

Whitepaper

# You vs. Amazon: How Can Retailers Compete in Same-Day Delivery?

A white paper on crowdsourced and Collaborative Delivery™ solutions for retailers seeking same-day and next-day delivery.

**PRESENTED BY ROADIE, INC.**  
**SEPTEMBER 2017**



## ABSTRACT

In today's hyper-competitive age of Amazon, store closures and bankruptcies have reached record highs, and retailers are looking for innovative ways to compete more effectively. Many retailers are exploring alternative delivery options, in an effort to meet consumers' growing expectations for free same-day and next-day delivery options. Unfortunately, most are finding that the emerging field of alternative delivery providers is largely made up of on-demand couriers – essentially “Uber-for-packages” – services with strict geographic and size limitations, limited flexibility and poor unit economics. One provider is doing something different. Roadie is the nation's first “on-the-way” delivery platform with a coast-to-coast network of nearly 50,000 pre-screened drivers and a mobile platform that enables retailers to leverage existing resources – employees, store customers and people in the local community in close proximity to their stores – to deliver items faster and more affordably than ever before. It's a model the company calls “Collaborative Delivery™” and it offers compelling per-trip economics that help retailers close more sales and improve their customer experience for both online and in-store purchases, as well as enabling more cost-effective inventory replenishment and rebalancing among distribution centers and stores.

We want our things, and we want them *now*.

Surging consumer demand for same-day and next-day delivery and relentless competition from Amazon is prompting retailers to think beyond the constraints and high fixed costs of traditional delivery networks.<sup>1</sup>

The situation is urgent, particularly in e-commerce. Expensive shipping and lack of same-day or next-day shipping options are two of the leading causes of consumers abandoning their online shopping carts before completing purchases.<sup>2</sup>

“Limiting shipping choice to traditional shipping options such as ‘standard’ and ‘express’ will result in higher cart abandonment,” said Carl Hartmann, Co-Founder and CEO of Temando, an e-commerce fulfillment software firm. “Retailers are struggling to find the right model for same-day shipping that makes sense for their business.”

Retailers are in a difficult spot with already-thin profit margins, record retail store closures and bankruptcies on the rise. They can't afford conventional delivery options; but they also can't afford to not offer free or low-cost delivery. Creating their own delivery infrastructure, which comes with high fixed labor and overhead costs, isn't an option either.

So where to begin?

## THE EMERGENCE OF ALTERNATIVE DELIVERY PROVIDERS

Many innovative retailers are aggressively exploring alternative delivery solutions, which are a rapidly-growing segment of the sharing economy, estimated to grow by 25X to reach \$335 billion by 2025, according to the Brookings Institution.<sup>3</sup>

“We're going to continue to see more crowdsourcing and collaborative activities, and better technology to support it,” said Tim Brown, Managing Director of the Georgia Tech Supply Chain & Logistics Institute.

“Amazon put the spike in the ground, and now smaller companies are starting to do collaborative activities.”

Investors agree. Sequoia, Kleiner Perkins and other venture capital firms poured \$9 billion into on-demand and alternative delivery services in the past decade, according to data from Reuters. Unfortunately, most retailers are finding that alternative delivery providers are often just on-demand courier services — essentially “Uber-for-packages” — offering little-to-no flexibility and poor unit economics.

Frustrated with those constraints, some retailers have given up on finding a custom solution that’s both affordable and meets the specific needs of their customers. In fact, only 29% of retailers surveyed by Temando offer same-day shipping this year, down from 53% a year earlier.

Compounding the pressure on retailers are razor-thin margins and a rapidly evolving landscape dominated by deep-pocketed behemoths like Amazon and Walmart. More than 300 retailers filed for bankruptcy in the first half of this year, a 32% increase over last year.<sup>4</sup> And retail store closures tripled to 5,300 in the first half of this year, on pace to exceed the record number of closings in 2008 during the Great Recession.<sup>5</sup>

That means retailers can’t afford to match same-day services such as Amazon Prime Now, which delivers within two hours through Amazon’s Flex program that pays contract drivers \$18-25 an hour – far more than the typical hourly rate retailers pay their workers.<sup>6</sup>

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Of course, near-term profitability is less of a concern for Amazon than most other retailers. The retail giant racked up \$16.2 billion in shipping costs last year, a 40% increase from the prior year, and only recouped about half that amount through fees such as Prime memberships.<sup>7</sup> That means Amazon had to absorb \$7.2 billion for shipping. For perspective, that’s nearly triple the entire profit that Target generated for 2016.<sup>8</sup>

Few retailers can replicate that model. Nor should they.

## **COMPELLING ECONOMICS WITH COLLABORATIVE DELIVERY™**

One delivery company is taking a new approach, and retailers are taking notice.

Roadie is the nation’s first “on-the-way” delivery network, an app-based service that lets retailers tap into the vacant space in passenger vehicles that are already going to and from their stores. Roadie’s model creates a flexible, scalable delivery service enabled by employees, customers and other people in the local community who happen to be nearby.

By allowing retailers to leverage existing resources in a new, highly-efficient way, Roadie’s Collaborative Delivery™ model offers compelling per-trip economics, faster delivery times and more size flexibility than traditional carriers and on-demand couriers can achieve through hub and spoke or daily “sweep” models. It also gives retailers a better way to exceed customer expectations and close more sales, while also protecting margins.

With nearly 50,000 pre-screened drivers, Roadie makes it possible for retailers to ramp up service in new markets almost instantly and to quickly scale up by adding employees and customers to the platform. The company has delivered to more than 4,000 cities and towns nationwide — a similar footprint to Amazon Prime Now.

## **BOOST SALES, BRAND LOYALTY**

Roadie gives retailers the ability to quickly flex up or down to handle both spikes and lulls in volume in a dynamic, ad-hoc way that doesn't require spending millions of dollars on infrastructure and headcount.

What's more, retail-friendly features such as instant price quotes, photographic chain of custody, real-time tracking and secure delivery confirmation make the service well-suited to large retail brands for direct-to-customer deliveries from either stores or distribution centers. Roadie can also do inventory replenishing and rebalancing from warehouse-to-warehouse, warehouse-to-store or store-to-store, and can handle returns to warehouses and distribution centers.

“Collaborative delivery helps retailers differentiate themselves in a cost-effective way,” said Marc Gorlin, Founder and CEO of Roadie, which has raised more than \$25 million from Stephens Inc., UPS Strategic Enterprise Fund, TomorrowVentures and others. “Not only can it contribute to the bottom line, improve customer satisfaction and drive traffic into stores — it can actually pay customers for coming into retail stores in the first place.”

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Roadie is working with one home improvement retailer with more than 1,500 stores to have employees and customers deliver big-ticket items, which is helping close more sales while increasing customer satisfaction.

Other companies already using Roadie for collaborative delivery include a major department store chain, a Los Angeles-based e-commerce company that sells fragile and bulky goods, and a major U.S. airline sending items with Roadie in more than 30 cities.

The potential benefits of collaborative delivery are so compelling that Walmart began a pilot test this spring in which store employees can make deliveries on their way home from work to earn extra pay.

In 2014, when a winter storm stranded dozens of packages with Valentine's Day gifts in the network of a traditional carrier, Best Buy had store employees pick duplicates off store shelves and personally deliver them to customers.

Success with experiments such as these will encourage more retailers to make collaborative delivery service offerings commonplace within a handful of years, said Dr. Paul Dittmann, Executive Director of the Global Supply Chain Institute at the University of Tennessee.

The savviest retailers are the ones who are testing right now because they will gain the best insights about what works well for them and their customers before competitors do, giving them a significant advantage, he says.

“Crowdsourcing is brilliant,” Dittman said. “You’re using existing space in stores [for fulfillment] and crowdsourcing to deliver. It brings the cost down so it’s more viable and affordable.”

Collaborative delivery also helps retailers keep employees, customers and other people in the community more engaged with their brand, says Temando’s Hartmann.

“This may bring about interesting insights into the evolving relationships that customers, employees and companies have with each other,” Hartmann said. “The most important thing to consider is this: Are you providing your shoppers with a range of shipping options that’s relevant to their needs at the point of purchase?”

Retailers have a renewed sense of urgency to innovate quickly as Amazon continues to pioneer in its core business, as well as in new lines of business. The company’s recent purchase of Whole Foods sent the stocks of competing grocery store chains down and its recently-announced alliance with Microsoft puts pressure on Google in the voice assistance category. For retailers determined to stay competitive, the opportunity to tap into Roadie’s same-day and next-day delivery network has come at just the right time.

## REFERENCES

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- 2 Temando <http://temando.com/en/content/new-temando-state-shipping-commerce-report-reveals-gap-between-us-retailers-and-prime-0>
- 3 Brookings Institution <https://www.brookings.edu/research/the-current-and-future-state-of-the-sharing-economy/>
- 4 CNN Money <http://money.cnn.com/2017/06/13/news/companies/retail-bankruptcies/index.html>
- 5 CNN Money <http://money.cnn.com/2017/06/23/news/companies/store-closings/index.html>
- 6 Amazon Flex <https://flex.amazon.com/>
- 7 Amazon’s 2016 10-K annual filing <http://services.corporate-ir.net/SEC.Enhanced/SecCapsule.aspx?c=97664&fid=14806946>
- 8 Target 10-K annual report for fiscal 2016, page 33

## ABOUT ROADIE

Headquartered in Atlanta GA, Roadie is the first “on-the-way” delivery network, an app-based community that puts unused capacity in passenger vehicles to work by connecting people with items to send with drivers heading in the right direction. Roadie’s model enables efficient, low cost delivery for senders and rewards drivers for trips they were already taking. With nearly 50,000 pre-screened drivers, Roadie makes it possible for retailers to ramp up service in new markets almost instantly and to quickly scale up by adding employees and customers to the platform. The company has delivered to more than 4,000 cities nationwide — a similar footprint to Amazon Prime Now.

Roadie is backed by Warren Stephens of Stephens Inc.; the UPS Strategic Enterprise Fund; Eric Schmidt’s TomorrowVentures; David Bonderman, founder of TPG Capital; Guggenheim Partners’ Executive Chairman Alan Schwartz; Square Co founder Jim McKelvey; the Mellon Group; former CEO of ISS Tom Noonan, and H. Barton Asset Management, among others. To learn more, visit [www.roadie.com](http://www.roadie.com).

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