

Last-mile fulfillment is the latest priority for retailers

Article

The trend: Retailers are revamping their last-mile fulfillment strategies in an effort to meet consumer demand for rapid delivery and compete effectively with **Amazon**.

- In the past year, **Walmart** has added new delivery options, leveraged its stores as fulfillment centers, and built a tech platform to power its last-mile ecosystem, **per** a company blog post.
- **Lowe's** recently **teamed up** with **Instacart** to offer same-day delivery.
- **Walgreens** and **7-Eleven** recently announced partnerships with **Shipt**, **Target's** same-day delivery service, **per** a company release.

More on this: Amazon has completely transformed consumers' expectations for delivery: Not only do shoppers now expect free delivery, they also want it to be fast—an issue many retailers have struggled with, particularly in less densely populated areas.

Average US "Click-to-Door" Delivery Times, by Retailer Type, 2019, 2020, & Q1-Q3 2021

days

	2019	2020	Q1 2021	Q2 2021	Q3 2021
Consumer electronics and appliances	6.5	6.6	6.0	7.0	5.7
Department stores	5.9	6.6	5.6	5.5	5.6
Beauty and personal care	6.4	6.9	5.7	5.6	5.4
Home improvement	5.8	6.3	5.8	5.4	5.2
General merchandise	3.4	3.8	3.2	3.2	3.0

Note: general merchandise retailers excludes Amazon
 Source: NielsenIQ as cited in Bain & Company, "Marketplaces Prepare to Share Amazon's Holiday Cheer," Nov 16, 2021

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When it comes to last-mile fulfillment, retailers can:

- Use dedicated logistics companies such as **FedEx** or **UPS**
- Partner with delivery platforms like Instacart or Shipt
- Build out their own fulfillment capabilities

With the first two options, retailers are essentially at the mercy of other companies to fulfill orders as quickly as possible.

- The early days of the pandemic laid bare the perils of such an approach, as the surge in ecommerce orders quickly overloaded companies' delivery capabilities.
- While shipping companies have largely been able to adjust to meet demand, retailers are increasingly focused on building out their own fulfillment networks.
- However, same-day delivery is expensive to execute—which is why many retailers are opting to rely on delivery platforms' existing infrastructure for now.

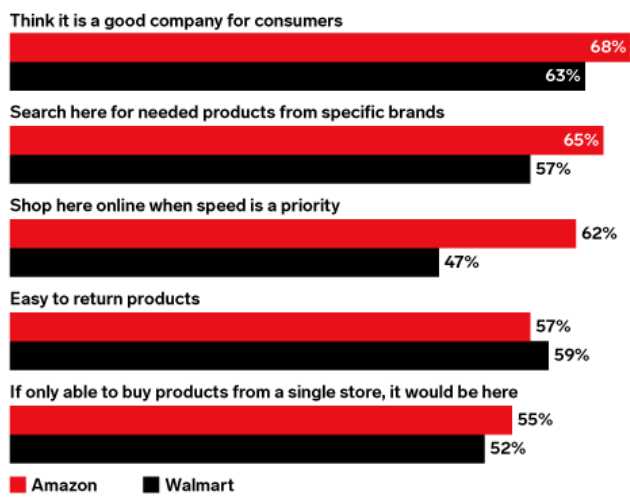
Walmart leads the way: Over the past year, Walmart has adopted numerous tactics to increase delivery speeds and efficiency as it aims to win back market share from Amazon.

- Walmart has leveraged its enormous retail footprint as part of its supply chain, enabling it to **expand its pickup and delivery capacity by 20% in 2021.**

- Within its brick-and-mortar locations, the company has set up Market Fulfillment Centers (MFCs), which allow Walmart to execute orders without affecting store operations, speeding up the time between purchase and delivery.
- Walmart is also in the process of **expanding** its InHome service, which delivers items directly into people's homes, to reach **30 million households** in 2022.

Sentiments Toward Amazon vs. Walmart According to US Adults, Aug 2021

% of respondents



Note: among those who strongly/somewhat agree with statement

Source: Jungle Scout, "Consumer Trends Report: Q3 2021," Sep 14, 2021

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The robots are coming: With labor costs **continuing to increase** and competition for workers remaining fierce, retailers are looking to autonomous delivery technologies to help them with order fulfillment.

- **Alphabet's** drone unit is teaming up with one of Australia's largest supermarket chains to provide delivery to customers in Canberra.
- Walmart is also leveraging drones, as well as autonomous vehicles, to make deliveries quickly and keep items in stock.
- **Starship Technologies**, which produces autonomous delivery robots used by grocers like **Tesco** and **Save Mart**, recently raised **\$42 million** to expand its footprint, **per** TechCrunch.