



PENNINGTONS
MANCHES
COOPER

UNDERSTANDING AND INFLUENCING THE CUSTOMER JOURNEY FOR FASHION



STAGE 3: FULFILMENT

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ABOUT THIS REPORT

Commissioned by Penningtons Manches Cooper, this report uses data collected through a Retail Economics consumer survey of 2,000 nationally representative households to explore the impact of digital technologies on online and cross-channel delivery habits at the third stage of the customer journey.

FOREWORD

SWIFT, SEAMLESS AND SUSTAINABLE

Since the UK went into lockdown on 23 March 2020, it is probably fair to say that a delivery driver's knock on the door not only became the highlight of the day for millions of people but that the fulfilment stage of a customer's shopping and purchasing journey became the lifeline that held the country together throughout the darkest days of the pandemic.

The coronavirus outbreak created a step change in shopping behaviour and delivery drivers' standing with the general public rose from zero to hero. While there are arguably few winners for fashion out of the crisis, the way retailers get goods into shoppers' hands has become more relevant than ever.

Online now accounts for around a third of apparel sales in the UK, with the historically store-rich category facing challenges to the adoption of online over a number of years and not just since the coronavirus outbreak.

Rapid technological advancement has led to an explosion in the range of fulfilment options available to consumers, from home delivery of online orders to arranging next-day delivery of products that consumers have just tried on in-store. The plethora of options has made this part of the customer journey infinitely more complex for retailers while consumers have never been more demanding. They want the fulfilment of their purchases to be swift, seamless and sustainable.

Set against the backdrop of rising customer expectations and the growing importance of good experiences, further waves of disruption from the impact of Covid-19 will accelerate the underlying structural changes within the sector.

This report is part three of a four-part series by Penningtons Manches Cooper on the Fashion Customer's Journey. It uses data from Retail Economics to analyse the impact of Covid-19 on fulfilment and to assess shoppers' longer-term attitudes.

The report explores the following three areas where fulfilment is set to transform: the need to deliver digital retail in-store; the pivotal use of technology and partnerships to expand capabilities; and the call for sustainable fulfilment.

As well as sharing the findings with our clients and the retail sector in general, the insight gained will help to put us in a strong position to anticipate legal demands and to give us a more rigorous understanding of the nature of sustainable future businesses models that will attract funding for business owners.

If you would like to discuss any of the issues contained within the report, please do contact us.

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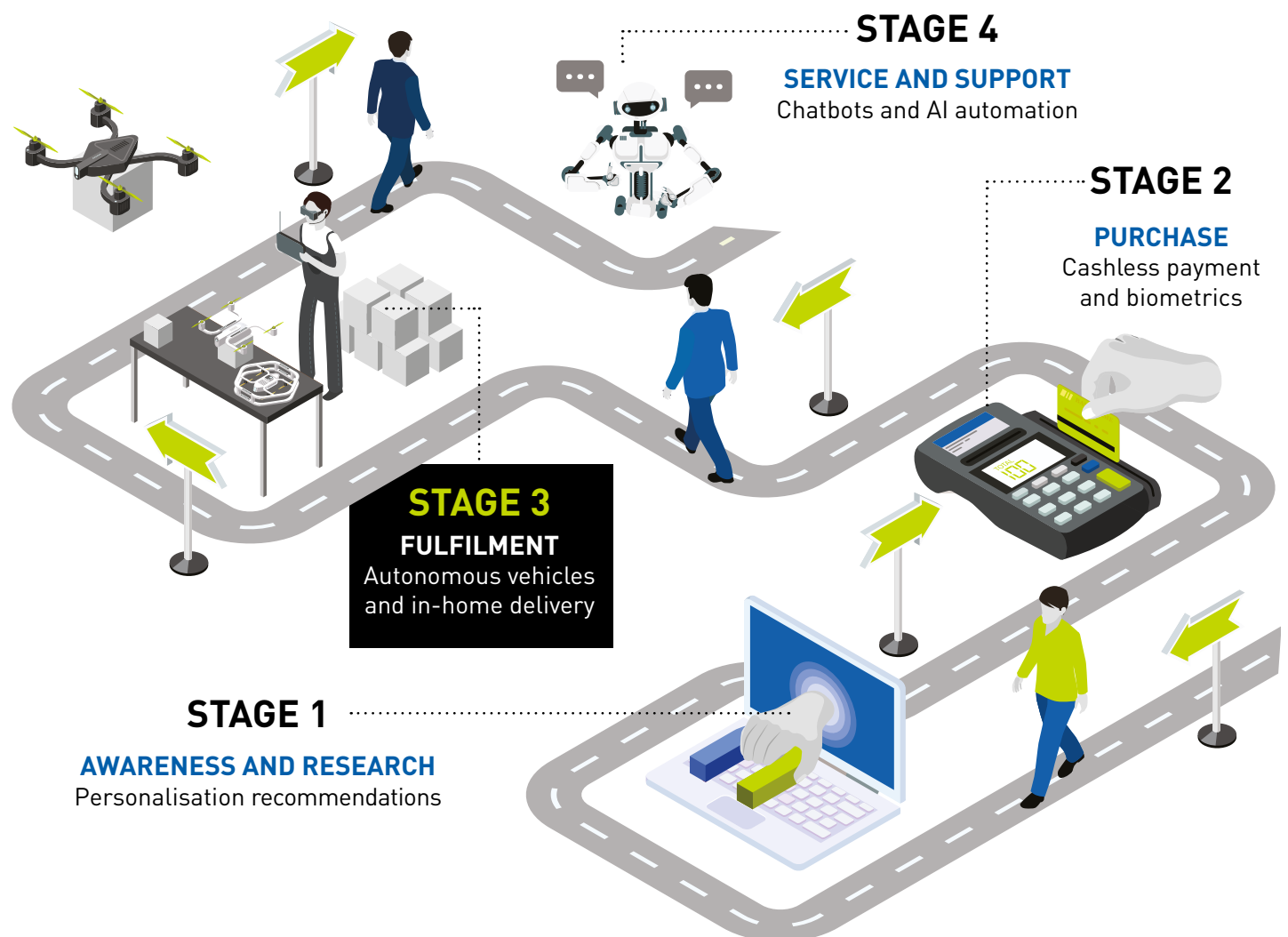


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THE FASHION CUSTOMER'S FOUR-STAGE JOURNEY

The customer journey for fashion has become increasingly complex to measure, understand and influence. Competition for shopper attention is fiercely contested with retailers and brands battling against competing factors to form meaningful relationships at key points within the customer journey.

STAGE 3 FULFILMENT



DELIVERING DIGITAL RETAIL

Although lockdown brought extreme temporary changes to our shopping habits, Covid-19 is proving to be a catalyst for structural change that was previously underlying the sector.

Shoppers leapt online as they avoided venturing out and retailers reacted by offering new digital services and ways of delivery, some of which will likely lead to permanent change.

Fitness clothing retailers such as Sweaty Betty began offering tutorial classes online to remain relevant. A raft of companies offered free delivery services to compensate for limited access to products while others such as Dunelm went further to offer a deliver-to-car click-and-collect alternative.

Shoppers could expect such services to continue as the pandemic habits take hold. During lockdown, more than two-fifths of consumers (43%) switched to purchasing products online that they had previously only ever bought in-store according to a Retail Economics' coronavirus survey.

Although some of this change is temporary, more than a quarter (28%) said that the way they shop will change permanently, even after the coronavirus dissipates. This is a higher percentage than the changes in how people communicate, travel and work.

As the economy begins to come out of lockdown, attitudes to venturing out are polarised. While some continue to self-isolate, others have adopted a hedonistic mindset after their release from lockdown.

As non-essential stores reopened in mid-June 2020, it is no coincidence that retailers saw a spike in online sales. Multichannel retailers saw the greatest uplift, recording a 71% year-on-year uplift in online sales in the week beginning 15 June¹.

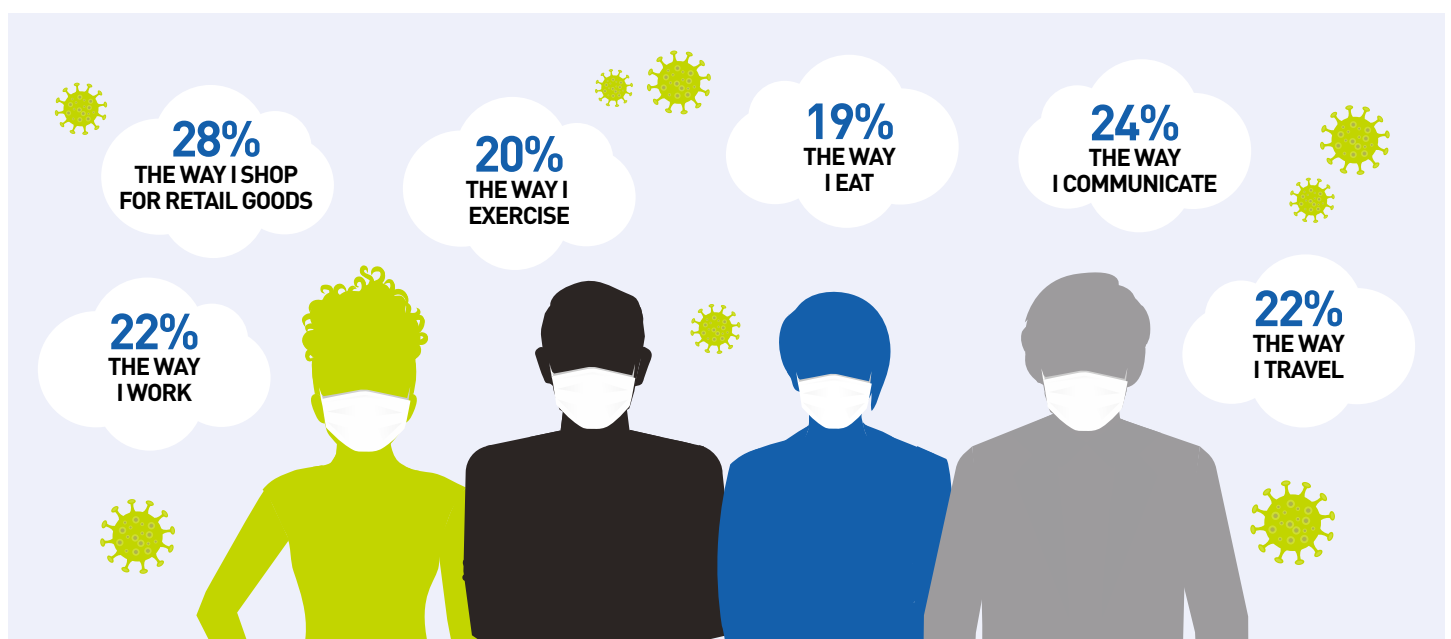
Consumers of all ages simply want to be able to shop as seamlessly as possible and stores remain a convenient channel for collecting goods, particularly as staff absence and social distancing has extended lead times. But with few shoppers wanting to linger in-store, swift and efficient click-and-collect has become critical for retail success.

While the blurring of physical and digital channels is likely to accelerate further with click-and-collect playing a pivotal role in keeping stores relevant, there are key generational differences when trying to integrate digital elements into fulfilment.

For Baby Boomers, delivering seamless fulfilment is relatively straightforward as, unlike younger shoppers, they typically have linear customer journeys and will choose to shop either online or in stores.

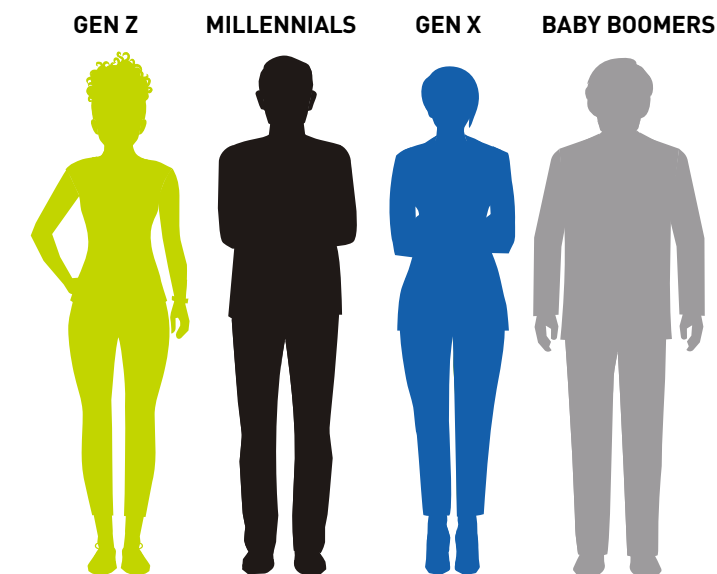
¹ IMRG Capgemini Online Retail Sales Index

WHICH OF THE FOLLOWING DO YOU THINK WILL CHANGE ON A PERMANENT BASIS AS A RESULT OF CORONAVIRUS (COVID-19)?



Source: Retail Economics Covid-19 service, survey conducted 20-22 April 2020, among 2,000 nationally representative households

THINKING ABOUT YOUR SHOPPING HABITS, ON AVERAGE, HOW OFTEN DO YOU GET CLOTHING ITEMS DELIVERED TO HOME OR TO A STORE/COLLECTION POINT?



I GET CLOTHING DELIVERED ONCE A MONTH OR MORE

38% **33%** **27%** **15%**

I NEVER GET CLOTHING DELIVERED

16% **28%** **29%** **38%**

Source: Retail Economics

The merging of physical and digital worlds happens unconsciously to Gen Zs who have been born into a digital age but, as the desire to receive products in the most convenient way remains a constant, fulfilment is a critical and complex component in delivering a seamless experience.

Our research shows the importance of multichannel and digital technologies in delivering convenience for younger generations. Millennials are the most likely to either purchase apparel online to collect or purchase in-store for home delivery.

RETAIL ECONOMICS CLASSIFICATION	AGE TODAY
GEN Z	18 – 24
MILLENNIALS	25 – 44
GEN X	45 – 54
BABY BOOMERS	55+

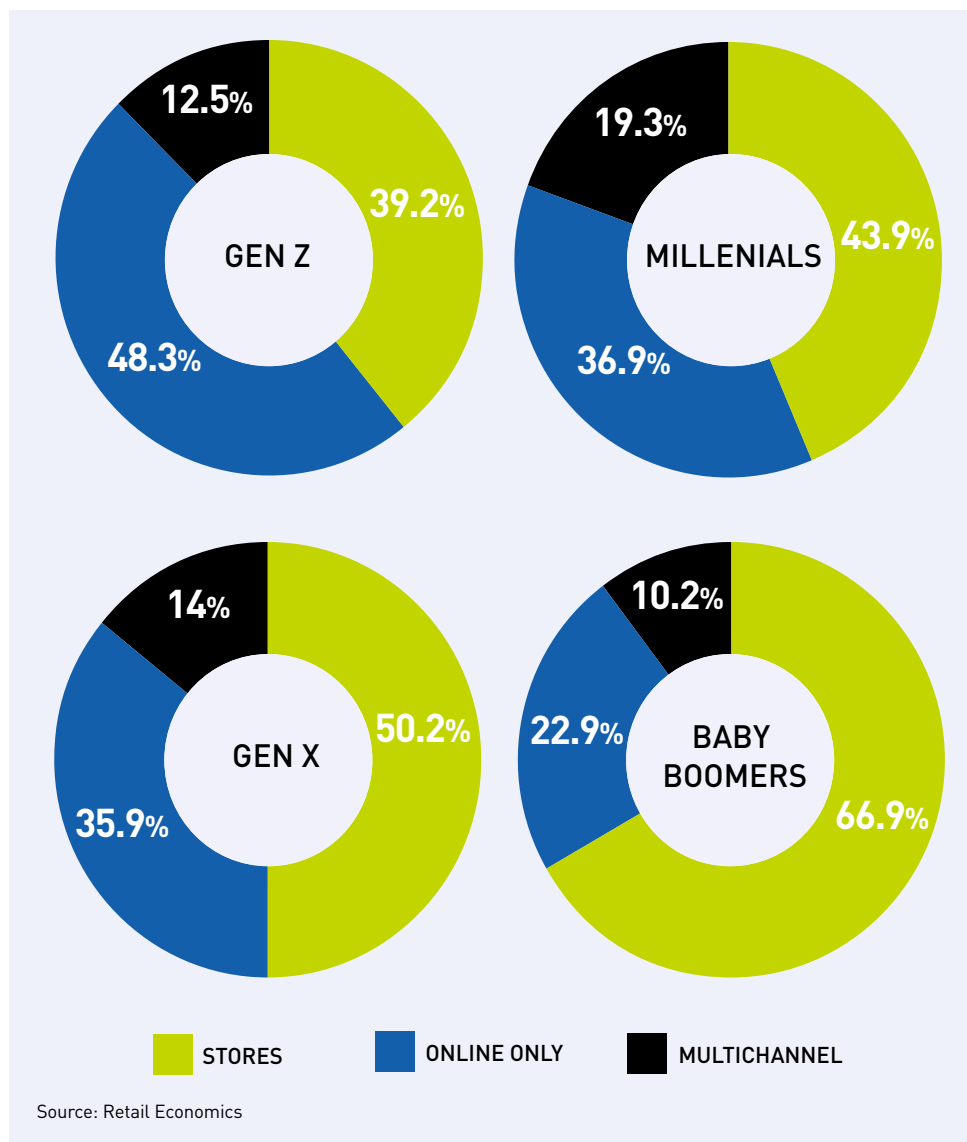
Gen Zs are more likely to shop across a combination of channels, particularly when it comes to fashion. They are more inclined than older generations to get home delivery or use click-and-collect while also shopping more frequently. Indeed, almost two in five (38%) Gen Z respondents buy clothing online at least once a month, more than double the frequency of their Baby Boomer elders.

Younger generations are reliant on a greater number of digital touchpoints along their customer journey and are less fearful of the coronavirus. A typical purchase may involve them discovering a new outfit worn by their favourite celebrity blogger on social media that inspires them to head to a flagship shopping destination to see it in-store. But from there the customer journey may continue online where they order multiple sizes to be delivered to their local pick-up point.

2 IN 5 GEN Z RESPONDENTS BUY CLOTHING ONLINE AT LEAST ONCE A MONTH MORE THAN DOUBLE THE FREQUENCY OF THE BABY BOOMERS

Disaggregating the figures reveals that Gen Zs find online for home delivery most convenient but 8% of 18-24 year olds believe that purchasing online to later collect from a store is the most convenient fulfilment option. This compares to Baby Boomers who are the least likely to favour switching between channels to fulfil clothing purchases.

WHEN BUYING CLOTHING, WHICH DO YOU CONSIDER MORE CONVENIENT?



1/5

**MILLENNIALS SAID
MULTICHANNEL
WAS THE MOST
CONVENIENT
OPTION FOR THEM**

Although there has been a significant shift online for apparel spending over the past decade, physical retail remains a cornerstone of fulfilment for most shoppers. Our research showed that Baby Boomers are most reliant on the store-only channel, with two thirds of these respondents suggesting this is their most convenient channel for buying clothing compared to 39% for Gen Z shoppers. Almost half (48%) of Gen Z respondents said that a pure online channel was more convenient than physical stores.

A fifth of Millennials suggested that multichannel (eg purchasing online and collecting in-store) was the most convenient option for them, the highest percentage of all age groups.

ALMOST HALF

**OF GEN Z RESPONDENTS SAID
ONLINE ONLY WAS
MORE CONVENIENT
THAN PHYSICAL STORES**



THE USE OF TECHNOLOGY AND PARTNERSHIPS TO EXPAND CAPABILITY

As we adapt to a new reality, the use of technology and the role of partnerships have become critical to enable retailers to remain agile in their response to the coronavirus crisis. Households reacted quickly to batten down the hatches and shift spending online – which stood at less than a fifth of all sales before the virus outbreak but accelerated to around a third in lockdown.

As consumers are unlikely to give up their online spending, these new ways of shopping will become habitual purchasing behaviour. According to a Retail Economics coronavirus survey, more than a third (34%) of respondents feel that life will not return to normal for at least a year, while 16% believe it never will.

Since the advent of the coronavirus pandemic, retail has had to structurally transform in a matter of weeks – not years – to create a 'new normal' for shoppers.

Inevitably, this has put pressure on delivery services. Partnerships have provided the short cut to rapidly scale-up fulfilment capacity and capabilities, enabling retailers to use their expertise to gain a competitive advantage. This has seen the likes of the John Lewis Partnership extend its click-and-collect delivery partnership with the Co-op, while Deliveroo has been on a roll signing up retail partnerships since March 2020.

This follows retail giant and fulfilment leader Amazon's recent partnership with Next to trial a click-and-collect

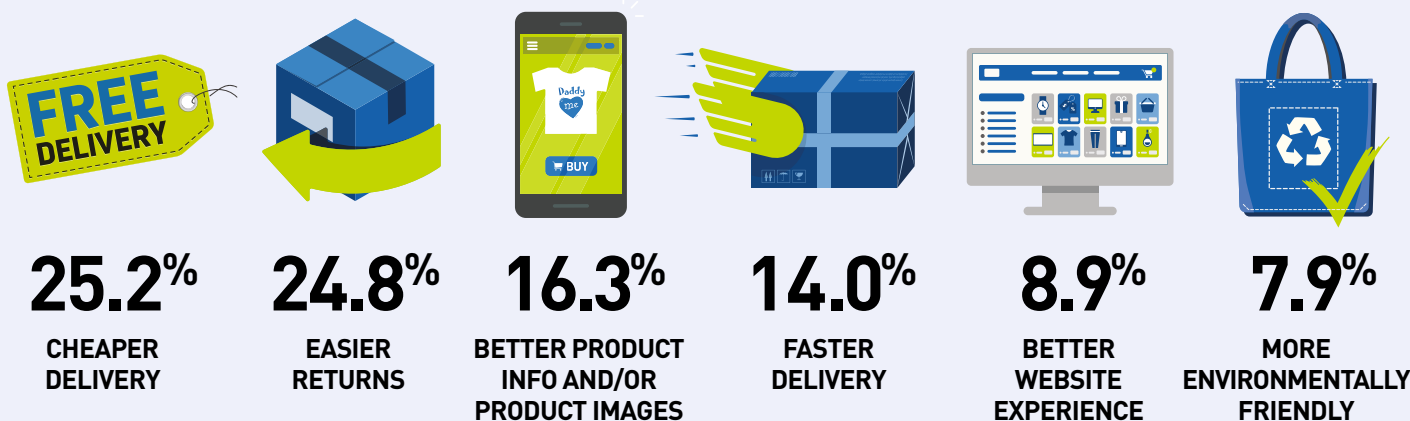
service called Counter which allows you to pick up your parcels from locations nearby such as convenience and high street stores. It is now available at Next and selected PayPoint stores. Amazon has also partnered with Doddle and the Royal Mail to offer pick-up points across the UK and has announced that Prime customers in certain locations will be able to receive food deliveries free of charge.

The use of technology has also become more important since the start of the pandemic for meeting or exceeding consumers' greater expectations for fulfilment. The frictionless provision of goods and services from technology giants such as Deliveroo, Netflix and Uber has raised the bar on the meaning of seamless access. Consumers' expectations are higher than ever before and their desires have extended across the retail industry.

This is especially true of online delivery, where our research shows that households want cheaper, faster and transparent fulfilment of products, while returns should be easy to make and product information effortless to find.



WHICH OF THE FOLLOWING WOULD MAKE YOU SHOP ONLINE FOR CLOTHING MORE FREQUENTLY?



Source: Retail Economics

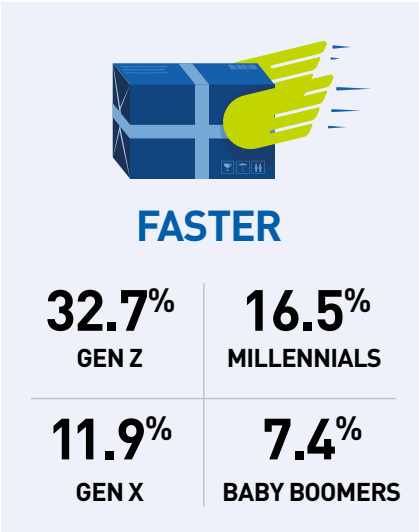
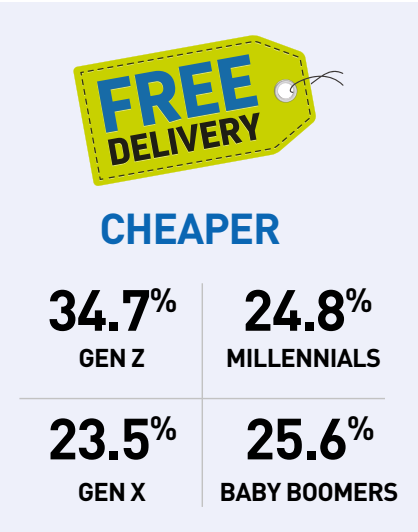


Partnerships have provided the short cut to rapidly scale-up fulfilment capacity and capabilities, enabling retailers to use their expertise to gain a competitive advantage.



The success rate of first-time delivery is vital for retailers to maintain profitability for online deliveries whereas failed fulfilment of orders can often result in customer frustration and poor experiences.

GEN ZS ARE MOST LIKELY TO DEMAND CHEAPER AND FASTER DELIVERY IN ORDER TO SPEND MORE FREQUENTLY ONLINE



Motivations for extending online spending further differ widely by age. The speed and cost of delivery are of greatest concern for younger consumers, whereas older consumers are more likely to value other factors.

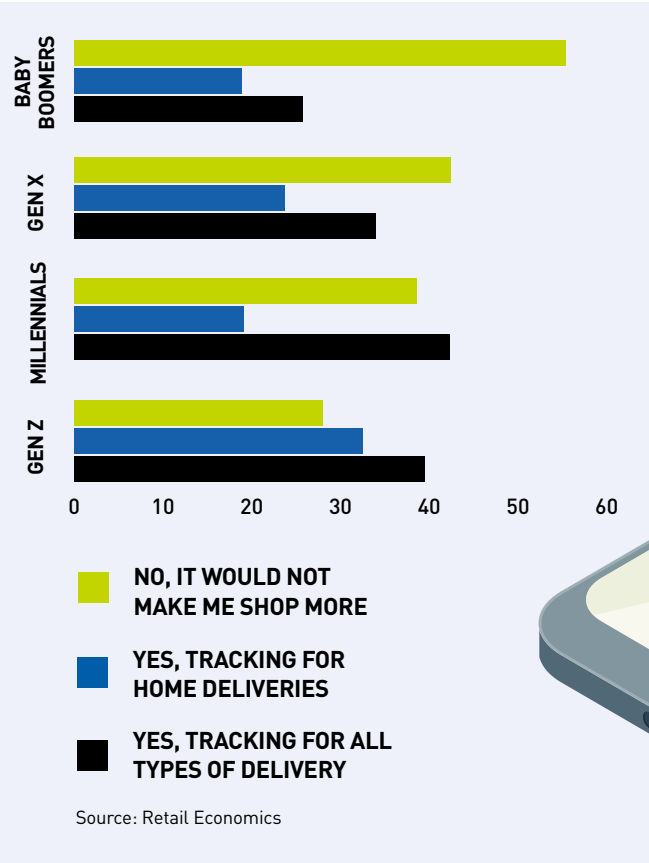
There were many frustrations with online experiences during the pandemic and lockdown. Actual next-day delivery times ranged from one day to two weeks as staff absence took its toll on couriers' ability to deliver as promised.

Source: Retail Economics

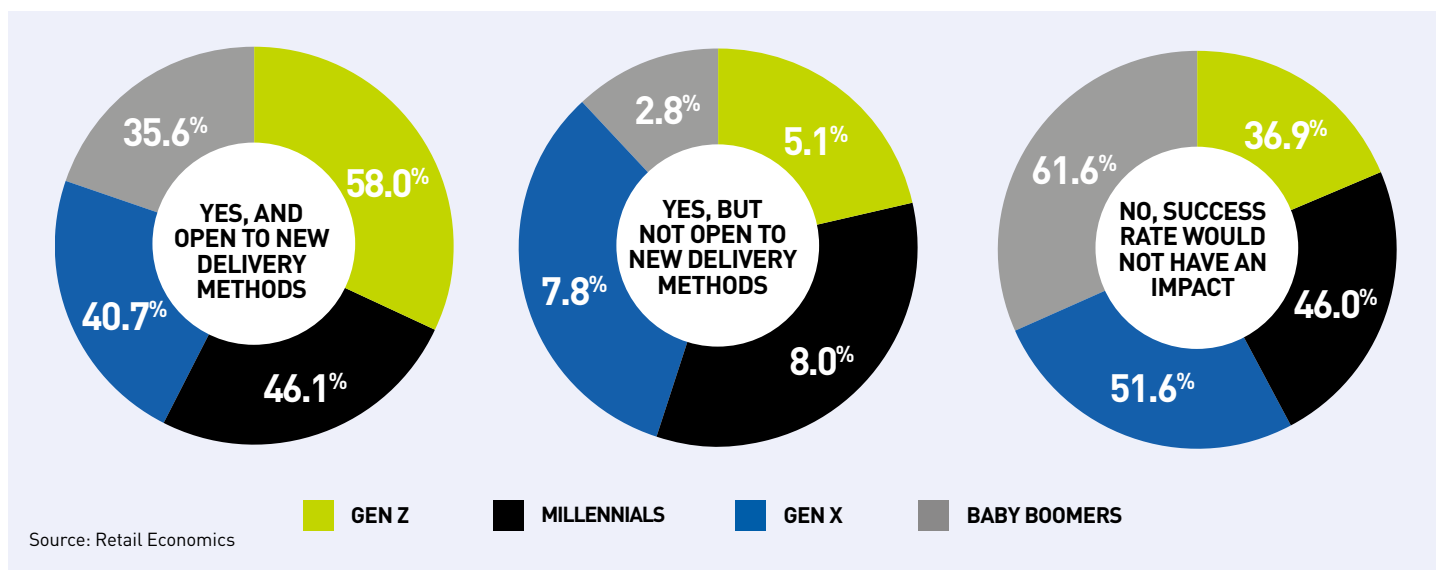
WOULD THE ABILITY TO TRACK A DELIVERY MAKE YOU SHOP MORE WITH A PARTICULAR CLOTHING RETAILER?

Gen Zs yearn for greater transparency, and the ability to track deliveries provides some reassurance. More than seven out of ten (72%) of Gen Z respondents say the option to track deliveries would make them shop more with a particular clothing retailer.

Ultimately, technology is set to play a pivotal role in improving the efficiency and success rate of deliveries. This is critical as the success rate of first-time delivery is vital for retailers to maintain profitability for online deliveries whereas failed fulfilment of orders can often result in customer frustration and poor experiences.



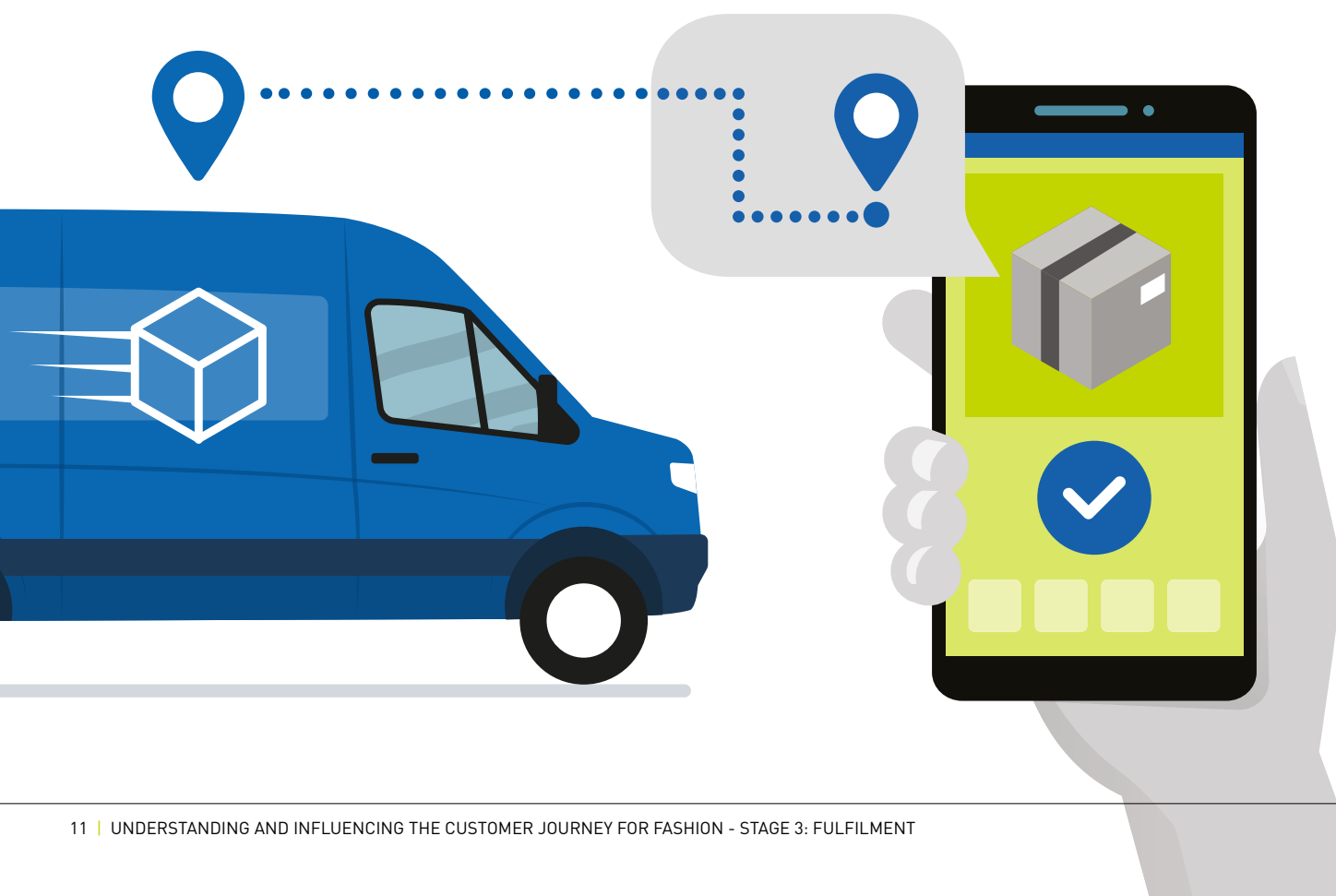
DO YOU AGREE WITH THE FOLLOWING STATEMENT: “I WOULD GET MORE CLOTHES DELIVERED TO MY HOME IF THE SUCCESS RATE OF DELIVERIES WAS BETTER”?



As profitability comes under increasing pressure, reducing the cost of deliveries and returns has come under greater scrutiny. Digitalisation of supply chains and automating distribution centres have become priorities for many retailers as they look to scale up and reduce marginal costs.

Shop Direct is developing a state-of-the-art fulfilment centre in the East Midlands, boasting cutting-edge technology to enable the retailer to stretch its cut-off time for next-day delivery to midnight, while exploring same-day delivery as well.

Greater consumer adoption of internet of things (IoT) technologies is also helping to boost first time delivery rates. Smart keys for homes that can give a delivery driver one-time access to unlock your door to ensure a package is delivered safely and on time are being trialled by retailers such as Amazon, as well as Waitrose in partnership with Yale. A mix of artificial intelligence with video, mobile apps and smart locking systems enables delivery drivers to enter homes to make deliveries while customers are out.



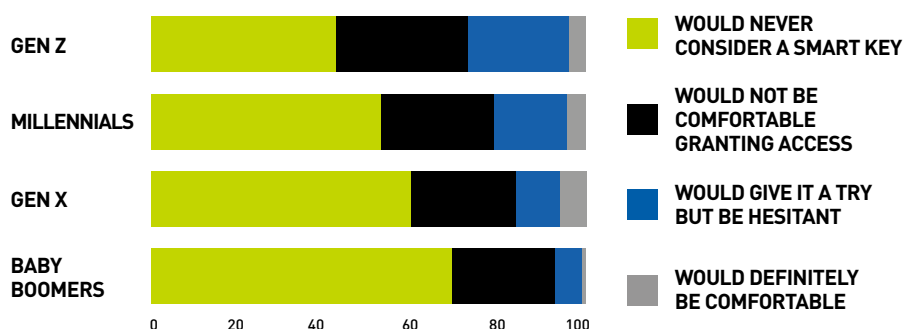
SMART KEYS FOR HOMES CAN GRANT SOMEONE ONE-TIME ACCESS TO UNLOCK YOUR DOOR. IF YOU WERE OUT, WOULD YOU BE COMFORTABLE WITH AUTHORISING A DELIVERY DRIVER TO ACCESS YOUR HOME TO ENSURE YOUR PACKAGE IS DELIVERED SAFELY AND ON TIME?



69%
OF BABY BOOMERS
WOULD NEVER
CONSIDER
USING A
SMART KEY

Source: Retail Economics

Many are hesitant about using an unfamiliar technology and our research shows that, while younger generations are most open to the idea, 69% of Baby Boomer respondents would not even consider owning a smart key, let alone use it to authorise deliveries.



IN THE FUTURE, WOULD YOU SHOP WITH A RETAILER THAT USED DRONES FOR HOME DELIVERY OF CLOTHING?

Drone delivery poses an interesting solution for the future but attitudes are mixed among shoppers. Just over a third (37%) of all respondents would shop with a clothing retailer that used drone delivery. This rises to nearly half (45%) of Gen Z respondents but falls to around a quarter (24%) for Baby Boomers.

Of those who are open to the idea of drone deliveries, younger generations are the most willing to pay a premium for it, providing there is a benefit to either the speed of service or friendliness to the planet.

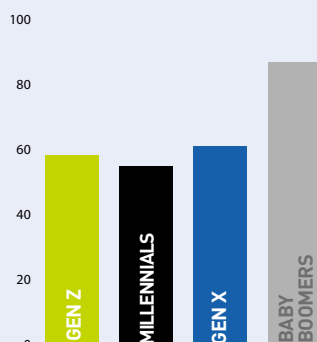
Almost three in ten (29%) Gen Z respondents open to drone delivery would pay extra if it reduced carbon emissions, while around a quarter (23%) of Millennials would pay more if drones improved the speed of delivery.

While the concept may seem some time away, giants Amazon and Walmart continue to invest heavily in drone delivery. Between them they filed over 150 patents relating to drone technology in 2018-19, from airborne fulfilment hives to parcel parachutes.

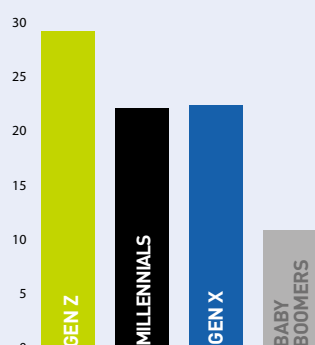


OUT OF THE 'YES' RESPONDENTS ...

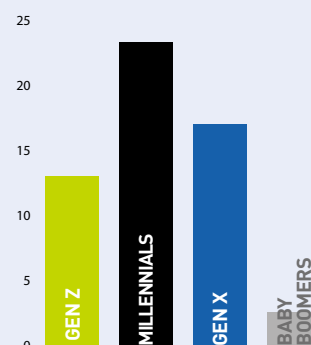
THOSE WHO WOULD NOT PAY MORE EVEN IF THERE WAS A BENEFIT



THOSE WHO WOULD PAY MORE IF THERE WAS AN ENVIRONMENTAL BENEFIT



THOSE WHO WOULD PAY MORE IF THERE WAS A BENEFIT TO ME



Source: Retail Economics



Drone delivery poses an interesting solution for the future but attitudes are mixed among shoppers. While the concept may seem some time away, giants Amazon and Walmart continue to invest heavily in drone delivery.



THE CALL FOR SUSTAINABLE FULFILMENT

During the Covid-19 pandemic, shoppers in the UK avoided public transport, shopping locations, restaurants and entertainment destinations such as cinemas.

The pandemic necessitated radical changes in ways of working – with firms across a wide range of sectors investing to enable employees to work from home – and saw shoppers spend vast amounts online, particularly for essentials such as groceries.

Some key players such as Next temporarily shut down online operations altogether, as lockdown restricted the ability to fulfil orders from stores, and staff safety became a top priority.

Clothing and footwear were among the hardest hit retail categories during lockdown, as people ramped up social distancing and shoppers prioritised their spending on food and health.

With fewer opportunities to go out, dress up and socialise, seemingly no amount of smartening up for Zoom video calls could compensate for the dramatic fall in sales in these retail segments.

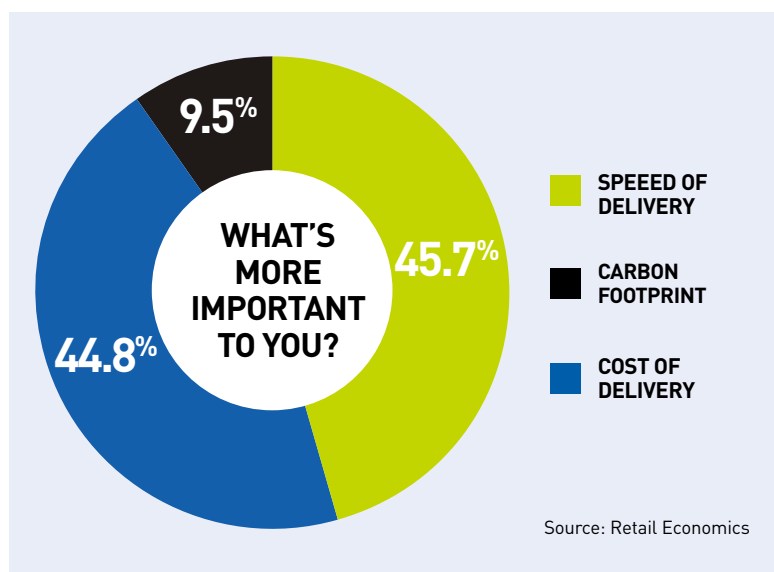
As consumers may need to continue to socially distance for the foreseeable future, there is less desire to buy products as shoppers reevaluate the value they place on material possessions. Businesses that will emerge stronger in the aftermath of the coronavirus are those that demonstrate an ethos of 'doing good' beyond simply 'selling stuff'.

The sustainability of fashion is a hot topic that affects both fast fashion and luxury. There is a growing consumer awareness and expectation of sustainability, with part two of this series² showing retailers under significant pressure to prioritise their responsibility for the environment.



**RETAILERS ARE UNDER
SIGNIFICANT
PRESSURE TO PRIORITISE THEIR
RESPONSIBILITY FOR
THE ENVIRONMENT**

THINKING ABOUT DELIVERY FOR YOUR ONLINE SHOPPING FOR CLOTHING, WHAT'S MORE IMPORTANT TO YOU?



The results reveal the different attitudes about the importance of speed, cost and the carbon footprint of deliveries. Among online clothing shoppers, just one in ten respondents currently consider the carbon footprint of delivery to be the most important factor for fulfilment.

But this is set to change. As delivery vans make more frequent visits to homes, greater attention is turning to the carbon cost of fulfilment. Fashion mogul Anna Wintour has warned the industry that there will need to be "more of an emphasis on sustainability" as a result of the coronavirus outbreak.

The UK Government has also turned up the heat on green investment as part of its coronavirus response – a mindset that will trickle down to households.

² Understanding and Influencing the Customer Journey for Fashion, Stage 2: Purchase

WHEN THINKING ABOUT YOUR ONLINE CLOTHING DELIVERIES,
WHAT'S MORE IMPORTANT?



7/10
GEN Zs WOULD
CONSIDER LONGER
DELIVERY TIMES IF
**CARBON
EMISSIONS
WERE LOWER**

Source: Retail Economics

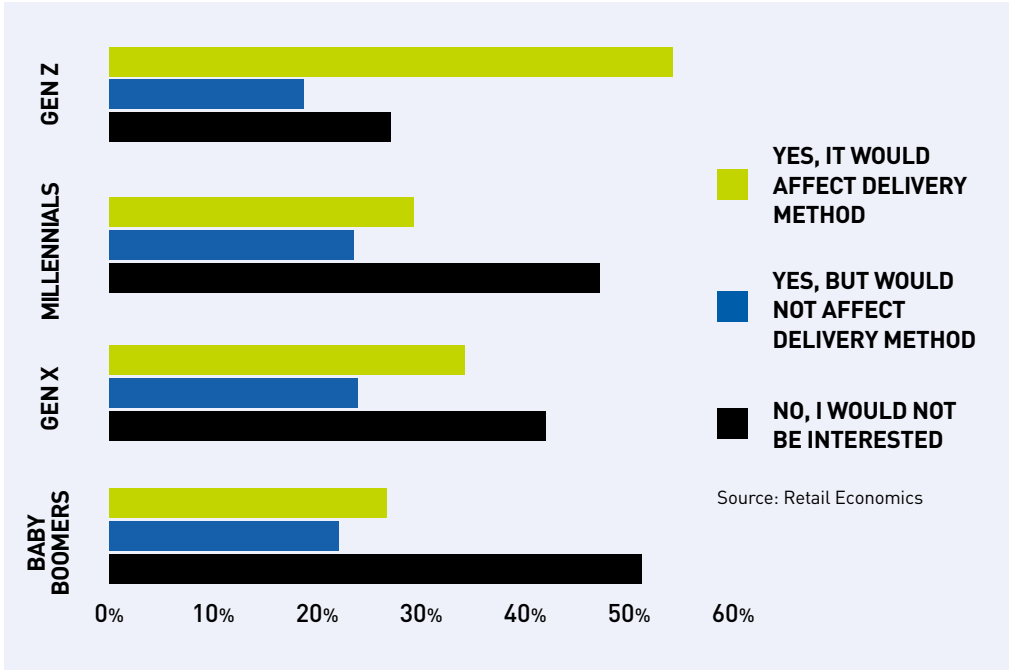
Concerns around the environment begin to bring into question route optimisation and the trade-off between the fastest route versus the most carbon neutral.

Our research found that the majority of respondents in each age group would be willing to sacrifice the speed of delivery for a reduction in carbon emissions in the delivery of their online clothing orders.

Although speed of delivery matters most to Gen Zs, more than seven out of ten (71%) would consider a longer time for delivery if carbon emissions were lower. This could indicate their willingness to be educated about the impact of their shopping preferences and to seek greater transparency about the sustainability of deliveries.

DO YOU THINK RETAILERS SHOULD PROVIDE GREATER INFORMATION
ABOUT THE CARBON FOOTPRINT OF HOME DELIVERIES?

More than half (54%) of Gen Z respondents would potentially shift their delivery preferences if retailers provided greater information on the carbon footprint associated with delivery options. This matters because, as the most frequent online shoppers, Gen Zs could have the greatest impact on achieving more sustainable delivery methods.



OVER
HALF
OF GEN Z RESPONDENTS
WOULD CONSIDER
SHIFTING DELIVERY IF
MORE INFORMATION
WERE PROVIDED ON
**CARBON
FOOTPRINT**

WHERE NOW FOR FULFILMENT?

For pureplay platforms that focus on a specific industry segment and do not manufacture products, fulfilment can be the most polluting part of their operations. In April 2020, Farfetch, a leading global platform for the luxury fashion industry with a singular mission - "The change starts with us" - pledged to offset the carbon impact of all of its deliveries and returns through its new Climate Conscious Delivery programme. The company is investing in four global projects through its carbon offset programme, which focus on planting and protecting forests in Brazil, the US, India and China.

FULFILMENT IS NOW THE LEVER BEING USED TO EXERT EXTRA PRESSURE ON RETAILER BEHAVIOUR

Farfetch is encouraging more efficient packaging sizes, shipping pieces in bulk via its fulfilment network, and offsetting the remaining impact from deliveries and returns. Farfetch is working with consultancy EcoAct to measure and calculate its carbon footprint.

As our report reveals that the consumer mantra is increasingly becoming "We want it all and we want it now", should all retailers be following their example? Will Farfetch's investment in environmentally-friendly practices deliver both sustainability and profits?

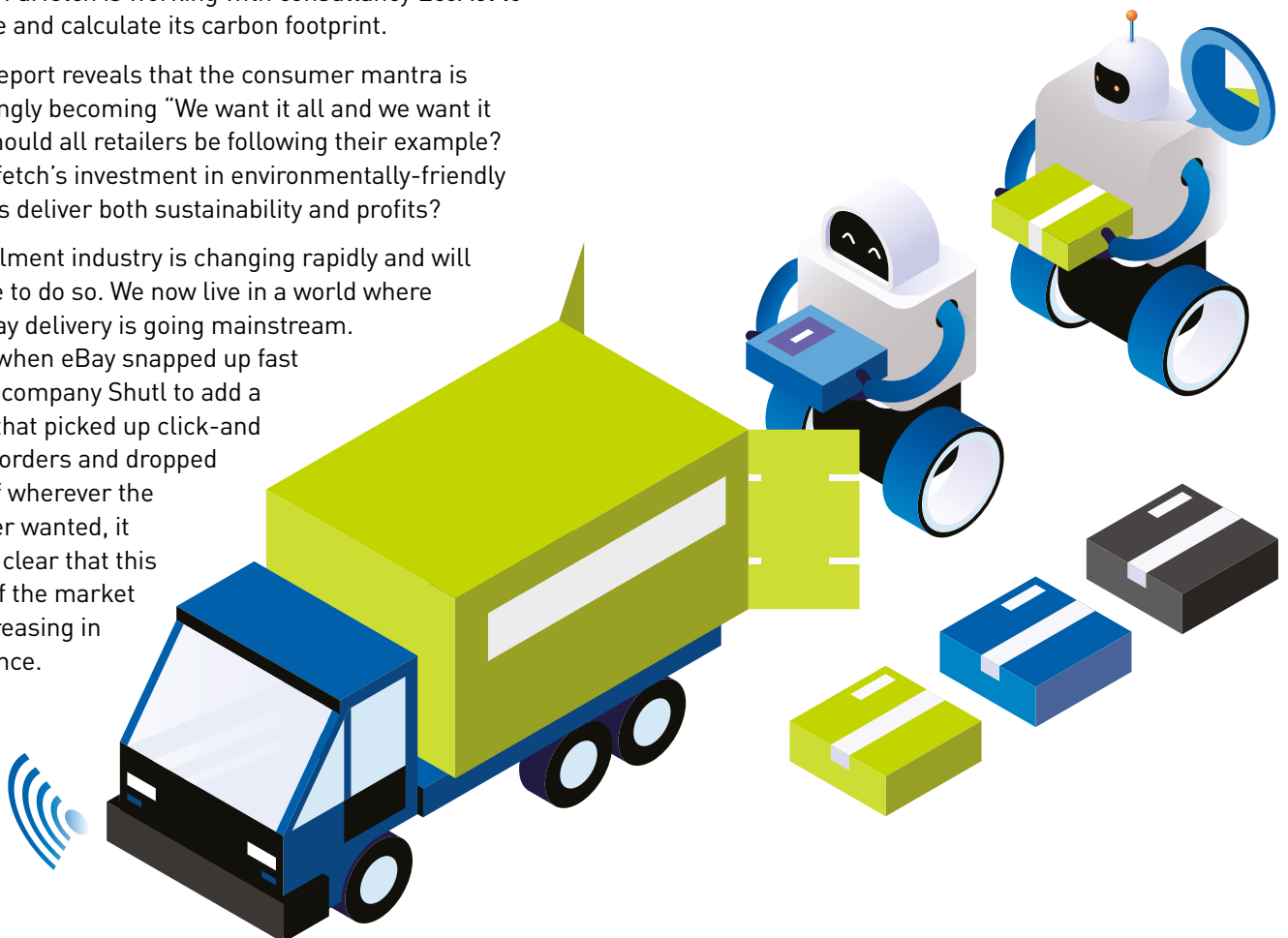
The fulfilment industry is changing rapidly and will continue to do so. We now live in a world where same-day delivery is going mainstream. In 2013 when eBay snapped up fast delivery company Shute to add a service that picked up click-and-collect orders and dropped them off wherever the customer wanted, it became clear that this sector of the market was increasing in importance.

Once customers have become accustomed to an elevated level of service, particularly from big name retailers across a wide range of products, that becomes the accepted norm for them.

Having relied on the regular deliveries during lockdown, customers now want more, more, more - demand is for faster delivery, shorter wait times, and the ability to have a wider array of purchased items delivered where and when they want them.

This is the reality facing retailers. Fulfilment is now the lever being used to exert pressure on retailer behaviour. In the future of fulfilment, control is key. Retailers will need to become more agile than ever before to keep and grow their share of the market.

HAVING RELIED ON THE REGULAR DELIVERIES DURING LOCKDOWN, CUSTOMERS NOW WANT MORE, MORE, MORE



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ABOUT RETAIL ECONOMICS

Retail Economics is an independent economics research consultancy focused on the UK consumer and retail industry. Its service provides unbiased research, consultancy and analysis on the key economic and social drivers behind the UK retail sector, helping to inform critical business decisions and provide a competitive edge through deeper insights.

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ABOUT PENNINGTONS MANCHES COOPER

Penningtons Manches Cooper LLP is a leading UK and international law firm which provides high quality legal advice tailored to both businesses and individuals. With 140 partners and over 850 people, we are acknowledged as a dynamic and forward-thinking practice which combines comprehensive legal services with a responsive and flexible approach.

Our multi-disciplinary team of fashion and luxury brands sector specialists, many of whom have worked in the industry or been seconded to retail businesses, provide corporate, IP, commercial, employment, real estate and immigration advice.

This solid base of experience and connection with the retail sector means that we can advise you at every point of your operation – from acquiring or funding your business and protecting your trade marks and brand to recruiting and managing staff from store to board room, online retailing, overseeing your property portfolio and product safety issues.

**Previous reports in the Understanding and
Influencing the Customer Journey for Fashion
series include:**

[Stage 1: Awareness and Research](#)

[Stage 2: Purchase](#)





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