

The Customer Experience Evolution: enhancing CX with fulfillment strategies

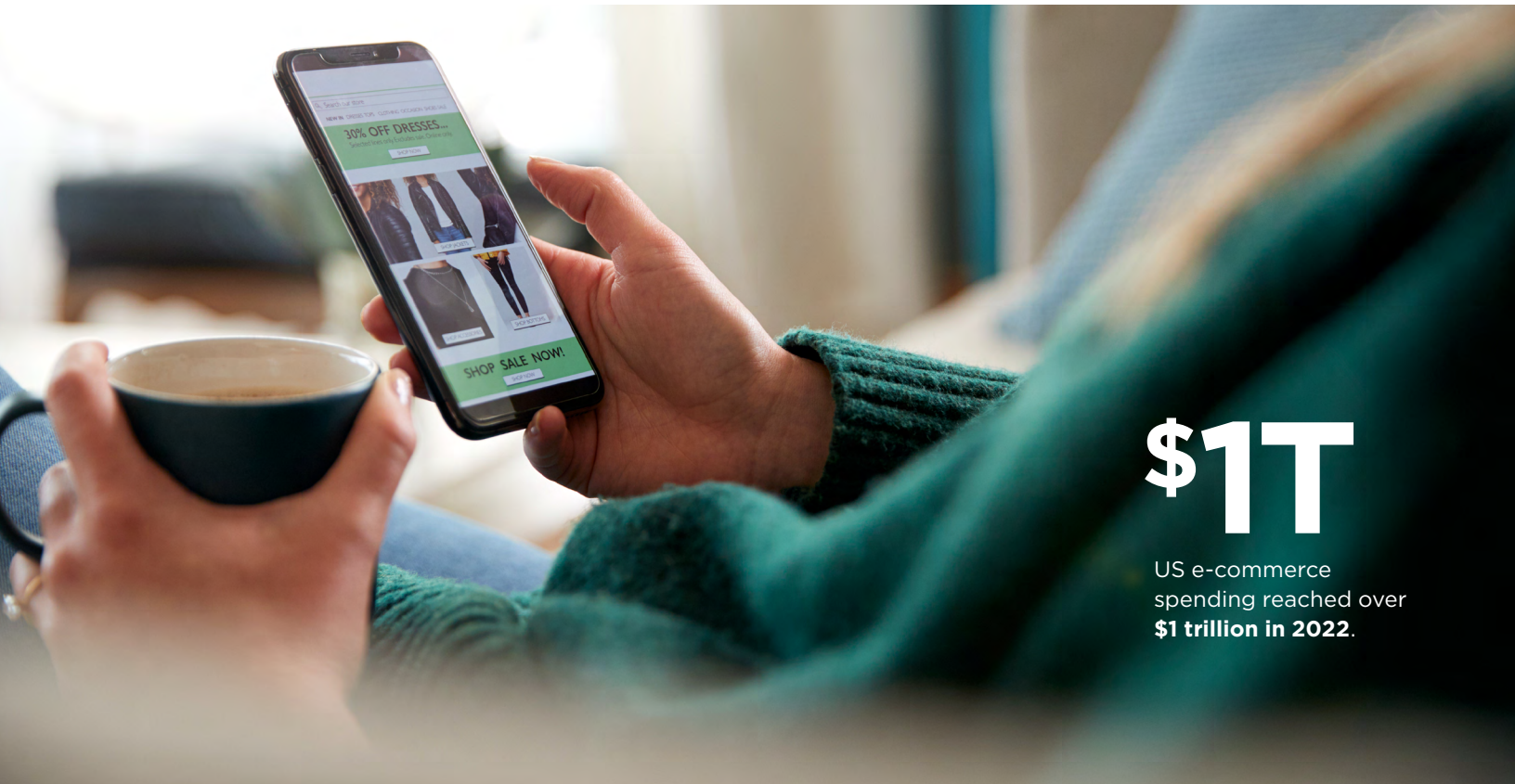


The post-pandemic consumer

Consumer shopping habits were upended during the restrictions from the COVID-19 pandemic that began in 2020. Online brands and retail brands did their best to pivot and adapt during the pandemic and so did the consumer. In the face of supply chain disruptions and limited store openings, consumers flocked to online shopping during the pandemic. Now, almost three years later, brands are still seeing ecommerce momentum from digitally-forward consumers. In 2022, US ecommerce spending accounted for 14.6% of total sales and reached over \$1 trillion, up 8.1% from 2021.¹

Expectations for speed, convenience, multiple product choices and no-hassle returns were already gaining momentum over the last decade. The pandemic quickly made the have and have-not brands of the seamless customer experience (CX) obvious. As life returns to its new normal, the fast growth of ecommerce spending continues as consumers get used to the ease and convenience of shopping online, and as buyer behavior and fulfillment models evolve.

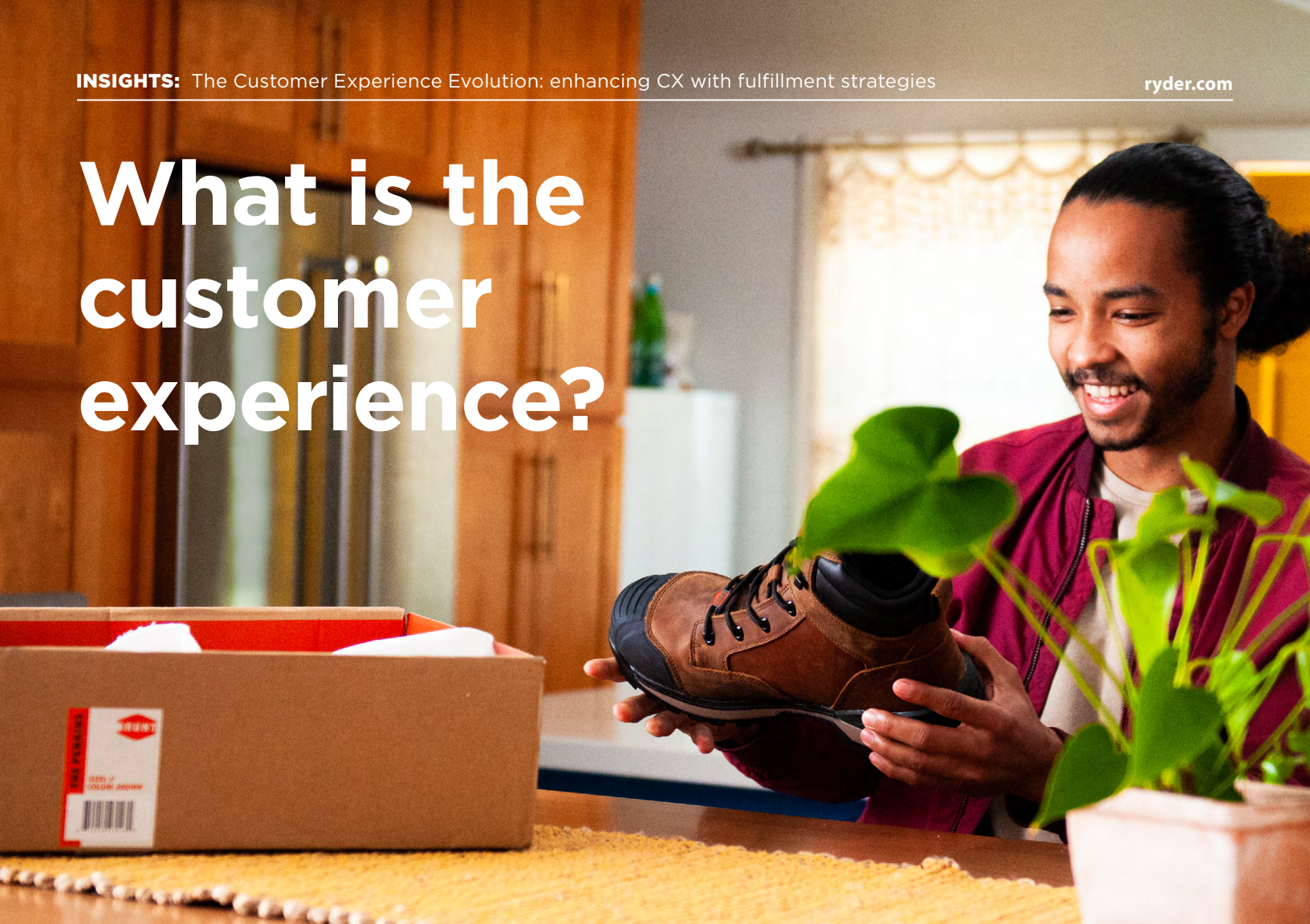
One clear, lasting result of the increases in direct-to-consumer (D2C) ecommerce is raised consumer expectations for a seamless CX.



\$1T

US e-commerce spending reached over **\$1 trillion in 2022.**

What is the customer experience?



CX is the impression your customers have of your brand as a whole throughout all aspects of the buyer's journey, according to Hubspot.ⁱⁱ Ultimately, CX is your customers' perception of how your company treats them. These perceptions affect behaviors, and build memories and feelings to drive their loyalty. Improving the CX you offer your customers is widely proven to increase customer retention, satisfaction, and revenue.

When U.S. customers feel appreciated, they are more likely to recommend or endorse a brand on social media, subscribe to a brand's newsletter or sign up for promotions, and make repeat purchases, according to research by PwC. Consumers polled by PwC say they are more likely to try additional services or products from brands that provide a superior customer experience.ⁱⁱⁱ

When there are customer service issues, the best thing brands can do is to respond quickly to the customer, no matter the channel the customer used to voice their complaint. According to Sitel Group, on average, 75 percent of customers are a single poor experience away from severing ties with your business.^{iv}

 A customer-centric design of the customer journey and CX is essential today. The customer experience is the brand promise and the experience requires consistent execution across all interactions.^v



The new omnichannel world

Omnichannel is defined as a multi-channel sales approach which gives the customer an integrated customer experience. But in today's one:one marketing world, the customer only cares about one channel: the "me" channel.

Consumers want to shop whenever, wherever, and however they choose and demand fast delivery and no hassle returns. For digitally native and retail brands alike, this means creating a seamless CX across all channels.

The cost to not focus on CX is great for brands. Customer acquisition costs are increasing worldwide across channels, with rates for social media advertising rebounding to pre-pandemic highs. The best brands work hard to retain their customers and encourage loyalty. Record ecommerce competition—fueled by legacy wholesalers, global retail brands, and product categories not traditionally purchased online—is driving up customer acquisition costs.^{vi}

What consumers value in the customer experience

Efficiency

Convenience

Easy checkout

Knowledgeable service

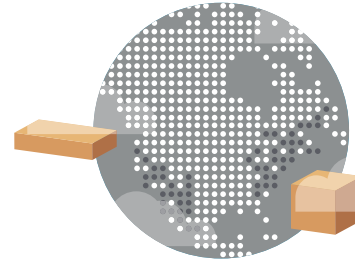
Friendly service

Fun

Brand image

Delight

Personalization



The quality of the experience your customers have with your brand has become a key competitive differentiator. Both online and offline, consumers want a seamless CX. Online, consumers are gravitating toward brands that offer fast, often free shipping, or those that offer delivery choices among parcel carriers in the cost-time tradeoff.



Driving loyalty

Time-starved consumers demand efficient purchase experiences and frictionless processes. The seamless CX removes all potential friction points in the purchase journey.

Think searchable product descriptions and readily available product, timely communications on availability of stock-outs, and an easy returns process. For the consumer, frictionless and fun buying journeys might call for using the brand's app and tapping a filter to superimpose the item on their face—from blush to eye glasses. Even simple tools like comprehensive product descriptions and for apparel, accurate sizing charts, support seamless CX and reduced return rates.

Loyal customers translate to the bottom line in many ways, such as increased cross-selling and up-selling. Brand-loyal consumers are also opting for auto replenishment subscriptions in categories such as household products and wellness; and similarly, curated subscriptions in beauty, fashion and food—you name it.



The good news is that the retail sector (non-grocery retail) continues to perform strongly according to KPMG's US global Customer Experience Excellence (CEE) survey. In 2022, companies like Sephora, American Eagle, and Barnes & Noble have all made the top 25 CEE scores due to initiatives like new omnichannel experiences, investing in new AI technologies, and personalization at every touchpoint.^{ix}

Got trust?

Since the supply chain disruptions of the pandemic, temporary stock-outs perhaps have made for a more patient, forgiving consumer. But a brand's ability to respond to these disruptions with timely communications about the consumer's order, and offering remedies like store credits, for example, is invaluable, and builds trust.

Consumers seek out brands that demonstrate and build trust. In a recent survey, **more than one-half (51%) of 2,000 U.S. shoppers** surveyed by Brightpearl said that trust is their primary motivator for selecting who to shop with—topping other considerations like brand name and price.^{vii} Similarly, a 2022 KPMG US study found consumers are more loyal to companies where there's less effort within the experience. Brands are turning their attention to lessening the 'cognitive load' within the purchasing journey to ensure consumers are able to make quicker, less stressful decisions.^{ix}



Post-purchase anatomy of CX

In the customer journey, the post-purchase or post-click experience starts when the consumer buys. Consumers demand seamless and secure interactions with a brand across all channels.

Consumers pay greater attention to what happens next because they are fully vested at this point and not to mention, they want their stuff! These touchpoints—from check-out to payment processing, shipping, delivery, returns, and the post-purchase customer-service experience—shape CX. Thus, fulfillment processes—whether an in-house function or outsourced to a 3PL fulfillment provider—play a far greater role in contributing to brand equity and CX than ever before.

There's a lot that can go wrong in the post-click customer journey—inaccurate orders, missed or late deliveries, lack of communication about stock-outs or product availability, inappropriate packaging, and a host of other service inconsistencies across channels.

Consider these 5 areas of fulfillment which influence CX—all present challenges and opportunities for brands:



Fulfillment



Stock



Returns



Dropshipping



Personalization





1. Hybrid fulfillment models

A plethora of hybrid fulfillment options are available today. Consumers have embraced the convenience and reliability that comes with hybrid models such as BOPIS (buy online, pick-up in store), curbside pickup and BORIS (buy online, return in store).

Today’s “me” channel consumer wants to buy from anywhere. Connecting online checkout systems with a POS system enables popular fulfillment options such as hands-on local delivery, “ship to customer,” or local pickup. Some hybrid options, such as BORIS and BOPIS, encourage what’s known as O2O (online-to-offline) retail, designed to entice consumers into making purchases in physical stores after beginning their shopping journeys online.

The list of hybrid fulfillment options keeps growing. Showrooming, for example, could get flipped on its head from today’s practice of evaluating a product in-store and purchasing it at a lower price online. Bain & Company research suggests stores of tomorrow may become transactional hubs and experiential venues, acting as a showroom to communicate about the brand and support online sales as ecommerce fulfillment points—think local pickup and deliveries.^{xi}



Proprietary data from Shopify shows consumers that choose local pickup (faster and cheaper than regular shipping), are 13 percent more likely to complete their online purchase and spend 23 percent more than customers using regular shipping.^x





2. Smart stocking strategies

Consumers want to receive and return products when, where and how it is most convenient. Getting the product in their hands needs to be time and cost efficient. Brands have great opportunity to elevate CX when they optimize their distribution and fulfillment networks.

By design, hybrid fulfillment models are raising the logistics game, requiring brands to consider stock strategies such as positioning best-selling SKUs in regional DCs located in close proximity to their largest customer bases or the transportation networks of parcel carriers, using stores or the hubs of affiliate partners as micro fulfillment centers, or creating a warehouse-in-a-warehouse with operations dedicated to ecommerce fulfillment, or for placement of best-selling ecommerce items to optimize fulfillment processes.

Large brands can offer shortened delivery times and more options for delivery methods and delivery windows when stock is smartly positioned across multiple DCs, within one to two days transit from the consumer. Likewise, emerging brands that rely on a centralized fulfillment center can use multiple carriers to help balance cost with delivery expectations.



Fulfillment influences the quality of the CX

As ecommerce continues to attract more consumers, a high quality post-click experience is essential. Brands can leverage fulfillment operations to create a seamless CX that garners loyal customers. Because of the many consumer touchpoints involved in fulfillment, the right fulfillment provider can make a difference in NPS (Net Promoter Score) which measures customer satisfaction: how likely the consumer is to recommend your brand based on their experience with your company. Brands use NPS as a tool not only to measure CX, but also to improve their customer satisfaction rates and boost revenue.



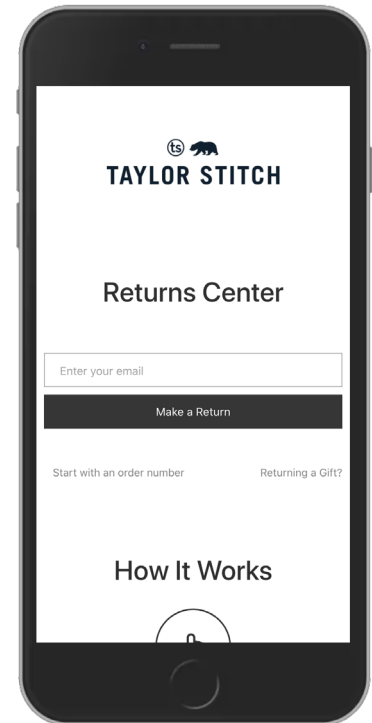


3. Returns matter

While the returns process is labor and cost intensive for brands, returns are on the rise as more consumers shop online and many "bracket" their purchases by buying multiple versions of a product with the intention of returning some items. Returns hold significant opportunity for brands to shine in the realm of CX. Consumers increasingly expect free returns and at the least, want a frictionless returns process with policies that are flexible and lenient. This means pre-printed return labels for online orders, printerless return options like mobile QR codes, in-store credits or free shipping on exchanges, or programs that allow the consumer to keep used or damaged items that can't be resold.^{xii}

Consumers are inclined to shop with a brand based on a positive returns experience. Leading reasons for a poor returns experience include delays in getting a refund, having to pay fees or shipping costs to return the item to the merchant, or a delay in receiving an exchange or a replacement item.

According to research by the National Retail Federation (NRF) and Appriss Retail, the best shoppers often make the most returns. In-store returns are a way to meet and convert the online buyer. Returns bring opportunity to boost interaction with the consumer, provide a great experience and encourage O2O retail, while cultivating their loyalty for future shopping trips. The NRF noted that while a return is a lost sale, from the service perspective, a return is a "moment of truth" that can be planned for and maximized.^{xiii}

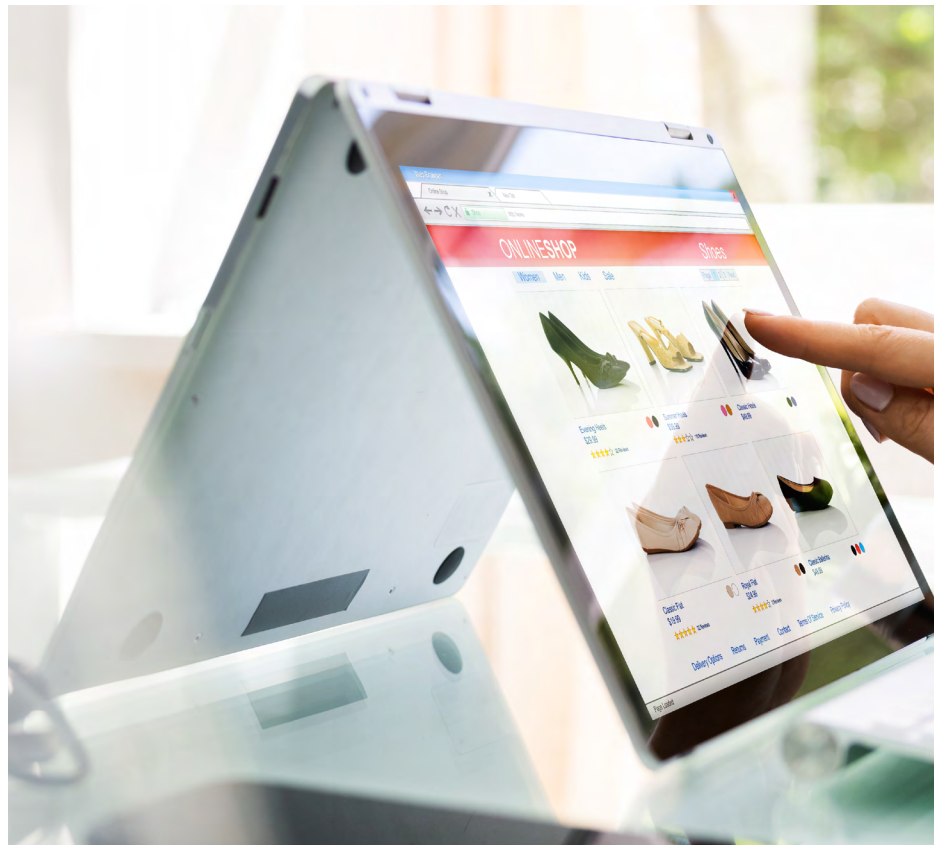




4. Dropshipping expands scale

Retailers commonly make dropshipping arrangements with their suppliers as brands in order to present a high selection of SKUs in their online stores and ship items directly to customers. Likewise, even emerging brands can expand their reach with large retailers by using a flexible 3PL fulfillment partner that can ship the product directly to the retailer's customer using packaging and branding on behalf of the retail brand. And in today's age of social commerce, new and emerging brands can also align with social media influencers and bloggers to grow their own brand's media impressions and customer bases.

While influencers likely want to give the overall look and feel of their own brand in the delivery experience, dropshipping still presents opportunities for brands to reach a larger audience with their products and messaging while differentiating their brand with agreed-upon packaging materials, etc. A fulfillment partner with wide experience in dropshipping ensures your brand doesn't miss the mark in the seamless CX.



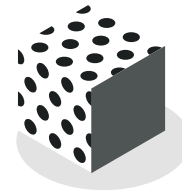


5. Personalization rules

In addition to friendly and knowledgeable customer service, consumers want a personalized CX. Think offers for relevant products and individualized treatment throughout their brand experience, requiring customer service representatives to have access to their customer history.^{xiv}

Mass personalization is already here thanks to automation and technologies such as machine learning, AI and big data. Suggestive selling technologies take preferences and order history to an art. Data sources can include marketers capturing declared data from quizzes, likes, and “save for later” options at online storefronts. Other examples of mass personalization include dynamic website content powered by real-time behavioral analytics and customized purchase journeys.^{xv}

Ecommerce orders can be personalized through customized packaging such as branded boxes, tissue paper, stickers or reusable bags. Other touches that give the feel of personalization include hand-written notes, free samples or teasers of other products, and story-cards or brochures that tell more about the ordered product. In the case of luxury brands, sensory unboxing experiences can even be created. One example: spritzing perfume (based on customer preferences, order history, etc.) prior to sealing the shipping box.



The customer experience continues to be the strongest driver of customer loyalty. A study from PWC found that over 55% of consumers said they'd stop purchasing products from a company (even if they enjoyed the brand) after bad experiences.^{xvi} Brands can use personalization to drive customer loyalty and a great CX in the post-purchase journey.



Adding up today's omnichannel

The customer experience has quickly become a top priority for brands. The pandemic highlighted the consumer's desire for convenience and immediacy, raising the expectations bar for a great brand experience across channels—the "me" channel. D2C ecommerce is growing exponentially and the consumer's new appetite to shop online for ease and convenience transforms CX.

Many consumers no longer base their loyalty solely on price and product. Removing pain points in the customer journey and creating new, memorable experiences ensure a great brand experience. Brands that allocate resources to create a worldclass CX build customer loyalty and higher spending with their brands while reducing customer churn and supporting customer satisfaction.

While the responsibility rests on brands to create a seamless CX or risk losing customers and becoming irrelevant, brands are partnering with 3PL fulfillment providers to ensure a seamless post-purchase customer experience. Selecting the right fulfillment partner can make all the difference in delivering the brand promise.



About Ryder System, Inc.

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