

E-commerce and Parcel Delivery

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Delivery
Order



Agenda

- Policy context
- E-commerce development
- Consumer demand
- Parcel delivery
- Pricing
- Conclusions

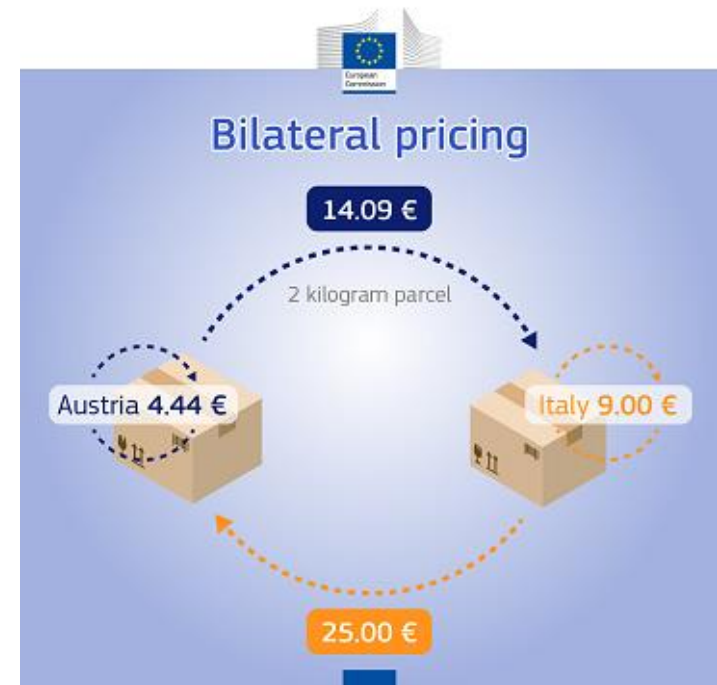
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Policy context

Why political interest?

- E-commerce fits perfectly with the vision of the Internal Market
- Three challenges
 - Lower level of service for cross-border delivery
 - High prices for cross-border delivery
 - Small webshops pay relatively higher prices



Policy context

An evolving policy debate

2011

FTI study on cross-border parcel prices

“Cross-border parcel delivery is an important factor in e-shoppers’ and e-retailers’ decisions to buy/sell online”

Since 2012

Promote cross-border e-commerce within the EU

”Why does it cost €27 to send a parcel from Copenhagen to Malmö, but €42 to send an identical parcel the other way?”

May 2015

Launch measures to **improve price transparency** and **regulatory oversight** of cross-border parcel delivery.

”The big differences between prices for cross-border parcel delivery between various EU countries just do not make sense.”

Dec 2015

No price regulation for now, but enhanced transparency and monitoring of price data

- Econometric study
- Pressure in the media

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E-commerce development

E-commerce landscape is highly dynamic with large cross-country differences in e-commerce development

15%

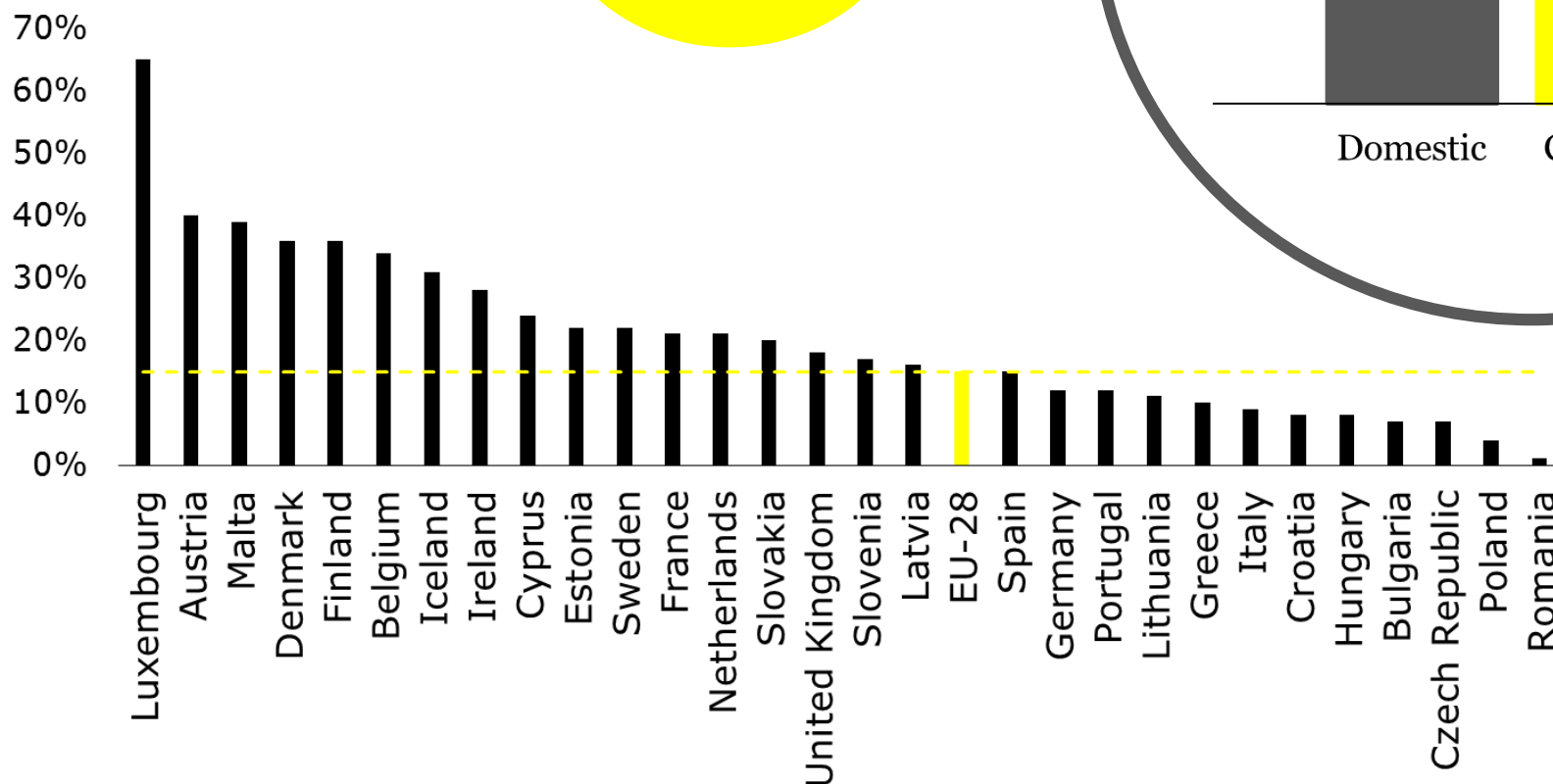
2008-2014

+ 150%

+ 60%

Domestic

Cross-border
intra-EU



E-commerce development

BUT assessing the true level of cross-border transactions is a challenge




15%

Erroneous consumer perception

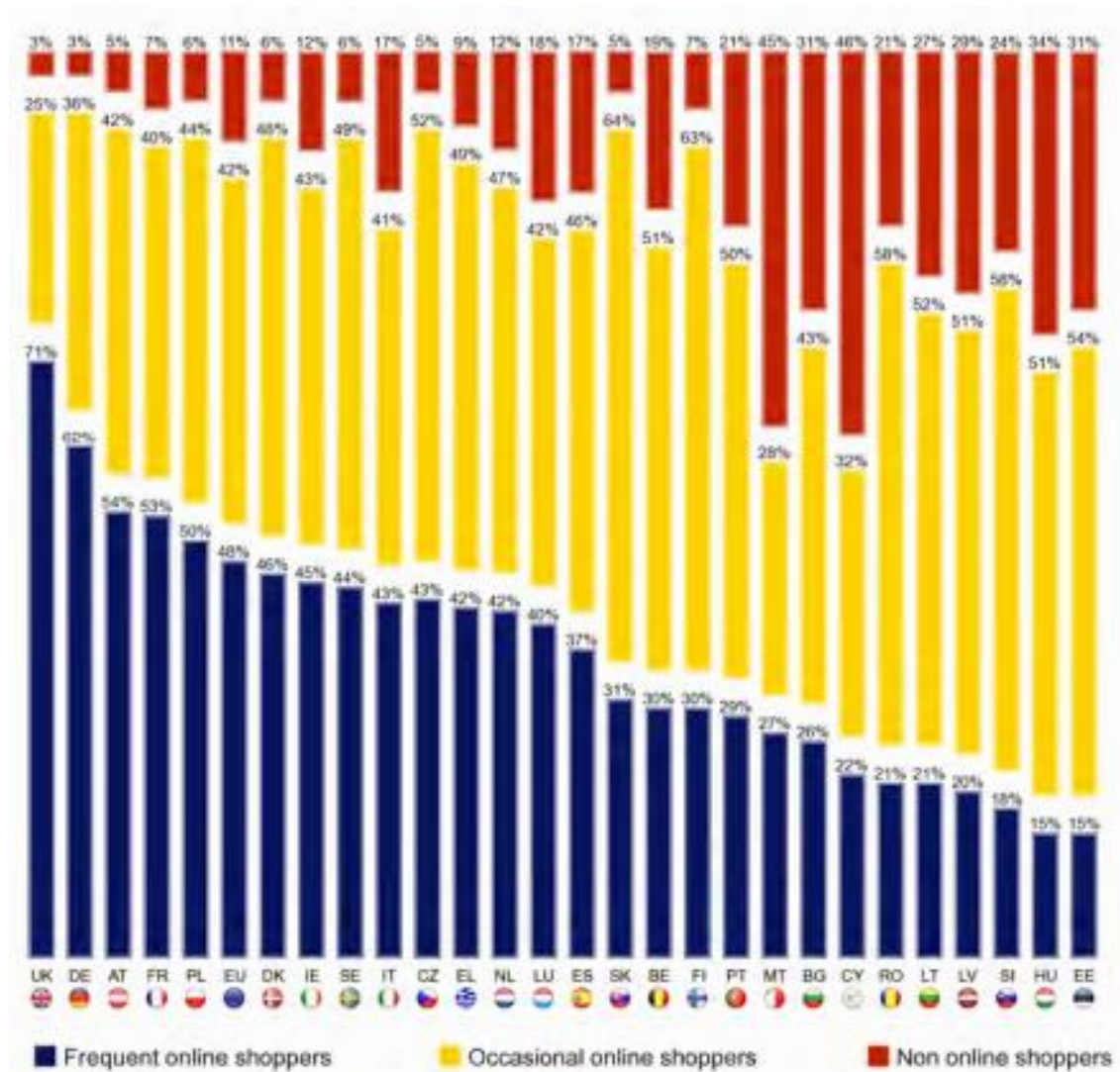
Cross-border purchase \neq Cross-border delivery

E-commerce development

What is cross-border e-commerce?


E-shopper location	Website	Warehouse location	Purchase perceived as cross-border by e-shopper?	Actual cross-border delivery?
Germany	Thalia.de	Germany		
Germany	Amazon.de	Poland		
Germany	Amazon.fr	Germany		
Germany	esprit.fr	France		
Germany	Venteprivée	France		

E-commerce development

Large differences in the number of online buyers per country

E-commerce development

Many drivers of cross-border e-commerce



Drivers	Demand side factors	Supply side factors
Experience/ Trust	<ul style="list-style-type: none"> • E-shopping experience • Quality of goods and services • Consumer awareness of cross-border consumer rights 	<ul style="list-style-type: none"> • Possibility of branding • Online selling experience
Regulation	<ul style="list-style-type: none"> • VAT differences 	<ul style="list-style-type: none"> • Regulatory compliance • VAT differences
Geographic/ Cultural	<ul style="list-style-type: none"> • Home market size • Language • Home bias 	<ul style="list-style-type: none"> • Home market size • Language
Technological development	<ul style="list-style-type: none"> • Broadband/internet penetration • Digital skills 	<ul style="list-style-type: none"> • Broadband/internet penetration • Digital skills
Operational	<ul style="list-style-type: none"> • Delivery times 	<ul style="list-style-type: none"> • Delivery logistics



*The European e-commerce landscape is **highly dynamic**, and the development of e-commerce is influenced by many factors.*

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Consumer demand Choice

- 1980: 1 type of salt



- 2016: 5,170 types of salt

X Find: Previous Next Options ▼

Shop by Department ▼ Search Salt & Salt Substitutes ▼ salt

Grocery & Gourmet Food Best Sellers Breakfast Foods Beverages & Coffee Snack Foods

Departments

- Any Category
- Grocery & Gourmet Food
 - Canned, Dry & Packaged Foods
 - Herbs, Spices & Seasonings

Salt & Salt Substitutes

- Sea Salt (2,991)
- Coarse Salt (105)
- Table Salt (32)
- Rock Salt (223)
- Fleur de Sel (27)
- Flavored Salt (1,160)
- Kosher Salt (74)
- Popcorn Salt (42)
- Salt Substitutes (67)
- Seasoned Salt (139)

— See Less

Grocery & Gourmet Food > Canned, Dry & Packaged I

Showing most relevant results. See all results for "salt".

Related Searches: [pepper](#), [sea salt](#), [sugar](#).

Showing 1 - 24 of 5,170 Results Detail Image

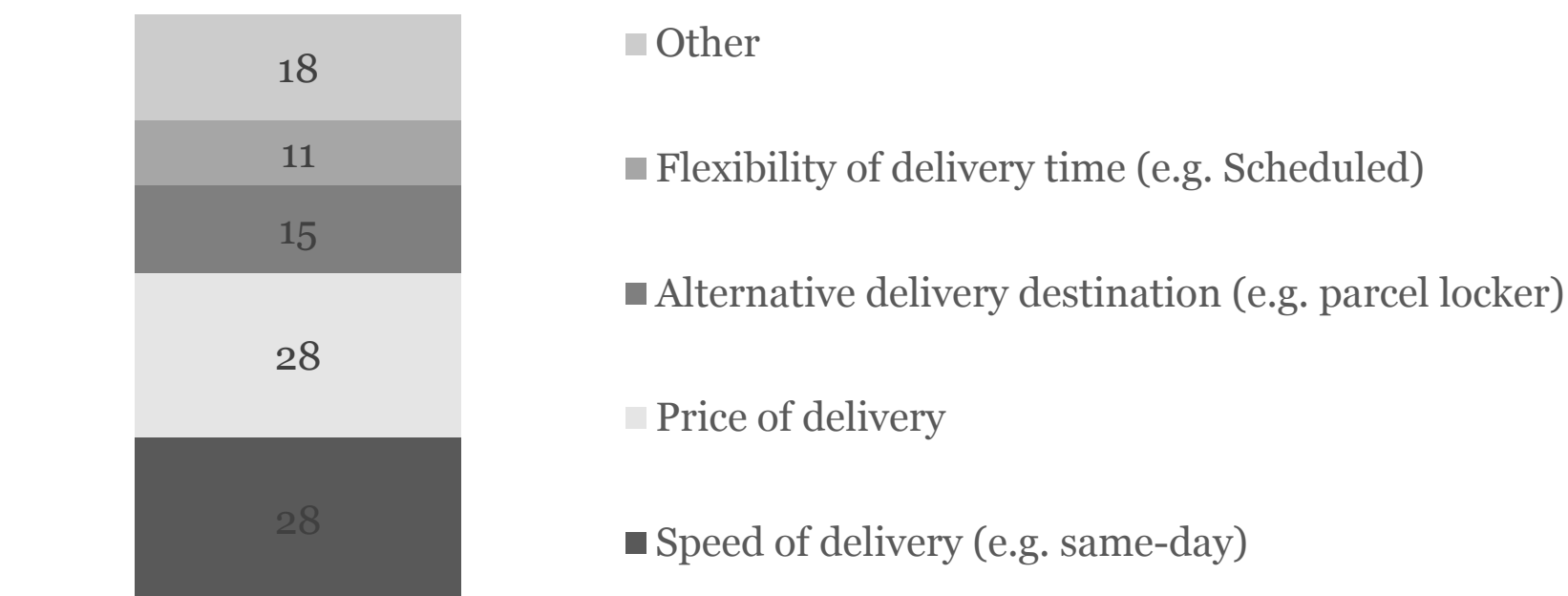
Celtic Sea Salt®, Light Grey, By The Grain & Salt Society, Coarse Ground, 1 lb

\$4.49 Add-on Item

Consumer demand

Cheap, fast and convenient

What is most important for you?



Note: Included countries are Austria, Belgium, Denmark, Finland, France, Germany, Netherlands, Norway, Sweden, Switzerland, UK.

Source: McKinsey & Company

Consumer demand

Choice: Cheap, traceable, time certain

Consumer demand **Control**

- Consumers want to be able to decide
 - Who, where when and how
- But 40% of all consumers did not have access to important delivery services with their latest online purchase
- Largest gap
 - Return options (55-65%)
 - Flexible delivery point (~50%)
 - Information (45-50%)



Consumer demand

Dynamic e-commerce spills over into the delivery sector

E-retailer diversity



Predictable delivery



- ✓ Industry specific solutions
- ✓ SME offers
- ✓ E-commerce value chain
- ✓ Interactive delivery
- ✓ Parcel lockers/ PUDOs
- ✓ Real-time tracking

Track & trace

Alternative
delivery locations

Consumer demand

User-driven innovations

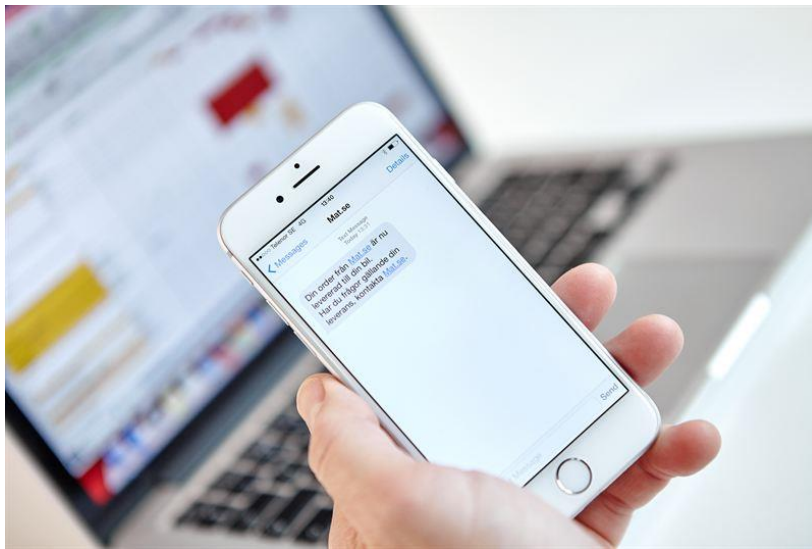
Innovation in various aspects

Delivery aspect	E-shopper demands	Market response	Examples
Time and speed	More predictable parcel delivery	New tracking features for better predicting parcel delivery times	DPD predict interactive delivery service GLS Flexdelivery
Delivery point	25% of consumers prefer delivery to alternative delivery locations	Roll-out of alternative points to home delivery	Parcel lockers and parcel shops
Value added features and return options	Track and trace and electronic notifications are important	Development of real-time tracking and mobile returns	DHL real-time eTracking

Consumer demand

Innovation promoting convenience

Cooperation between e-retailer Mat.se, Volvo and PostNord



Four Steps

1. Order food and grocery online
2. PostNord locates the car, wherever it is (in Gothenburg)
3. Digital key gives PostNord access to the car trunk
4. IFoodbag system secures cooling and freezing 24hours



Consumers want choice and control.

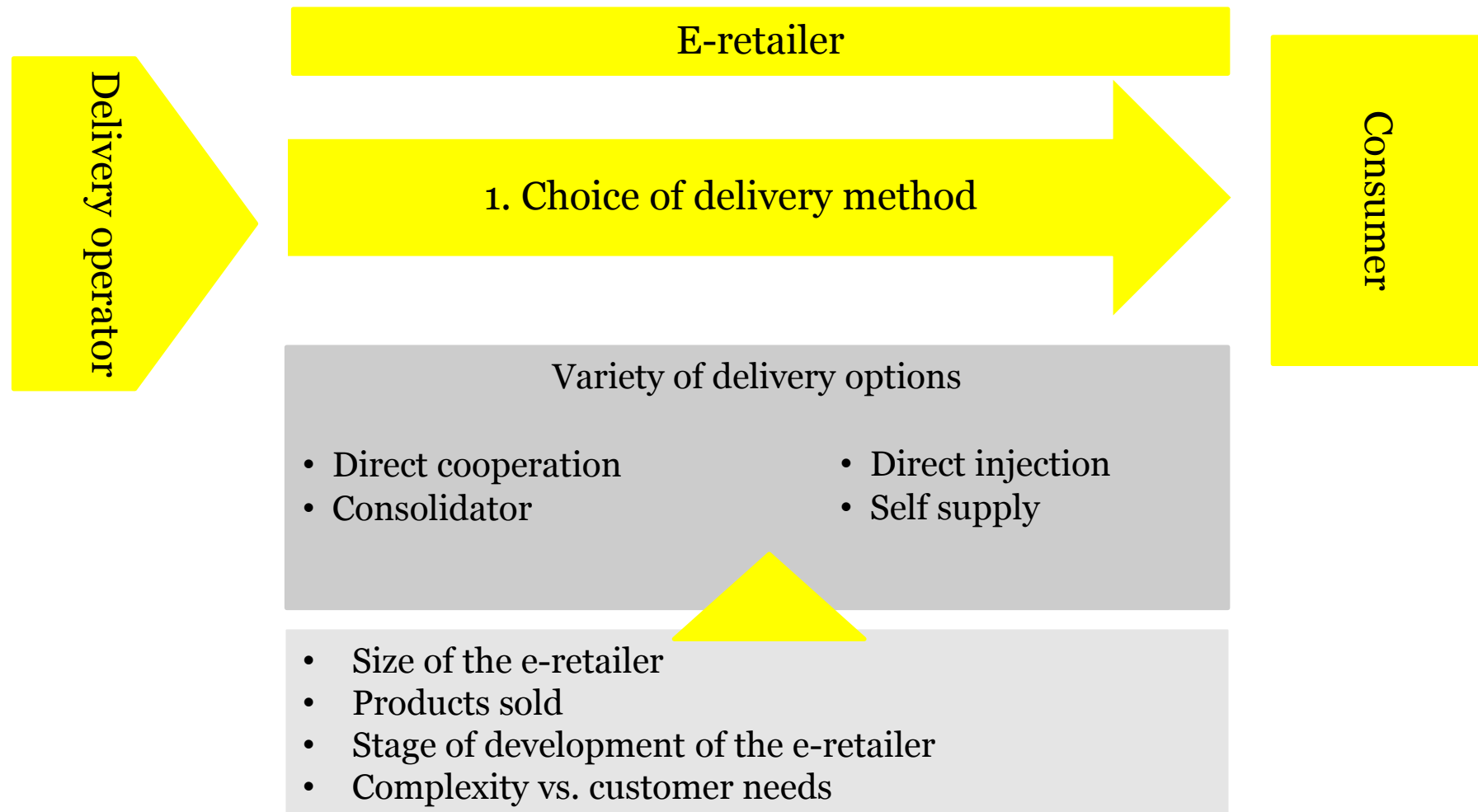
The dynamic nature of the e-commerce sector has a positive spillover into the delivery sector.

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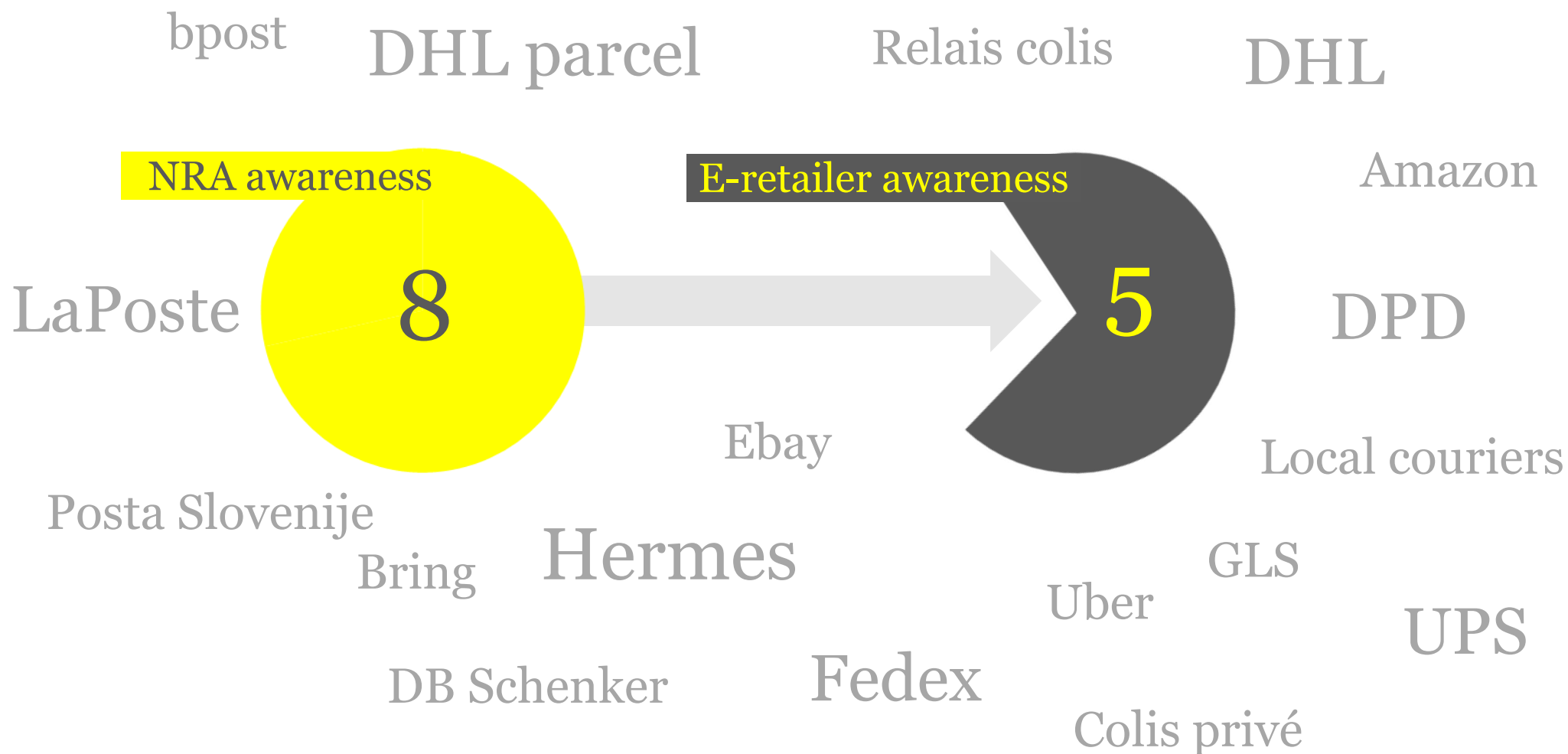
Parcel delivery

Delivery decisions by e-retailers play a pivotal role in consumers' delivery choices and prices



Parcel delivery

E-retailers of all sizes are well-aware of alternative delivery operators for cross-border delivery



Parcel delivery Who are the main players?

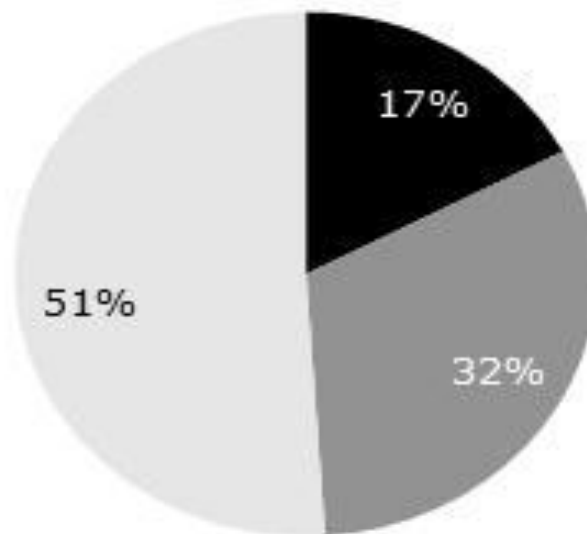
Global



Regional



Volumes of shipments (all operators)

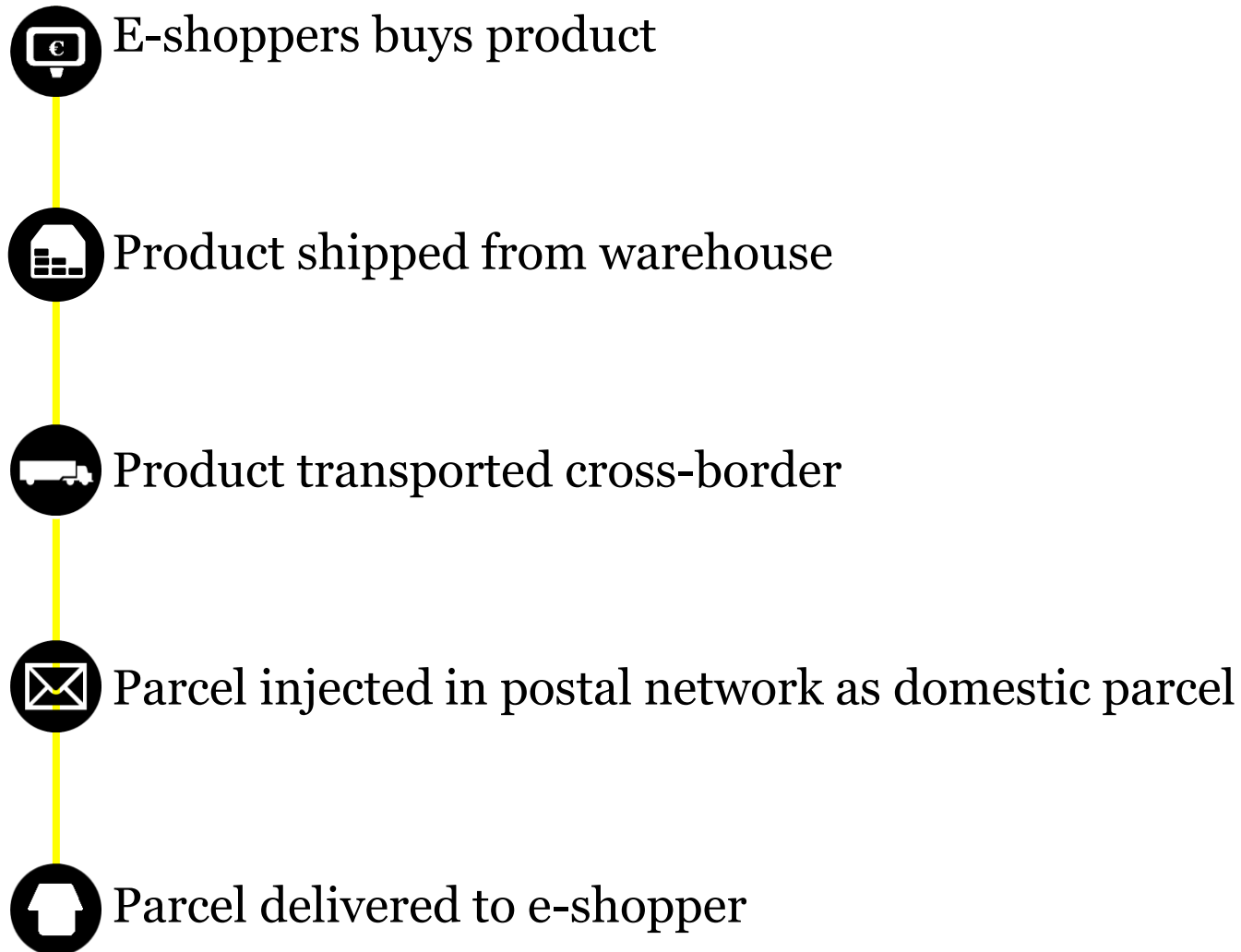


- NPO-under the USO
- NPO-outside the USO
- Not NPO

National postal
operators



Parcel delivery **Direct injection**





E-retailers have ample choice in delivery operators, delivery modes and delivery routes

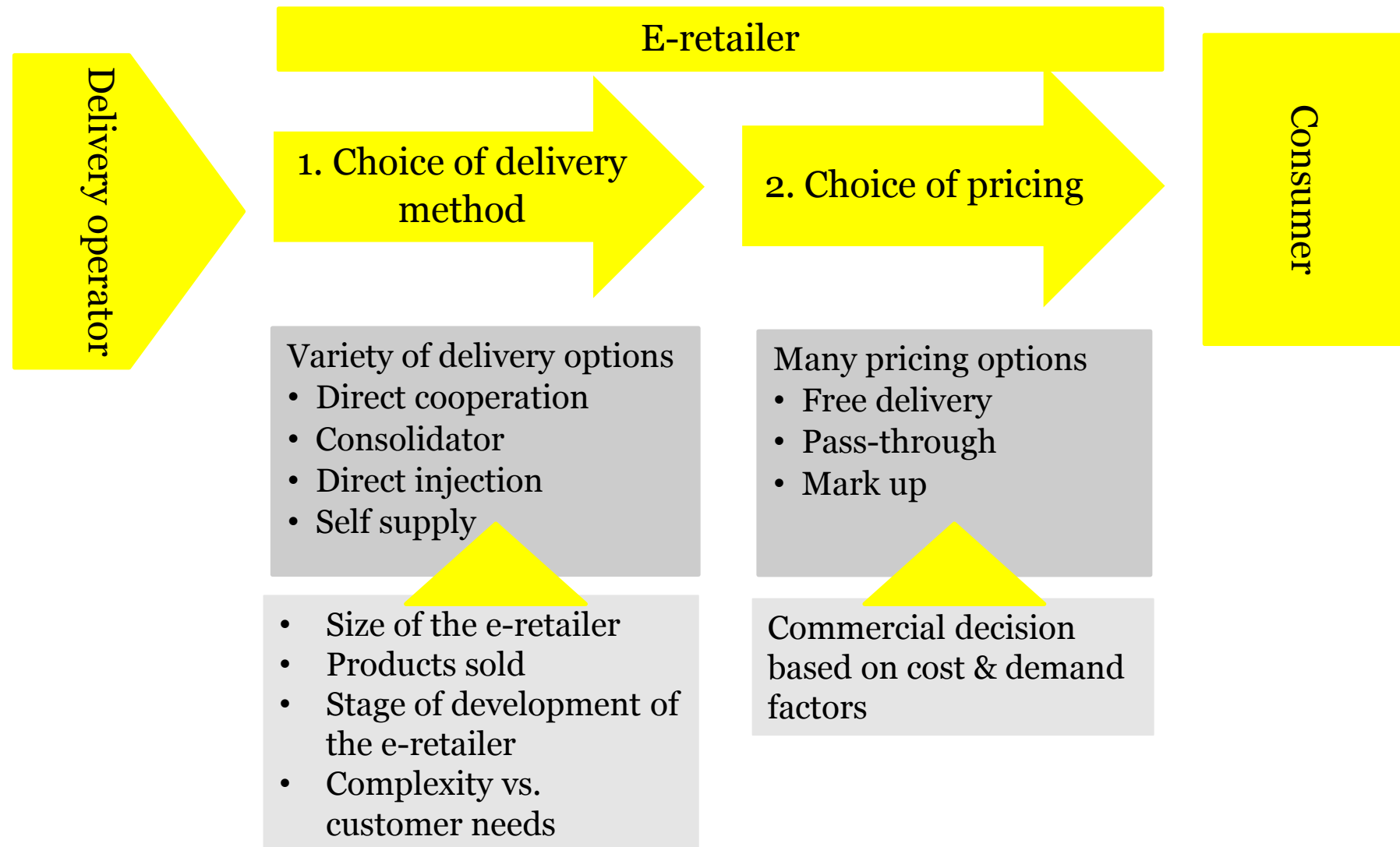
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*DG Growth: “You’re shopping online.
You’ve found the perfect gift. You’re at the
checkout, and then... Delivery charges are
how much? Forget it!”*

Pricing

Delivery decisions by e-retailers play a pivotal role in consumers' delivery choices and prices



Pricing

Mystery shopping experiment design

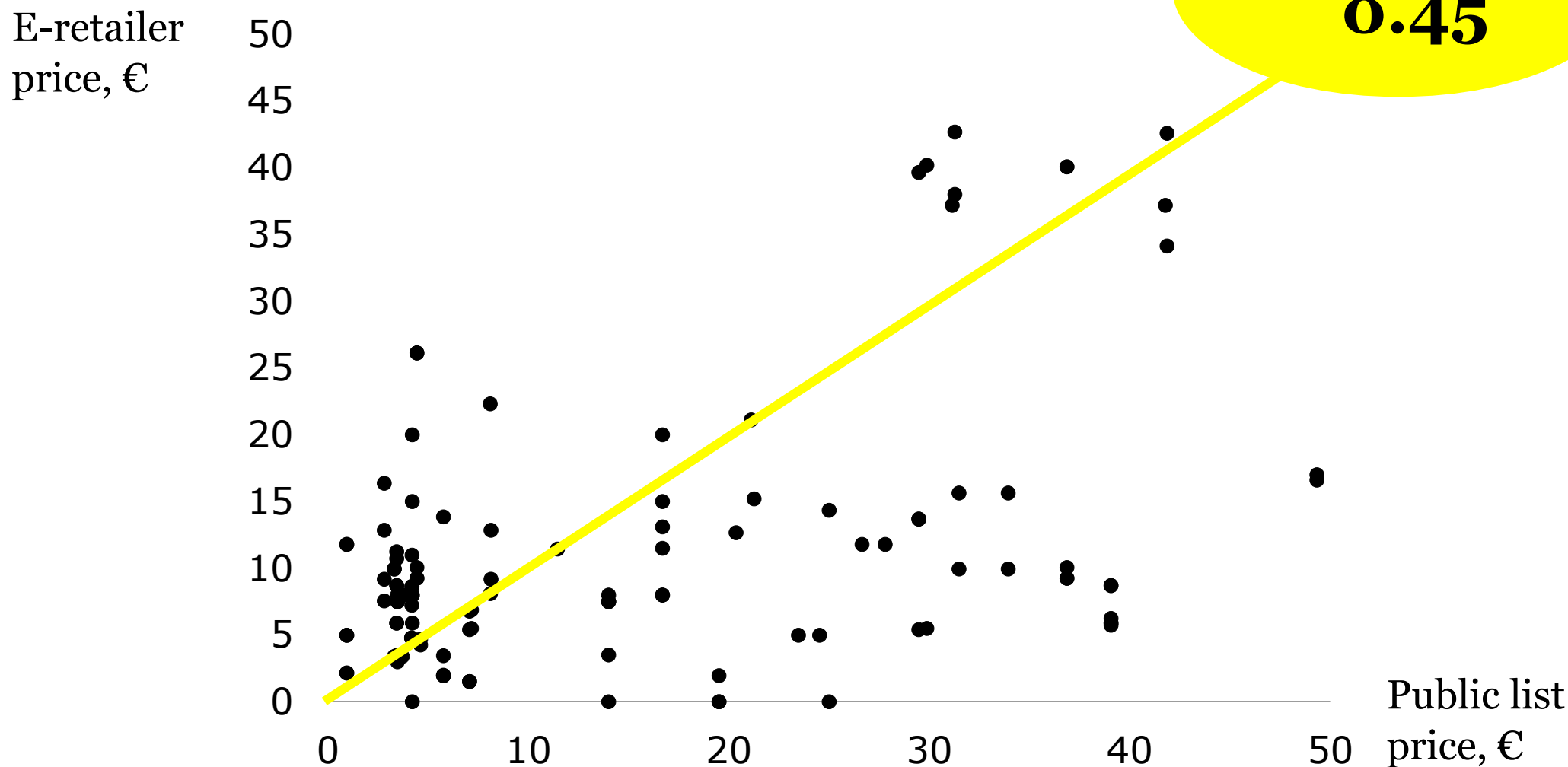
How much does the price charged by the delivery operator to the e-retailer for delivery influence the price charged by the e-retailer towards the e-shopper?

- 20 trade flows
- Low/high weight goods
- Small/large e-retailers
- Comparable delivery prices



Pricing

Low correlation between prices charged by e-retailers and the public list prices



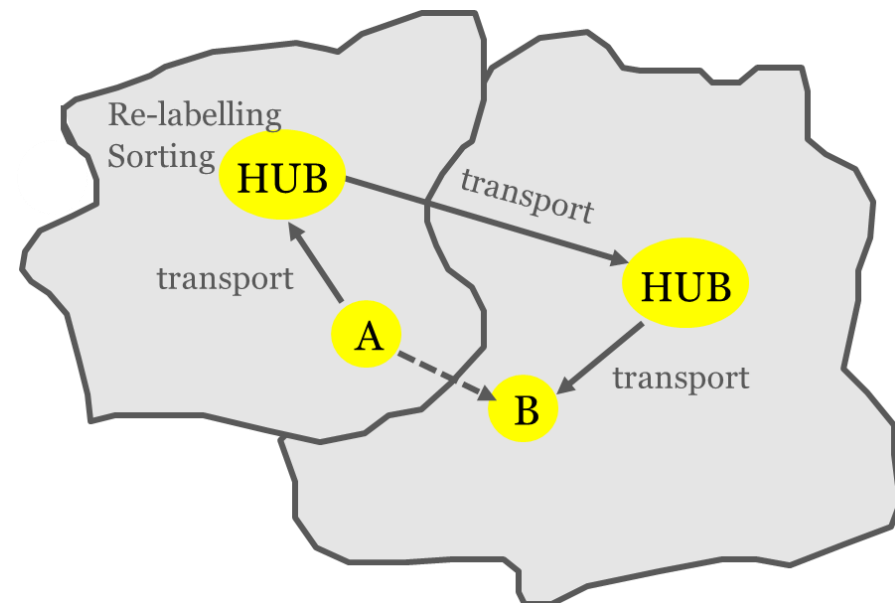


Prices for cross-border parcel delivery paid by e-shoppers generally do not reflect the prices charged by delivery operators, due to the decisions of e-retailers

Pricing

Delivery prices are determined by a multitude of different cost factors

- Economies of scale
 - Delivery volumes
 - Population density in the destination area
 - Value added delivery features of delivery services
 - Interoperability of postal networks
- Business model of the delivery operator
- Labour costs
- Geography
- Exogenous factors (oil prices, currency risks, and traffic congestion ...)
- Product characteristics
 - degree of preparation of parcels by the e-retailer
 - characteristics of the goods delivered
 - Choice of a value added service



Pricing

Delivery pricing is a commercial decision

Uniform pricing

For simplicity reasons

Missing link between
cross-border prices and
cost levels in destination
countries

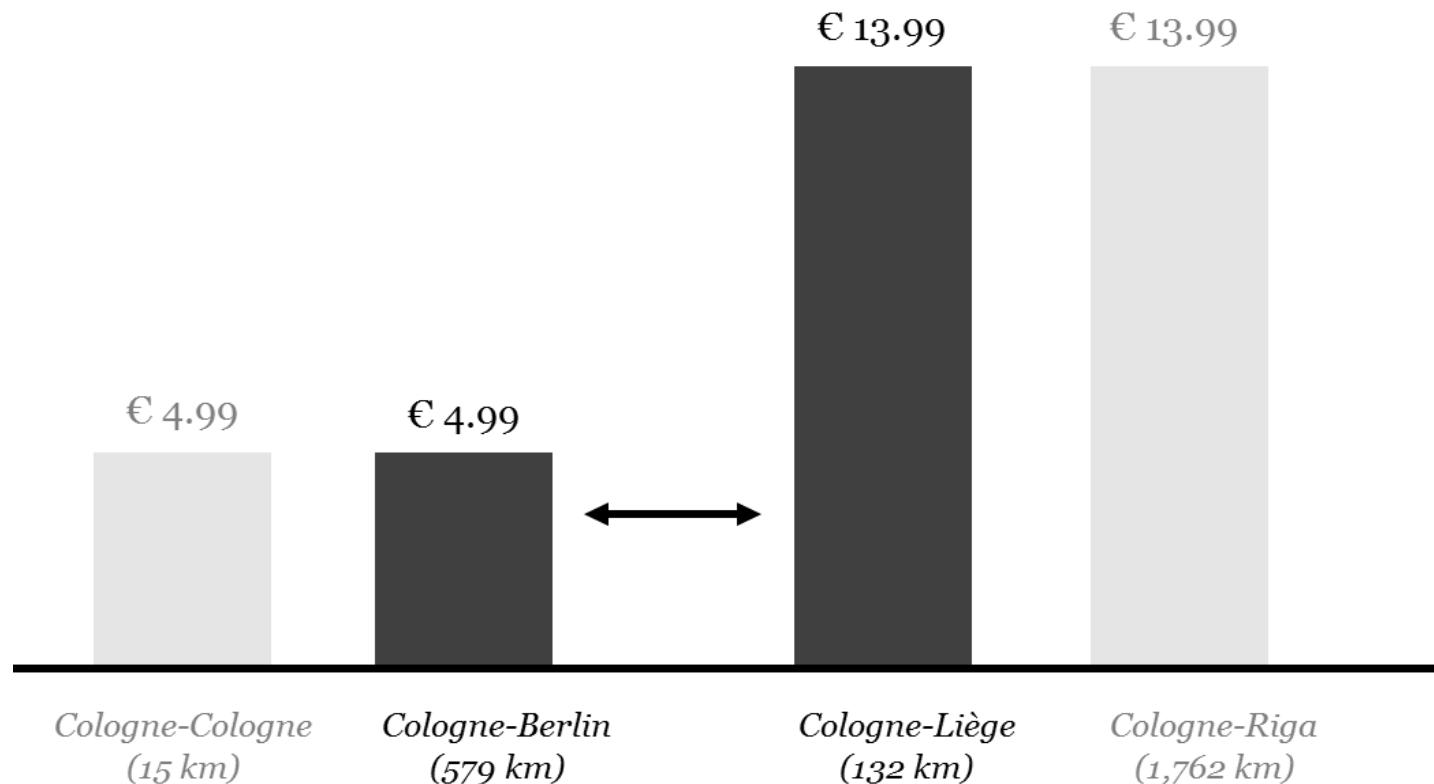
Market-based pricing

- Typical for industries with large fixed/ common costs
- Consumer price sensitivity depends on various factors

Public list prices seldom
apply

Pricing

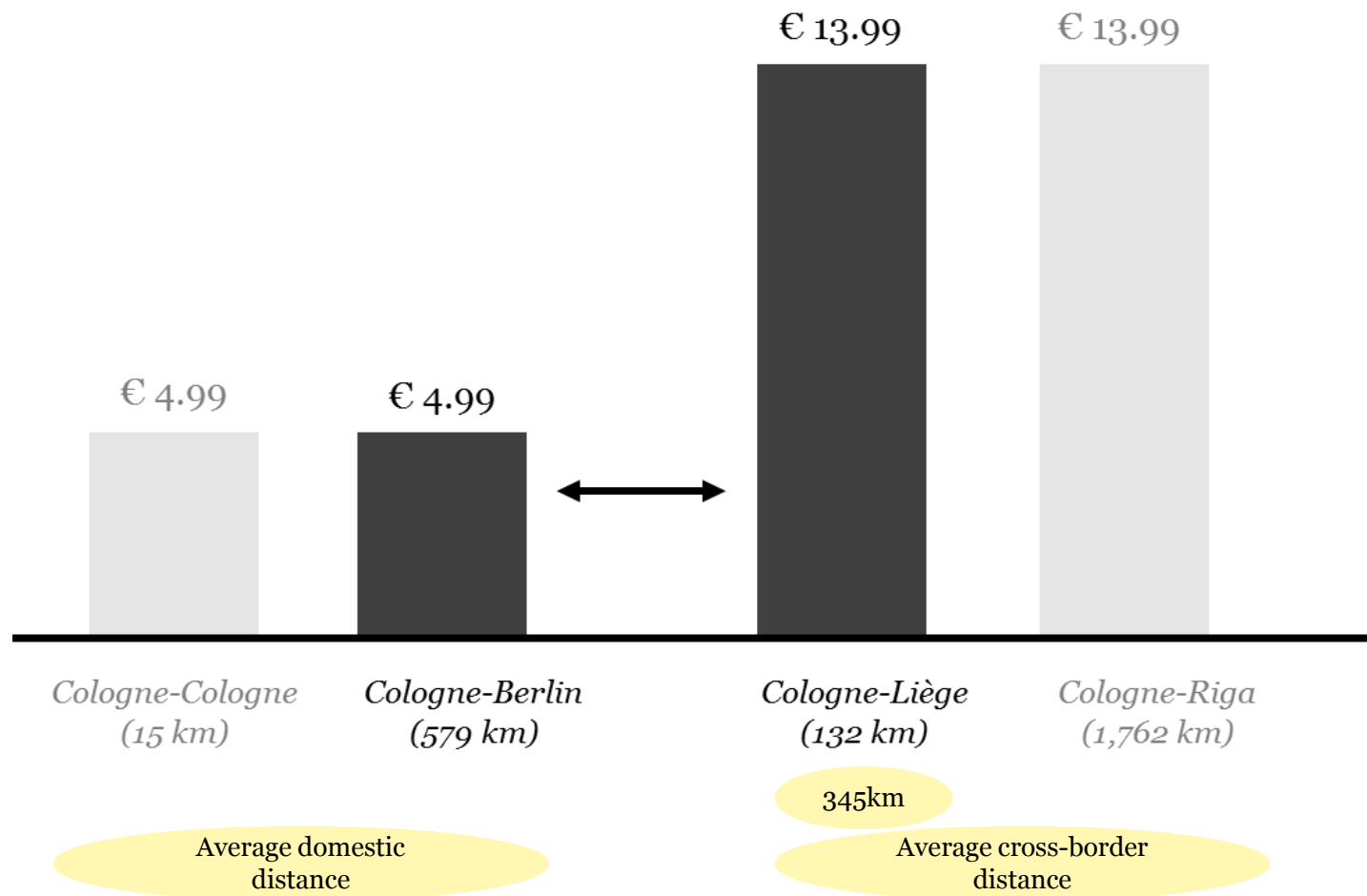
Why is the price of sending a parcel 132 km from Cologne (DE) to Liège (BE) almost three times more expensive than sending an identical parcel 579 km from Cologne (DE) to Berlin (DE)?



Look at the right kind of distance and other factors

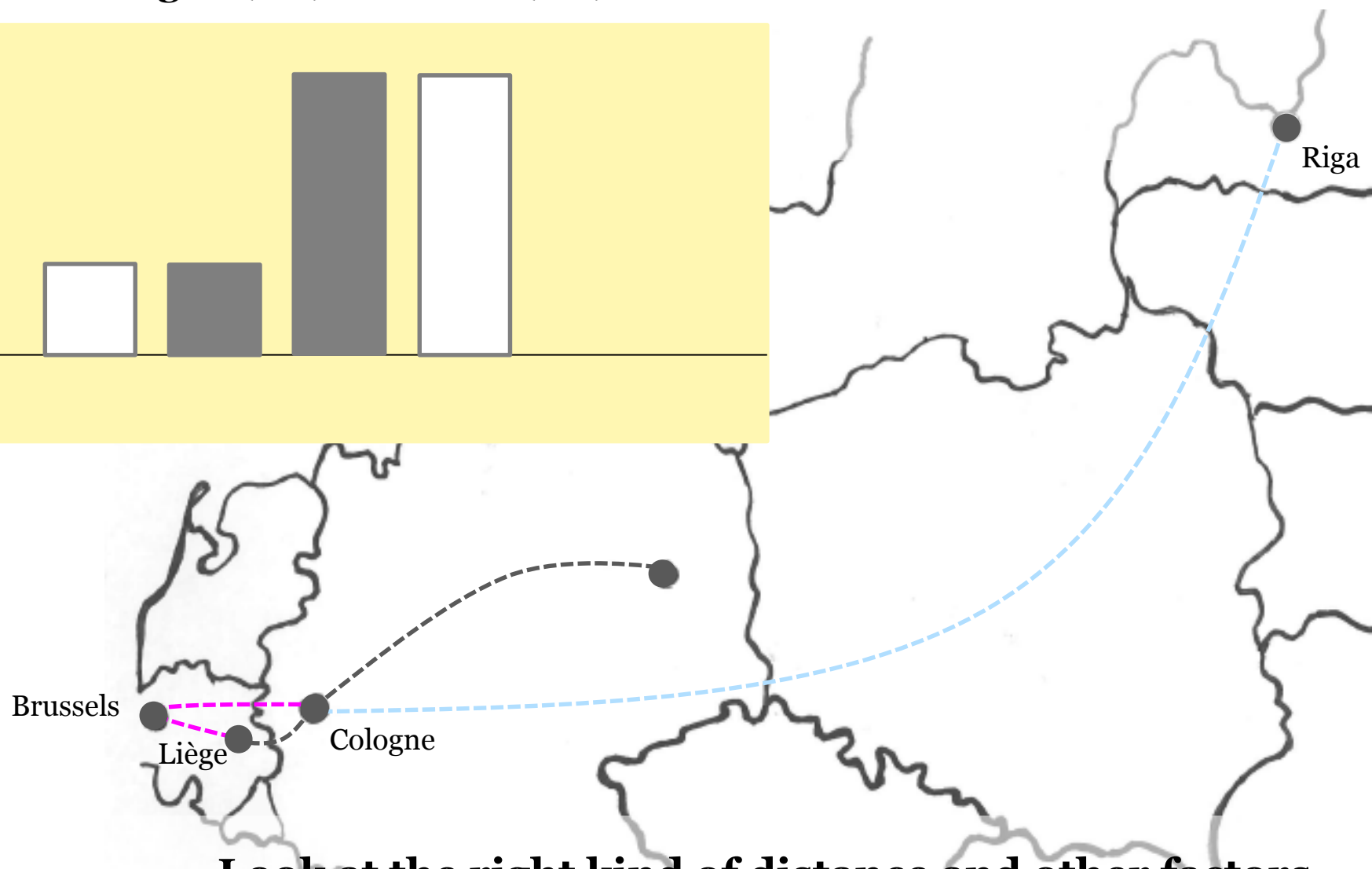
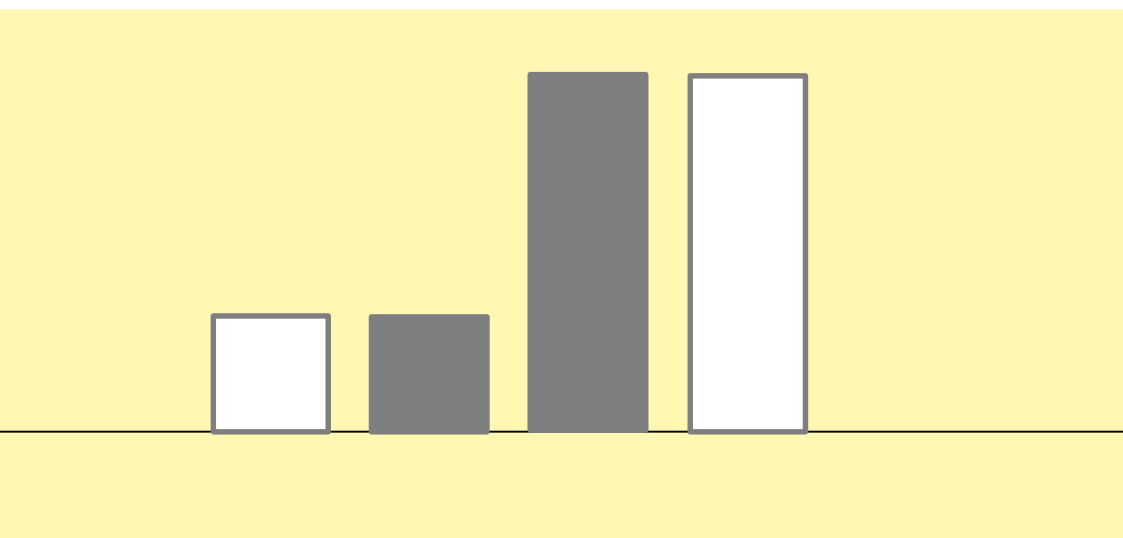
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Look at the right kind of distance and other factors

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Look at the right kind of distance and other factors



As in any other sector, pricing is a commercial decision in the delivery sector, driven by a number of cost- and demand factors, such as willingness to pay and volume flows

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Conclusion



European e-commerce landscape is highly dynamic and has a **positive spillover** into the delivery sector.



E-retailers have **ample choice** in delivery operators, delivery modes and delivery routes.



Prices for cross-border parcel delivery paid by e-shoppers generally do not reflect the prices charged by delivery operators, due to the **decisions of e-retailers**



As in any other sector, **pricing is a commercial decision** in the delivery sector, driven by a number of cost- and demand factors, such as willingness to pay and volume flows.