

Is 2020 the End of the Delivery Economy?

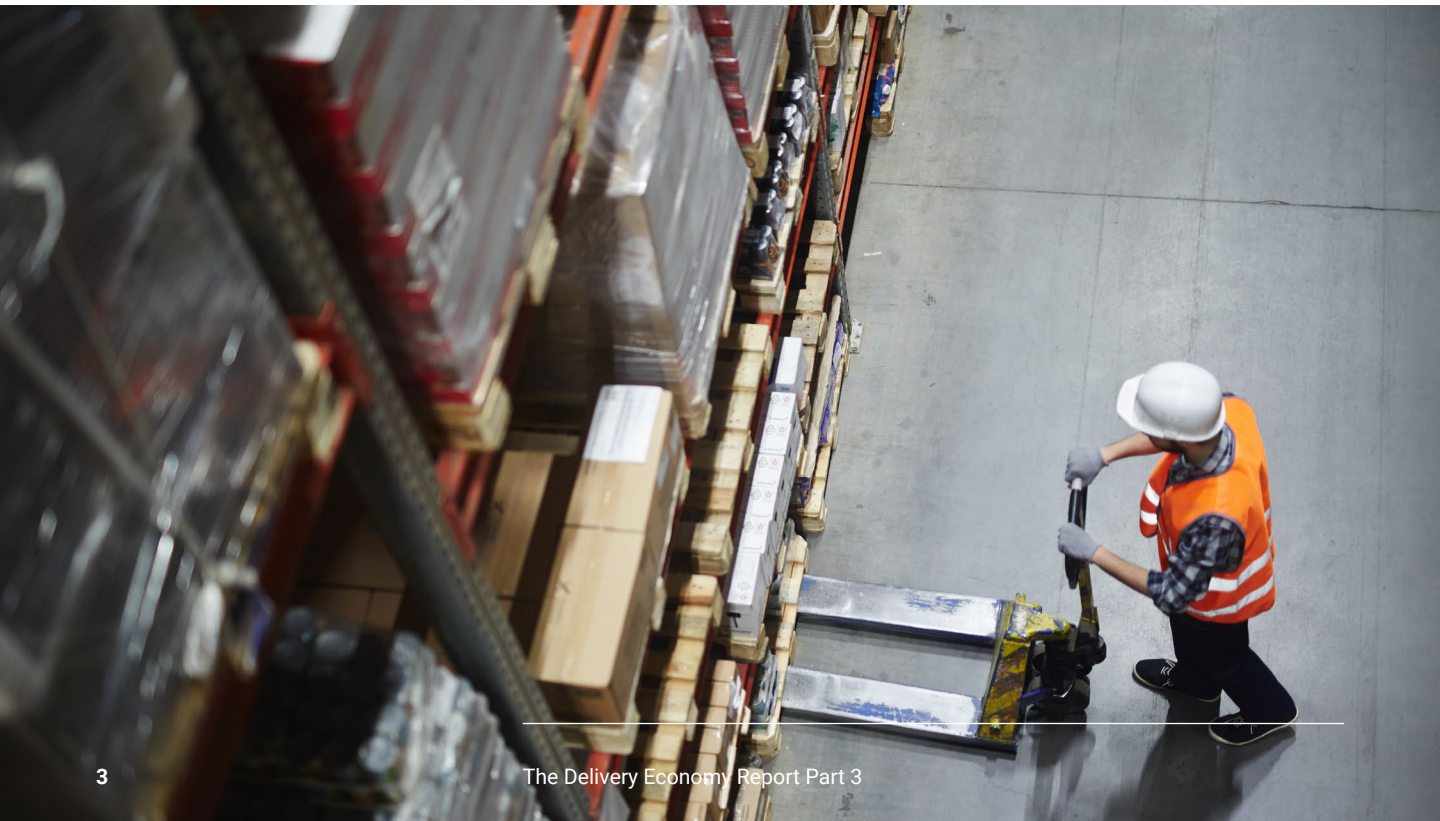
Delivery Expectations Continue to
Grow Despite Global Challenges



Economic Uncertainty, Increased Demand for Sustainable Practices, and Rising Data Security Concerns Challenge the Delivery Economy

As the entire world faces an uncertain year ahead, supply chains are dealing with increasingly complex and unknown conditions on top of market pressures that have been evolving for the last several years.

Rapidly evolving technologies have changed customer expectations and put delivery front and center in both B2C and B2B customer experiences. The Delivery Economy – the pervasive sentiment in which customers expect the low cost, fast, and highly transparent delivery of goods – has become a top priority for marketing, supply chain and business strategies. Fast, low-cost and widely trackable delivery has become mission critical and is paramount to maintaining a loyal customer base.



INTRODUCTION

Even before global economic challenges began to loom, this demand had supply chains scrambling to keep pace and offer the delivery experience customers expect while maintaining critical operational efficiency. Now the supply chain is facing enormous pressure to increase this operational efficiency while overhauling legacy processes and systems that are ill-equipped to handle these demands.

But this may only be the beginning of the pressures for the supply chain. As the world heads into a new decade, the uncertainties businesses are facing in light of a changing world have left them with a stark reality — the only certainty is uncertainty.

These challenges have only become more urgent as we have been faced with an unexpected global health crisis and a resulting worldwide economic downturn. We conducted research to explore how organizations and consumers alike are tackling the challenges of a continually changing world. In the midst of a pandemic crisis, there is a heightened sense of urgency as we explore the ways in which organizations can prepare for the unexpected.

Halted travel, increased product demand, shelter-in-place orders, a shift to online shopping, and the shuttering of retail and restaurant businesses have laid bare the need for delivery and for critical efficiency in the operations that power this need.

The world depends on these systems, both in good and in challenging times. Customers — both consumers and businesses — have become accustomed to a new kind of delivery experience, but more than ever, their expectations are going beyond delivery, and they are holding companies they purchase from to a growing number of standards.

When the world is facing economic challenges, customers not only expect their delivery experience to be maintained, they have mounting expectations about how companies are tackling sustainability and data security.

Companies will be tasked with maintaining critical operational efficiency while addressing their customers' expectations in a quickly changing world. Many popular delivery vendors are struggling to keep up with demand, according to the Washington Post.*

** "Grocery Delivery Was Supposed To Be The Ultimate Pandemic Lifeline. But It's Falling Short.", April 2020*

INTRODUCTION

To understand the current attitudes of customers and companies, we surveyed supply chain professionals — in both B2C and B2B industries — as well as consumers throughout the United States and Europe. This report examines three key areas that are currently shaping the world and impacting the broader supply chain:

01

Continuing to prioritize high delivery expectations in the face of an economic downturn.

83% of customers do not expect companies to give up fast delivery in an economic downturn

02

Recognizing that environmental sustainability is increasingly important to their customers, even in a struggling economy, it will be imperative to create sustainable delivery methods without sacrificing operational efficiency.

78% of customers say they'd be more likely to make purchases from companies that prioritize sustainability in the delivery process

03

Meeting the demand for improved data security and evaluation practices as data volume and sharing continues to grow with the rise of the Delivery Economy, yet supply chains are unprepared to evaluate the security of third parties.

82% of customers feel companies need to do more to protect the security of their personal data

The challenges and disruption we're seeing now will change the way supply chains operate for the foreseeable future as organizations navigate a hit to the economy while still meeting critical customer expectations like efficient and convenient delivery, sustainability initiatives, and increased data security.

High Delivery Experience Expectations Continue in an Unstable Economy

89%

of customers do not expect companies to sacrifice visibility/transparency into the delivery process or expected arrival times in an economic downturn

Even in an economic downturn, customers' expectations around delivery remain high across North America and Europe. B2C and B2B customers still expect visibility and transparency in the delivery process, as well as fast delivery times. But supply chains question their readiness to meet and exceed these expectations and even call out how these heightened demands have made it difficult to get ready to face an economic downturn.

Supply Chains are Not Prepared for Economic Challenges

While more than half of supply chain professionals say they could be doing more to prepare and weather an economic downturn, those who have put strategies in place to increase efficiency and speed in order to meet the demands of the Delivery Economy are in a better place to handle the current market challenges.

53% of supply chain professionals say increasing operational efficiency is the most important step

23% had a contingency plan already in place to reduce the cost of supply chain operations due to an economic downturn

55%

of supply chain professionals say they're not prepared and could have done more to prepare for an economic downturn

44%

think changing customer demands around delivery made it more difficult for them to prepare for an economic downturn

Even as the World Faces Extremes, Delivery Expectations Remain High

During an economic downturn, from a customer standpoint, delivery expectations will remain high. Both B2C and B2B customers agree that visibility and transparency in the delivery process are vital, as well as fast delivery times.



What customers expect companies to first sacrifice in an economic downturn:

28%

expect companies to forgo free or discounted delivery

83%

do not expect companies to give up fast delivery

89%

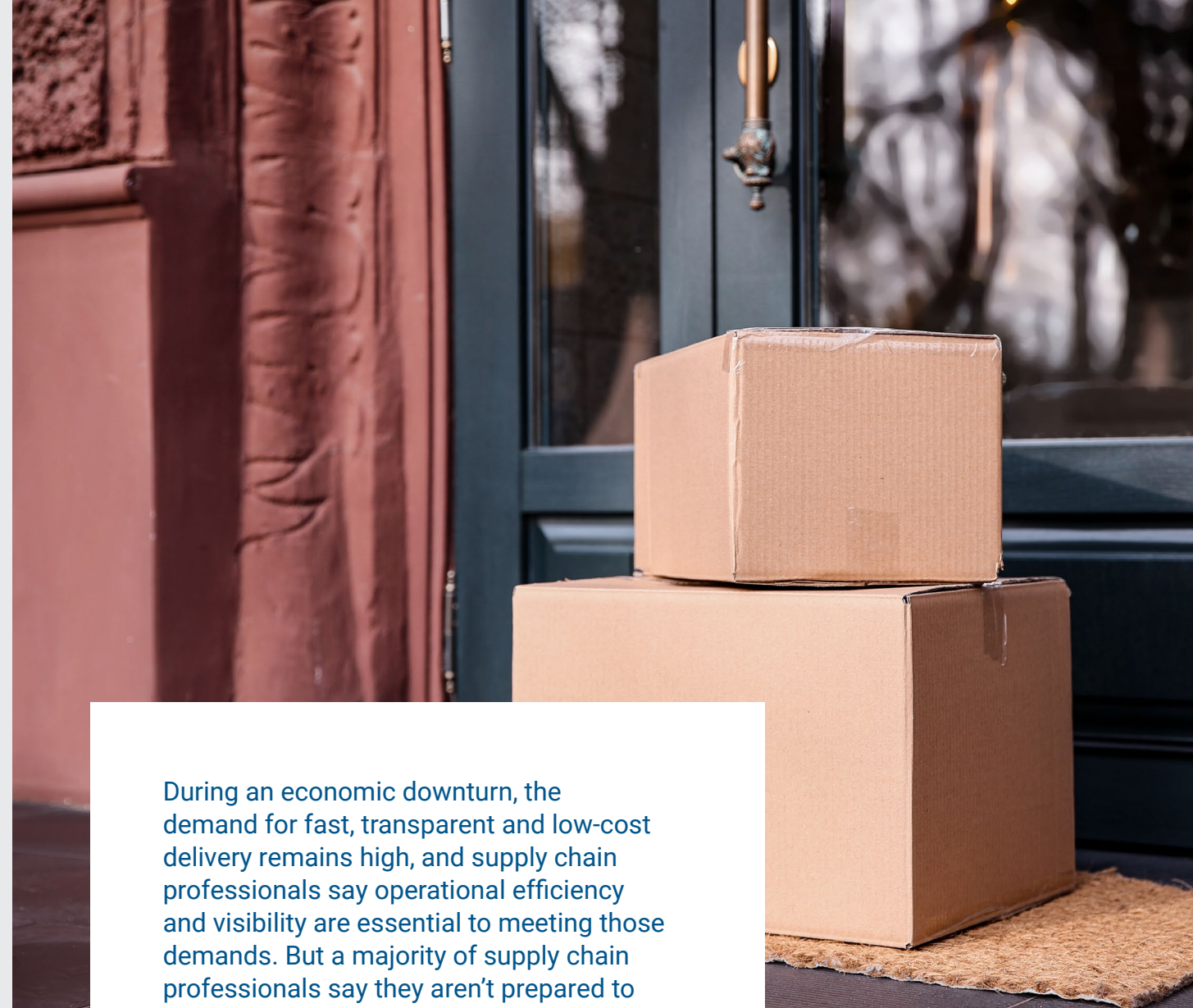
do not expect companies to sacrifice visibility/transparency into the delivery process or expected arrival times

SECTION 1

Despite recognizing the ongoing importance of delivery and the high demand from customers, only 1 in 5 supply chain professionals said they would maintain their pre-downturn delivery options:

21%

supply chain professionals would not shift their delivery options as delivery is core to their customer experience



During an economic downturn, the demand for fast, transparent and low-cost delivery remains high, and supply chain professionals say operational efficiency and visibility are essential to meeting those demands. But a majority of supply chain professionals say they aren't prepared to meet those heightened expectations, in both good or bad economic conditions.

Sustainability Is No Longer an Option in the Delivery Economy

78%

of customers say they would be more likely to make purchases from companies that prioritize sustainability in the delivery process

Customers Will Not Overlook Environmental Sustainability in a Down Economy

Environmental sustainability is becoming a growing concern and priority for customers in North America and Europe even when faced with economic concerns. Customers recognize the impact of the Delivery Economy on the environment and are placing increasing expectations on companies to incorporate more sustainability initiatives into the supply chain.

40%

plan to start making more purchases from companies with sustainability initiatives

17%

will only purchase from companies with sustainable practices

In an economic downturn, customers' commitment to sustainability remains steadfast, with 60% saying they would pay more to shop from a company that practiced sustainable shipping practices.

Percentage of Customers Willing to Pay More for Sustainable Delivery

Rate of Payment Increase

35% Pay up to 10% more on shipping

18% Pay up to 25% more on shipping

5% Pay up to 50% more on shipping

2% Pay 50% or more on shipping

Supply Chains are Just Getting Started on Sustainability Initiatives

Global supply chains are recognizing these customer concerns over sustainability and have started to take action – but on a limited scope.

51% of supply chain professionals indicate their company has adopted a sustainability plan because they felt pressure from customers or competitors to do so

49% of supply chain professionals say they are making their delivery processes more efficient to address sustainability concerns, and even fewer (21%) are using real-time visibility to improve efficiency in order to address sustainability concerns

Supply Chains Struggle to Balance Sustainability, Costs, and Delivery Experience

While many businesses are recognizing the impact of their delivery practices on the environment, some are also struggling to meet those expectations, specifically from the supply chain side.

45% of supply chain professionals think increasing customer demands for fast, transparent and low cost delivery have made it harder for them to implement sustainable supply chain and delivery practices

69% of supply chain professionals say it's challenging to maintain or improve operational efficiency while also implementing sustainable practices

How supply chains are adapting shipping practices to be more sustainable:

- 49%** Making their delivery processes more efficient
- 40%** Using more sustainable materials and resources
- 27%** Using (or partnering with companies who use) fuel-efficient or zero-emission transportation options
- 23%** Evaluating partnerships to ensure a shared commitment to sustainability
- 21%** Using real-time visibility to improve efficiency

SECTION 2

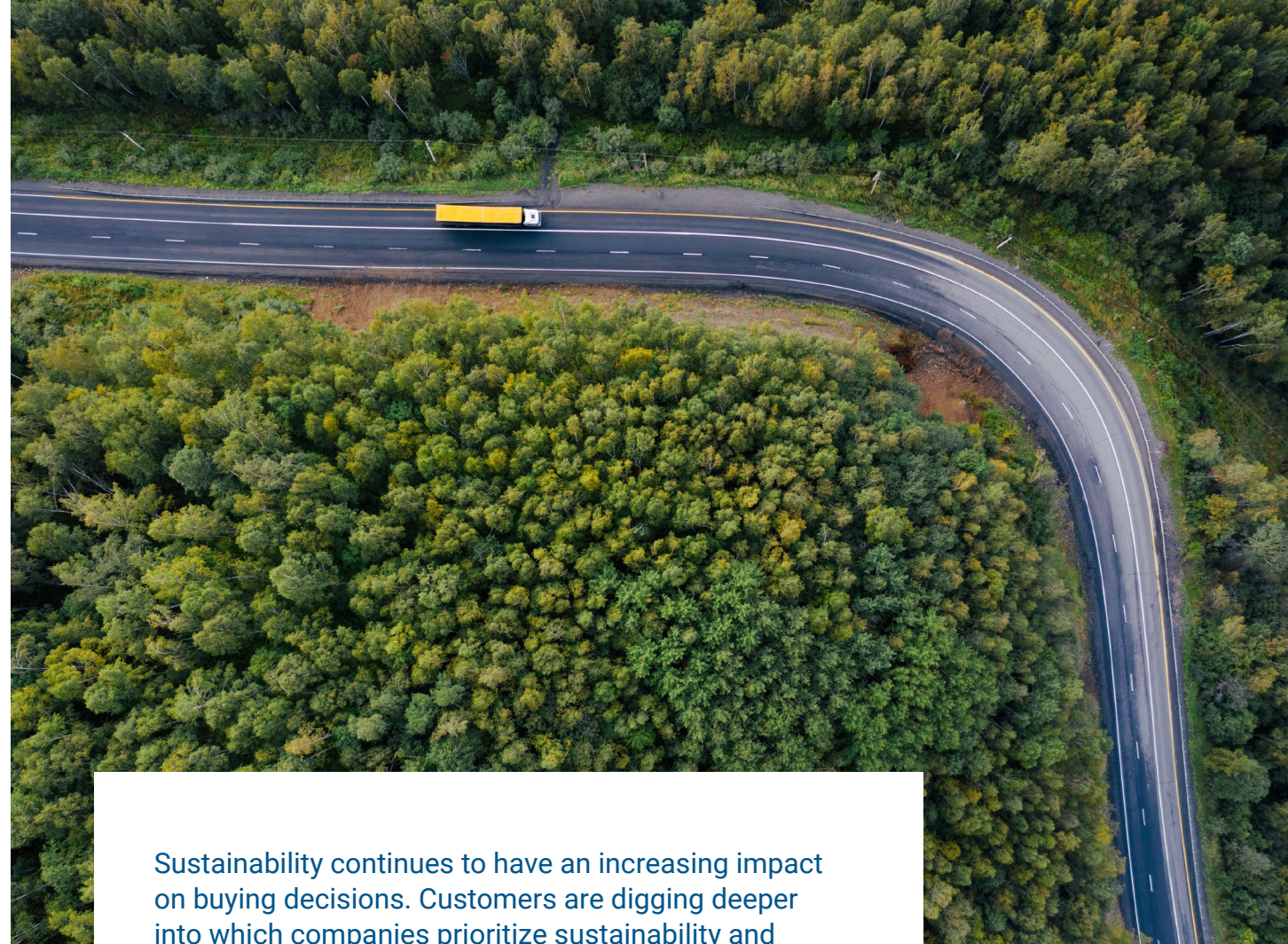
Despite the efforts to make shipping practices more sustainable, supply chains are only starting to measure their sustainability efforts.

36%

of supply chain professionals have only just begun to measure their sustainability or climate impact, and an additional 27% are not measuring their impact

54%

have a sustainability plan, and 51% have had one for less than two years



Sustainability continues to have an increasing impact on buying decisions. Customers are digging deeper into which companies prioritize sustainability and are taking their business to those who have plans in place, regardless of economic conditions. But supply chain professionals in North America and Europe say that increasing customer demands for fast, transparent and low cost delivery have made it difficult to implement sustainability initiatives and have made it harder to maintain or improve operational efficiency.

Protecting Data Security Cannot Be Overlooked in the Delivery Economy

80%

of supply chain professionals say the Delivery Economy has increased the amount of data they manage and store on customers

Even in an Economic Downturn, Customers Have Not Forgotten About Data Security

With an increased amount of data needing to be managed, customers say they think their data should be a company's top priority in an economic downturn and that some are even more concerned about data security than an economic downturn or sustainability issues.



36%

of customers indicate in an economic downturn, the security of their data should be a company's top priority

29%

of customers state they're actually more concerned about data security than an economic downturn or sustainability

While 62% of customers trust that companies have the appropriate security measures in place to keep their data secure, most feel companies should be doing more to protect their data.

47% feel they have no control over the security of their data when making purchases

82% feel companies need to do more to protect the security of their personal data

Supply Chains are Falling Behind when Evaluating Vendors' Security and Privacy Practices

Even with customer concerns, supply chains in North America and Europe are struggling to keep up with some key security and privacy standards. Even though several entities have access to customer data, less than half of supply chains evaluate their vendors based on standard security protocols.

What are companies doing to protect customers' data?

- 47%** require partners and providers to comply with a widely recognized information security standard (e.g., SOC 2, ISO 270001, etc.)
- 34%** require partners and providers to allow an audit their security program
- 30%** require partners to complete a standard security questionnaire before making purchases from them or working with them
- 30%** require partners to comply with the necessary state, federal, and/or international data security and privacy regulations (e.g., GDPR, CCPA, etc.)
- 21%** require partners and providers to regularly run penetration tests to exploit vulnerabilities

The Delivery Economy has increased the amount of data businesses manage and store on their customers. Even though customers are unsure of how many entities actually have access to their data, and feel companies need to do more to protect the security of their personal data, most business aren't yet requiring their vendors to follow security and privacy standards.

A Global Pandemic Highlights Mounting Challenges to Sustaining the Delivery Economy

Across the globe, organizations are facing increasingly complex challenges to improve operational efficiency while meeting rapidly growing delivery expectations to keep pace with the evolving Delivery Economy.

Now a new set of expectations is arising as we face unprecedented disruptions globally. Economic changes are forcing businesses to increase operational efficiency. Yet they are expected to adopt more environmentally sustainable practices without sacrificing that critical efficiency. Additionally, they are expected to have increasing security measures in place to protect their customers' data, even as the volume of data grows. The supply chain is experiencing a push-and-pull on priorities in the face of mounting uncertainty and challenges.

Recent challenges related to the global COVID-19 pandemic have only brought these issues to glaring light. As we face a global crisis from our homes, the need for delivery has moved to the forefront as not just a luxury but also a critical effort to get the most important resources to where they're most urgently needed.

We will likely feel the impacts of this crisis for some time, even as we continue to face broader challenges like a recovering economy, ongoing environmental concerns, and a continually changing data security landscape. It is imperative that companies look at these issues on a micro level and understand how improving their processes will allow them to increase agility into the future.

Companies must be prepared with a long-term strategy and the tools to reduce their climate impact and protect vital resources, while still meeting the growing demand for delivery. And as the threats around security continue to grow, the need to think beyond basic compliance and improve processes for protecting customer data will become even more critical.

In today's world, the only certainty will continue to be uncertainty. Even as concerns around the current global crisis diminish over time, organizations will not be short on challenges to address as a changing world makes it more and more difficult to adapt while still finding ways to operate with increasing efficiency.

Methodology

Is 2020 the End of the Delivery Economy? is the third in a series of research reports by project44.

In Part 1, project44 examined the changing expectations of delivery and how companies are adapting, finding that customers want their products faster and with more visibility into delivery progress.

Part 2 explored the challenges each stakeholder in the supply chain must overcome to meet customer expectations and the risks posed to businesses that do not adapt.

For this latest report, part 3, project44 surveyed 1,000 consumers and 600 supply chain professionals from the United States, the United Kingdom, Germany, and France in February and March of 2020. This blind survey was completed online and responses were random, voluntary, and anonymous.



ABOUT PROJECT44

project44 is the world's leading advanced visibility platform for shippers and logistics service providers. project44 connects, automates and provides visibility into key transportation processes to accelerate insights and shorten the time it takes to turn those insights into actions.

For more information,
or to schedule a demo:

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