



## Last mile delivery after COVID-19: A world of things to solve

The pandemic has created a spike in demand for delivery. Businesses have responded, but they need to have a sound strategy for what comes next. **Changes in consumer behaviors and motivations may be lasting, and the last mile will be more important than ever.** Through the lens of grocery and meal delivery, we examine how to address the customer experience and deliver on brand promise.

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### The challenges multiply

Growth in last mile delivery had been strong for a number of years, posing challenges for businesses but also driving steady innovation and progress. Then came the pandemic. The steady expansion gave way to a sudden, chaotic explosion in demand.

Businesses with owned delivery systems suddenly had a big advantage, and they set about adding capacity, extending hours, even branching out into more products. Think of a pizza restaurant adding lunch or even breakfast offerings, or a large grocery retailer opening more delivery slots. Businesses that didn't have their own delivery capabilities leaned heavily on third-party gig economy services as a primary channel to reach customers. The system saw strains unlike any that had been seen before.

Food delivery, whether fresh items from grocers or prepared meals from restaurants, provides useful examples to help understand the disruption the pandemic caused in the last mile ecosystem—and the implications for the future. To thrive, businesses now need a sound approach that takes account of how much has shifted, and how much of the change will be lasting. The initial pandemic response, with businesses scrambling for quick fixes to meet surging demand, has mostly run its course, and the economy is reopening. But the last mile won't be going back to its pre-pandemic state.

For one thing, the focus on safety won't entirely go away—any more than the coronavirus itself will disappear from the planet. Some aspects of the shift in customer priorities from convenience toward safety and from wants to basic needs may persist. And subtler changes in customer behaviors and motivations, loyalties, and habits also must be taken into account.

## Shifting behaviors, lasting trends

So what constitutes smart strategy for the next normal? To be sure, the longstanding concern about how delivery costs put pressure on margins will remain. Customers aren't willing to pay too much for delivery of relatively inexpensive products, such as a single candy bar. And groceries are a notoriously price-sensitive, low margin business. Customers may have been willing to pay a bit more for the safety of grocery delivery during the peak of the pandemic, but that's one consumer behavior that may temporarily rebalance more than others.

Businesses are searching for the sweet spot that allows them to make a profit while delivering their product to customers who have rising expectations about how quickly it will arrive.

Retailers and restaurants also have to weigh how much of the increased delivery volume will persist. No one wants to build capabilities to serve a peak in demand caused by COVID-19 if they won't give you a lasting advantage. By initial indications, however, a significant portion of recent increased volume may be sticky. Some restaurants report that, even as the reopening of the economy has allowed other parts of their business to rebound as a percentage of total sales, delivery revenue has remained about constant near the higher level that developed during the lockdowns. To the extent that new behaviors formed during the initial pandemic response persist, customers may simply be underscoring trends around convenience that were driving last mile growth pre-pandemic.

## Addressing safety

With last mile delivery a bigger part of the ongoing business plan, there's a need for closer attention to the customer experience that arrives along with a bag of groceries or a hot meal. In other words, it's time to start solving for the challenges of the last mile that were exposed as everyone rushed to find quick solutions during the pandemic.

The first step will be listening to customers. Deloitte's Consumer Tracker, based on a biweekly survey, shows how people continue to seek safety in their dining, travel and leisure choices. Data from late June, for example, show that just over half of consumers feel safe going to a store, but only 34 percent say the same about staying in a hotel, 35 percent feel safe eating in a restaurant, and only 27 percent report feeling safe taking a flight. The Consumer Tracker suggests that the premium on safety from the coronavirus is still high, and that failure in this area will reflect poorly on reputation and brand.

For example, a majority of consumers say they are unlikely to return to a favorite restaurant if, as pandemic restrictions end, their restaurant opens before other establishments in the area are open. Indeed, in that scenario, a third of respondents say the business is acting irresponsibly. This suggests that last mile solutions should continue to address customer desires for such things as contactless delivery and sanitary packaging—and that these present an opportunity for differentiation.

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## Rebuilding customer experience

More careful customer listening is also likely to lead businesses to an understanding that they have a long way to go to address the customer experience that accompanies their deliveries. To date, the ability to make good on brand promise in the last mile mostly hasn't been fulfilled.

For delivery from restaurants, the customer may have a great experience ordering on a well-implemented app only to be disappointed by a long wait or sub-par product. Businesses need to address the situations in which the pizza arrives squashed up against the side of the box, the burrito has soaked through its bag, or the fruit in the grocery order looks terrible.

Here, delivery of non-food items has made better progress, with sellers building in guarantees and instilling confidence that the customer is always right. Some of the challenges in the delivery model may be helped by technology, with autonomous vehicles, robots, and drones developing into new solutions.

But customer experience needs to be examined on a deeper level. Restaurants present a good example: The experience a diner gets in-house is carefully curated. Successful businesses may aim to create delivery products that provide more of the designed experience of dining in. Better packaging, tailored marketing, upgraded forks and knives and napkins are all steps that may help. But clearly there's room for greater efforts, given the heightened importance the delivery experience will carry in the future. Creativity will be important here: Could there be a role for chef videos or streaming music offerings as part of the delivery product?

## Delivering everything

Businesses may be moving toward a delivery-of-everything world. Already consumers have options to get a new car delivered, or all the fixtures to renovate a bathroom, or rented clothes for a party. Already consumers have grown used to the idea of having items delivered in hours not days. Are there ways to create a better experience than just dropping off the product?

Important trends were driving growth in last-mile before the pandemic pushed more demand into the delivery channel and accelerated the change in this area. In this light, it becomes more vital than ever for every business to solve the challenges and build the positive experiences that can make their last mile delivery model successful.

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