



LEADERS IN
LOGISTICS

Honeywell

TV PANEL SUMMARY

Supercharging last mile delivery

The meteoric rise of online shopping has driven last mile delivery to evolve and expand much faster than many had predicted. In 2019 Amazon delivered 3.5 billion parcels, its highest volume to date. With panellists on the Leaders in Logistics' webinar Supercharging Last Mile Delivery agreeing that there's no sign of the consumer appetite for home delivery waning, logistics companies are embracing the latest digital technology to optimise the supply chain, reduce costs and improve sustainability.

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40% of supply chain costs are in the final mile. How do we drive more efficiency into that part of the supply chain while also delivering great customer service?

Natalie Frow, DHL

Costs are certainly high on the agenda for all those in the supply chain. “We recently published a white paper showing that 40 per cent of supply chain costs are in the final mile,” said Natalie Frow, Vice President of Operations, Home Delivery at DHL. “How do we drive more efficiency into that part of the supply chain while also delivering great customer service?”

Sustainability is also high on the agenda, said Richard Blown, Head of Innovation and Architecture at Hermes Logistics Group. “We’re very conscious of the number of vehicles entering a neighbourhood,” he said.

Great expectations



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Guido Vangenechten, Honeywell

In the age of Amazon Prime and its next-day-delivery promise, customer expectations have never been higher. This, too, is placing strains on the supply chain. “Customers want you to get the basics right, which is the right package at the right time in the right spot,” said Guido Vangenechten, Transport & Logistics Sales Director, Europe, at Honeywell. “But now they also want more flexibility so they can switch deliveries. It’s much more than the basics these days.”

He pointed out that free delivery is a key motivator for consumers when making purchasing decisions but that this is inevitably putting pressures on the supply chain. “It’s going to require a mentality change on the part of consumers,” said Vangenechten. “There needs to be some sense of reality.”



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Natalie Frow, DHL

Natalie Frow of DHL agreed that customer expectations are creating challenges for providers. “The more choice and control you give back to the customer the more complexity that drives through the supply chain,” she said. “It adds more cost, more vehicles and more impact on the environment. E-commerce will continue to grow so we have to find ways to address these challenges through the supply chain.”

In part, she said, this will involve managing customer expectations, working with retailers to communicate throughout the purchasing journey about delivery options and then using tools like variable pricing to influence delivery decisions.

Increased collaboration



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Guido Vangenechten, Honeywell

Guido Vangenechten of Honeywell pointed out that retailers used to manage the whole shopping experience within their bricks and mortar stores but now responsibility for much of that is transferred to the logistics provider. “If the delivery doesn't go well then that's a real business risk for the retailer,” he said. “Your corporate image is left on the doorstep with the customer. That's why this final mile is so important.”

As a result, retailers and logistics providers are working closer and closer together, said Natalie Frow of DHL. “Retailers expect us to support them with our knowledge and expertise to make a it a great experience all the way through,” she said. “And a great experience for the customer means the likelihood of repeat business is much higher so there's a revenue opportunity for retailers and logistics providers.”

Chatbots, scanners and AI

Technology has a key role to play in helping logistics providers meet the demands of today's connected customer. At the back-end, it's all about efficiency said Guido Vangenechten of Honeywell. "In an industry where every second counts, new scanning devices that can scan multiple barcodes at once can win valuable seconds that get the efficiency up and the costs down," he said.

And at the front-end, new channels, such as chatbots and voice, make it ever easier to stay in touch with the customer and personalise their experience. Hermes, for example, has introduced a chatbot that proved popular during the peak Christmas season.

"People know it's a chatbot, we're not trying to pretend it's a human and they understand that," said Richard Blown. "For dealing with quick requests like tracking, then the feedback was really positive and we saw quite high adoption rates. We're now adding more features and functions so it can handle other requests, like safe places and returns."

Artificial Intelligence (AI) is also shaping customer journeys. "We use AI engines to do a predelivery survey to manage expectations," said Natalie Frow of DHL. "We use clever linguistics to make the customer feel like they're in control but we are subtly moving them to behave in a way that suits our operating model and hopefully you get to a win-win. We find that when the customer successfully engages in that conversation, the success of delivery is significantly improved."

This matters, said Frow, because the success or failure in that final mile has a huge impact on costs for everyone involved.

Data is key to making a successful delivery, whether it's cross-referencing to make sure addresses are correct or remembering a customer's preferred safe place. But it's not just collecting data – it's quickly turning it into actionable insights for those on the frontline to help them contact customers or re-route when things go according to plan. DHL also collects data from customers on their delivery experience, which is then turned around within 24 hours and fed back to the driver. "It empowers our frontline people to continually deliver those services to customers," said Frow.

Predictive analytics and Big Data can also help combat fraud by identifying patterns, spotting anomalies and providing early warning indicators while heatmaps can help optimise travel route planning.

Adding value, offsetting costs

With home deliveries only set to continue, there are more solutions coming onto the market to enable delivery even when householders aren't in, such as smart doorbells and locks.

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Natalie Frow, DHL

“The key question for the retailer and logistics provider is what opportunity does that give us to add value at the point of delivery?” asked Natalie Frow of DHL. “There are opportunities to add in layers of added value such as unpacking, packaging take-away for recycling, and installation, which would start to recover some of the costs of delivery.”

She used the example of the airline industry, where customers book a £10 flight but by the time they reach checkout it's £100 because they have opted for seat and added a bag. “How can we exploit the in-home experience to recoup the cost of delivery?” she asked.

Sustainability

Amid growing fears for the planet's health, there's increasing scrutiny of the environmental footprint of all these home deliveries. Greater collaboration among retailers might help reduce the number of half-empty vans driving around while a crowd-sourcing model could deploy citizens on foot or bike to make deliveries in densely urban areas.

“Rather than multiple journeys, it's possible to reward customers for agreeing to slow things down, hold some parcels back and then group them to make a bulk delivery,” added Richard Blown of Hermes. “But there are many issues to resolve, such as is there space to store the parcels, how would it be managed and how do you credit the customer?”

This is where variable pricing has a role to play in nudging customers towards more sustainable behaviours.

Robo-drop

Inevitably the discussion turned to the rise of the autonomous vehicle and robotics. Natalie Frow of DHL said it will take time to get the infrastructure and regulations in place but the rise of drones and autonomous vehicles is already underway. “We saw the same in warehouses,” she said. “It took some time but now robotics and AGVs are commonplace, working alongside humans rather than replacing them to make processes more efficient and safer.”

She also pointed out that automation could prove key to solving labour shortages. “With more and more deliveries, we’re going to need more and more people but already there’s a very tight labour market,” she said. “One way of bridging that gap is through AVs and robotics. This will be really important.”



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Richard Blown, Hermes

Richard Blown of Hermes agreed. “Technology frees people up to handle more complex enquiries and more value-added activities,” he said. “Let the chatbots handle the routine tracking enquiries and then let the human kick in when it really matters.”

Guido Vangenechten of Honeywell added: “It’s important to have an open mind and not be afraid of new technology. It will make jobs more interesting.”

Not all technological advances are around efficiencies and cost savings, however. Now that it’s almost routine to have a brown Amazon box turn up at the door, some innovators are looking to bring back some of the delight of receiving a parcel. “We’re looking to make parcels personal again through Hermes Play,” explained Richard Blown. “You can send a parcel with a video message, it’s a bit of magic and fun using Augmented Reality technology.”

Home delivery, with added smiles.

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