



Commission for  
**Communications Regulation**



**Study into e-commerce  
parcel delivery in Ireland -  
Users and parcel delivery  
operators**

*Combined qualitative &  
quantitative report*

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RESEARCH  
& INSIGHT



# SME Parcel Study



**1. An evolving context**



**2. Online vs offline sales**



**3. Awareness, Usage & Perceptions of delivery providers**



**4. Provision of services**



**5. E-Commerce & Online sales**



**6. Parcel delivery costs**



**7. Needs & Satisfaction with parcel delivery providers**



**8. Future prospects**



The purpose of this research project was to update the information available to ComReg on ecommerce parcel delivery in Ireland.

## Combined quantitative and qualitative methodology:

- **Quantitative:** 
  - Nationally representative sample 300 Irish businesses
  - All interviewing conducted via telephone
  - Quota controlled in terms of business size, region and sector. Corrective weighting applied to ensure representativity of all Irish businesses
- **Qualitative:** 
  - 15 IDI's with a diverse range of e-commerce companies based in Ireland.
  - 7 IDI's with parcel operators with operations in Ireland (all major operators)

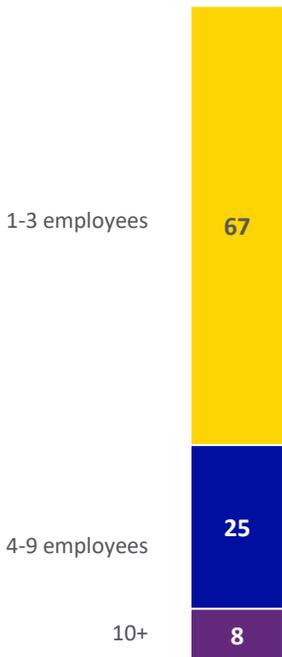
*Quantitative fieldwork was conducted from the 4th to 13th of January 2021 (pilot 9th-14th of Dec 2020), while all qualitative interviewing was conducted from November 2020 – February 2021.*

# Quantitative: Profile of Sample I

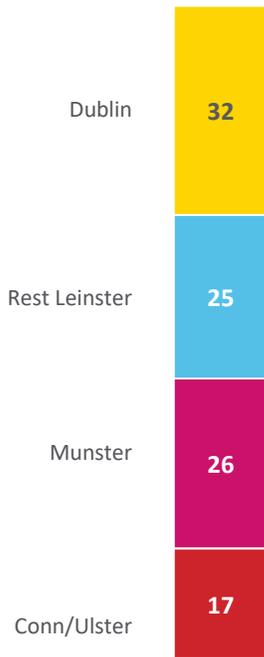
Base: All SME's 325



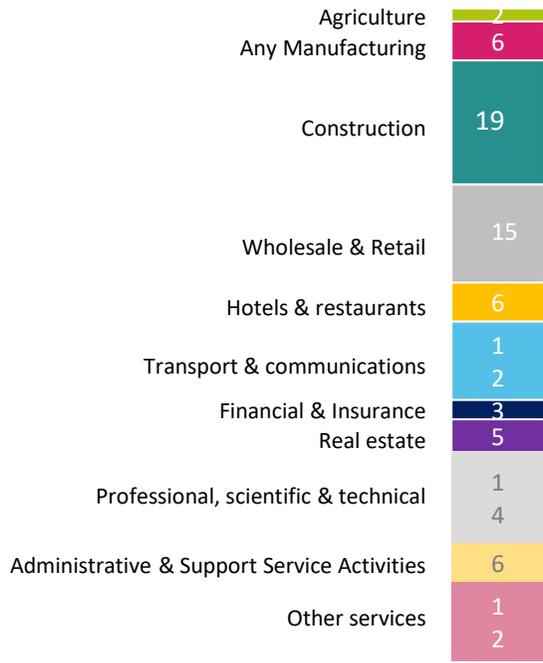
## Company Size



## Region



## Sector

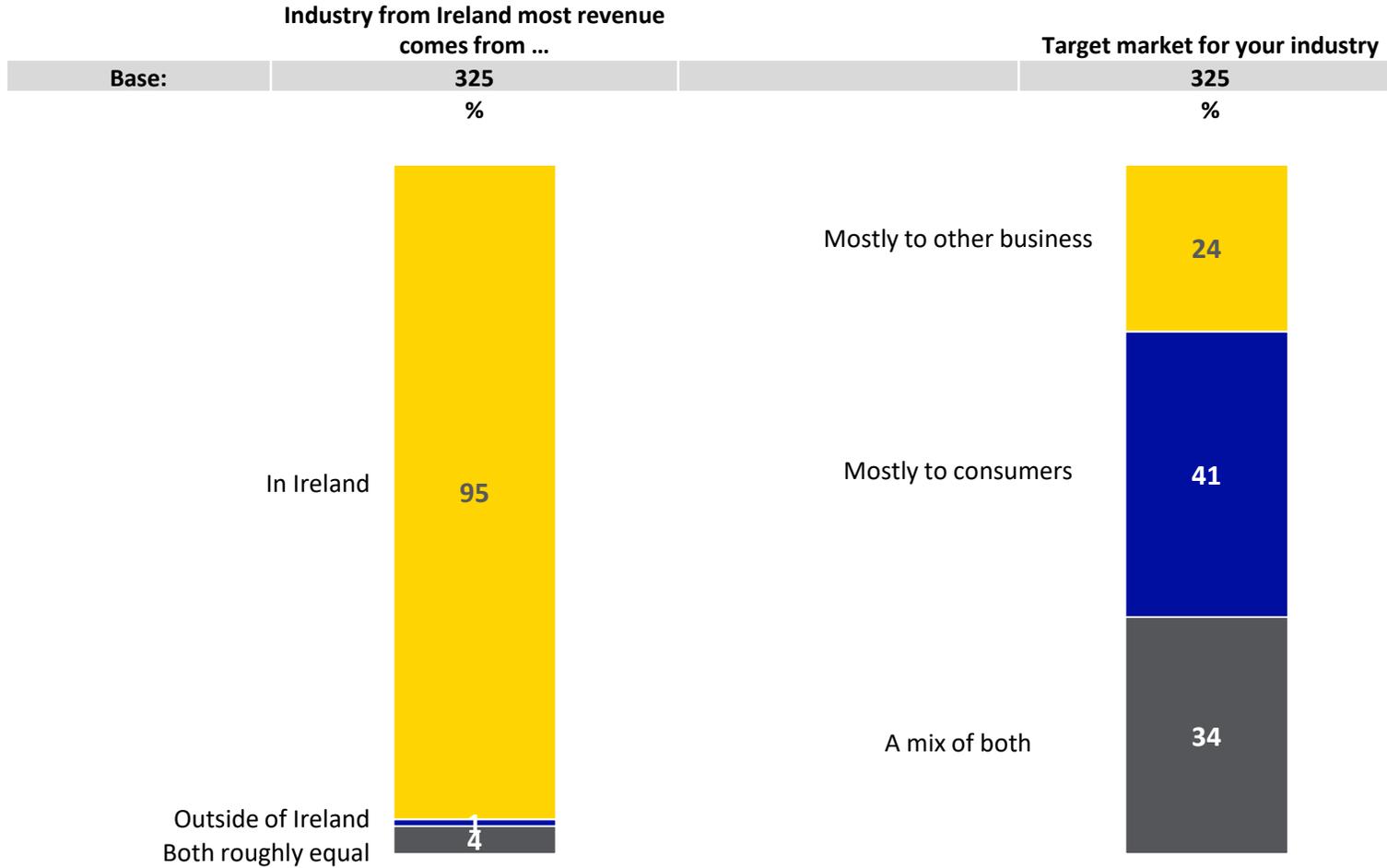


*Data weighted by business size, sector and region to be representative of all Irish businesses.*

\* All others under 5%

# Quantitative: Profile of Sample II

Base: All SME's 325



# Key highlights

## 1.

1 in 3 Irish businesses offer an online sales option, this increases to 4 in 5 amongst retail & wholesale businesses.

## 2.

Almost 70% of Irish businesses do not offer an online sales function (mainly service companies), with the main rationale for not offering online sales being that it would not benefit the business. Just 5% of those not currently offering online sales have any plans to do so in the future.

## 3.

Since the start of the Covid-19 pandemic the average proportion of online sales has increase by +14% amongst all online selling companies, with 67% of all online sales companies experiencing an increase to some extent. Over half of all companies who have experienced an increase in online sales since the pandemic expect online sales volumes to continue to increase, while 1 in 3 expect them to remain steady.

## 4.

1 in 5 companies who sell online to nondomestic markets have experienced issues with Vat or customers charges, mainly due to administration issues. With regards to Brexit, half of companies who sell non domestically expect Brexit to have a negative impact on online sales, while over 1 in 4 expect it to have no impact at all.

## 5.

Satisfaction with domestic delivery providers is high, with overall satisfaction at 80%. Satisfaction with nondomestic delivery providers is lower than that enjoyed by domestic delivery providers (albeit 62% is still positive). Across both domestic & international deliveries price achieves lowest level of satisfaction.

## 6.

70% of businesses who currently sell online expect demand for online sales to increase over the next three years, an additional 2 in 5 of those not currently offering online sales also expect demand to increase, equaling over half of all businesses.



## 1. An evolving context

# 1. An evolving context: Covid-19



## Operators

- The unprecedented surge in demand has put **considerable pressure** on existing networks
  - ❖ Reaching “peak in Easter 2020”
  - ❖ Increasing capacity requirements.
  - ❖ Obtaining vans and staff challenging.
- General **slowdown in delivery capabilities**;
  - ❖ Challenging to honour SLA’s (especially during December peak) and next day delivery currently not guaranteed.
- Requirement for new procedures;
  - ❖ Social distancing in delivery centres and hubs.
  - ❖ Driver safety.
  - ❖ Contactless delivery (removal of signature on arrival).



# 1. An evolving context: Covid-19



## E-commerce

- At the onset of Covid-19 many (even larger businesses) found **themselves unprepared**
  - ❖ “Basic” e-commerce site (often deprioritised)
  - ❖ Retail focussed business models, supply chains and propositions.
- In the past year, the majority have experienced **unprecedented online growth**.
  - ❖ 3x, 4x versus 2019 for many.

### Multiple **challenges** exist:

- ❖ Predicting volume (peak all year)
- ❖ Inability to fulfil orders
- ❖ Staffing and safety
- ❖ Maintaining brand experience
- ❖ New competition

### Multiple **opportunities** exist:

- ❖ New product solutions (corporate gifting)
- ❖ Broadening of online demographics
- ❖ Future changes in consumer behaviour

2021



# An evolving context

## Small E-commerce

- Many 'online first' meaning that they were ready to pounce on online opportunities.
- Strong increase in volume due to Covid-19 – strong rise in 'gifting' noted particularly around Christmas.
- Have felt a strong uplift from 'buy Irish' over the past year.
- Managing volume increases poses internal stock, logistics and packaging challenges (particularly during peak times).

## Med - Large E-commerce

- Online an important but not a primary channel for most prior to the pandemic (meaning upgrades were necessary in 2020).
- Strong increases in volume due to Covid-19.
- Increased volume poses challenges for warehouse management and distribution. For example, changes in operations (to simultaneously handle/process the volume increase and to comply with Covid-19 regulations i.e. social distancing measures etc).



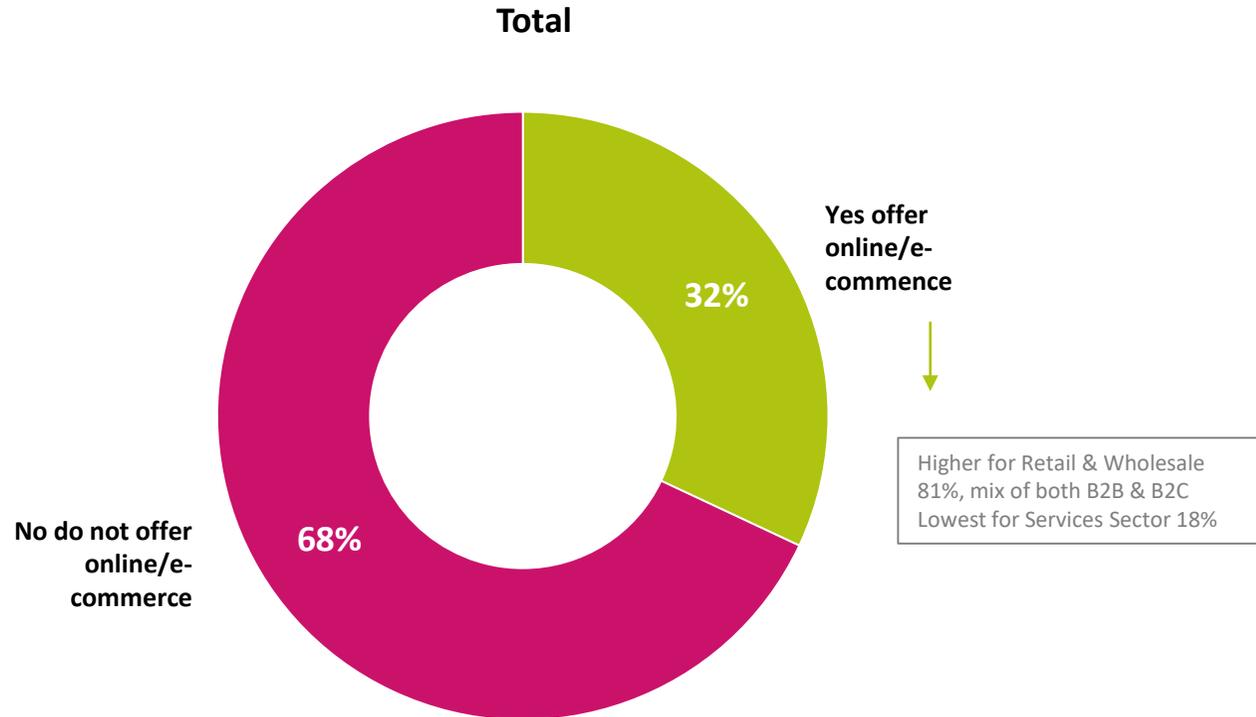


## 2. Online vs offline sales

# Incidence of businesses who offer online/e-commerce sales



Base: All businesses 325



**1 in 3 Irish businesses offer an online sales option, this increases to 4 in 5 amongst retail & wholesale business.**

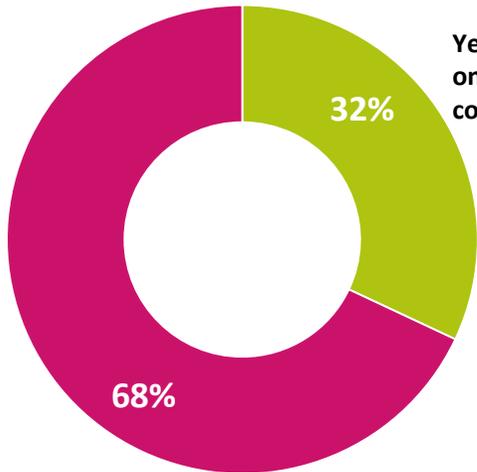
Q2b Does your company offer the facility for online / e-commerce sales?  
Q3a How long has your company been operating an online sales facility?  
Q3b What platform do you use for online sales?

# Tenure of online sales & sales platform used



Base: All businesses 325

## Total

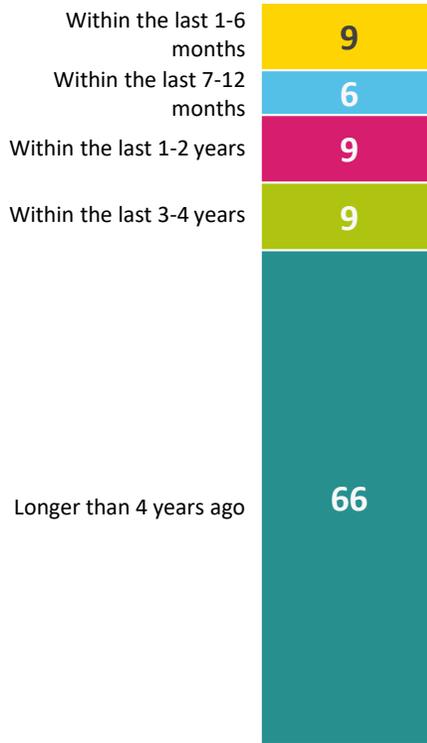


Higher for Retail & Wholesale 81%, mix of both B2B & B2C  
Lowest for Services Sector 18%

Yes offer online/e-commerce

## Length of time conducting online sales

(Base: All who sell online n -131)



Average 3.5 yrs

## Platform Used

(Base: All who sell online n -131)



Higher among those selling online 4yrs+

Higher among those selling mostly to consumers

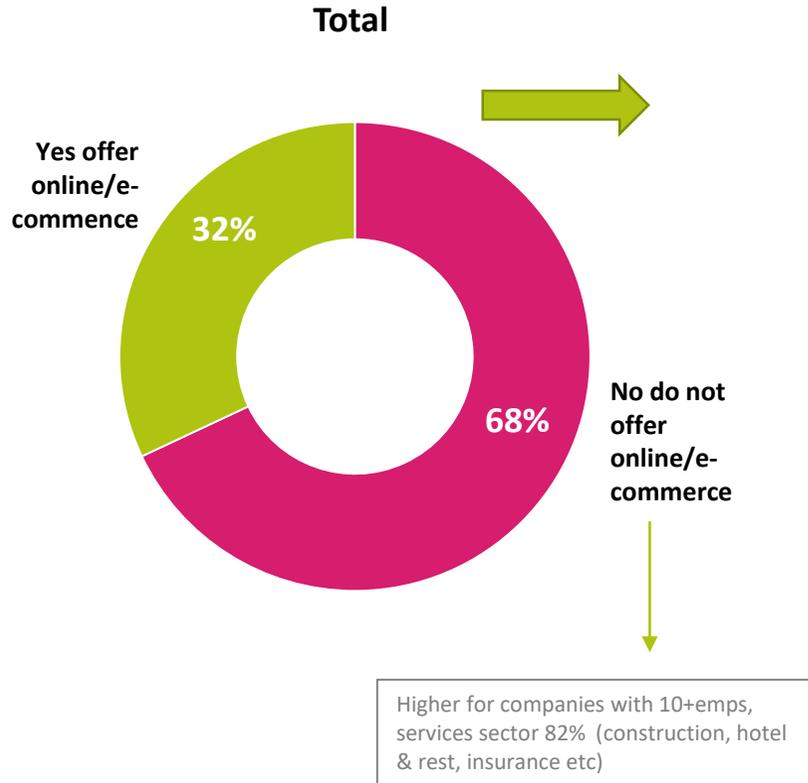
Amongst the Irish businesses offering online sales, the average length of tenure is 3.5 years, with 15% commencing online sales within the last year. The main platform used for online sales is via the companies own website (mainly driven by those who have been offering online sales longer term).

Q2b Does your company offer the facility for online / e-commerce sales?  
Q3a How long has your company been operating an online sales facility?  
Q3b What platform do you use for online sales?

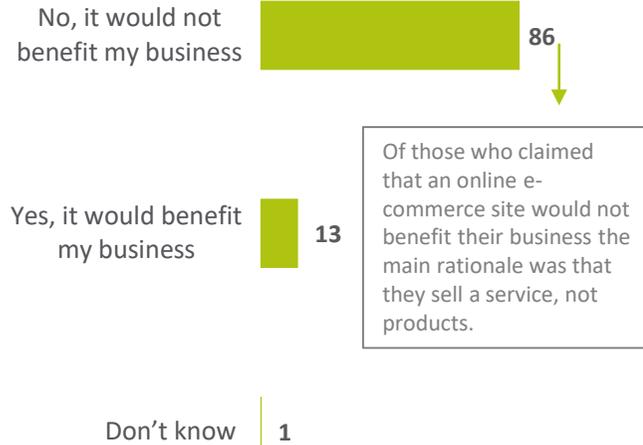
# Rationale for not having e-commerce sales



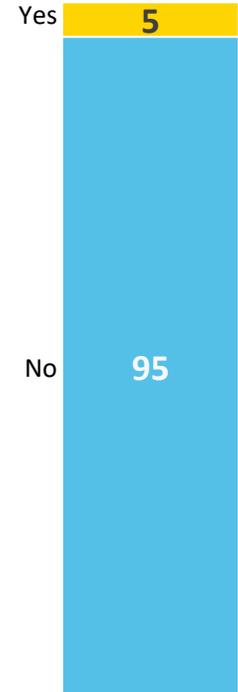
Base: All businesses 325



**Benefit from having an online e-commerce sales option**  
(All who do not offer online sales n – 194)  
%



**Incidence of having plans to develop an online sales option**  
(All who do not offer online sales n – 194)  
%



**Almost 70% of Irish businesses do not offer an online sales function (mainly service companies), with the main rationale for not offering online sales being that it would not benefit the business. Just 5% of those not currently offering online sales have any plans to do so in the future.**

Q2b Does your company offer the facility for online / e-commerce sales?

Q7 Could your company benefit from having an online e-commerce sales option?

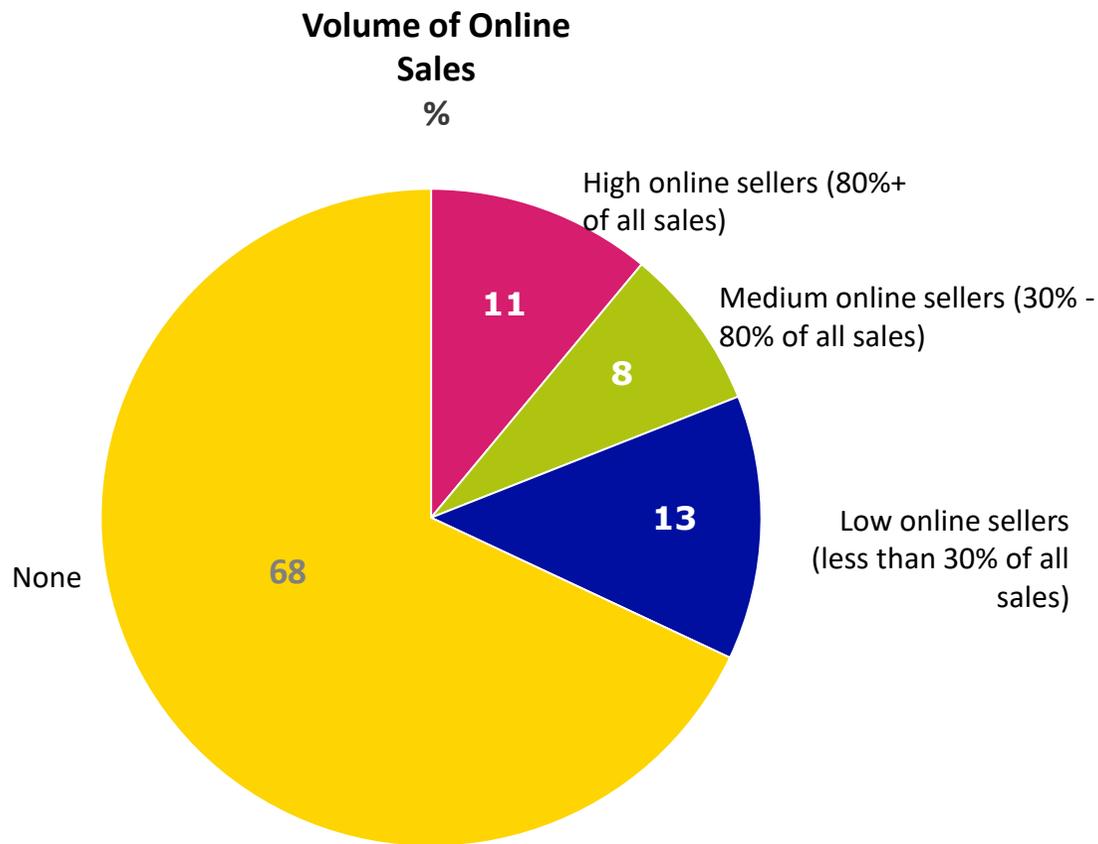
Q7b Why do you say your company would not benefit from having an online e-commerce sales option?

Q8 Do you have any plans to develop an online / e-commerce sales option (e.g own website or sale via ecommerce platform) for your business in the next 12 months?



# Online/e-commerce seller segmentation

Base: All SME's 325



Average proportion of online sales amongst all selling online 53.52%

\*Segmentation based on proportion of online vs offline sales

**Those selling online can be distributed across high, medium and low online sellers.**

# Profile of online/e-commerce seller segmentation

Base: All SME's 325



None online sellers  
(68%)



- **10+ emps**
- **Services**
- Mostly B2C

Low online sellers  
(13%)



- Under 10 emps
- **Mostly B2B**

Medium online sellers  
(8%)



- **4-10 emps**
- **Retail & wholesale**
- Mix of B2B & B2C

High online sellers  
(11%)



- 1-3 emps
- **Retail & wholesale**
- B2C

*Some significant variations in the make up of online selling companies, with high online sellers being more retail & wholesale focused, B2C and with a lower number of employees. None online sellers tend to be more service focused companies' and tend to have a larger number of employees.*

\*Bold = significantly higher



### 3. Awareness, Usage & Perceptions of delivery providers

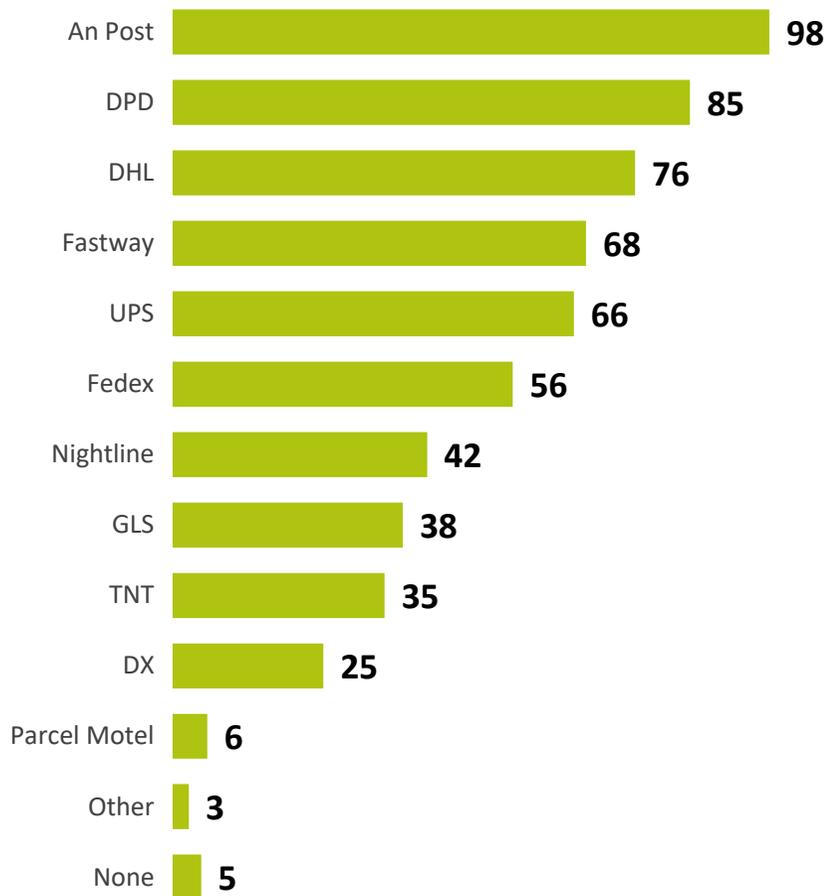
# Awareness of parcel delivery providers

Base: All businesses 325



## Awareness

%



Online Sales Group			
High	Medium	Low	None
53*	27*	51*	191
%	%	%	%
97	99	98	98
83	93	51	91
84	87	80	72
88	63	76	64
72	95	62	62
68	82	18	58
63	78	16	39
52	76	14	36
54	42	16	35
33	28	5	27
5	1	10	6
-	2	3	3
-	22	-	3

High awareness across the range of delivery providers, with higher awareness amongst the high and medium online sellers groups.

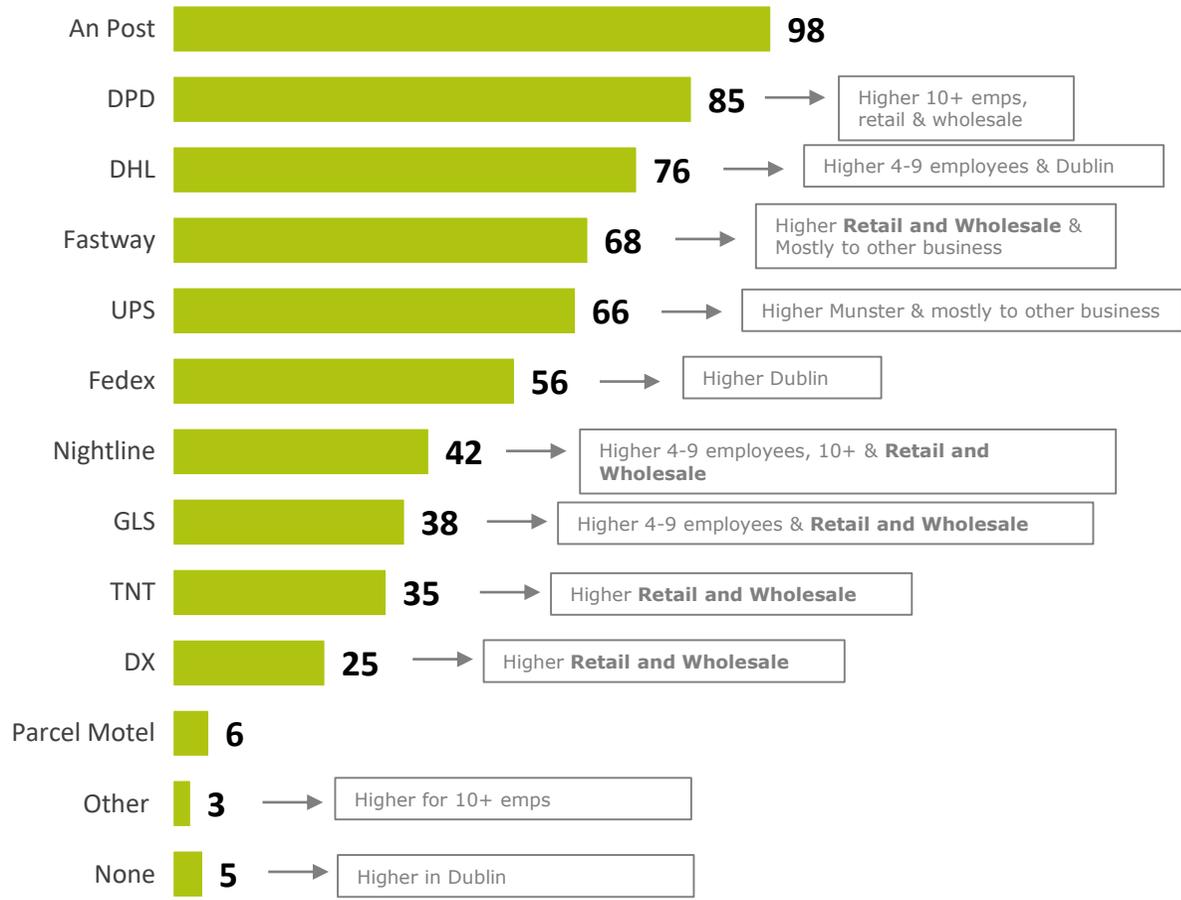
# Awareness of parcel delivery providers



Base: All businesses 325



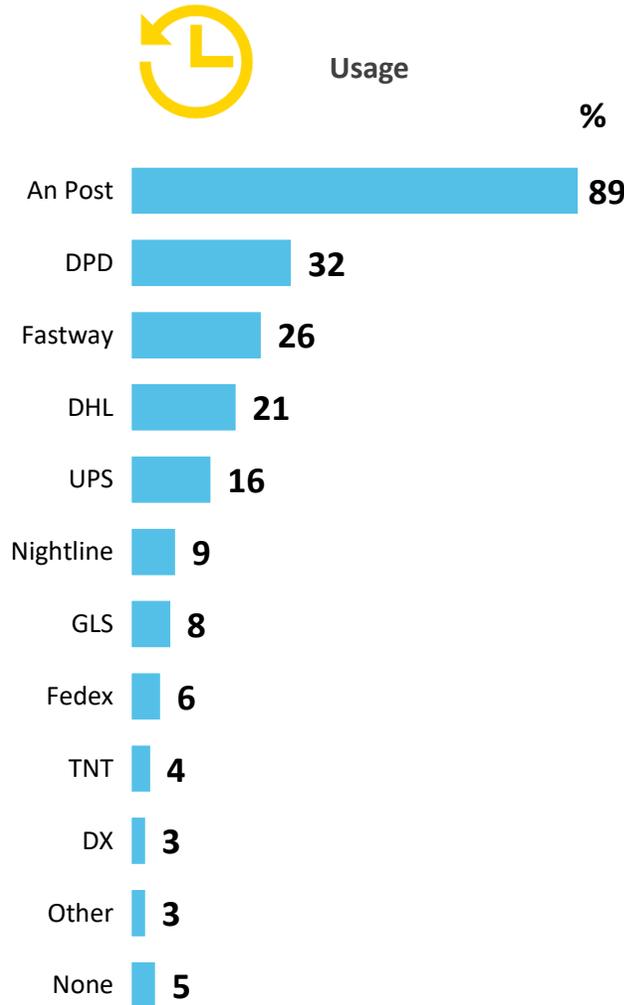
Awareness %



*High awareness across the range of delivery providers, with Retail & Wholesale companies claiming higher awareness across a range of providers. Reflected by higher awareness amongst the high and medium online sellers groups.*

# Usage of parcel delivery providers; last 3 years

Base: All businesses 325

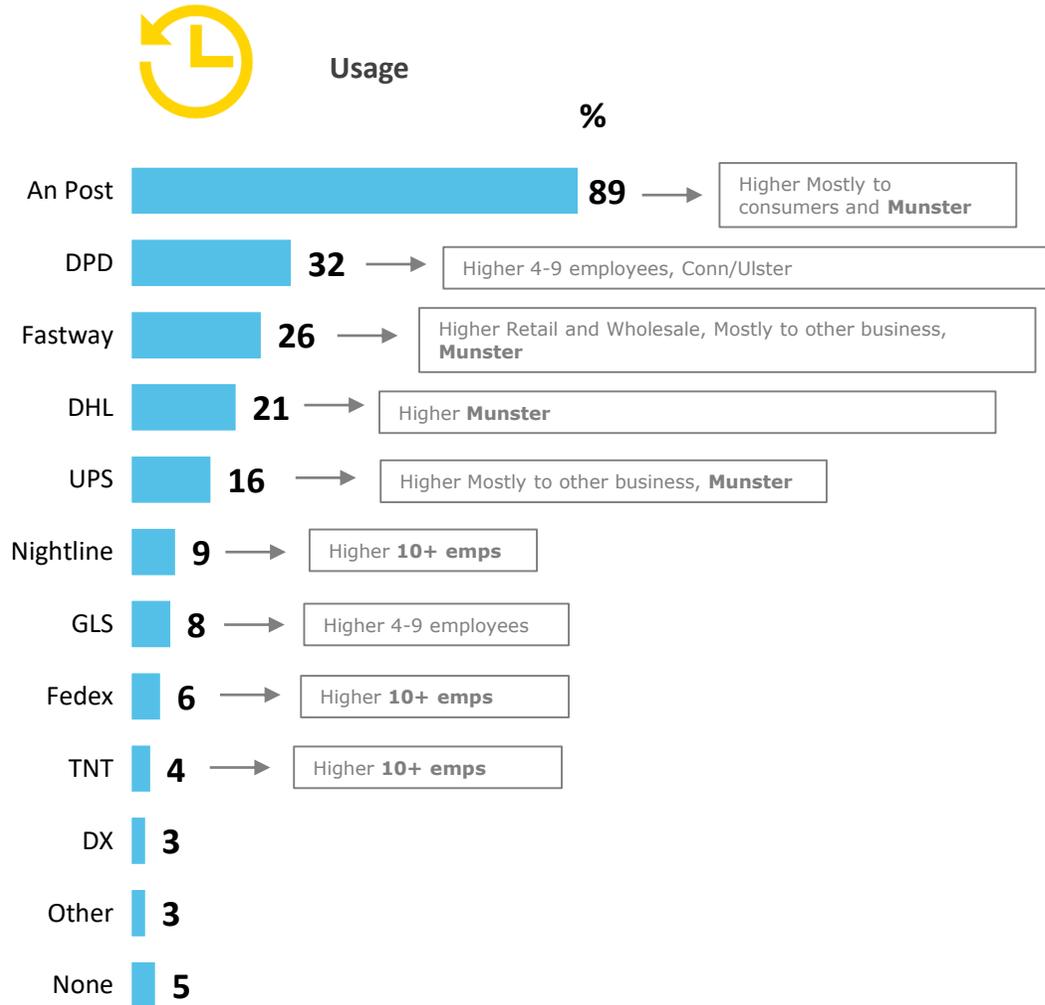


Sales Online			
High	Medium	Low	None
53*	27*	51*	191
%	%	%	%
94	73	91	89
33	59	39	28
32	31	52	19
27	50	48	11
8	48	49	7
11	40	6	6
8	42	4	5
11	5	1	7
7	6	5	4
5	-	0	3
-	2	3	3
-	22	-	5

*An Post claim highest usage at 83%. Across the user groups, medium sellers use a range of providers, while high online sellers show higher usage of An Post (albeit not significant).*

# Usage of parcel delivery providers; last 3 years

Base: All businesses 325



*Muster based companies and larger companies (10+emps) claim to have used a wider range of delivery providers, while companies based in Ulster/Connaught over index on usage of DPD.*

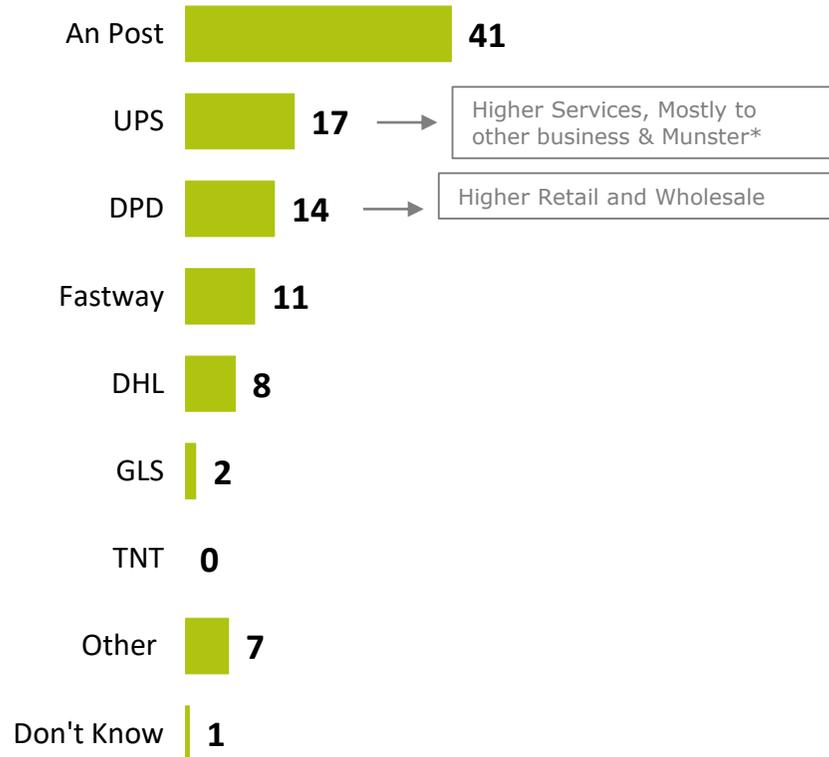
# Main provider for domestic & non domestic parcel deliveries



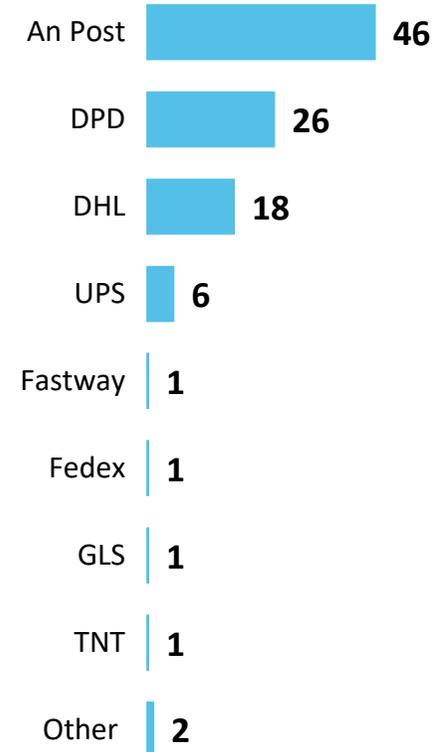
Base: All businesses 325



## Providers for deliveries in Ireland (All selling online domestically n - 131)



## Providers for deliveries Abroad (All selling online non domestically n- 82)



\*Small base size on demographic variations

**An Post is the main delivery provider used for both domestic and nondomestic deliveries.**



Q22c Which packet and parcel delivery service providers is your main provider for parcels delivered in Ireland?

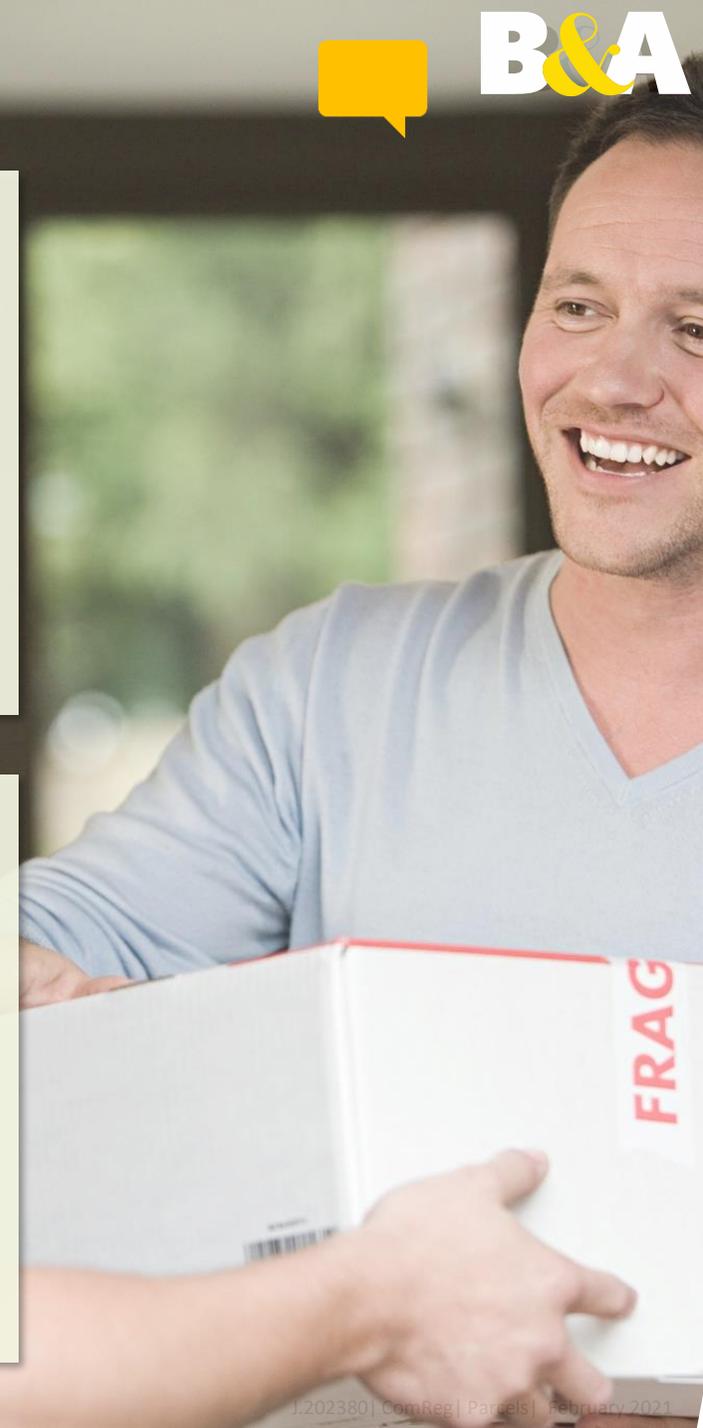
Q22d And which packet and parcel delivery service providers is your main provider for parcels for delivery abroad at the moment? J.202380| ComReg| Parcels| February 2021

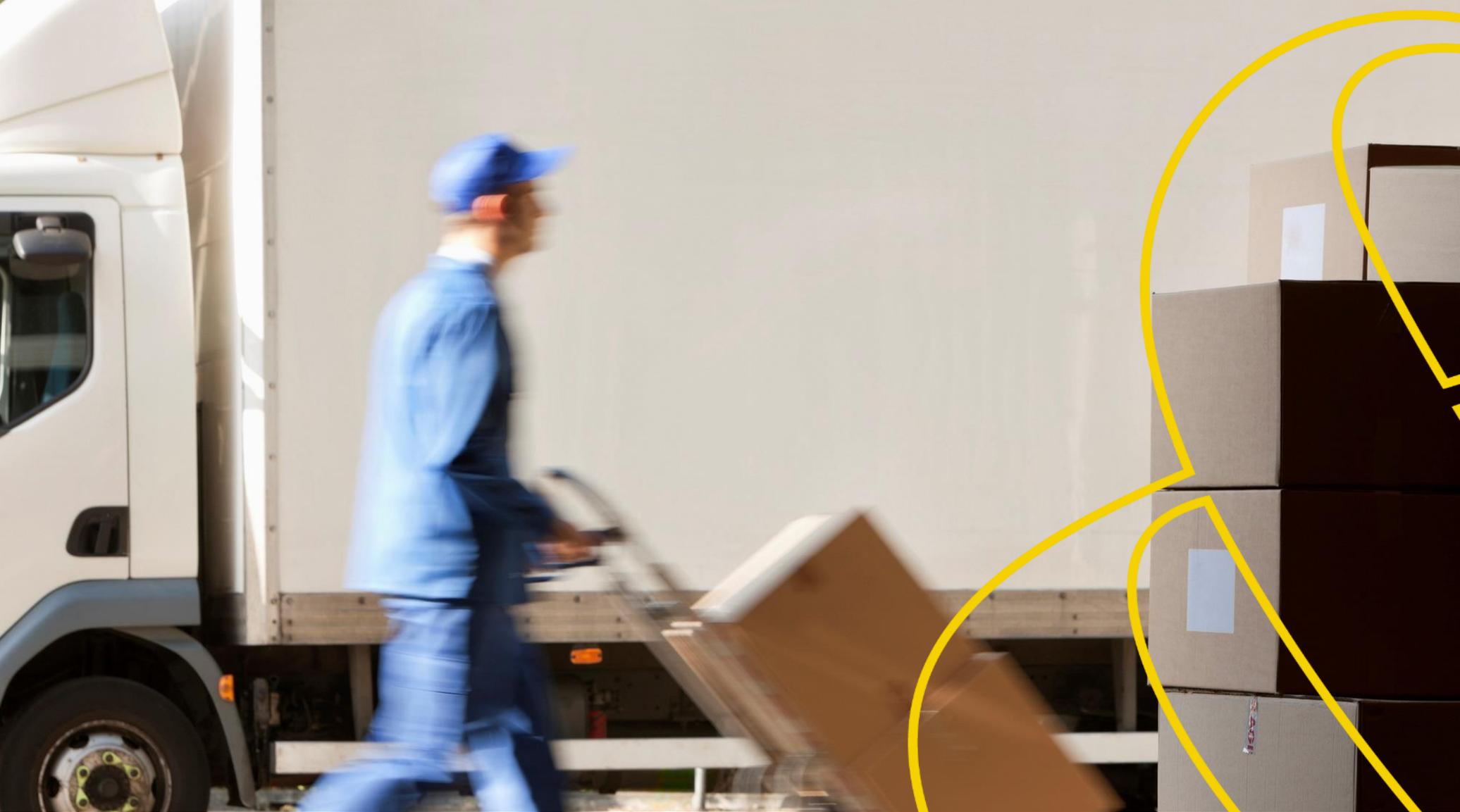
## Small E-commerce

- The 'personal touch' from delivery operators appears more important (e.g. knowing the delivery driver, strong liking for familiarity).
- Low levels of experience with couriers meaning most rely on rumours/myths about each of the operators.
- Tend to be more price conscious meaning lower cost operators preferred.

## Med - Large E-commerce

- Securing a partner who can consistently, and reliability move higher volume is a key priority.
- 'Personal touch' does not appear to be as important as it is for smaller businesses, but they do require to be able to get in contact with the 'right contact' should they need to.
- Tend to have higher awareness of the advantages/disadvantages of each of the operators.
- Some willing to pay more for heightened levels of service (enhanced tracking services, etc)





## 4. Provision of services



## Operators

The majority do not distinguish between packets and parcels.

- **Delivery speed:**

- ❖ Prior to Covid-19, next day/two day domestic delivery became **somewhat of a norm**.
- ❖ Same day delivery **yet to take hold** and **does not appear to be a key priority** for most operators or an expectation from most e-commerce companies.

- **Weight of packets:**

- ❖ There is a **variation in average weight** amongst the operators.
- ❖ No **considerable change in average weight** in the last number of years (Just more volume!).

- **Delivery frequency:**

- ❖ **6 day deliveries** put in place by majority to handle peak volume (especially in 2020).
- ❖ Likely to become a more permanent feature in the coming years (as premium service).





## Operators

- Strong infrastructure in the east, and south west.
  - ❖ The south east and west of Ireland **potentially the most underserved areas.**
- Some operators have a very strong network across the country (with increased investment in recent years);
  - ❖ Franchise/owner operator business model can provide **easier expansion for some.**
  - ❖ Others are lagging behind and catching up in **reducing 'cold spots'** (i.e. where drivers are driving a long time for their first delivery).
- **All reconsidering how they will need to expand** in order to manage current and future volumes;
  - ❖ New expansions of existing sites
  - ❖ Second or third 'hubs'
  - ❖ While managing 'negative economies of scale'
  - ❖ Limited possibilities of using joint depots (IT issues).



# Value added service



## Operators

- Growing recognition of **customer demand for 'tracking'**;
  - ❖ Consumer desire to **reduce uncertainty**
  - ❖ Give the retailer the **ability to be proactive**
- DPD **performing strongest** with tracking (1 hour window and SMS notifications)
  - ❖ Some are working towards integrating this level of service
  - ❖ However, most **currently have a 'basic' tracking product**
- Multiple value-add innovations are in the pipeline.

❖ **In-flight changes.**

❖ **Tracking.**

❖ **Route optimisation**

❖ **Parcel shop expansion** a key area for others.

❖ **Improvements to customer dashboards.**





## Operators

## IN THE PIPELINE

The majority of innovations in the pipeline are 'single trip solutions'

Operators also looking for ways to improve efficiencies/ 'leanness'

- ❖ Internal automation
- ❖ Route optimisation

- ❖ Tracking
- ❖ In-flight changes
- ❖ Parcel shop expansion
- ❖ Customer dashboards

## OPERATOR BENEFIT

## CONSUMER BENEFIT

- ❖ Driverless vans
- ❖ Drone delivery

## DOWN THE ROAD



## Operators

Operators investment priorities stretch across 6 key areas



### SMART SOLUTIONS

- Leaner and more intelligent logistics.
- Route optimisation.
- Parcel shop expansion.
- Drones still a long way off.



### TECHNOLOGY

- 'Tracking' improvements.
- Internal automation.
- Customer portals.



### CAPACITY INCREASE

- Property investments.
- Solving for 'cold routes' in the network.
- Vans and drivers.



### SUSTAINABILITY

- Generally corporate led - but of growing significance amongst consumers.



### SOCIAL IMPACT

- Supporting SMEs
  - ❖ Advice and tools.
  - ❖ Product offers.



### DRIVER WELFARE

- Maintaining safe working environments.



# Trends in parcels



- Both smaller and larger operators are keen to incorporate better tracking into their delivery service
- Gives businesses the ability to be proactive, peace of mind knowing parcels arrives and tracking is perceived to reduce customer service requirements.
  - 'Cost focus' for larger businesses as they want to avoid expanding customer care requirements.
  - 'Time focus' for smaller businesses as the owner is often also the customer service rep who has to respond to emails!.
- Online portal option has strong appeal as customers can review which orders have arrived or outstanding etc (both larger and smaller).



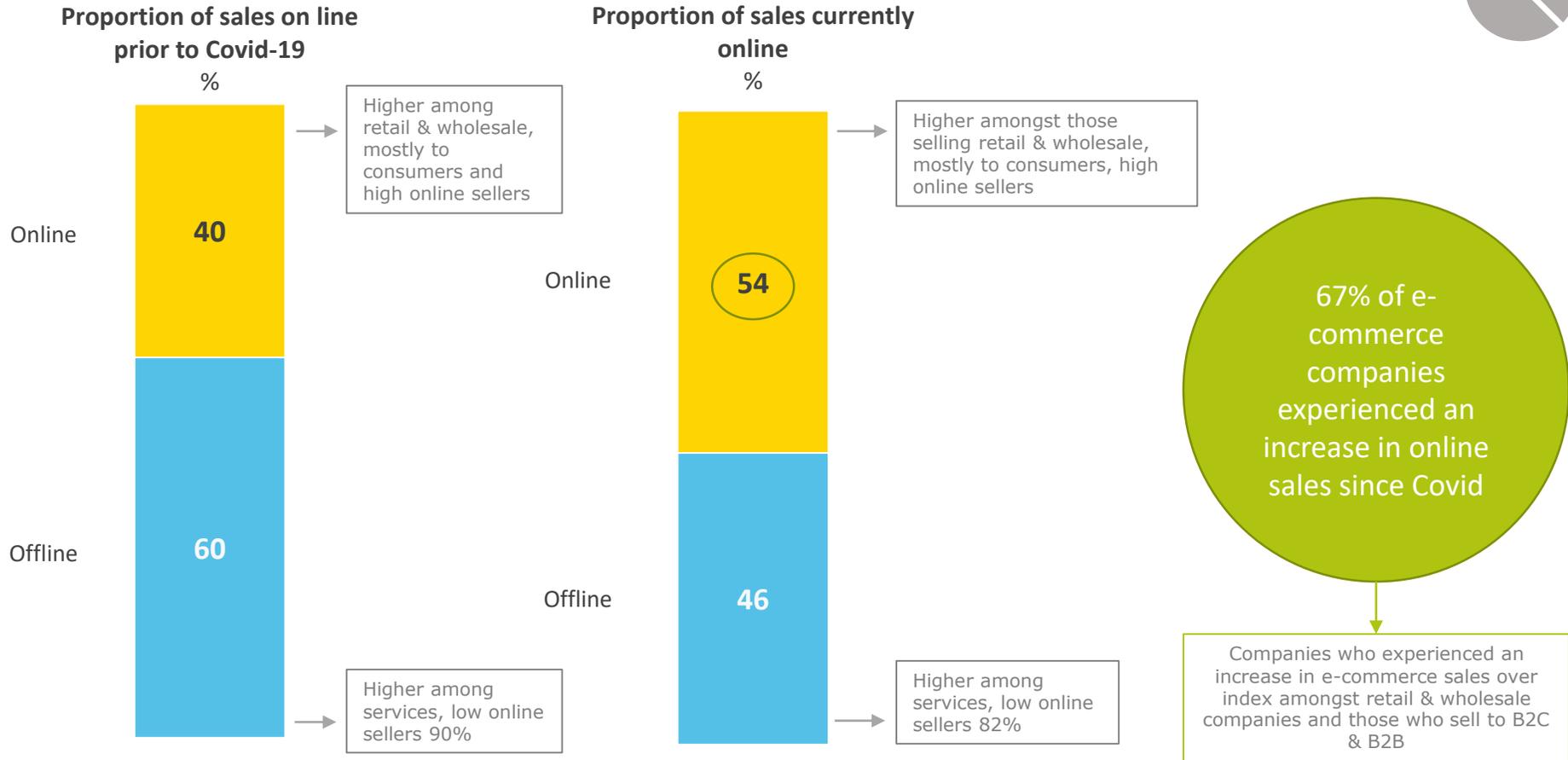


## 5. E-Commerce & Online sales

# Proportion of online and offline sales pre and post covid



Base: All who sell online n -131



**Since the start of the Covid 19 pandemic the average proportion of online sales has increase by +14% amongst all online selling companies (a 35% increase), with 67% of all online sales companies experiencing an increase to some extent.**

\*Small base size on demographic variations

Q4 Currently what proportion of all sales are  
 Q5 Before the Covid-19 pandemic hit Ireland during March 2020 what proportion of all sales were  
 Q6 You commented that your proportion of sales online has increased since the Covid-19 pandemic, do you expect this to continue or return to pre Covid levels in the next 12 months?

# Expectation for online sales post covid-19

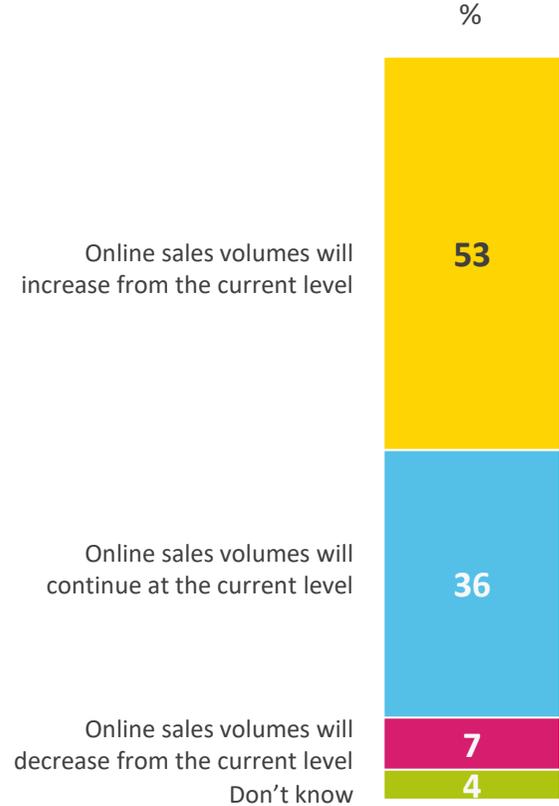


Base: All who sell online n -131



Companies who experienced an increase in e-commerce sales over index amongst retail & wholesale companies and those who sell to B2C & B2B

Perception of future online sales (all who's online sales increase since Covid n - 88)



**Over half of all companies who have experienced an increase in online sales since the pandemic expect online sales volumes to continue to increase, while 1 in 3 expect them to remain steady. 1 in 10 expect to experience a decline in online sales.**

- Q4 Currently what proportion of all sales are
- Q5 Before the Covid-19 pandemic hit Ireland during March 2020 what proportion of all sales were
- Q6 You commented that your proportion of sales online has increased since the Covid-19 pandemic, do you expect this to continue or return to pre Covid levels in the next 12 months?

# Changes in parcel demand; past 3 years

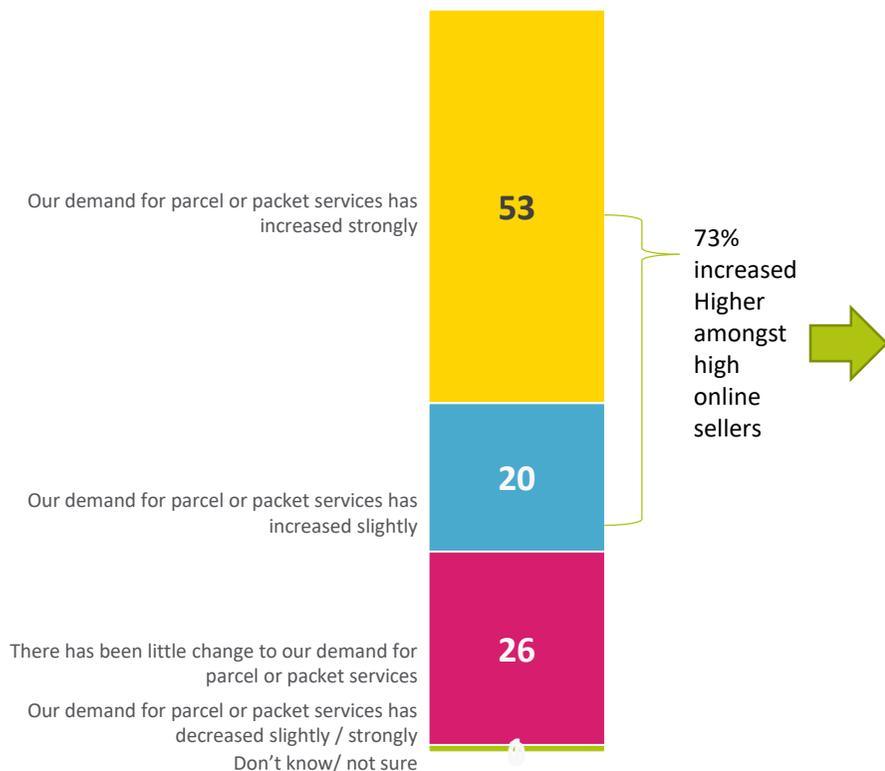
Base: All who sell online n -131



## Main Trends in demand for parcel delivery past 3 yrs

(all selling online n-131)

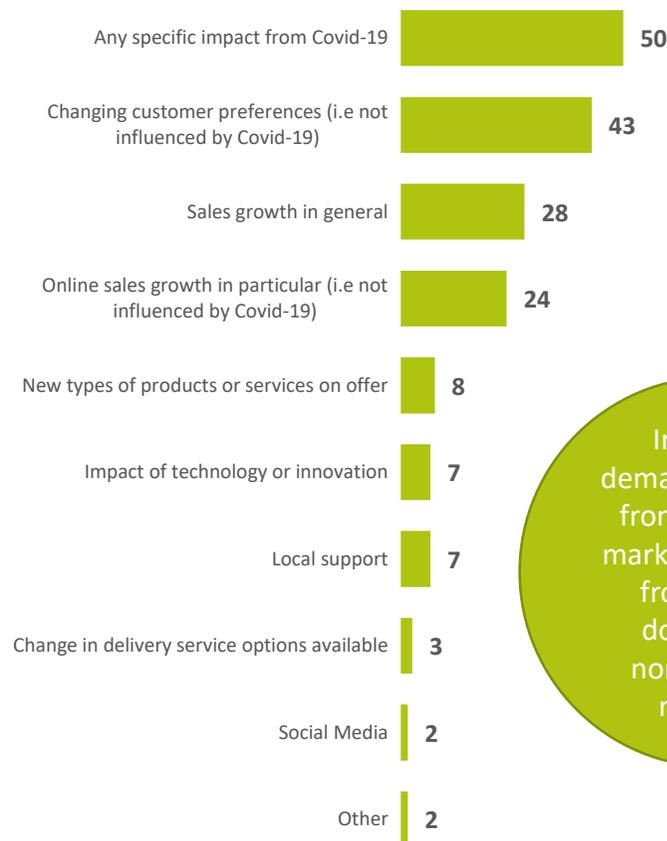
%



## Main drivers of increased demand

(all experienced an increase in parcel demand n – 101)

%



Increased demand primarily from Domestic market 85% (15% from mix of domestic & nondomestic markets)

**Over the past 3 years, over 70% of online selling companies have experienced an increase in online sales, with Covid 19 and sales growth being the main drivers of increased demand. Changing customer preference also being influential. The main market for increased demand has been from the domestic market.**

\*Caution small base

Q10a What have been the main trends in your demand for parcel or packet delivery services in the past three years?  
 Q10b What have been the main drivers of your increased demand for parcel or packet delivery services?  
 Q11 Has the increased demand come...



## Operators

- The **strong growth of B2C** has been the major theme over the last few years
  - ❖ **Driven by growth** in e-commerce.
  - ❖ Increased **trust** in operators and e-commerce.
  - ❖ “Surge” in 2020 due to Covid-19.
- **Inbound volume** from Europe has been a main driver of B2C growth (clothes etc).
  - ❖ Domestic (both large and SME) also growing substantially too (especially since Covid-19).
  - ❖ International outbound growing, but **far behind inbound volume**.
- **B2B appears to be stagnant (even declining)** but remains a significant proportion of volume and value for most.
  - ❖ Estimates of **30-50% amongst operators**
  - ❖ However, the trend is towards B2C and this is where **operators are focusing resources**.



# E-Commerce volume performance



## E-commerce

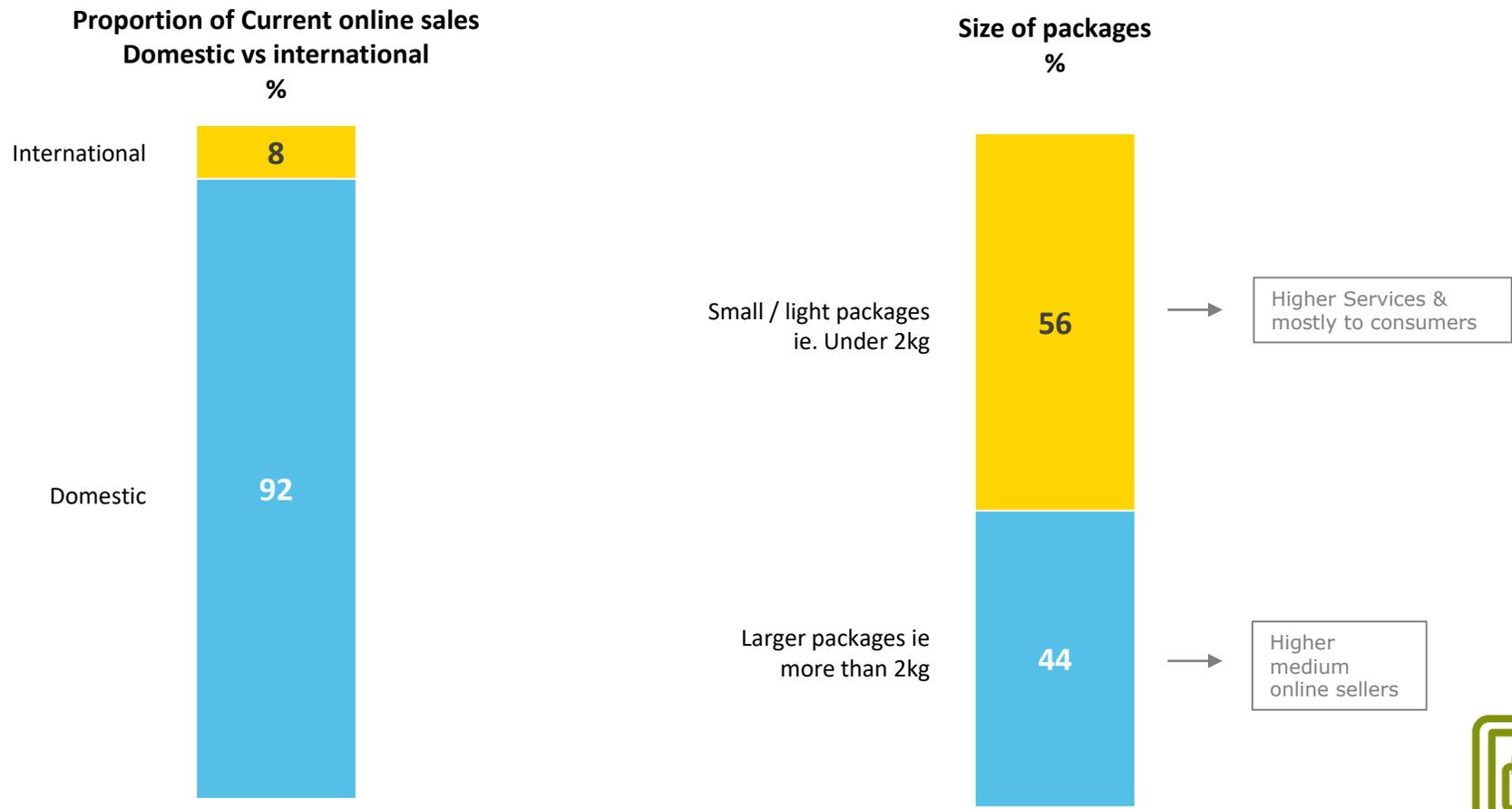
- Overall, there has not been a dramatic difference in the 'type' of products being sent.
  - ❖ E-commerce businesses are mostly just sending more volume.
- However, there are exceptions for some businesses;
  - ❖ Some new types of products being sent (e.g. gift sets/baskets, home gym equipment, desks for households etc)



# Proportion of Domestic vs Non Domestic sales & size of packages



Base: All who sell online n -131



**Domestic sales make up the bulk of the online sales market, averaging at 92% of all online sales. Smaller packages are also more prominent, accounting for over half of all online sales.**

\*Small base size on demographic variations

# Incidence of issues sending parcels abroad

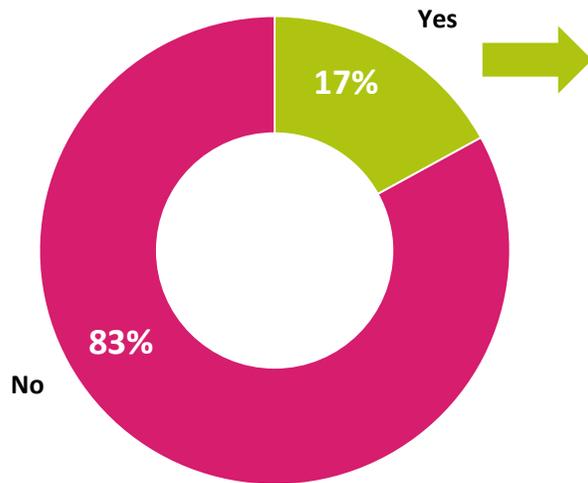


Base: All who sell abroad n – 82

## Incidence of experiencing VAT or customers charges when sending products abroad

(all who sell abroad n – 82)

%

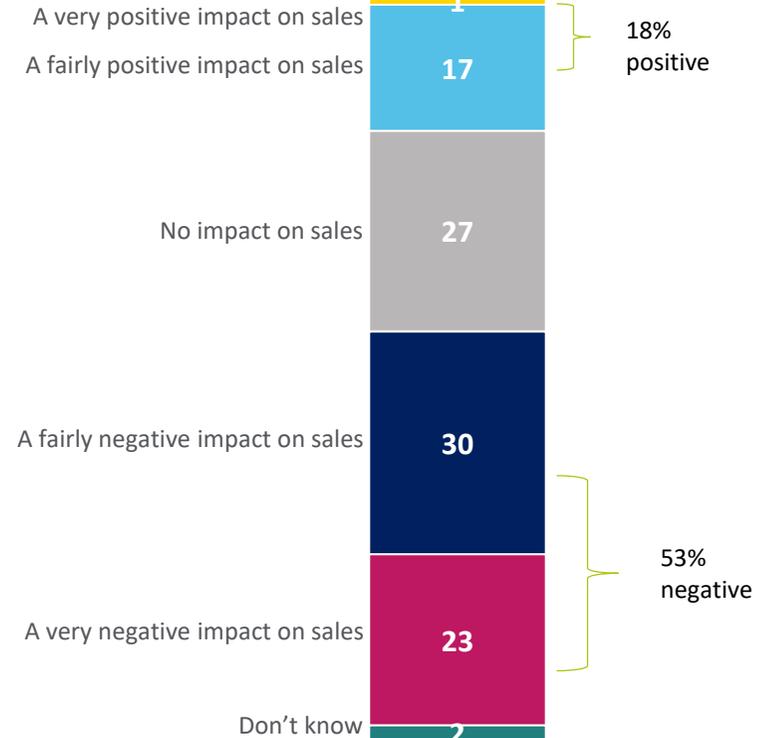


Amongst the 17 businesses who experienced an issue with VAT or customs charges, the main issues were administration issues and increased/unexpected costs. 17% claimed Brexit issues\*.

## Expected impact from Brexit on international sales

(all who sell abroad n – 82)

%



**1 in 5 companies who sell online to nondomestic markets have experienced issues with Vat or customers charges, mainly due to administration issues. With regards to Brexit, half of companies who sell non domestically expect Brexit to have a negative impact on online sales, while over 1 in 4 expect it to have no impact at all.**

Q12 Have you ever experienced an issue with VAT or customs charges when sending products abroad?

Q12b You mentioned that you experienced an issue with VAT or customs charges when sending products abroad, what exactly was the issue you experienced?

Q13 What type of impact do you expect Brexit to have on your non-domestic sales?

(\*small base)



## E-commerce

Note: as of Dec 2020/Jan 2021

- All have had to reassess how they do business with the UK market.
- Of those who are exporting to the UK, the Brexit surcharge has **added cost to the UK customer**.
  - ❖ There is also felt to be a **lack of clarity** around rules - adding confusion.
- Many e-commerce sellers are taking a **'wait and see'** approach.
  - ❖ Until issues are **ironed out**.
  - ❖ Others are considering **options beyond the UK** ("the continent").
- Some (especially larger domestic businesses) view Brexit as somewhat of an opportunity.
  - ❖ With 'speed of delivery' **becoming a key differentiator in the Irish market**.





## Operators

Note: as of Dec 2020/Jan 2021

- Getting **'Brexit ready'** has been a key priority for the last two years for all operators.
  - ❖ **Significant investments** made (in the millions €)
  - ❖ Communicating requirements to customers a **priority especially for the last 6 months.**
- All had a Brexit plan in place prior to January 2021
  - ❖ But uncertainty right up to the deadline made planning for all eventualities a challenge.
- Many note a large decrease in volumes in Jan 2021.

'Teething issues' in January.

- ❖ Customer not aware of requirements (e.g. HS codes)
- ❖ Logistics and IT issues.
- ❖ Situation appears to be improving in Feb 2021.

In the long term, many view Brexit as an opportunity for the Irish retailer

- ❖ However, there is a sense that that international players will adjust their supply chains to adapt (As many are currently doing).

November 2020

**ARE YOU READY FOR M**

**Urgent message from the**

There is just over **a month to go** until the end of the transition period. From 1 January 2021 onwards, there will be new rules to follow from 1 January 2021 onwards. You need to **ACT NOW** to avoid your business operations being affected when the transition period ends.

You can find out what you need to do by going to [gov.uk](#). The actions you can take now to prepare are:

**1. Check the new rules on importing and exporting goods from the EU and Great Britain from 1 January 2021. Different rules apply to Northern Ireland.**

Your business could face delays, disruption or additional costs if you do not comply with new customs procedures from 1 January 2021.

**2. If you are planning to recruit from overseas you may need to register as a licensed visa sponsor.**

You may not be able to legally hire people from overseas without a licence. New employees from outside the UK must meet the minimum salary and language requirements. Irish citizens and those on the EU Settlement Scheme are not affected.

**3. Use GOV.UK to identify changes affecting your business and be ready to sell them in the UK and EU.**

You may not be able to sell your goods in the UK or EU unless you act.

**4. If you are moving goods into, out of, or through Northern Ireland, check the latest guidance.**

At the end of the transition period, the Northern Ireland Protocol will apply. There will be special provisions which apply to goods moving into, out of, or through Northern Ireland. Check the latest guidance at: [gov.uk/northern-ireland](#)

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**NEW RULES  
MAKE**

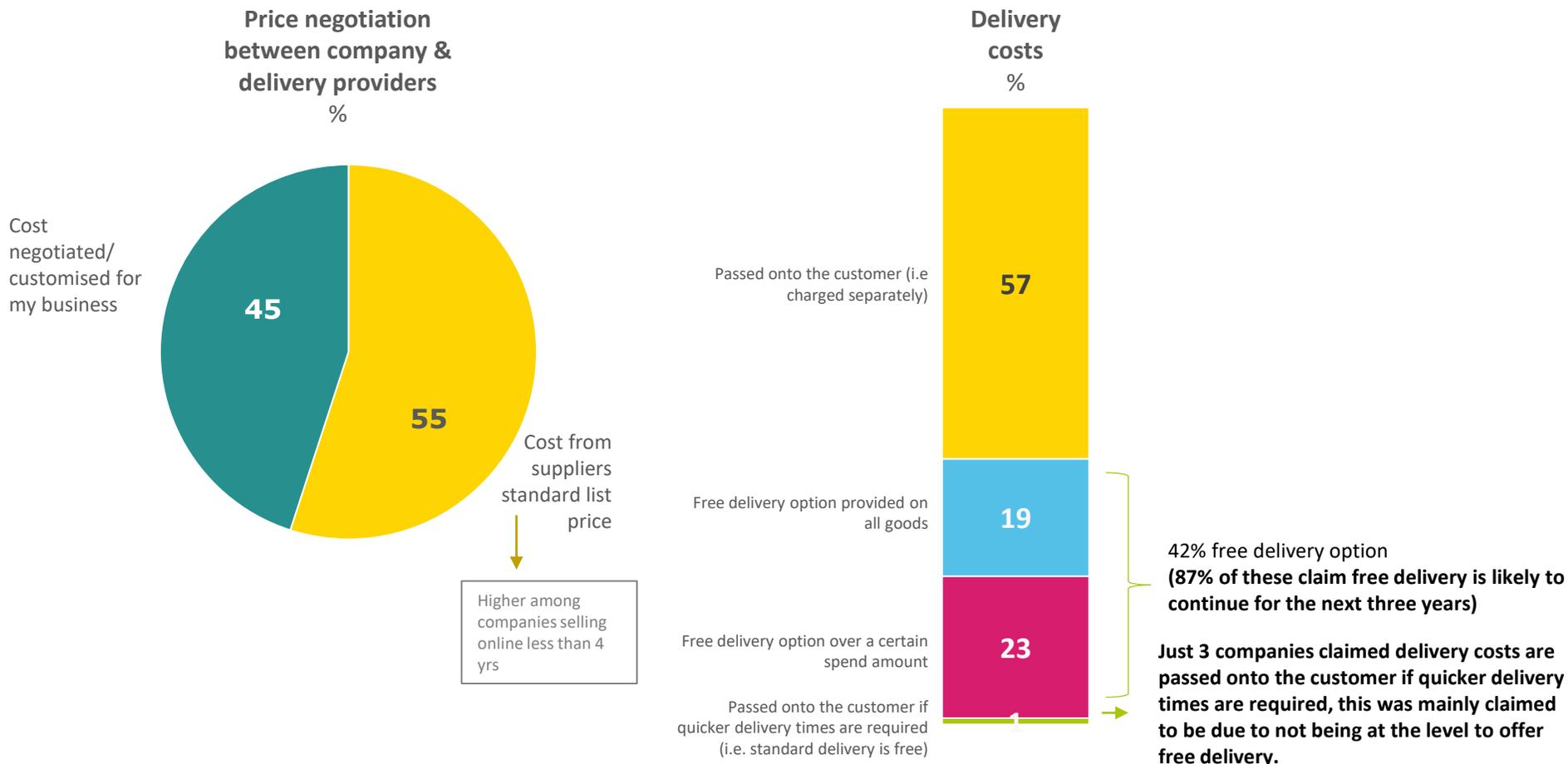


## 6. Parcel delivery costs

# Delivery cost negotiation & impact on the customer



Base: All who sell online n -131



**Delivery costs between the online sellers and delivery providers are mainly agreed based on a standard price list, albeit a significant proportion negotiate the price. With regards to customer delivery charges, some 2 in 5 offer some form of free delivery, while over half charge customers separately for delivery.**

Q17 How is the price you are charged for packet/parcel agreed with your parcel and delivery service provider?

Q21a How are delivery costs typically handled within your company?

Q21b How likely is your company to continue free delivery for the next three years?

Q21b You said that delivery costs are passed onto the customer if quicker delivery times are required, why is this the case?

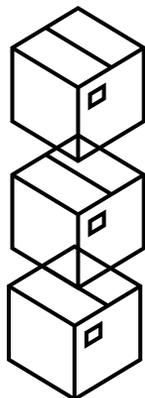
# Average parcel delivery costs & number of parcels delivered in 2019

Base: All who sell online n -131



Average number of parcels delivered 2019 %

1,604



Average spend on parcel delivery 2019 %

€ 5767



Share of company spend on parcel and packet delivery services: 9%



*The average number of parcels sent per company was circa 1,600, while the average parcel delivery cost was €5,760 in 2019. On average parcel delivery costs made up 9% of all company spend in 2019. Note high proportion of respondents unable to give an answer to 2019 estimates.*

Q15a How much did you spend on parcel and packet delivery services in total last year (2019)?

Q15b And on a best estimate basis how many packets and parcels and packet did you send in total last year (2019)?

Q16 What was the share of your spend on parcel and packet delivery services in your total costs in 2019?

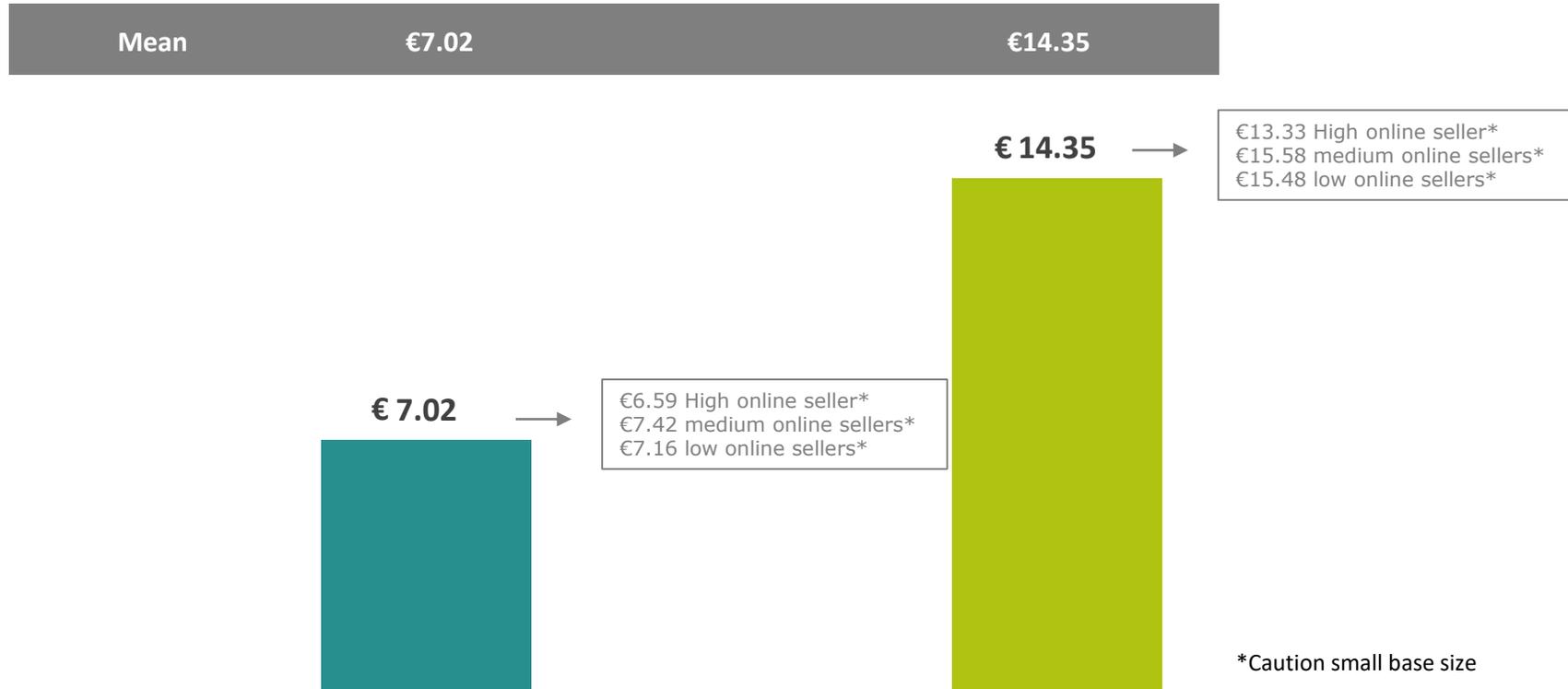
# Cost of parcel delivery; domestic vs international



Base: All businesses 325

**Average spend per domestic delivery**  
*(all who sell online domestically n – 131)*  
%

**Average spend per international delivery**  
*(All who sell abroad – n 82)*  
%



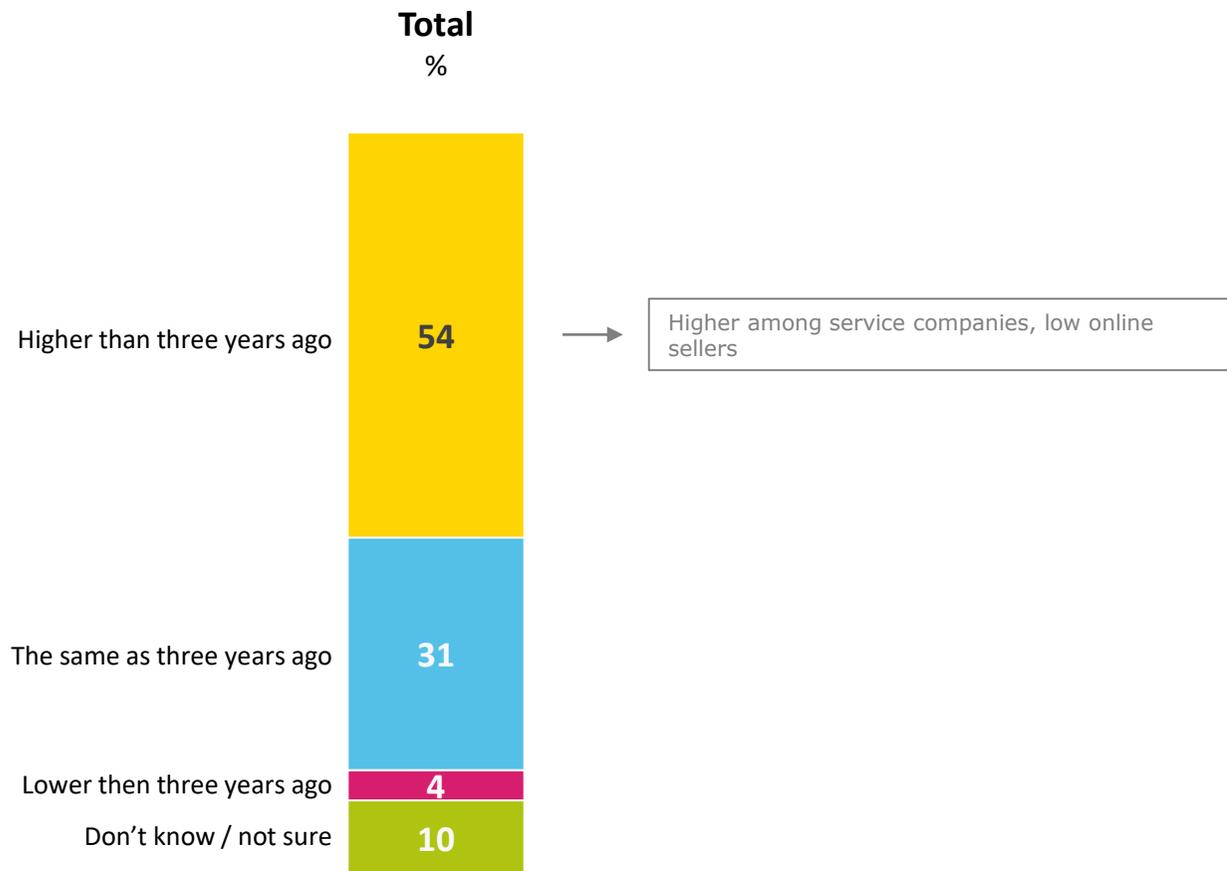
**Currently the average cost of domestic delivery is €7, while the average cost of international delivery is just over €14. High online sellers appear to have lower per parcel costs (note small base size).**

\*Caution small base size

\*Small base size on demographic variations

# Changes in average spend

Base: All who sell online n -131



**54% of all online selling companies claimed their average spend per package has increased in the last three years, with the mean increase being +15%**

\*Small base size on demographic variations

Q20a Is your current average spend per packet or parcel...

Q20b You said your current average spend per packet or parcel is higher / lower than three years ago, what percentage would you say it is higher / lower?





## Operators

- The price per parcel appears to have been **declining/static for the last number of years**
  - ❖ **Discounts offered** for larger volumes
- Most expect to put in place **price increases** in the coming years.
  - ❖ Especially around **'non-compatibility'** items (i.e. extra bulky, requires more manual handling etc)
- Despite some operators offering variable pricing model, the majority (and the trend) appears to be moving towards **fixed pricing with add-ons**
  - ❖ Simpler **model for charging**
  - ❖ However, many SMEs appear to like the variable pricing more.





## E-commerce

- Most e-commerce companies feel that they currently **get good value for money**
  - ❖ Heightened since Covid-19 (*“critical service for my business”*).
- SMEs are spending up to €7 per domestic delivery compared to around €3 for some of the largest e-commerce companies in the market.
  - ❖ **Discounts offered** for larger volumes (although this does not appear to have happened during Covid-19 for most).
  - ❖ Larger companies more likely to **‘negotiate the price’**
  - ❖ International costs higher (exacerbated by Brexit).
- The majority are expecting **price to increase in the coming years**
  - ❖ Current proliferation of ‘add-ons’ being an initial proof point.
  - ❖ As is the current demand for operator services.





## E-commerce

- 'Free delivery' is offered by some (mostly larger businesses and for 'big ticket' items)
  - ❖ The '**norm**' to do so a decade ago
  - ❖ Attempt to **capture market share**
  - ❖ **Incentive larger basket sizes** (e.g. over €75 etc).
- Despite a desire from many to move away from 'free delivery', it is a risk to do so;
  - ❖ **Customer expectations** (especially amongst 'regular' customers)
  - ❖ **Reduced conversion rates**
  - ❖ Many feel adding a **tiered delivery service** as the only way to rationalise introduction of charges.
- SME's avoid offering free delivery and **tend to pass on the cost to the consumer.**
  - ❖ Can't take the hit to their margin.
  - ❖ Paying higher price per parcel.

**FREE**  
**SHIPPED**



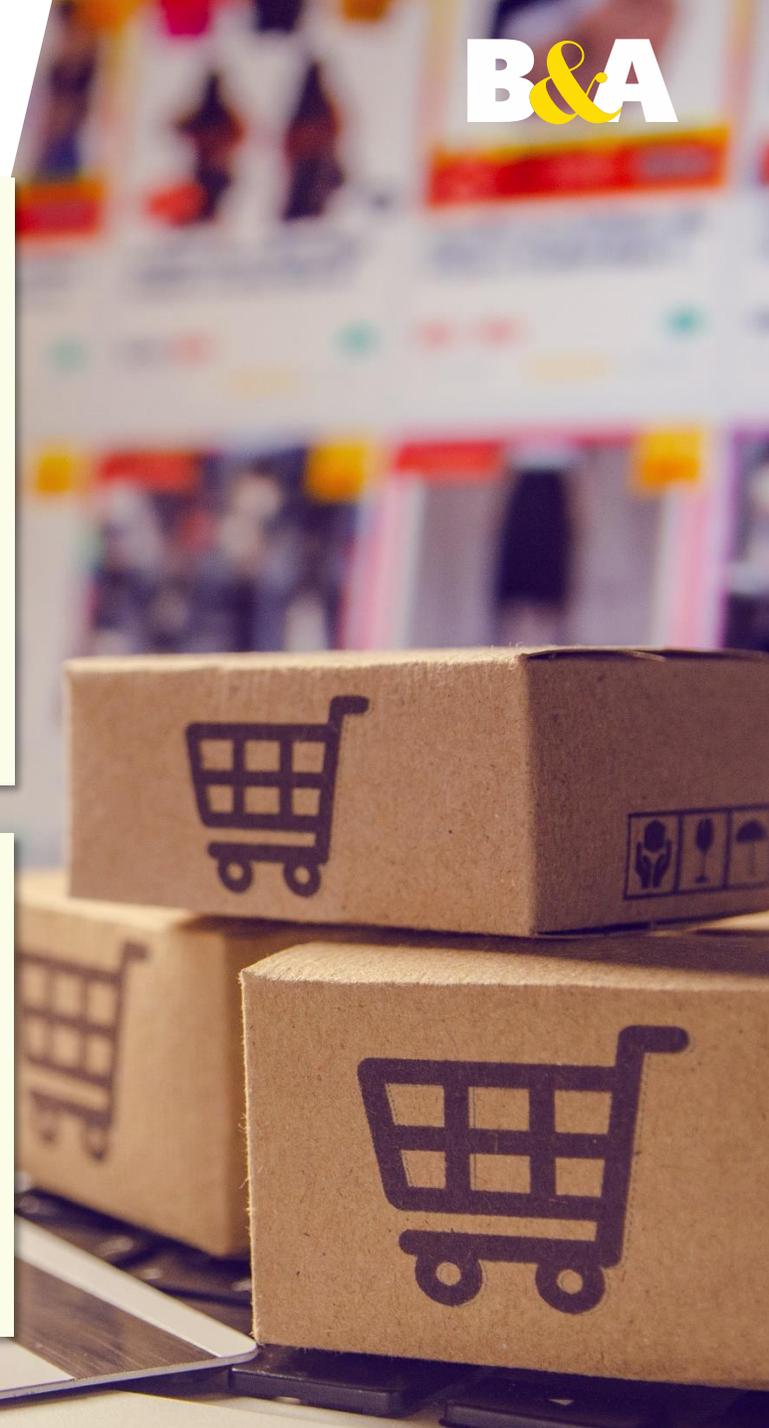
# Parcel delivery costs

## Small E-commerce

- Costs are high concern as their price per parcel is usually higher than larger companies.
- Some offer free delivery over a certain amount (e.g. over €75). However, there is a reluctance to engage in this as the cost per parcel is so high. Some charge a cheaper delivery fee and carry some of the cost into the price of the product.
- Price increases from operators will most likely be passed onto the consumer. However, many worry that a 'customer threshold' for delivery cost exists (unwilling to pay for delivery beyond €5-6 for example).
- Variable pricing per item preferred for some rather than a flat fee.

## Med - Large E-commerce

- Large e-commerce companies are availing of more competitive pricing through operator negotiations and from sending larger volumes.
- Larger operators can more easily offer free delivery over a certain amount as they can afford to absorb the cost
- Many expect greater pressure in pricing as the demand from operators has clearly increased.
- Appears to be a preference for a flat fee due to simplicity in costs/projections etc.





## 7. Needs & Satisfaction with parcel delivery providers

# Main choice criteria for operators



## Operators

- All operators make a distinction between;
  - ❖ A) What **wins** business
  - ❖ B) What **keeps** business.



### 'Wins' (Hygiene factors):

- ❖ Price lets you **"sit at the table"** – still considered most important factor overall.
- ❖ Sustainability credentials increasingly becoming important as e-commerce sellers need **alignment with their corporate goals**.



### 'Keeps' (POD - Points of differentiation):

- ❖ Delivery certainty has become **increasingly important** (heightened due to Covid-19) and some e-commerce players would even place it above/on par with price in its importance.
- ❖ Delivery flexibility (including quality tracking, in-flight options) becoming **increasingly important**, and a **POD for some operators**.





E-commerce

## HYGIENE NEEDS:

Reasonable pricing

Professional delivery

Safety of product

Speed of service

## EMERGING NEEDS:

### VISIBILITY

“ Customers like to know when the package will arrive and tracking at key points keeps them in control.

### FLEXIBILITY

“ Consumers want more choice with delivery and price, so we need a logistics partner who can provide tonnes of flexibility.

### TECH ADVANCED

“ The whole kind of omnichannel facilitation is what the customer wants.

*There is good alignment between senders and operators interpretation of needs. However, operators potentially underestimate how important senders believe the last mile is for their brands perception.*



## E-commerce

- Operator reputation does play an **underlying role in operator choices**
  - ❖ **Rumours/myths** of poor service/unprofessionalism can proliferate etc.
- In addition, companies are cognisant of the role that the operator plays in their **brand experience**:
  - ❖ And the potential negative impacts that a poor experience can have.
  - ❖ Customers tend to **conflate operator and e-commerce performance**.
- As such, at a psychological level, e-commerce companies often consider **'brand fit'**.



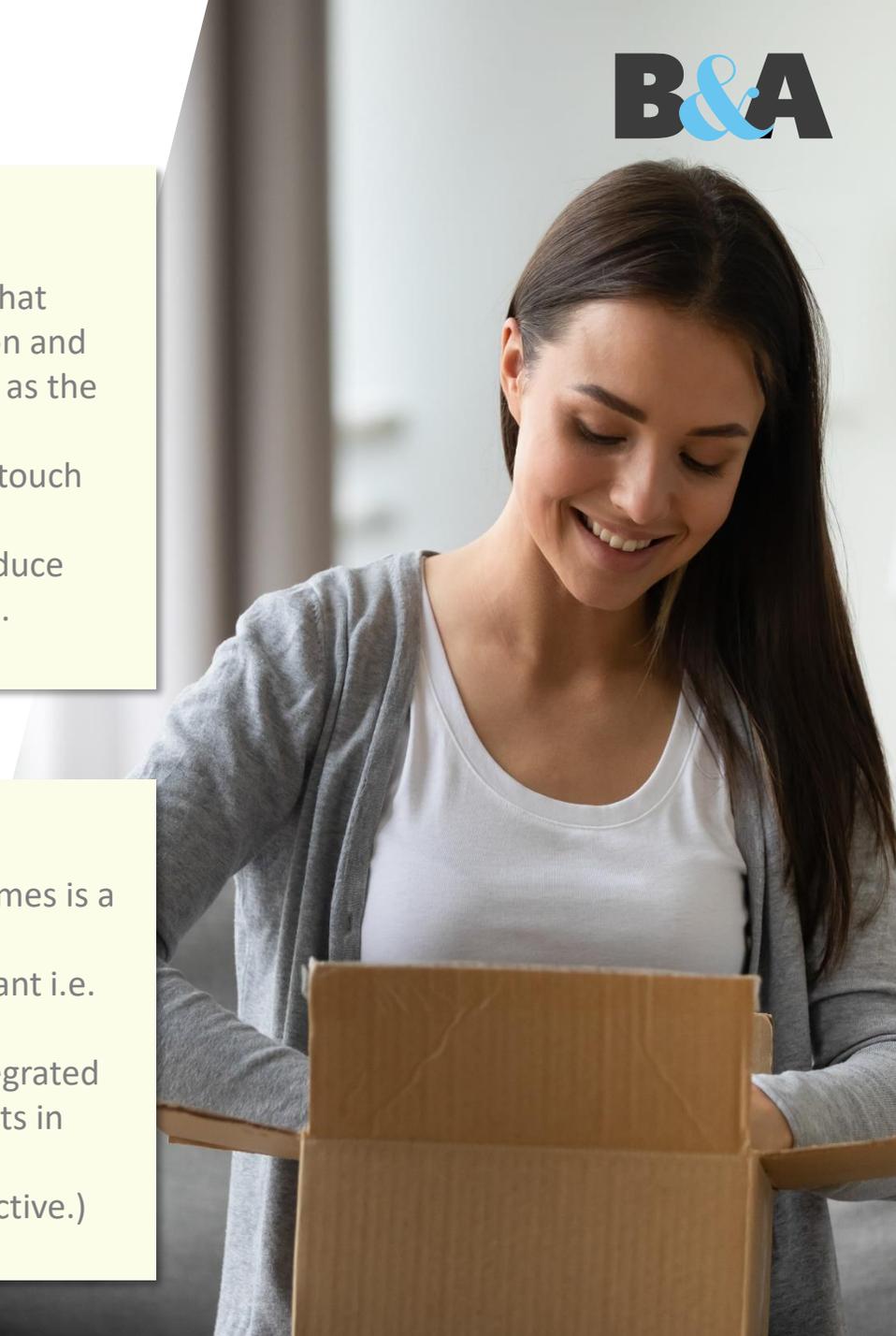
*Although 'brand fit' is an important consideration, it will rarely be a primary driver for operator choice.*

## Small E-commerce

- Customer demands are high, but they seem to be somewhat more 'forgiving' towards smaller businesses (within reason and some do note that customer expectations have increased as the pandemic has progressed).
- Heightened desire for 'familiarity'. They like the personal touch from operators rather than being 'just a number'.
- Providing visibility through tracking has strong appeal (reduce customer care requirements and provides peace of mind).

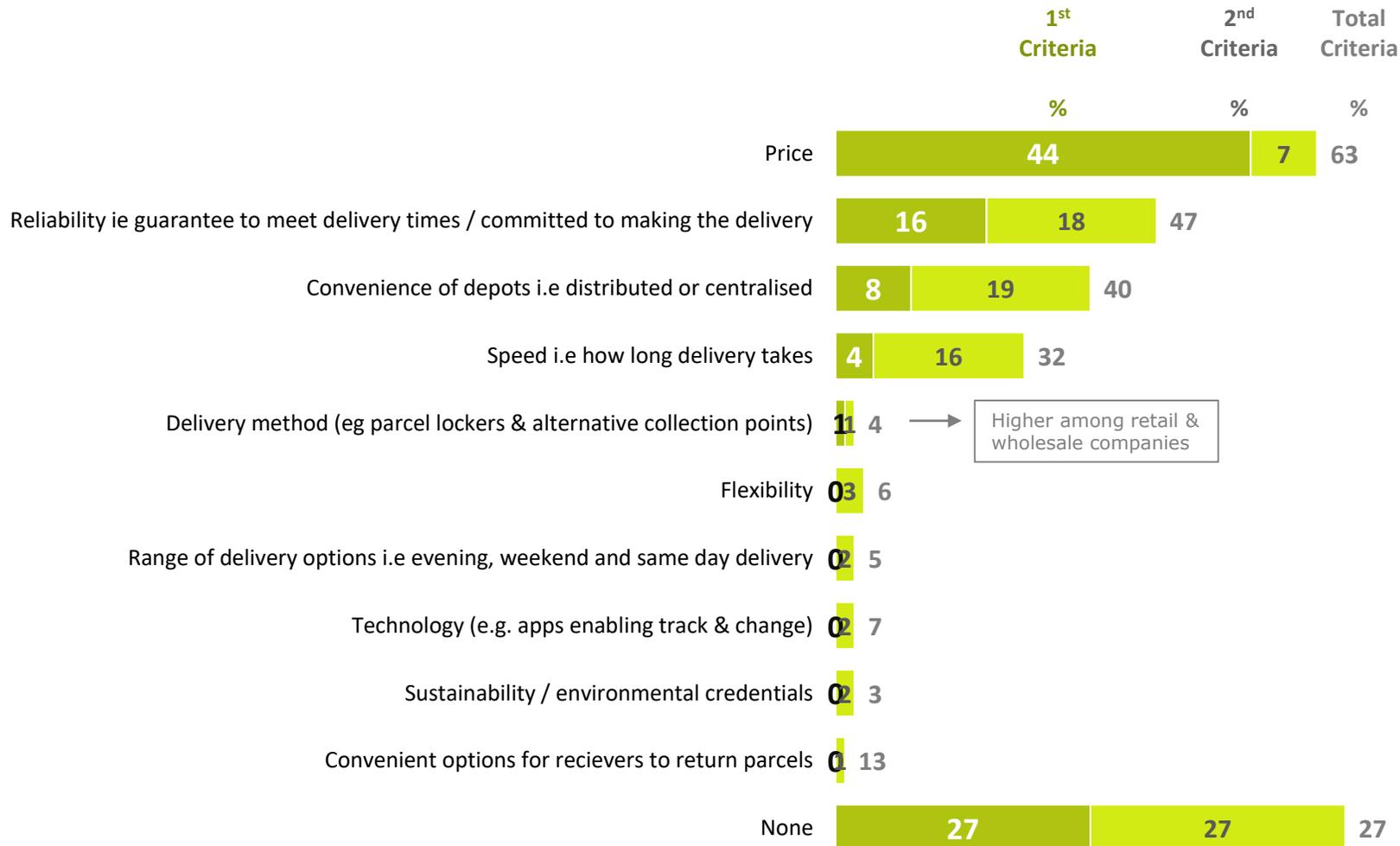
## Med - Large E-commerce

- The ability of operators to handle current and future volumes is a key concern for larger e-commerce companies at present.
- Flexibility from operators on volumes increasingly important i.e. ability to take extra or less one day to the next).
- Heightened desire for tech enabled solutions (portals integrated with their IT) and as with smaller companies improvements in tracking are desired (primarily to reduce customer care requirements and so that they have the ability to be proactive.)



# Main criteria for choosing parcel delivery providers

Base: All who sell online n -131



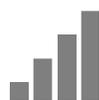
*The criteria for selecting parcel delivery providers segments into two tiers, with Price and reliability making the top tier, followed by speed and convenience.*

# Satisfaction with domestic parcel delivery providers



Base: all who sell online domestically n – 131

5 - Very satisfied   4   3   2   1 - Very dissatisfied   Don't know



Overall service provided



Just 2 companies claimed to be dissatisfied, mainly due to issues with delivery



Delivery



Reliability



Price



21% of companies claim to be dissatisfied with the price of parcel delivery. Higher amongst high and medium online sellers but not significant.

*Satisfaction with domestic delivery providers is high, with overall satisfaction at 80%. Price satisfaction achieves lowest level of satisfaction but is still high at 65%. Those who are dissatisfied with price are mainly from the high and medium online selling group (albeit not significantly so).*

Q23b Again thinking of your domestic packet and parcel delivery service supplier and taking all aspects into consideration please

\*Small base size on demographic variations

rate your level of satisfaction with the overall service provided

Q23a Thinking of your domestic packet and parcel delivery service supplier

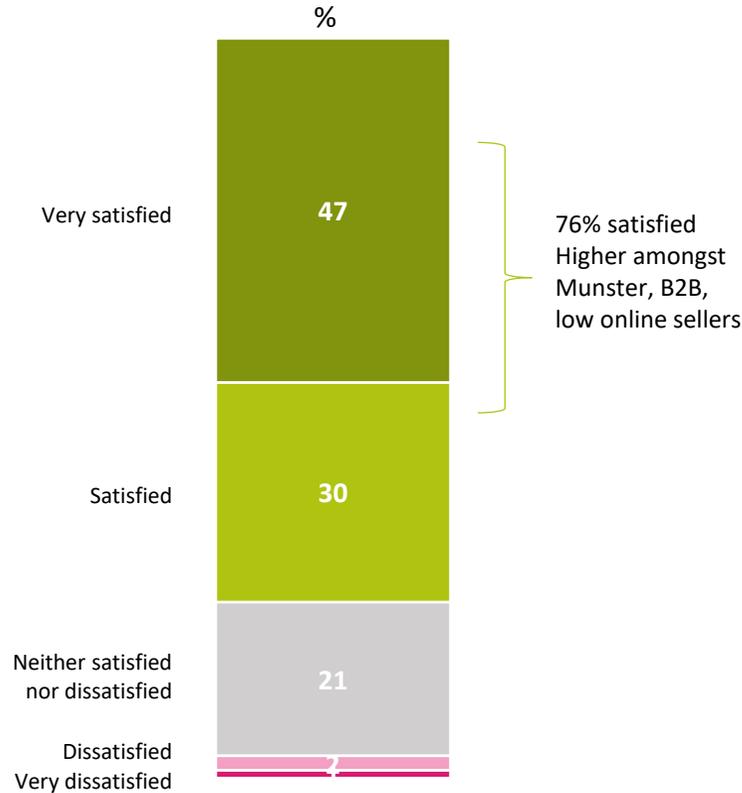


# Overall satisfaction with parcel delivery providers



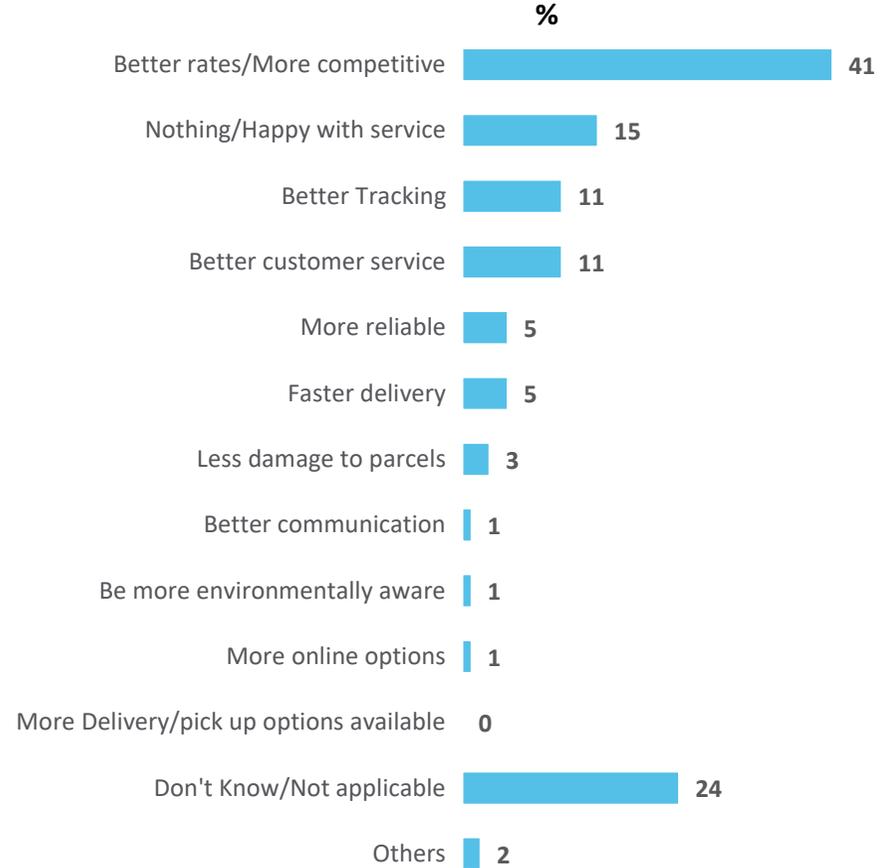
Base: All who sell online n -131

## Overall satisfaction with parcel delivery providers



## What online sellers would like delivery providers to do differently in the future

(Base: all businesses who sell online n -131)



**At overall level satisfaction with delivery providers positive, with 67% claiming to be satisfied and an additional 28% content with the current service. When it comes to improving the service, the main aspect identified by online sellers is better / more competitive rates.**

\*Small base size on demographic variations

Q27 Thinking of the full range of packet and parcel delivery service suppliers in Ireland, please rate your level of satisfaction with the overall choice of suppliers on a scale of 1 to 5 where 1 is Very Dissatisfied and 5 is Very Satisfied

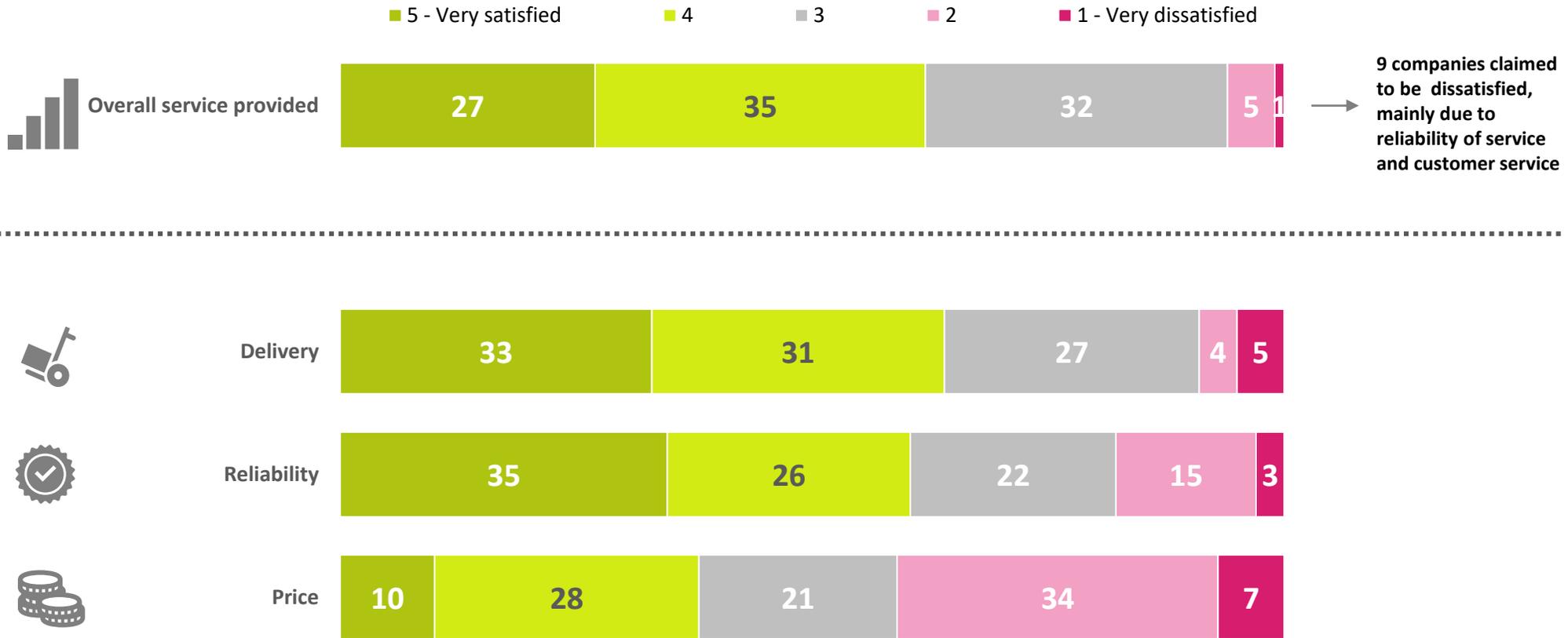
Q29 What would you like to see parcel and packet delivery providers do differently for businesses like yours in future?



# Satisfaction with international parcel delivery providers



Base: All who sell abroad n - 82



**Satisfaction with nondomestic delivery providers is lower than that enjoyed by domestic delivery providers (albeit 62% is still positive). Again, price achieves the lowest level of satisfaction at 38% (65% amongst domestic deliveries).**

Q24b Again thinking of your international packet and parcel delivery service supplier and taking all aspects into consideration please rate your level of satisfaction with the overall service provided

Q24a Now thinking of your international packet and parcel delivery service supplier





## E-commerce

The large majority of e-commerce customers are satisfied with the level of service that they receive from their parcel operators

And improvements in the last few years have been noted



### Better handling

- Lost, damaged and/or 'unprofessional' deliveries increasingly rare.
- Strong adherence to SLA's (especially before Covid-19).



### Technology improvements

- Most note improvements to operators' technology in the past number of years - albeit there still more work needed.
- There is a feeling that some operators should be more aggressive in their innovation.



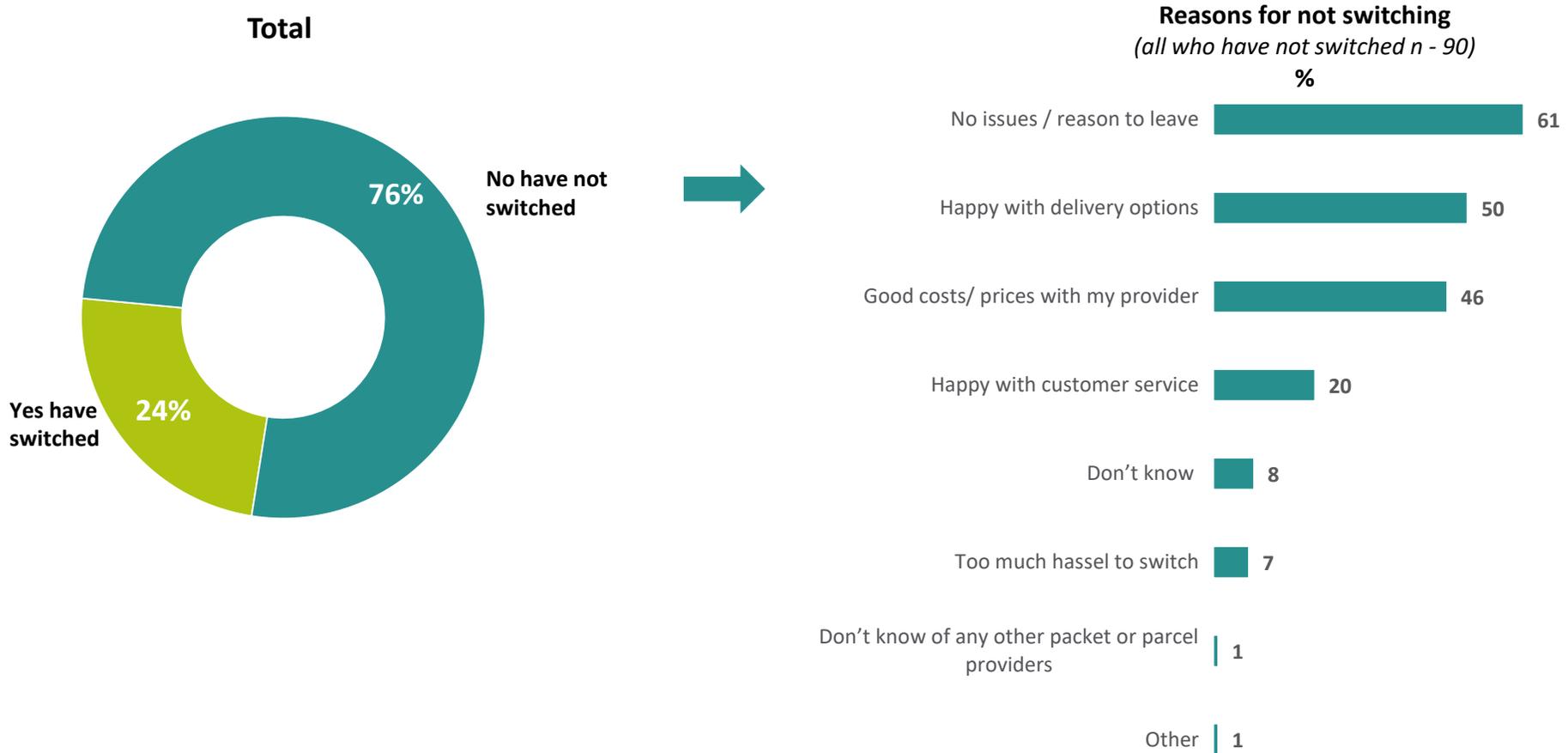
### "Partnership"

- Consistent reference to "partner" instead of "supplier" highlights the importance they have to their business.
- Strong appreciation for the effort and commitment in 2020 - *"got through this together"*.

# Incidence of switching parcel delivery providers



Base: All who sell online n -131



*The majority (almost 4 in 5) online sales companies have never switched their delivery provider (no significant difference across company types). The main reason given for not switching is due to not having any reason to switch and happy with delivery options.*

Q25a Have you changed your main packet or parcel service provider in the past 3 years?  
Q25b Why have you not changed your main packet or parcel service provider in the past 3 years?



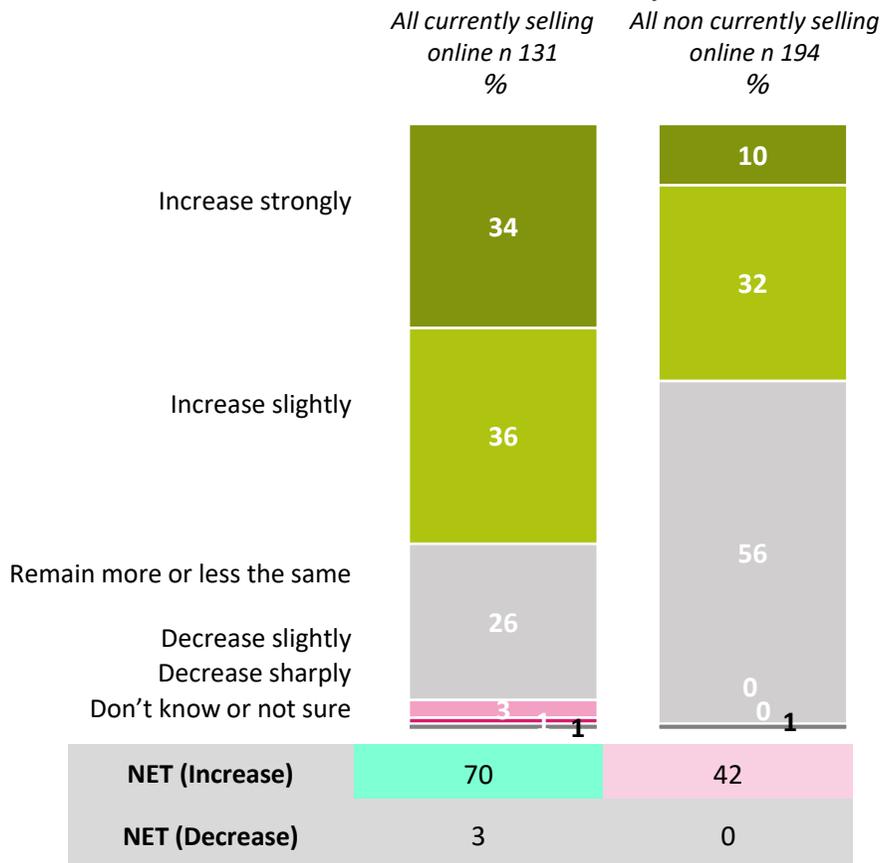
## 8. Future prospects

# Expected demand for online sales over next 3 years



Base: All businesses currently selling online 131

## Expected demand for delivery service over next 3 years



**51%**  
of all  
businesses  
expect online  
sales to  
increase over  
the next 3  
years.

Higher for Retail & Wholesale, low and high online sellers

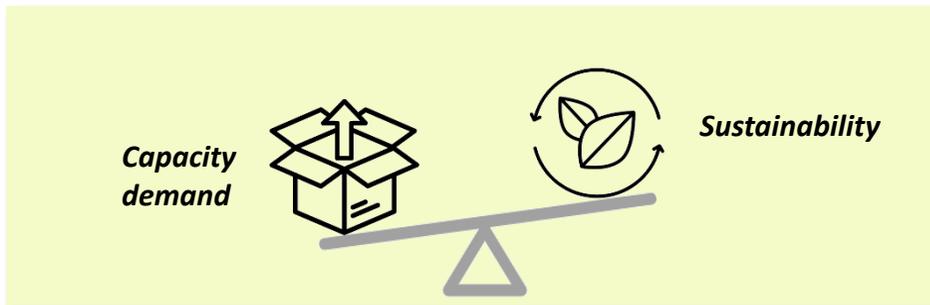
**70% of businesses who currently sell online expect demand for online sales to increase over the next three years, an additional 2 in 5 of those not currently offering online sales also expect demand to increase, equaling over half of all businesses.**

# Sustainability is a growing concern



## Operators

- Sustainability is of growing importance.
  - ❖ An Post and UPS appear to have made to **biggest investment so far** (particularly in urban areas)
  - ❖ But majority of other providers have **plans 'in train'**.
- Sustainability actions at present are primarily driven more by **corporate goals** rather than consumer demand;
  - ❖ Although some evidence on increasing consumer demand.
- Operators are currently facing the challenge of balancing:





## Operators



### Tech capabilities

*Capturing the information flow, just being able just to manage that down to individual unit level. Interface between your E-Com and the Delivery company.*



### Labour

*Labour has started to get very competitive and very expensive which then going up at courier pay rates, staff pay rates.*



### Property

*Needing to invest in property footprint. There is very little commercial space to move into.*



### Exports

*Our exports out are not as strong as we would like them to be to be honest, particularly into the UK. They are still strong into Europe but not as strong as we would like them to be*



### B2B

*From a delivery point of view, it certainly is more efficient for us to deliver B2B, than compared B2C.*



### Emerging needs

*Not just a next day delivery, but a timed delivery, or a range of options that they would need, people are looking for a variety of options and better tech*



### Automation

*Automation has become increasingly more important.*



## Operators



### 'SMART' Logistics

*From a capacity perspective, for us it will be trying to balance out what we have got out on the road delivering, that it's also bringing back in some.*



### E-commerce

*I think to be honest B2C, I think of the ecommerce websites are going to grow and grow.*



### Tiered pricing

*I think more and more people will pay for speed, and you know this is something that we will be looking at.*



### Increased flexibility

*What we've seen with working with successful e-commerce companies is providing variety of delivery options has been key to the successful guys.*



### Emerging industries

*Fashion is a big opportunity, and the reason, it's obviously, it's growing very, very fast. Pharma seems to have continued to go grow, pharma, life sciences, all that biotech, that's continuing to grow.*

# Thank you.



RESEARCH  
& INSIGHT

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# Delve Deeper