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# What is last mile delivery and why it is important?

Last mile - the final step of the shipping process - comprises <u>more than 53% of the shipping cost</u>. It is the most resource-intensive and critical link in transport logistics - for both corporate supply chains and retail markets. It is also a prerequisite for ensuring customer loyalty - studies show <u>56% of consumers won't purchase from a brand</u> again if they feel the delivery service is not up to the mark. If performed well, last mile offers a competitive advantage over others in the market. However, the industry faces many challenges.

Historic surges in online sales – they <u>reached</u> $870B in the US alone in 2021 – have only highlighted the inefficiencies in the existing delivery supply chain. The industry was not prepared to handle the demand at such a scale. Now, as consumers search for quick and cost-effective delivery options, businesses must optimize their last mile delivery services. So what are the main components of the last mile?

## Last mile statistics

**61%**
61% of transportation & logistics businesses <u>believe</u> last-mile delivery is the most inefficient process in their supply chain

**$200B**
The last mile market is expected to <u>reach $200B by 2027</u>

**76%**
According to a recent consumer survey, 76% of respondents <u>said</u> that an unacceptable delivery experience would prompt them not to order from that company again

**$8.6T**
As of 2020, the logistics market <u>was worth</u> $8.6T globally

**75%**
75% of companies <u>report</u> coronavirus has disrupted their supply chains

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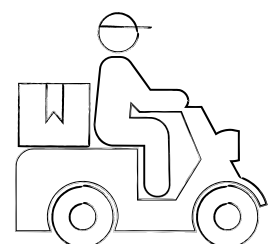
# 3 main components of the last mile and their challenges

**1** **Distribution Management**
The biggest challenge is to plan delivery precisely. This means taking steps to:
- ✓ Set minimum time to prepare for delivery
- ✓ Automate the scheduling process
- ✓ Reduce preparation time for delivery
- ✓ Allow more time to accept orders from stores
- ✓ See that stores accept orders 24/7 without delays
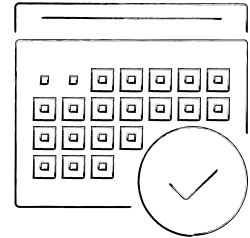
**2** **Home Delivery**
The biggest challenge is to improve the efficiency of your delivery service. One way to do that is to introduce systems for customer care and delivery control. These will:
- ✓ Send delivery updates to customers about delivery
- ✓ Ensure fast delivery at a convenient time
- ✓ Show courier location and ETA
- ✓ Allow the courier to check orders in an app
- ✓ Display information about refused and returned products
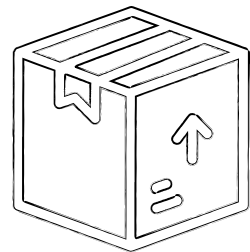
**3** **People Control**
The biggest challenge is to provide a high level of service even when outsourcing shipping and transportation functions. Companies will need to:
- ✓ Monitor the actual arrival time and identify possible delays
- ✓ Collect customer reviews about delivery quality
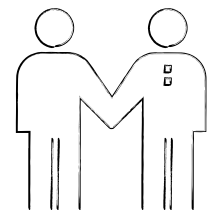
# 3 biggest problems of the last mile

**1** **Poor communication along the chain**
This happens because ordering, execution, and organization of the last mile are often performed in different parts of the chain. Problems can arise anytime: delays with the transport company, mistakes by the sender in the recipient's address, or a lack of punctuality by the carrier.

Solutions
- ✓ For the B2C sector: set up delivery checkpoints. But this solution is not universal – some orders are physically impossible to place in small bins at checkpoints
- ✓ For the B2B sector: tie all parts of the chain together and bring the sender, carrier, courier service, and final recipient as close as possible
- ✓ Move processes online. This will increase transparency and ensure responsible performance, allowing to use predictive tools for management

**2** **High costs and opaque pricing**
Due to non-transparent pricing, the last mile is an expensive stage of delivery. Take long-distance transportation. The cost of delivery in a city can be calculated in at least three ways: by zone (for example, residents of New York living outside the city are charged New York region tariffs); by the hour (calculated based on the minutes/hours actually spent on the process, including downtime not caused by the client); and by "footsteps," or the number of orders made in a set period (paying a fixed cost for a volume of deliveries in a period, regardless of how many items are actually shipped). The market also offers mixed options. In addition to all of this, tariffs vary for bulky goods and consignments and depend on the weight, volume, and often the specifics of delivery geography, sometimes even the topology of the city. These pricing methods are the most common, but there are other pricing models, which can be hard to pinpoint and make the entire market difficult to compare. This is how counterintuitive situations arise, for example, where it is cheaper to send large-sized shipments from New York to Boston than to deliver them from a warehouse to a client located on the next street.

**3** **Organization of the technical process**
Logistics companies, carriers, and shippers, especially distance selling companies, all suffer from inadequate process organization. Last mile services are often delegated to crowdsourcing services, which have mediocre scoring and no direct contractual responsibility. This approach damages slows down the last mile and makes it less safe and not customer-focused.

Solutions
✓ Making the process of choosing from a pool of providers and distributing orders more transparent
✓ Reassessing how transactions and order completions are managed. Don't make orders as complete until the final recipient signs a document confirming receipt with no claims. You may also block the entire payment amount until the recipient accepts delivery.

# How to implement last mile logistics in five steps

**1** **Plan and set KPIs**
Planning for the last mile in any company starts with a Customer Value Proposition. It will drive the structure of supply chains and delivery conditions. Clients will then decide if what you offer works for them.

**2** **Build a supply chain model that will support the CVP**
Determine where and what kind of infrastructure is needed: fulfillment centers, dark stores, pickup points, parcel terminals. And choose which mode of transport will provide delivery on the last mile.

**3** **Make sure chosen delivery structure is cost-effective**
Use stress testing to see what happens if, for instance, the shipping `company raises the rates by 20% or the picking time per order increases from 15 minutes to half an hour. Take your findings into account when making decisions and supply chain configurations.

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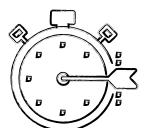
**4** **Choose partners for logistics services**
You can also evaluate whether it is worth using third-party last-mile services or rely on in-house facilities. There is also a third option - to combine both.
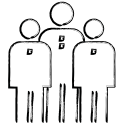
**5** **Make the necessary changes in your company**
Working with third parties and building an efficient supply chain, including the last mile, requires a certain level of business maturity. The company needs to organize work on planning human and transport resources - on timely tracking, prompt processing and picking, timely transfer of orders. IT systems can help improve the quality of the last mile for companies.
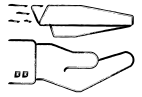
# 10 ways to improve last mile logistics

**1** Analyze data – make sure you have the full picture

**2** Track how long each delivery takes and look at performance metrics - Data-driven solutions are essential

**3** Use routers to build a multipoint final delivery route

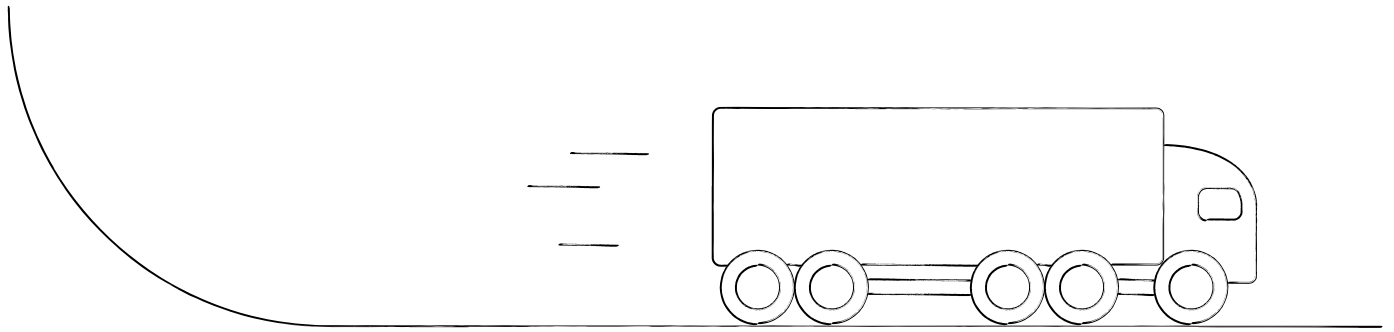**4** Use crowdsourced delivery (especially if you are a small business).

**5** Track and manage individual clients. Last-mile logistics often require detailed data. If you are using CRM software, note the needs of specific accounts and customers

**6** Give couriers extra time to, for example, remember where to leave a package at a customer's home. This can dramatically improve customer service

**7** Use tracking software to build customer confidence in shipping operations.

**8** Leverage predictive analytics to gain insight into customer orders and how to allocate logistics resources

**9** Cut the last mile with accurate pick-up locations or many small warehouses in a large number of locations. It's always worth exploring options that significantly reduce delivery time or don't require delivery at all

**10** Implement driver management technology. Being able to see where couriers are and how they manage routes is a key source of data for optimizing performance. While at times costly to implement, as it usually involves equipping vehicles with GPS, it provides a significant return on productivity and efficiency

## Conclusion

Customers expect deliveries to be fast, punctual, and inexpensive. Efficient last mile services can make this possible and help companies stay competitive.

If you are looking to provide the perfect last mile delivery experience to your clients, get in touch! As experts in e-commerce and supply chain solutions, we have a rich experience in supply chain projects. Our specialists can help implement last mile solutions to your business!

## About Us

DataArt is a global software engineering firm that takes a uniquely human approach to solving problems. As a trusted partner with the world's leading brands, DataArt applies its vast technology expertise and domain knowledge to develop landmark applications.

Powered by our People First principle, we work with clients at any scale and on any platform, helping unleash technology innovation. We develop new products and improve businesses by optimizing processes, improving outdated technology, and creating efficient custom software systems.

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