The OneRail Industry Insights Blog

How Does Bad Delivery Service Affect a Business? The Cost Is More Than You Think

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When it comes to last mile logistics solutions, the costs of a failed delivery can add up fast.

Do any of these common scenarios sound familiar?

- Refunding a delivery charge
- Paying for reverse logistics in the event of a return or exchange due to a mistake made by the shipper
- Redelivering to a corrected address
- Employee time spent on "Where's my order?" (WISMO) calls

Whether you make one or all four of these common last mile delivery mistakes, they can have a major impact on your bottom line because they are not one-offs. Shippers need to factor in these costs as exponential: It's more than not being able to afford to make the same mistake twice — it's that you can't afford to make the same mistake times the number of failed deliveries in a day.

What's more, not all of the costs of delayed or failed deliveries are immediately visible. Brand reputation and lost customer loyalty can be a little trickier to pin down, but can have a dramatic effect on revenue.

Customer Expectations in Last Mile Delivery Solutions

With nearly two years of Covid-19 disruption causing supply chain questions and an uptick in online ordering, a smooth delivery process is even more critical than ever, especially when it comes to customer experience.

Oracle's 2021 retail trends report highlighted customer expectations for online order delivery. They found that 74% of global consumers expect a one- to five-day delivery window — and 80% said they'd be angry or annoyed if their order didn't arrive when they expected it.

What is your current delivery expectation when you order online?

35%   39%

	14%	
7%		5%
Same Day	1-2 Days	3-5 Days	One Week	More than a week
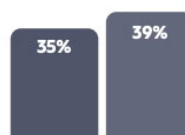
Delivery expectations can even derail an order before a customer places it. Estimated delivery time influences the holiday buying decision for 83% of consumers.
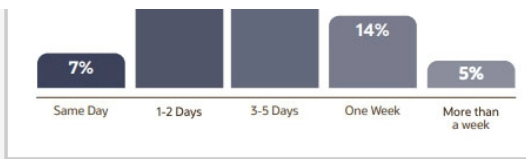
Are you ready for the most telling statistic from Oracle's report? Half of those surveyed said fast delivery makes up their mind whether to order at all. Half! Let that sink in for a bit.

The report went on to say that more than a third of consumers are fretting about whether their orders will arrive on time, or whether their holiday gifts will show up late. Do you really want your products adding to your customers' holiday stress?

Cost of Late Deliveries

If you read our post on top delivery problems, you know that delivery failures are gonna happen.

According to a survey by data verification company Loqate, E-Commerce businesses reported an 8% failure rate for first-time deliveries, out of more than 140,000 online orders. With an average failed delivery cost of $17.20, the 300 businesses surveyed paid more than $193,000 combined.

Faulty fulfillment by region	
Online orders per year	140,792
% failed deliveries	8%
Cost per failed order	$17.20
Total failed delivery cost per year	$193,730

The delivery cost associated with the last mile is widely reported because it's significant — we're talking an estimated 28% of the total transportation cost. Retailers can pay anywhere from $1.50 to $4 per mile for the last leg of their shipment's journey, depending on size of the product and the truck required for delivery.

Add in the cost of redelivery or return shipping, and you've seriously whittled down your profit margin on that one product. And if you've got multiple SKUs, then you can see how it doesn't pay to stick with a last mile logistics solution that results in bad delivery service.

Percentage of shoppers who are unlikely to shop with a brand again after a poor experience (YoY)

2017 — 62.4%
33.8% annual change
2018 — 83.5%

Worse, delivery exceptions can cost you repeat customers. Convey's research showed that a whopping 84% of consumers will likely abandon a brand after just one negative experience. Essentially, you've got one shot to deliver the goods. Do you really want to leave that up to manual processes?

One bright spot: Convey also found that 60% of shoppers are more likely to return if you resolve their issue efficiently, so you'll want to ensure you've got a stellar team of logistics experts who can handle delivery exceptions, and then go the extra mile to change delivery outcomes in real time.

Reasons for Last Mile Delivery Difficulties

Several challenges face retailers trying to get a handle on their delivery processes.

First, many struggle with visibility into where their orders are at any given moment. This makes it difficult to manage the customer experience and answer WISMO calls to a customer's satisfaction.

This visibility problem often stems from different 3PL carriers using their own transportation management systems. Difficulty sharing data between carrier and retailer systems results in an incomplete picture of real-time delivery status.

Shippers without robust carrier networks can struggle to find enough couriers to get all deliveries in customers' hands and meet the desired SLAs on time. That leads to missed delivery promises — and the lack of visibility makes it harder to communicate these delays quickly to customers.

Real-time visibility comes standard in many last mile delivery solutions, so taking a platform approach is a step in the right direction toward solving those challenges.

How to Reduce the Cost of Bad Deliveries

You're unlikely to reduce delivery exceptions to zero — but there are some steps you can take to reduce your costs and keep your customers satisfied.

First, visibility is crucial. If you don't have a robust last mile software platform that gives you a real-time, detailed view of delivery status and location, you'll spend too much time guessing where parcels are. You need a centralized view of all of your supply chain data, without having to look in multiple places.

We've said it before, but it's too important to not repeat: Communication is key. Your customers want — no, need — to know what's happening with their order every step of the way. End-to-end visibility tools like SMS and email tracking updates let customers know their order is moving through the system.

And if you spot a delivery exception (or a missed delivery about to happen), telling your customer right away (along with what you're doing to fix it) can keep them from heading straight to the order cancellation or return stage.

As you've been reading this, have you thought about the lost delivery cost for your business? OneRail can help analyze your fulfillment process and spot opportunities for optimization. Request a last mile delivery demo today.

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