)

to learn how our integrated technology solutions for retailers will provide a successful delivery experience and turn the new moment of truth into a competitive advantage.



INITIATIVE

Home Delivery Options

- #### BENEFITS
- Increase revenue and customer satisfaction
 - Reduce damages and returns

SOLUTIONS

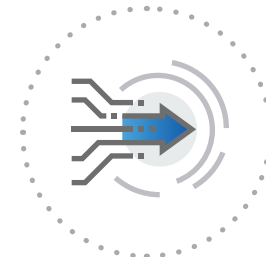
[Connect with an Expert on Home Delivery Solutions](#)



Omni-Channel eCommerce

- Increase customer loyalty
- Reduce delivery times and costs

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Supplier Fulfilled Delivery

- Endless aisle, expanded product catalog
- Lower inventory costs

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Same-Day Delivery

- Competitive advantage
- Improved customer experience

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Appointment-Based Delivery

- Win new consumers
- Optimize fleet utilization

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About Descartes

Descartes (Nasdaq:DSGX) (TSX:DSG) is the global leader in providing on-demand, software-as-a-service solutions focused on improving the productivity, performance and security of logistics-intensive businesses.

Customers use our modular, software-as-a-service solutions to route, schedule, track and measure delivery resources; plan, allocate and execute shipments; rate, audit and pay transportation invoices; access global trade data; file customs and security documents for imports and exports; and complete numerous other logistics processes by participating in the world's largest, collaborative multimodal logistics community.

Our headquarters are in Waterloo, Ontario, Canada and we have offices and partners around the world.

Learn more at www.descartes.com, and connect with us on [LinkedIn](#) and [Twitter](#).



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Uniting the People & Technology
That Move the World



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