

Delivery services vie to offer instant gratification or at least same-day gratification

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Not long ago, two-day delivery was considered a premium service. And fast, too. Fast enough, it seemed.

Now new services - from Amazon and startup competitors - are trying to get shoppers' purchases to them even faster.

Analysts said that while there's a reason a takeout dinner needs to get the customer in 60 minutes or less, it's less clear shoppers will be willing to pay for the same service when it comes to retail products, which rarely need to arrive so quickly.

When a recent hangout with friends turned dull, Chaim Osina turned to Amazon.com. Two hours later, the game he'd ordered showed up at the door, and a lame evening was averted.

"Did I need it? Probably not," said Osina, a 25-year-old Chicagoan. "But there's times it's really useful."

According to a survey by Forrester Research, 29 percent of U.S. online shoppers said they're interested in guaranteed same-day delivery, a relatively small share, said e-commerce analyst Brendan Witcher.

"And interested doesn't mean they're going to pay for it," he said, particularly when so many retailers offer a free shipping option that in some cases isn't much slower.

There's a difference between delivery in a day or two and same-day or next-hour shipping, said Paula Rosenblum, managing partner at retail consulting firm RSR Research.

"I've always viewed that as a very niche market, particularly if you pull groceries out," she said. "When was the last time you had a T-shirt emergency?"

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Companies handling the deliveries, and some customers, say it's not always about needs.

Mark Morris, 31, likes the convenience of Amazon Prime's same-day service, though he wouldn't be willing to pay extra. "There aren't a lot of things I can't find just down the street," he said.

Macy's spokeswoman Andrea Schwartz said the retailer works with startup Deliv to offer same-day delivery "for convenience," even though Macy's also lets customers buy products online to pick up in-store in addition to standard shipping options.

"I don't know if we need it, but we've become trained that we can have it," said Deliv CEO Daphne Carmeli. "Did anyone think we needed two-day shipping when Amazon rolled out Prime? No, but we have it, and it's addicting."

Amazon has since picked up the pace, bringing free same-day delivery service on Amazon Prime orders over \$35 to select cities. Another service, Prime Now, will deliver a range of items in an hour or two.

One-hour delivery service Postmates recently announced a membership program of its own. For \$9.99 per month, Postmates Plus Unlimited

members can get free delivery, with no service fees, on purchases of \$30 or more from partner merchants.

About 3,000 merchants are part of Postmates Plus, the company's network, and those orders make up about 40 percent of all Postmates deliveries, the company said.

Other orders require a delivery fee calculated based on the distance traveled in addition to the service fee. Postmates makes enough on the "premium" non-Plus orders and commissions from merchants to help subsidize the membership, said communications director April Conyers.

Postmates started as an on-demand food delivery company, and restaurant deliveries still make up about 75 percent of its orders, but it's working to branch out, she said. The company last month announced a partnership with American Apparel that has Postmates delivering about 50 basic apparel items in no more time than it takes to drop off a lunch.

Conyers said Postmates is trying to build a network that lets companies without Amazon's logistics deliver just about anything to just about anyone at Amazon-like speed.

It's not the only one vying to get stuff to you in a day or less.

On-demand delivery service DoorDash is concentrating on meal delivery for now but hopes to branch out to other products, said spokesman Eitan Bencuya.

Instacart is best known for its grocery deliveries, but recently began working with Target to deliver small appliances and home improvement products, said Nilam Ganenthiran, Instacart's senior vice president of business development. It's a pilot program in a handful of markets. The company charges \$5.99 for an order above \$35 with at least two hours'

notice, or \$7.99 for one-hour delivery, and also gets money from stores and brands. Whether item prices differ from in-store prices depends on the merchant, Ganenthiran said.

Deliv pitches its services to companies, not customers, offering same-day delivery for retailers like Macy's, malls and even some e-commerce companies, said Carmeli.

When a customer orders an item that can be delivered the same day from Macy's - which charges just \$5 for the service on orders of \$99 or more - Macy's packs the items for pickup by a Deliv driver, matched to the order based on proximity, rating and whether the item will fit in their car.

Uber is taking a similar approach with UberRUSH. Businesses can request an Uber driver to make a delivery, sometimes same-day but as fast as 30 minutes or less, said UberEATS and UberRUSH General Manager Paolo Lorenzoni. UberRUSH is betting on the fact that it's already built up a network of drivers who can deliver packages in between dropping off customers.

"It's a way of using their downtime where no one's making money, but there's a set of people who want goods delivered," Lorenzoni said.

Witcher and Rosenblum agreed same-day service is most likely to pay off in urban areas with enough affluent customers willing to pay for convenience to support a delivery network, particularly with inconvenient products, like bulky items difficult for shoppers without cars to transport.

Osina, the Amazon customer, said he uses same-day shipping and Prime Now a couple of times a week, often for business. He's a computer consultant and uses the service to order equipment his clients need, he

said.

He's also used Postmates to order Coke Slurpees from 7-Eleven while watching movies with a friend - even though there's a 7-Eleven store just down the street - but said he'd be hesitant to use Postmates for bigger-ticket purchases. He's comfortable with Amazon but said he's less certain how newer players would handle problems or returns.

Jill Lindenberg, 52, visiting Chicago from Michigan, said she couldn't see herself using it. She plans ahead, and couldn't picture herself getting stuck with a need that immediate. "And I'm too cheap," she added.

Even Osina said he rarely chooses to pay for same-day delivery if his order isn't large enough to get the service free, since regular Amazon Prime shipping is only a little slower.

Will fast shipping pay off?

Postmates, Deliv, UberRUSH, Instacart and DoorDash all said they've figured out a way to make money on every order, though some said they are taking losses on orders in new markets while trying to attract users.

Even if the economics work for third-party delivery services, retailers have to decide if faster shipping pays off for them. A retailer who passes on the full cost of rapid delivery to customers - and some stores absorb a little, since customers are used to free or nearly free shipping - still has to handle extra logistics, Witcher said.

Offering the service could boost business if it brings in customers who would otherwise shop elsewhere, he said. But if shoppers would have been willing to order online and pick up in-store or wait for ground shipping - sometimes still only two days with companies that ship from stores - retailers could be increasing their costs while getting little in

return.

"Most companies don't really understand if this is creating incremental value," Witcher said.

Carmeli is also skeptical delivery speeds will get much faster in the retail sector. Promising same-day service, rather than near-immediate [service](#), lets Deliv batch orders along routes, driving down the per-package cost, while also letting customers schedule arrivals at a convenient time, she said.

"Thirty minutes just isn't the sweet spot in retail," she said.

Postmates and UberRUSH would disagree, and Amazon, with talk of drone [delivery](#), may be aiming for faster still.

That doesn't mean all retailers have to keep up, analysts said.

"What a lot of people are saying is, 'I'd prefer to get it faster, but it's not that big a deal,'" Witcher said. "If you could teleport it to my house, that would be the best. That doesn't mean retailers should pursue that."

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