

DESCARTES™

Dear Consumer: How Do You Feel About Home Delivery Now?

Descartes' Second Annual Ecommerce and
Home Delivery Consumer Sentiment Study



Introduction

Does a slower ecommerce market translate into better home delivery performance and how do consumers feel about home delivery today? For the second year in a row, Descartes, in combination with SAPIO Research, surveyed 8,000 consumers in Europe and North America to gain a comprehensive view of the state of ecommerce and home delivery performance. The results of the study point to some improvement in home delivery performance by retailers and delivery companies (e.g., carriers, couriers and logistics services providers) compared to last year, but a high level of consumer dissatisfaction remains. Retailers and delivery companies have much work to do to get in consumers' "good graces" because a large number of consumers are making purchase and loyalty choices based upon home delivery performance. Consumers are also becoming more sophisticated in their home delivery service preferences and retailers need to develop a home delivery persona strategy to keep customers happy and take advantage of the opportunity to improve the top and bottom line.

Top Level Findings

Below are high-level, at-a-glance takeaways from the research



67% of consumers experienced a home delivery problem in the 3-month period surveyed*



68% of those consumers took some form of action on the retailer or delivery company



Preference for low-cost delivery is twice as important as delivery speed;



Security was the most important element of the home delivery process



Top three delivery problems are all related to timeliness



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Ecommerce buying has decelerated.

The torrid growth of ecommerce in the early 2020s slowed in 2022 as high interest rates and rising costs slowed consumers' appetite for non-essential online purchases. The numbers from the study show the deceleration in ecommerce that has occurred the past year (see Figures 1 & 2).

Figure 1: Online purchasing behavior comparison

How has your online purchasing behavior changed in the last year?

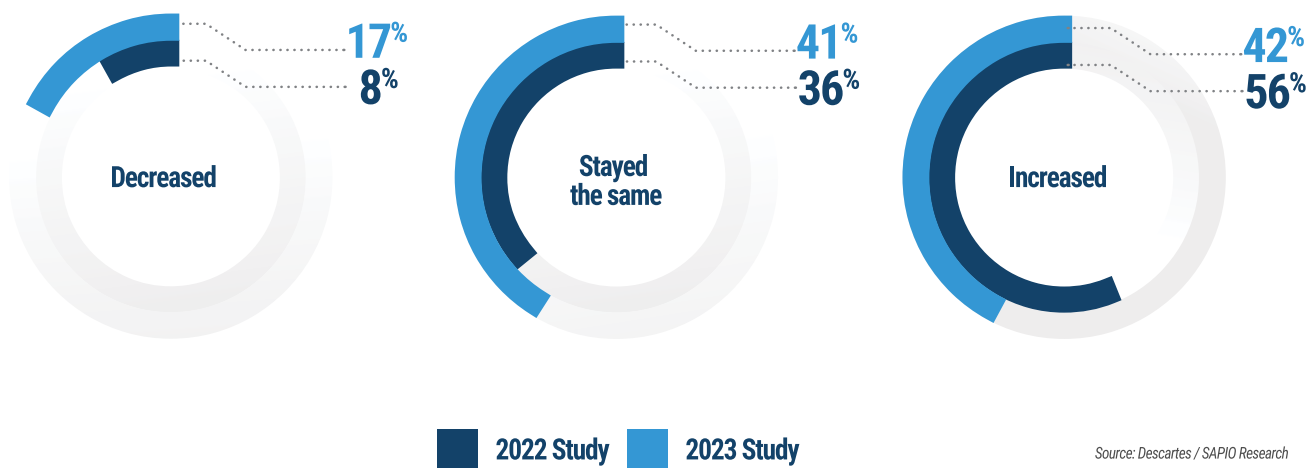
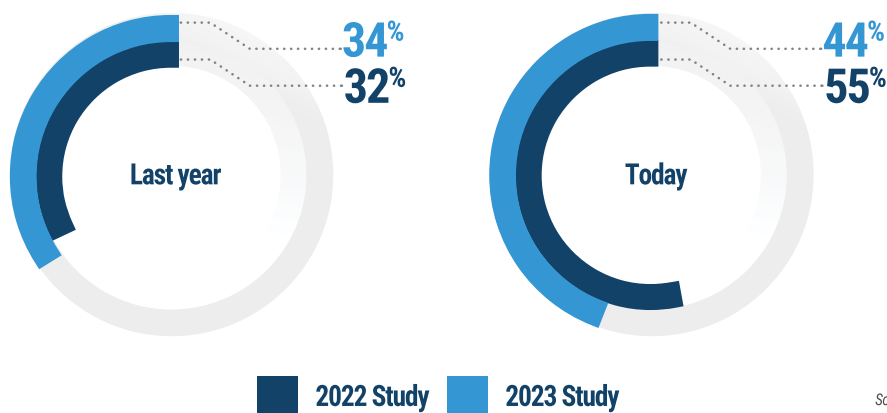


Figure 2: Online purchasing frequency comparison for purchases made at least every two weeks

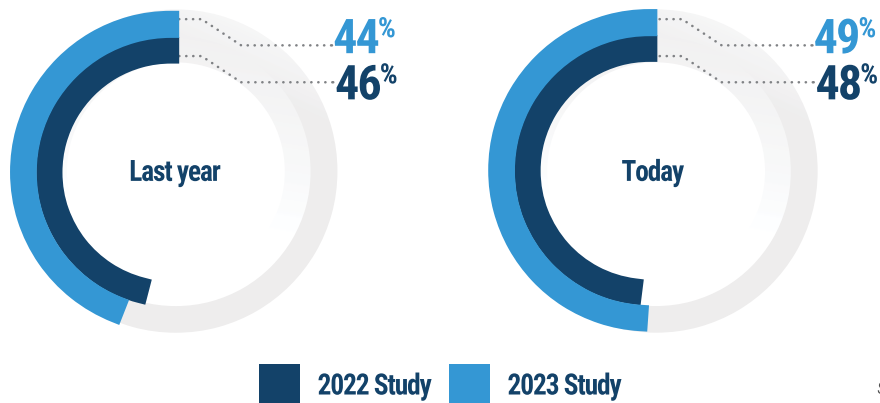
How often were you making online purchases on average, a year ago / today?



Consumers, however, remain optimistic about online buying and home delivery. Even though they did not necessarily reach the level of purchases they anticipated last year, they still expect ecommerce purchases to increase going forward (see Figure 3). According to the study, the top two reasons for the anticipated increase are that consumers have gotten used to the convenience (52%) and that ecommerce companies have continued to make the buying process easier (48%). While growth subsided, the last several years did educate a wider range of ecommerce shoppers—especially older ones—and expanded the types of products they were willing to buy online. Notably, the convenience score for the >55 age group is 15% higher than those respondents less than 35 years old. Delivery performance also improved slightly, up 2% to 36% in 2023, but is still only the fourth highest reason to purchase more online for home delivery. This result is consistent with the delivery performance scores discussed later and point to the level of improvement needed by retailers and delivery organizations.

Figure 3: Proportion of all purchases made online and delivered to the home

What proportion of all your purchases did you make online and have delivered to your home?



Source: Descartes / SAPIO Research

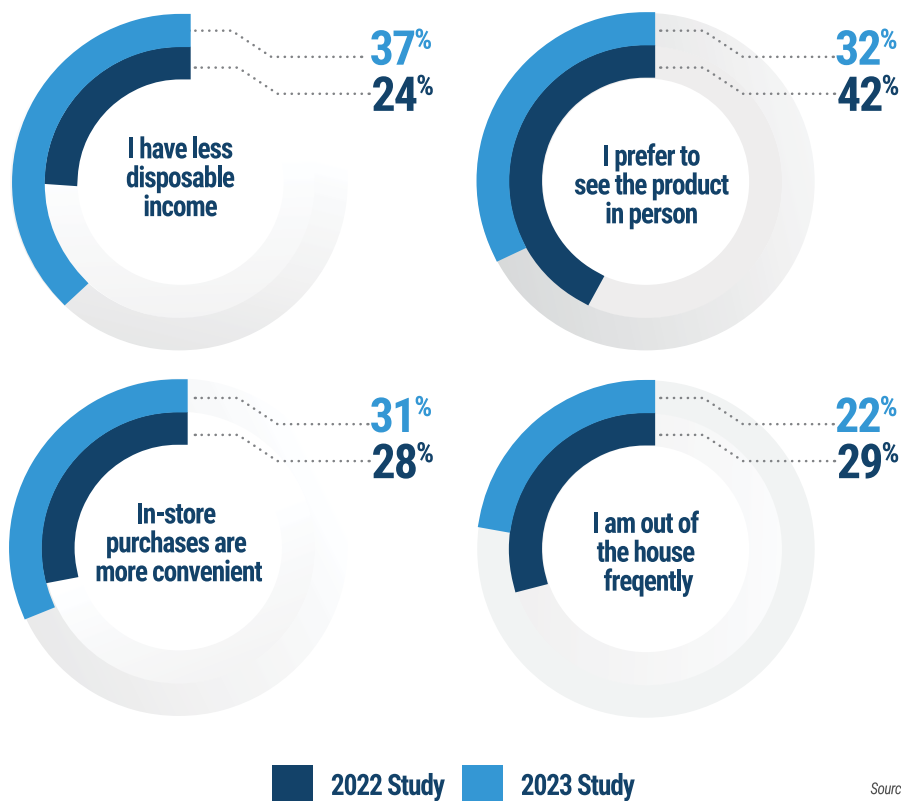


The top two reasons for the anticipated increase in ecommerce purchases are that consumers have gotten used to the convenience (52%) and that ecommerce companies have continued to make the buying process easier (48%).

Standing in the way of greater ecommerce growth has been the impact of inflation and resulting higher costs for consumers. The top reason for not increasing ecommerce purchases moved from “seeing the actual product before buying” in 2022 to “less disposable income” in 2023 (see Figure 4). To put this into context and illustrate how much more significant higher costs have become, less disposable income was the fifth highest choice in the 2022 study.

Figure 4: Top reasons preventing consumers from increasing online purchases

What will prevent you from increasing your number of online purchases in the future?



Source: Descartes / SAPIO Research



Delivery personas are powerful in that they can reduce delivery costs, improve delivery-related revenue and customer loyalty.

Catering to customer delivery personas is critical.

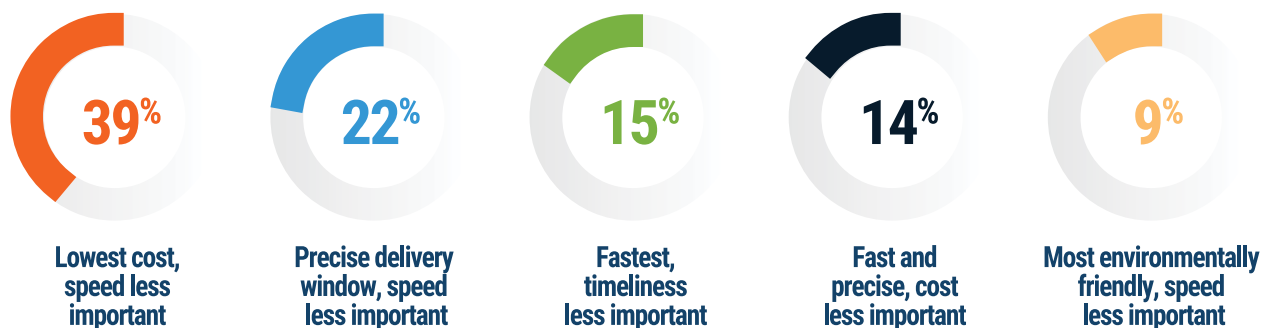
Understanding consumers' delivery preferences, or "delivery personas," is critical to maximizing financial performance and the customer experience. Successful retailers have invested significant effort over the years into understanding their customers' buying personas and understand that their customers do not all have the same buying behavior. By catering to their unique characteristics during the buying process, retailers maximize revenue and customer loyalty. Unfortunately, when it comes to home delivery, most retailers treat customers monolithically and miss the opportunity to use delivery persona concepts—which not only increase revenue and improve customer loyalty but also lower delivery costs.

Delivery personas involve a combination of delivery speed, precision, value-added services and information about delivery options (e.g., most environmentally friendly) to allow retailers to craft a number of delivery experiences that best fit their customers' preferences. Delivery personas are powerful in that they can reduce delivery costs, improve delivery-related revenue and customer loyalty. By providing delivery options during the buying process, customers will happily self-select the one that best fits their delivery persona. To understand more about delivery personas [go here](#).

Descartes wanted to know how consumers identified with different delivery personas and evaluated personas from several perspectives such as cost, speed, precision and sustainability. Lowest cost was the highest-rated delivery preference (see Figure 5). Delivery speed, something mentioned frequently in the press as very important to consumers, was considerably lower ranked as the third preference and also part of the fourth preference. Delivery precision scored higher than speed, which makes sense when compared later to how consumers rated current delivery performance. Age also has a significant impact on delivery preference. For lowest cost, speed is less important, younger consumers (18 – 34) only agreed with that persona for **30%** of the responses as compared to **50%** of the older consumers (55+). Speed resonated with younger consumers, as the fastest, timeliness less important and fast and precise, cost less important personas received **11%** and **7%** higher scores, respectively, compared to older consumers.

Figure 5: Consumer delivery preferences

What best describes your delivery preference?



Source: Descartes / SAPIO Research

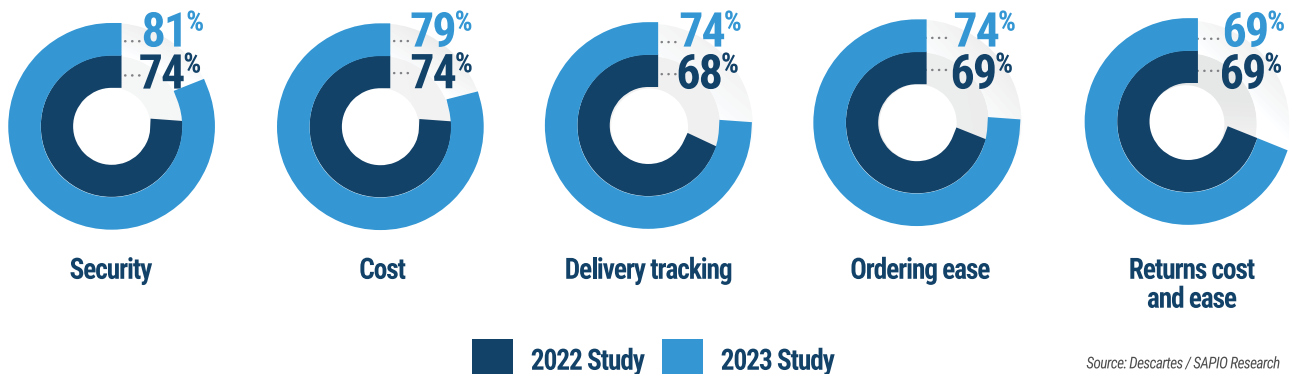


The type of product also impacts delivery preference. The lowest cost delivery method was most important overall for purchases of books (44%) and films/music (43%), but less important for medicines (29%) and groceries (28%). Medicines (26%) and groceries (23%), however, received the highest scores for speed. Appliances (white goods) and furniture (tied at 26%) were the top product categories for delivery precision followed by groceries and electronics (tied at 23%). Product category made no meaningful difference for environmentally-friendly preferences.

Looking at key elements in the delivery process, delivery security increased in importance over last year's study and, along with cost, are the top two responses in both 2022 and 2023 surveys (see Figure 6). Delivery tracking – an increasing expectation of consumers and an aspect of delivery security also rose in importance as it was the fifth most important element in 2022 and moved to the third in 2023.

Figure 6: Elements of the delivery process ranked as quite/extremely important

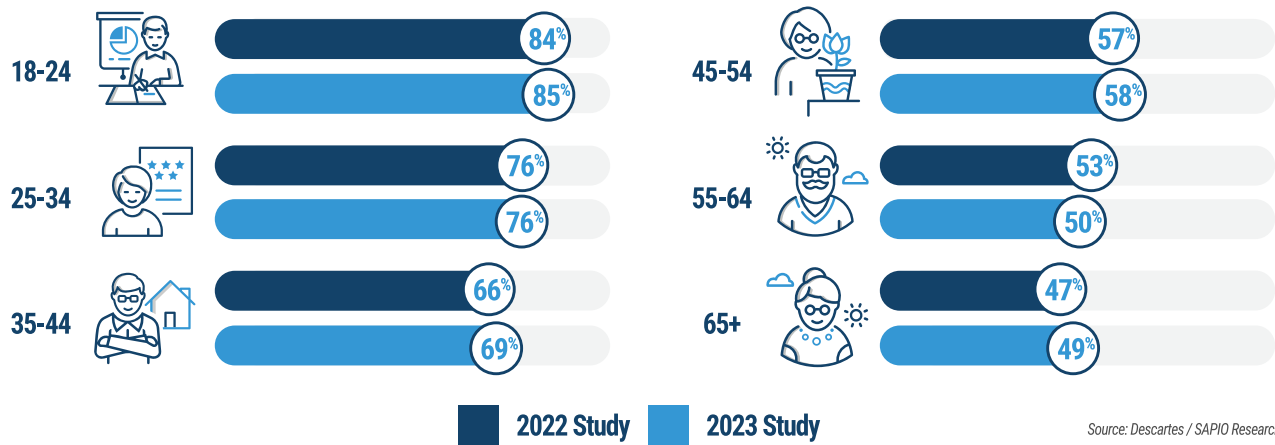
How important are each of the following elements of the delivery process?



Source: Descartes / SAPIO Research

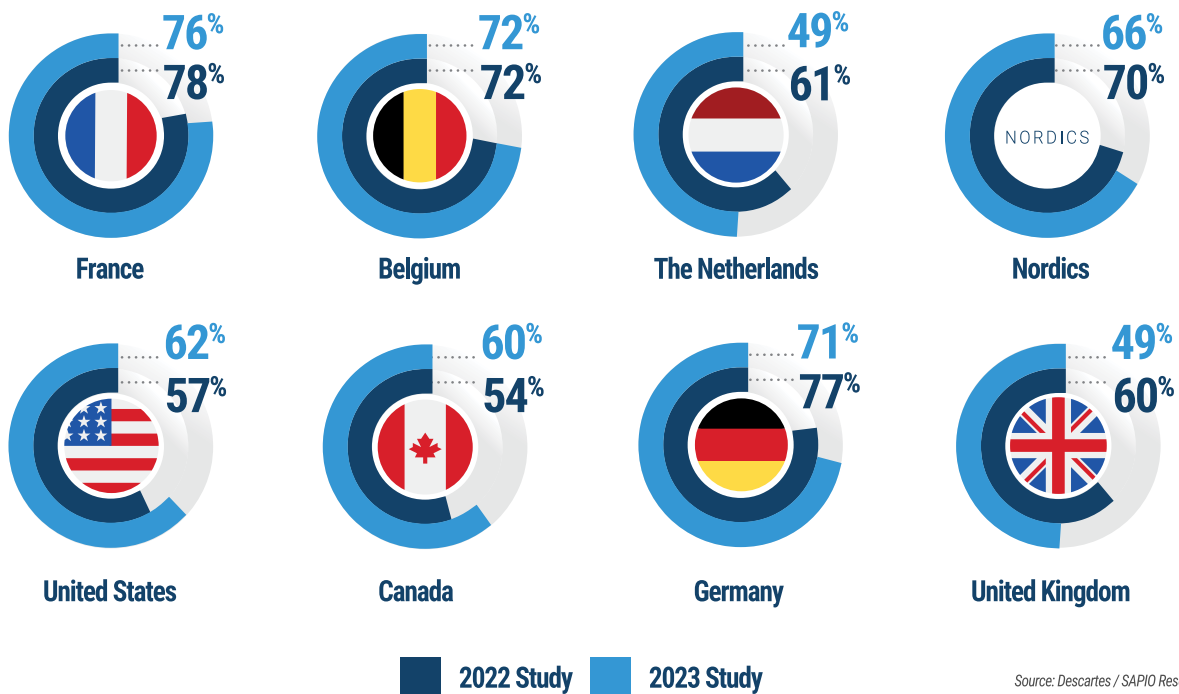
Across all respondents, concern for environmental impact when purchasing online and having the order delivered dropped slightly (2%) to 63%; however, there's a wide degree in variability by age (see Figure 7) and geography (see Figure 8). Retailers selling products to younger generations need to consider sustainability an important delivery persona.

Figure 7 Sustainability concerns by age group when purchasing with home delivery



Source: Descartes / SAPIO Research

Figure 8 Sustainability concerns by country when purchasing with home delivery

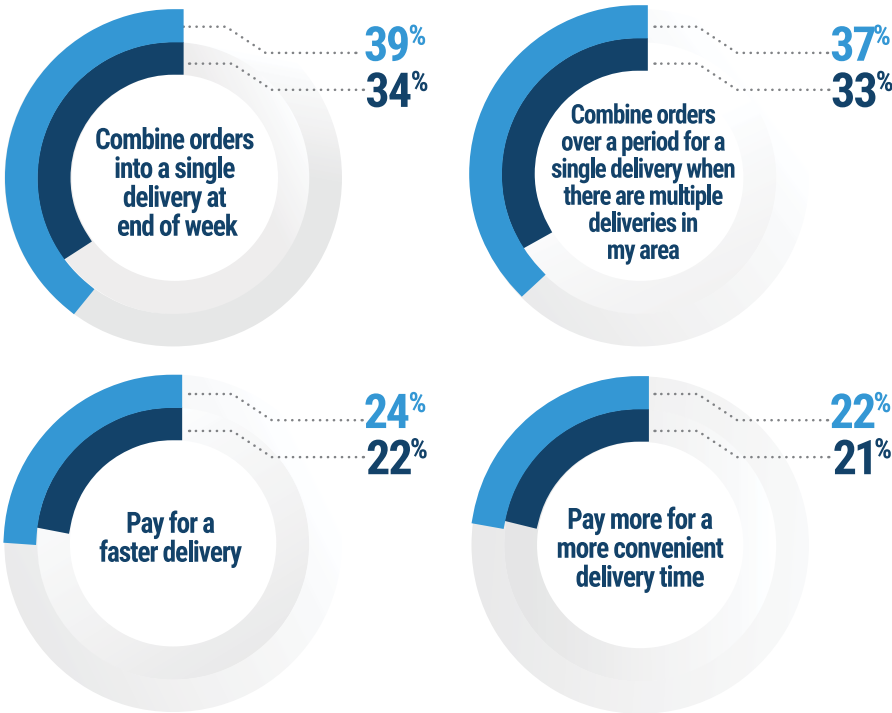


Source: Descartes / SAPIO Research

Consumers are more flexible when it comes to delivery than many retailers think and are willing to take delivery options that can reduce costs, increase revenue and help the environment. The results of the 2023 survey show increased interest across the board (see Figure 9). The two options with the greatest consumer interest have a double benefit: they're not only lower cost, but are also more environmentally-friendly. For 2023, we included a new answer option to have the retailer highlight the most environmentally-friendly delivery option and it came in a close third (36%). These results are consistent with Descartes' study [Retailers: Sustainability is Not a Challenge, It's an Opportunity](#), which examined consumer sentiment of retailers' sustainability practices around their delivery operations. The answers for faster and more convenient delivery times are consistent with what Descartes sees in its customer base. While the numbers may appear small, they're actually significant because it doesn't take a lot of customers to make a lot more money. For example, Descartes' customers offering premium delivery services are generating additional income as large as tens of millions of dollars.

Figure 9: Delivery service options with highest (quite/very interested) level of interest

How interested would you be in receiving a delivery service that offered you the following options?



2022 Study 2023 Study

Source: Descartes / SAPIO Research

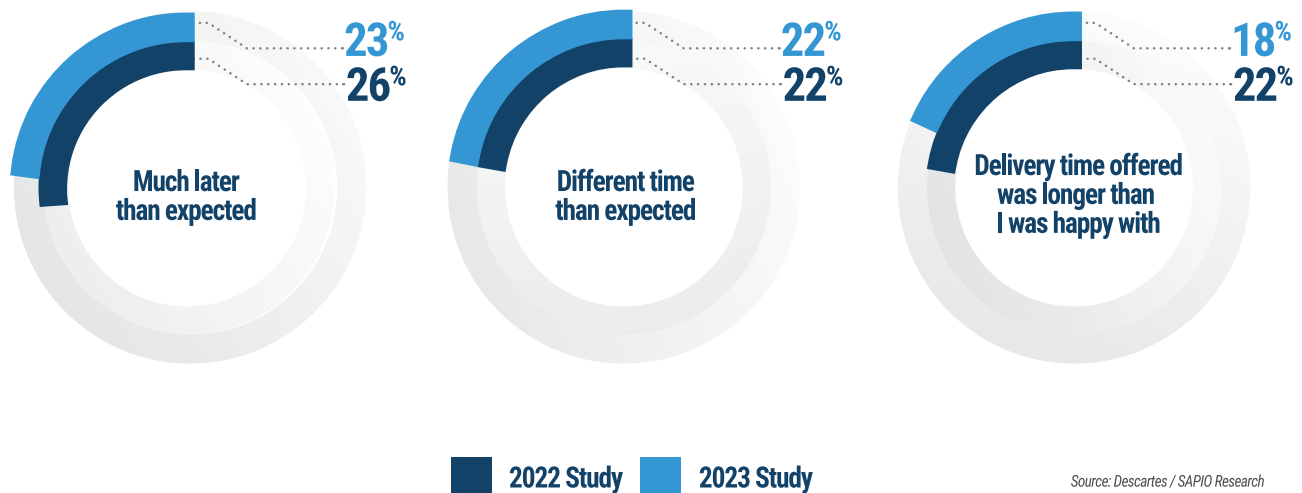
Delivery performance improves, but there is still plenty of room for improvement.

The ecommerce slowdown has alleviated some of the pressure that retailers and home delivery companies faced during the pandemic. Not surprisingly, consumer sentiment shows improvement across all the delivery performance results in the survey; however, there is still a long way to go in consumers' minds as performance has not returned to pre-pandemic levels. In 2022, **80%** of respondents were satisfied with delivery execution most of the time and this improved to **83%** in the 2023 survey. Based on survey findings, however, one in six respondents indicated they were "occasionally to never satisfied". Younger respondents have even higher expectations: those <35 years were **23%** more likely to be occasionally to never satisfied than those >55 years and older.

The prime reason for the elevated level of dissatisfaction is the high number of delivery problems consumers are continuing to experience. In this year's survey, **67%** of consumers indicated they had a delivery problem. In the 2022 survey, the number was **73%**. While the **6%** difference is a year-over-year improvement, delivery problems are still chronically high. Younger respondents (18 – 34) have higher delivery performance expectations as **83%** of respondents claimed to experience a delivery problem. In both years, the top reasons cited for delivery problems were all related to delivery timeliness (see Figure 10).

Figure 10: Top delivery problems in 3-month period surveyed

Have you had any of the following experiences with a delivery in the last 3 months?



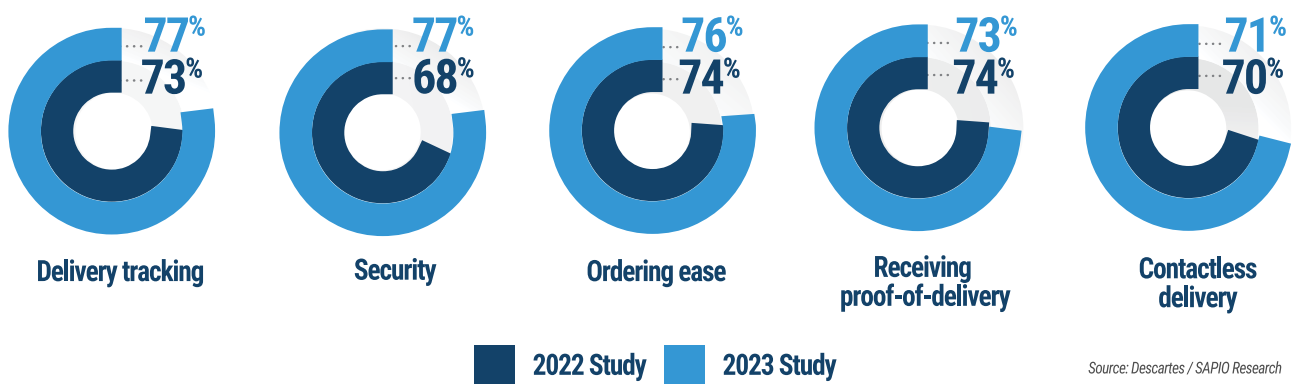
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Delivery service performance also varies greatly by product category. In 2022, white goods (52%) and clothing and footwear (51%) were the top choices for “extremely satisfied service” with furniture (33%) getting the lowest result for extremely satisfied service. In 2023, medicine (55%) and books (54%) received the most extremely satisfied service response with white goods (49%) down slightly and furniture showing significant service improvement (43%).

The home delivery experience is an end-to-end process that starts at the point of purchase and ends after the delivery was made. Retailers and delivery companies have made progress, but the numbers still show considerable room for improvement. The greatest surprise in the results is the degree of growth in consumers’ satisfaction of security during the delivery process: it was the ninth highest choice in 2022 and, in 2023, it was tied for the highest “quite/extremely important” response (see Figure 11).

Figure 11: Elements of delivery process with highest (quite/extremely important) level of satisfaction

Overall, how satisfied are you with each of the following elements of the delivery process?



Ecommerce returns processes and service levels have always been a point of contention for consumers. The state of returns performance in 2023 was consistent with results in the 2022 study with only 15% of respondents indicating they faced significant challenges or complete failure to return online purchases. There is always room for improvement but, compared to other areas of online buying and home delivery, results relating to the quality of returns services were better than anticipated.



Retailers and delivery companies have made progress in regards to customers’ home delivery experience, but the numbers still show considerable room for improvement.

Consumers act on poor delivery performance.

Any patience that consumers might have had relating to ecommerce and home delivery during the pandemic has faded. In the 2022 and 2023 studies, **68%** of consumers who had a delivery problem took some form of action on either the retailer or the delivery company. While the actions reduced slightly in 2023 versus 2022, the results are still not good for retailers as consumers reconsider retailer loyalty, stop making purchases or influence others to do the same (see Figure 12). Delivery companies are also impacted in the same way and, where consumers have a choice, they'll make it or associate that service provider's performance with the retailer's brand. For 2023, "posted my dissatisfaction on social media" was added as an option for the type of action taken. While its number is low, its reach could be devastating for retailer and delivery company brands alike. Younger respondents (18 – 34) were almost twice as likely to post or tell friends and family to avoid the retailer than older respondents (55+). Considering the high delivery problem rate (**67%**) and the severity of some of the actions, retailers and delivery companies need to significantly raise the bar on the level of home delivery experience they provide or face a loss of customers and revenue.

Figure 12: Consumer actions in the face of delivery problems

What, if anything, resulted from the delivery issue in the 3 month period?



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Home delivery performance: Ticking time bomb or market opportunity?

Home delivery performance is more important today and will be in the future as consumer sentiment shows that ecommerce improvements are spurring a broader demographic to buy a wider range of goods online and get their goods delivered. This is why it's so important for retailers and home delivery companies to excel at home delivery. It's also encouraging to see that consumers see some progress in home delivery performance in this study versus the previous year. Consistent delivery performance and consumer satisfaction numbers are still low, however, the companies who are operating near or below these norms run the risk of losing revenue and customers if they don't improve.

For retailers and home delivery companies whose performance is much better, the opportunity exists to use a superior home delivery experience as a competitive differentiator and capture disaffected ecommerce buyers. Adopting strategies such as customer delivery personas will help enhance the customer experience gap while providing an opportunity to lower delivery costs and capture new delivery-centric revenue streams.

Now is the time to take advantage of a less chaotic ecommerce market to make home delivery performance a difference maker for the future.

**Survey based on consumers' ecommerce purchasing and home delivery experiences during the 3-month period from late October 2022 to mid-January 2023.*



About Descartes Systems Group

Descartes (Nasdaq:DSGX) (TSX:DSG) is the global leader in providing on-demand, software-as-a-service solutions focused on improving the productivity, security and sustainability of logistics-intensive businesses. Customers use our modular, software-as-a-service solutions to route, track and help improve the safety, performance and compliance of 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.

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