

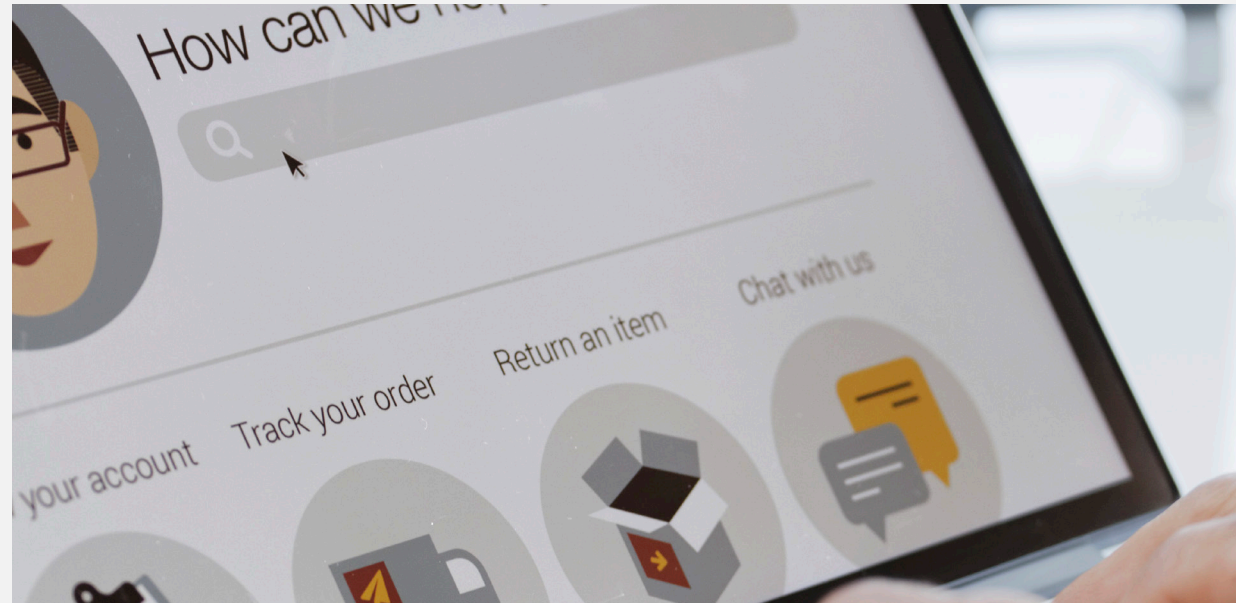
Global Consumer Insights Survey 2018  
Belgium report

*Signed, sealed,  
delivered  
(and regularly  
returned)*



There was a day—not even that long ago—when a visit to a retailer was undertaken for the express purpose of buying products and bringing them home. Today, of course, ‘shopping’ often means ordering online and waiting for a box to show up at the door.

But even though business-to-consumer e-commerce is now mainstream—nearing 12% of total retail sales worldwide in 2018, according to some sources—product shipments remain one of the hardest problems for consumer goods companies and retailers to solve.<sup>1</sup> The sector is under acute and growing pressure to deliver better and better service at an ever lower cost.



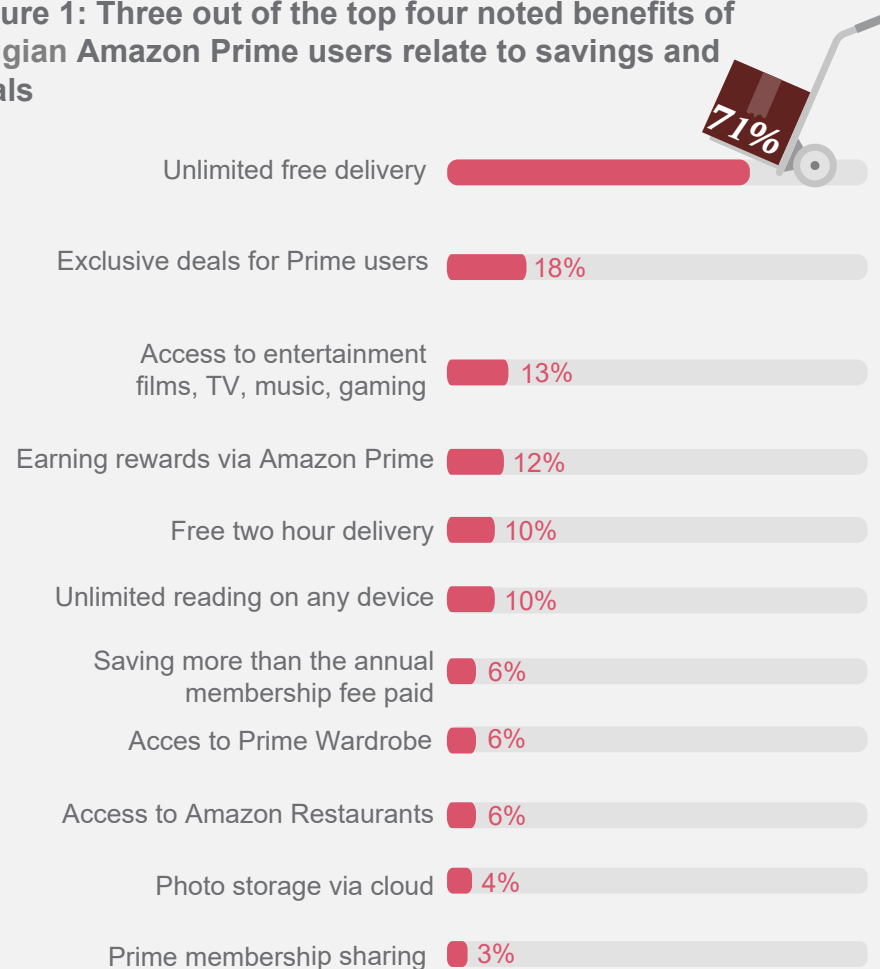
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### Consumers prize fast, flexible and reliable service—for free

In its latest Global Consumer Insights Survey, PwC asked more than 22,000 consumers in 27 territories. According to the survey, Amazon, Alibaba, Net-a-Porter, and other e-retailers have clearly raised shoppers' expectations about shipments: for a third of all Amazon customers who use the company's multi-faceted Prime service, far and away the most important benefit cited is unlimited free delivery—mentioned by 72% of Prime users.<sup>2</sup> Those expectations aren't easing off: one-quarter of users say they prize Prime's free two-hour delivery option.

In Belgium 40% of around 1000 respondents shops with Amazon of which 17% is using the Prime service. 71% of these Prime users is convinced that Amazon Prime is good value for money, 13% is not sure. Top benefit according to Belgium users is also the unlimited free delivery (mentioned by 71% of respondents), followed by exclusive deals and access to films, TV, music and gaming. (See Figure 1)

Figure 1: Three out of the top four noted benefits of Belgian Amazon Prime users relate to savings and deals



Q: What are the main benefits to you of using the Amazon Prime service?

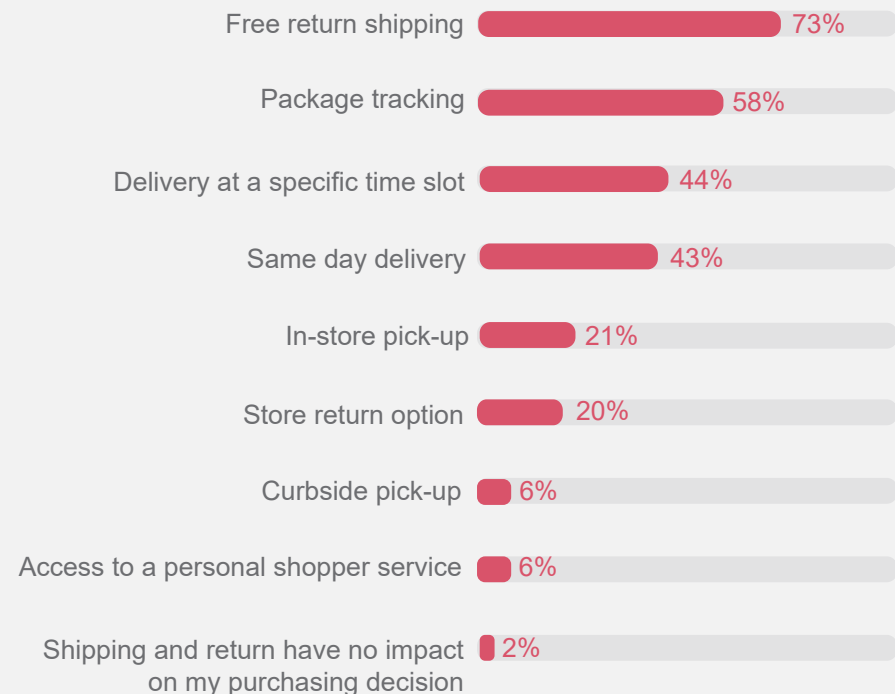
Base: 68 (Belgium)

Source: PwC, Global Consumer Insights Survey, 2018

Asked about what factors, other than price, sway them to buy from a particular retailer, Belgian survey respondents prioritised product availability, the retailer's brand and location, uniqueness, and then pointed to shipping and delivery. Nearly a quarter named fast/reliable delivery and 21% said they value a good returns policy. We then pushed for more detail by probing shoppers' delivery preferences if certain services were offered at no extra cost. 73% of Belgian respondents were quick to pinpoint free return shipping as most desirable, followed by package tracking and delivery at the same day/a specific time (See Figure 2).

For consumer goods companies and retailers, the implications of such expectations are profound. "Returns are such a big issue for online retailers," says Filip Lozie, R&C partner at PwC Belgium. "Some can't cope with the masses of returns that they get. For example, some sell returns to secondary retailers without doing any quality control, and those other retailers then export abroad. In other cases, online retailers may waive the return delivery for low-value items, which means the online shopper can keep the item without paying."

**Figure 2: Belgian consumers value free return shipping and package tracking as attractive benefits**



Q: Retailers may offer various options for how you receive your goods. Which of the following services are most attractive to you if offered at no extra cost?

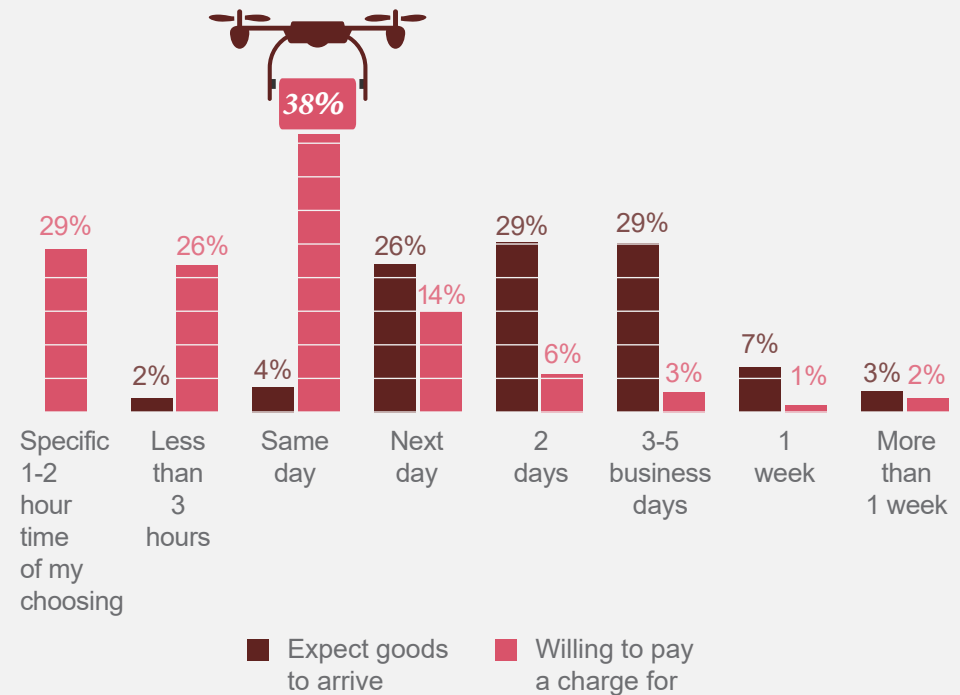
Base: 1,006 (Belgium) (Respondents were asked to rank top 3)

Source: PwC, Global Consumer Insights Survey, 2018

Our research also looked at what delivery services shoppers would pay for. The survey seems to uncover a sweet spot for retailers and their delivery partners: consumers' willingness to pay more for same-day or faster delivery. More than a quarter of online shoppers in Belgium said they would dip into their wallets to be sure of getting their packages within a one- or two-hour window of their choosing (see Figure 3). Older shoppers may place an even greater premium on narrow delivery time slots; according to the survey, shoppers with age 65 or over were 9% more likely (53% versus 44%) to choose "delivery at a specific time slot." Observes PwC partner Filip Lozie: "I think it shows that people acknowledge that delivery on the same-day or even faster is a special logistics effort."

And effort it is. Many leading consumer companies and their shippers are re-evaluating everything from caps on the numbers of packages shipped to pricing schemes. Having helped raise consumers' expectations, the pressure is now on to find ways to manage those expectations—profitably. As one thing is clear, last mile logistics is the least efficient stage and can be up to more than 25% of the total transport cost.

**Figure 3: Belgian consumers expect their purchases to arrive promptly and are willing to pay extra for same day delivery**



Q: For the majority of your online purchases how soon do you expect your goods to arrive? Which of the following delivery lead time frames are you willing to pay a charge for?

Base: 1,006 (Belgium) (Chart represents percentage of daily and weekly usage combined) Source: PwC, Global Consumer Insights Survey, 2018

## ***The impact for transport and logistics businesses***

Realistically, then, how does that happen? At this point, there is no clear, dominant answer—not least because ‘consumer goods’ covers such a gamut of deliverables. Solutions optimised for deliveries of footwear are unlikely to work perfectly for, say, shipping flowers or groceries or household appliances or furniture. In practice, given the disruptions throughout the sector, all bets are off. Anything and everything is worth trying: from ‘last mile’ tie-ups with hyperlocal delivery providers (shared-ride pioneer Uber is exploring this field<sup>3</sup>) to retailers’ drop-shipping to purchases of logistics providers (think of Target buying Grand Junction and Shipt) to retailers’ and logistics providers’ acquisitions of e-commerce players (Walmart bought Jet and Bonobos last year, and Belgian Post acquired Radial, a US-based e-commerce fulfillment company).

Several innovations are being developed to tackle last mile logistics issues, such as app-based logistics services. In this, the smartphone becomes a powerful instrument to include most of these technologies in one device, allowing efficient interaction with logistics providers. In the Middle East, Fetchr, an app-based logistics service based in Dubai, uses consumers’ geo location as the delivery address, eliminating the need for an identifiable address—a problem in some countries—and greatly mitigating the issue of customers missing deliveries.

And over everything looms the shadow of e-retailers. Amazon, for example, is an innovator as it pushes into new corners of retail and experiments aggressively with everything from locker drop-offs to drone deliveries. In addition to tech innovation, Amazon has also built its own delivery network. For the ‘last mile,’ they often rely on local transport companies, but they do control the delivery chain from warehouse-to-door, and operate their own hubs and fulfilment centres. The delivery is ‘Amazon-branded,’ so the consumer gets a parcel delivered by ‘Amazon Logistics,’ as opposed to DHL Express or FedEx or United Parcel Service (UPS). And just this past February, Amazon announced plans to test a program deemed ‘Shipping With Amazon,’ in which Amazon couriers pick up products from retailers who sold items through Amazon for delivery to the appropriate Amazon warehouse. Currently, most of these pickups are being handled by the major delivery companies.<sup>4</sup>

The good news is that there is plenty of room for winning solutions to emerge—not only among consumer firms and retailers, but among the myriad transportation and logistics providers handling various stages of the shipping supply chain. PwC’s research found that shoppers care much more about delivery method and speed than about who’s doing the actual delivering. Almost half of all Belgian respondents indicated no preference about the ‘who.’

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The leading transportation and logistics players—the DHLs and FedExes and XPOs—are likely to thrive, given their capital advantages and their savviness about the benefits of big data and analytics tools. Mid-sized and smaller firms that lack such advantages are at greatest risk from big moves by consumer producers and retailers.

PwC believes strongly that logistics companies will need to focus on ‘digital fitness,’ cost efficiency, asset productivity, and innovation if they want to meet the rapidly changing expectations of shoppers. Building and refining these and other capabilities, and then bringing them to scale across the enterprise, will be key as they translate the strategic into the everyday.<sup>5</sup>



It should go without saying that those revised priorities apply also to consumer goods companies and retailers. But PwC urges action on a higher plane: the need for far-reaching collaboration across the consumer-goods value chain. Nowhere is that more critical than in dense urban areas, where demand volume is rising fastest and the delivery infrastructure challenges are greatest. PwC’s recent study on ‘last mile’ urban deliveries in Germany points out many of those challenges—from noise pollution to traffic congestion<sup>6</sup>—and emphasises the need for city governments to join coalitions of consumer-goods players and logistics service providers to address them.

That, in turn, calls for those industry players to reach out to government officials and to view them as valued collaborators in resolving increasingly complex delivery issues.

### ***Make way for the drones—perhaps***

But isn’t there a simpler, technology-based answer to the complexities of last-mile delivery in cities? Aren’t drones the way forward? Certainly, Amazon and DHL have captured the imaginations of headline writers with its experiments to date. And it’s clear that consumers are curious: 38% of our global respondents say they would trust a drone to deliver their packages. For the Belgian consumers, this is only 24%.

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The truth is that the last-mile issue is ferociously complex. When so little about actual delivery is standard, automation has far fewer advantages. Drones that carry bulky, heavy packages as well as little feather-light ones? Delivery on the front doorstep, onto a balcony, or into the waiting customer's hands? At a neighbour's house? Under a covered area in the event of bad weather? And then come the legal, social and cultural challenges. Drones equipped with cameras aren't loved by those who cherish their privacy. Let alone regulation: at this moment, the Belgian drone regulation does not allow (a) transport of goods or people via drones and (b) flying beyond line of sight<sup>7</sup>. Others may object to the airborne congestion. Instead, PwC sees opportunities for drones to improve the effectiveness of many other stages of consumer-goods supply chains. One example: drones that monitor and update inventory in distribution centres.

The truth is that drones are just one of many options, which also include delivery robots, automated lockers, crowd-sourced delivery, and of course traditional delivery truck. There is not just one solution—delivery options are as diverse as consumers' preferences.

Nobody expects 2018 to be the year that shipping and delivery challenges are solved. But it is likely to be a year in which consumer goods companies, retailers, and their suppliers work more closely together to see what exactly shoppers will pay for—and what they won't.



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## *Key Contacts Belgium*

### *Assurance*

**Filip Lozie**  
**Consumer Markets Leader**  
T: +32 2 710 3348  
E: filip.lozie@pwc.com

**Peter Van den Eynde**  
**Partner**  
T: +32 2 710 3332  
E: peter.van.den.eynde@pwc.com

**Steven Van Bael**  
**Director**  
T: +32 2 710 3357  
E: steven.van.bael@pwc.com

**Tom Sheyvaerts**  
**Director**  
T: +32 2 710 3347  
E: tom.scheyvaerts@pwc.com

### *Advisory - Management Consulting*

**François Jaucot**  
**Partner**  
T: +32 2 710 4122  
E: françois.jaucot@pwc.com

**Matthias Reyntjens**  
**Partner**  
T: +32 2 710 8066  
E: matthias.reyntjens@pwc.com

**Mathieu Van De Poel**  
**Director**  
T: +32 2 710 4275  
E: mathieu.van.de.poel@pwc.com

**Jochen Vincke**  
**Director**  
T: +32 2 710 8055  
E: jochen.vincke@pwc.com

### *Advisory - Technology Consulting*

**Floris Ampe**  
**Partner**  
T: +32 2 710 4164  
E: floris.ampe@pwc.com

**Nikolaos Loutas**  
**Director**  
T: +32 2 710 4619  
E: nikolaos.loutas@pwc.com

### *Tax*

**Gill Van Damme**  
**Senior Manager**  
T: +32 9 268 8281  
E: van.damme.gill@pwc.com

## **About PwC's Global Consumer Insights Survey**

*Since 2010, PwC has annually surveyed thousands of consumers around the globe to track shopping behaviour, and then chronicled these findings in various global reports on the future of retail under the "Total Retail" banner.*

*This year we decided that a new umbrella term for our findings was warranted: PwC's Global Consumer Insights Survey. We want to acknowledge that the once bright lines demarking retailers, manufacturers, technology companies, logistics service providers, and healthcare organisations are becoming more and more obscured as consumers are more open than ever to non-traditional solutions.*

**[www.pwc.com/consumerinsights](http://www.pwc.com/consumerinsights)**

### **Project direction**

Mike Brewster

Claire-Louise Moore,  
*PwC Research*

Lisa An

Ciara Campbell,  
*PwC Research*

### **Core research team**

Denise Dahlhoff, *Research Director*  
*Baker Retailing Center at the Wharton*  
*School of the University of Pennsylvania*

Simon Bender

Irena Cerovina

Esther Mak

Bénédicte Mat

Owen McFeely

Krystin Weseman