

Customer perceptions about delivery methods of online supermarket retailing

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Over the last years, we have witnessed a steady growth of online supermarket retailing, which has put pressure on last mile logistics optimization. Online supermarket retailers face the challenge of maintaining high customer service levels through alternative delivery methods, while controlling costs. At the same time, the online customer becomes all the more demanding and places special attention on delivery options and customer service.

In this context, the ELTRUN e-Business Research Center (<http://www.eltrun.gr>) of Athens University of Economics & Business conducted a consumer survey, supported by the [U-TURN](#) European research project. The objective of the study was to capture online consumer preferences for alternative delivery methods and assess attitude towards new delivery methods, such as Click&Collect. The study was conducted via an online questionnaire and respondents were invited to participate through banners that were placed on popular e-supermarket web sites and other online stores. The results rely on the responses of 443 consumers, as presented in the following sections.

Online supermarket customers VS online buyers

Survey results reveal the rather low level of supermarket purchases online compared to other online stores. More specifically, 95% of the survey participants have placed an order online at least once (Figure 1), of which 56% declare to have ordered from an online grocery store (Figure 2).

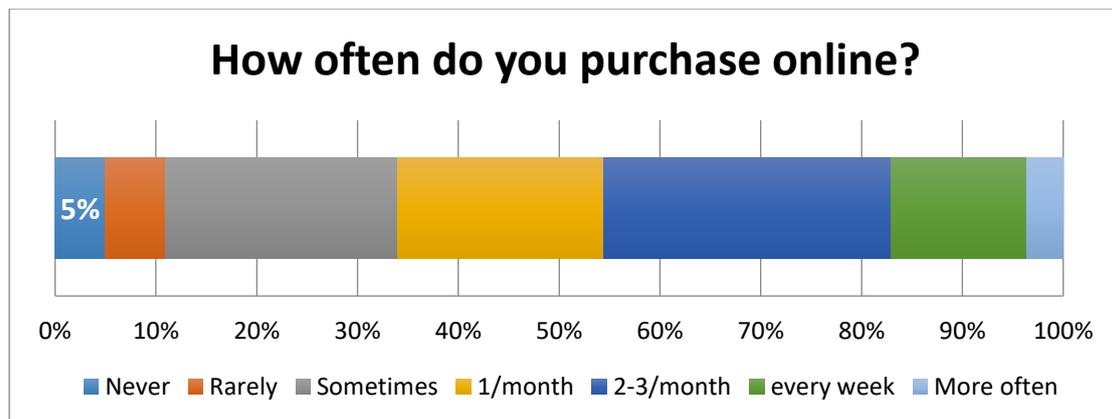


Figure 1- (N=443)

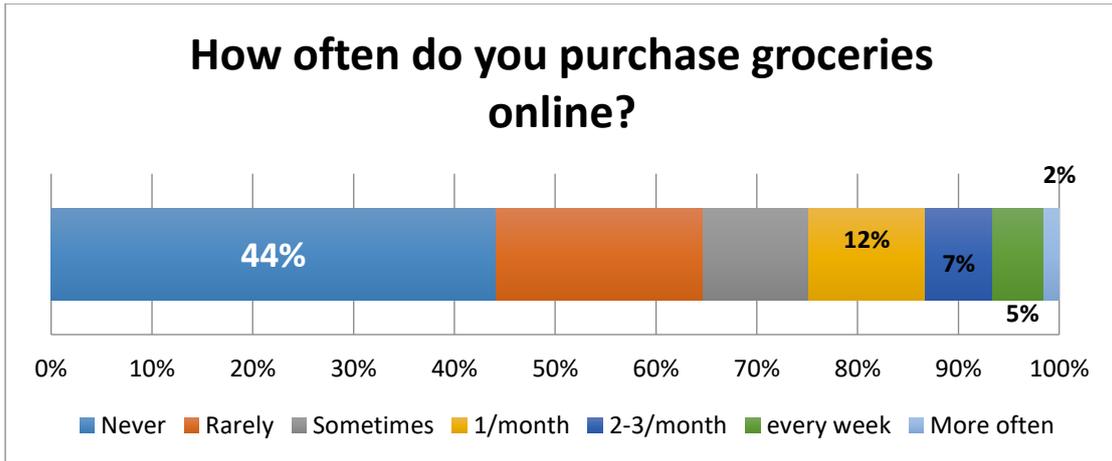


Figure 2- (N=390)

Reason for buying online and preferred delivery method

What is the main reason that leads consumers to buy online grocery products? Half of the online supermarket buyers declared that they order groceries online in order to exploit special discount offers (Figure 3). About one third of them (37%) have ordered online to satisfy their needs for a special occasion and about the same (38%) for their weekly grocery needs. Concerning the delivery method, most of the respondents have chosen home delivery (83%).

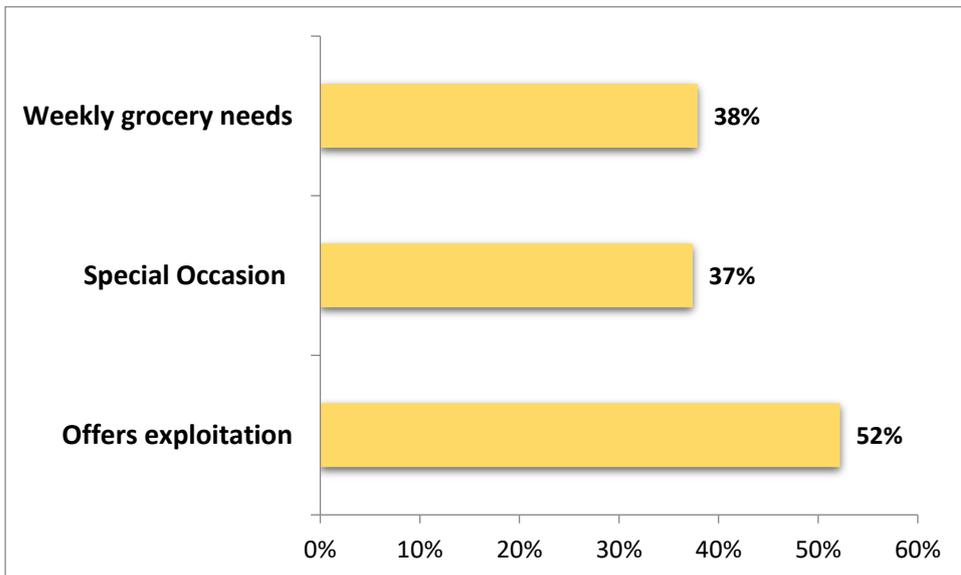


Figure 3- (N=203)

Satisfaction with delivery

When assessing how satisfied consumers have been with the product delivery, respondents declare a high degree of satisfaction as far as the content of the delivery is concerned as well as the packaging and the date of the delivery. However, they consider return policies not to be reasonable and they are not happy with order tracking (Figure 4). This refers to their online delivery experience overall and not just to online supermarket shopping.

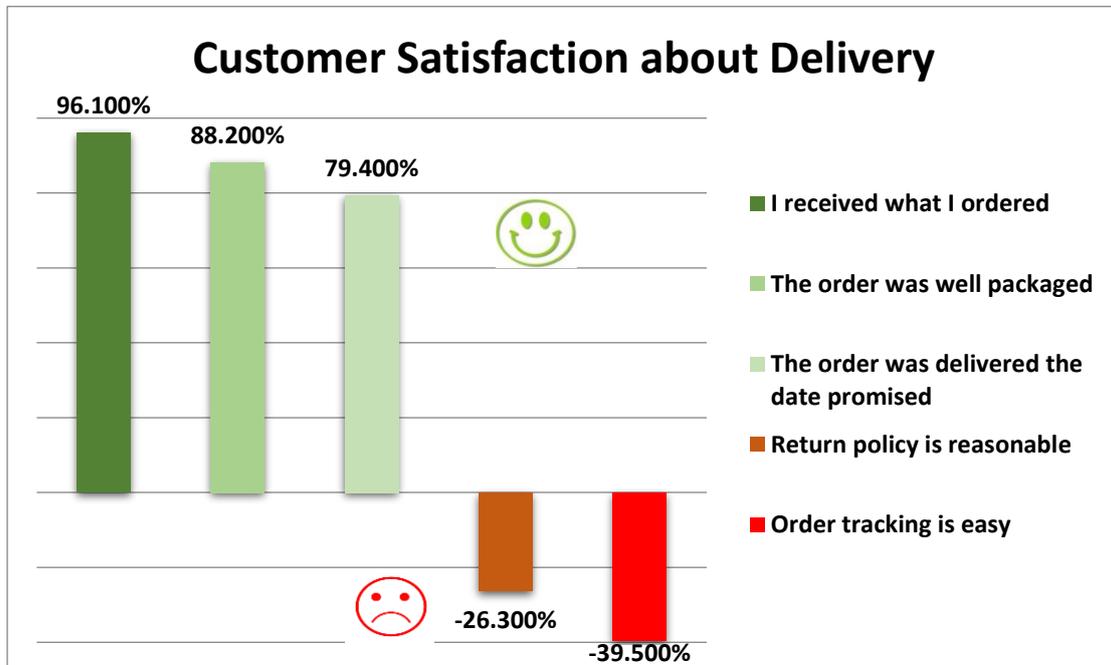


Figure 4- (N=402)

Acceptability of the Click&Collect service

In search of new alternative delivery methods and consumers' intention to use them, the survey focused on the Click&Collect service. Click&Collect allows customers to pick their order from a predefined spot that may not necessarily be the retail store. The vast majority of respondents (71%) declared that they would use such a service but they wouldn't like to pay for it (Figure 5).

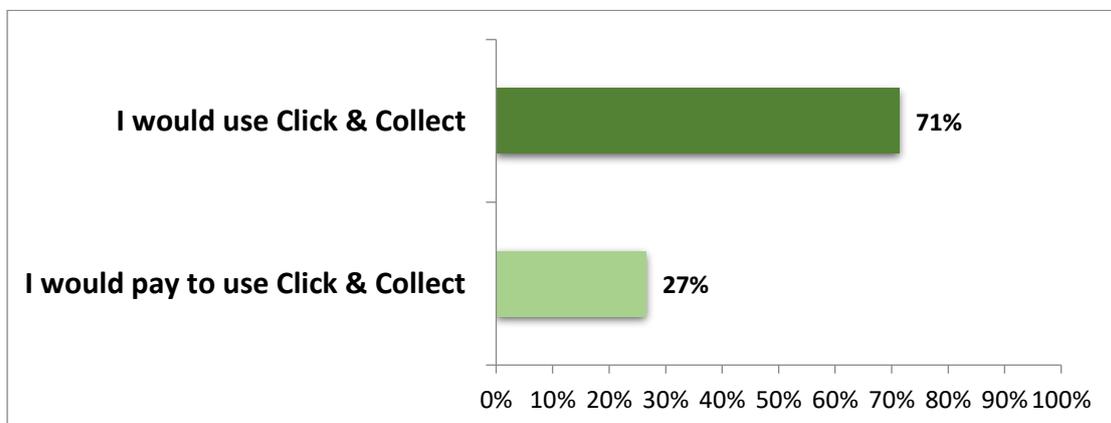


Figure 5- (N=390)

Time Window and delivery cost

Correct and on-time order delivery gets much more complicated in the online grocery market. In this survey, we have focused on two essential parameters that shape delivery conditions and have attempted to evaluate their importance according to consumer perceptions.

The first parameter concerns the delivery or picking time window. The time window sets the time frame (usually 2-3 hours, e.g. 15:00-18:00) during which the order is said to be delivered. For home delivery, as the time window gets narrower, delivery conditions become stricter and more costly for the e-retailer. On the other hand, consumers prefer narrow time windows in order to “book” as few hours as possible during their everyday life waiting for their order to be delivered.

The second parameter refers to delivery charges associated either to home delivery or to Click&Collect services. Delivery cost is the biggest expense of online grocery stores and quite often delivery charges do not cover the full cost of home delivery.

Free delivery is often used as a purchase motivation tool by most of the online retailers, at least for orders that exceed a specified minimum charge, a fact that makes the gap between the delivery charge and the actual cost much bigger. There is a significant negative effect on delivery cost in cases where the time window is narrow e.g. 1 hour. On the other hand, the option of picking-up an online supermarket order from a pick-up point other than the retailer’s store faces very different challenges compared to any other online store category. Grocery products should be kept in specific cool/dry environment conditions according to their specifications. This additional requirement incurs a cost that increases with the time the order remains in a pick-up point. Part of this cost might be charged to the final consumer. The main question is how attractive the aforementioned scenario could be for the potential customer?

In order to investigate this question, we examined six different scenarios concerning delivery conditions that differ in the delivery method, the size of the time-window, and the delivery charges. Respondents were asked to rank these scenarios (Figure 6) according to their preference, assuming that they were making a weekly order online. The option that was ranked first by 36% of the respondents was to collect the order from a Click&Collect point which was closer to them than the retail store, with a pre-defined pick-up time window of one hour and a free-of-charge delivery. The second choice (ranked first by 25.8% of the respondents) was home delivery with a time window of three hours and a charge of 2 euros.

Partitioning responses in two groups, on the basis of their first ranking choice, and observing the ranking of the remaining choices, it appears that two clusters emerge: one which includes customers who base their decision on cost grounds and the other including customers that base their decision on convenience grounds.

25,8%



 -  **3 hours**
time window -  **2€**

 -  **1 hour**
time window -  **5€**

36,1%



 -  **1 hour**
time window -  **Free**

 -  **3 hours**
time window -  **5€**

 -  **1 hour**
time window -  **Free**

 -  **3 hours**
time window -  **2€**

Figure 1- Choice Experiment

The final choice is also shaped by a combination of external factors. Customer’s income, feelings about traveling to the collection point, perceptions about value of time, environmental beliefs and car ownership are some of the possible factors that may affect the final choice of delivery method. The dynamics of these influences are examined in the next stage of analysis, which is under development. The main purpose of this research is to investigate acceptability of different delivery methods in e-commerce and the respective willingness of customers to pay for them. This will be mutually beneficial to both the companies and the customers, who will be able to make their choices according to their preferences and particular characteristics of a market.