

Home delivery in india and its untapped potential marketing essay



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Introduction

Home delivery refers to deliveries of goods to the customers' homes (or another location of the customers' choice such as workplaces) rather than customers having to collect the goods in-person from a physical point of sale. In home delivery operations, therefore, the physical distribution of the goods from the point of purchase to the customer needs to be organized and carried out by the seller or specialized delivery companies rather than by the customer.

While delivery can be tough on some profit margins, operators are finding that offering home delivery service can address both their appetite for sales and the consumer's hunger for convenience. Delivery of good is an integral part of the customer's experience. Ultimately the quality and value of the service will play a role in differentiating between those who succeed and those who fail. One more important factor in India is that no one wants to pay for home delivery services, these services are always expected by consumers as " free"

Home deliveries are a big logistical challenge, they are a lot more expensive if deliveries are made for small orders, both economically and time wise. In a world where fuel prices fluctuates enormously, and consumers demand more and more value from each penny that they spend, home delivery needs to evolve from where it presently is. Home delivery service is also considered as the ' last mile logistics'. The business units involved in managing a home delivery service is very similar to a logistics service like transportation, product handling, manpower management, routing and scheduling. Home

delivery services although playing a very important role in customer experience, has never been identified as a major vertical that should be given special emphasis and therefore evolvement of home deliver services in negligible over past many years in India. If we leave aside some examples in food category and retail category, no major investment has been made to build up home delivery models in India, which could be much more efficient and add value to customer life.

There are no fixed standards established on which home delivery service could be measured. There have been few attempts even by the best players in retailing to set a benchmark for home delivery. Every business is doing what they can do best according to their means and resources available. Rarely would you find retailers/shopkeepers having dedicated staff or infrastructure for home delivery. It is done by the normal staff when they are free from their routine work.

Outside India, home delivery model has evolved; now customers have a choice between morning and afternoon for delivery, the delivery routes are assembled, edited and printed 12 hours before the vehicles left the centre. Customers can also pay an additional fee for a delivery within a two- or four hour slot. Slotting or giving the specialized service on some cost reduces the pressure on scale dependence for optimal utilization of home delivery fleet and manpower.

B) Industry context

Recently, number of companies have realized the importance of offering home delivery services and subsequently invested heavily in home delivery

channel of service. One of the latest example is of McDonald's which recently launched its free home delivery services called McDelivery to further increase its penetration in India.

Bigger players in food industry have deployed Information technology to speed up their processes like Interactive Voice Response (IVR) systems which have options for placing the order, tracking the order status, lodging the complaints and knowing the promotional offers. They run call centres to manage the flood of orders. Although, these services come with a cost, they also provide opportunity to service more customers. Some food chains like Domino's earn more from home delivery than in-person visits of the customers. That is why, probably, home delivery has become a necessity for a fast food chain to penetrate in a market.

On the other hand, although, online shopping has become big in India, it has been successful to create sales only in certain sectors like books, gifts, electronic etc. With the launch of 24-hours shopping channels like Home shop18 and Star CJ live, people are getting into the habit of buying without actually feeling and touching the product. In both these cases, Online and TV shopping, home delivery is the channel used to make products reach to consumers. In certain special case scenarios, the industry has adapted the home delivery model completely to cater to certain section of customers like jewellery and saree shopping.

Home delivery service is currently provided in food category by players like Domino's, Pizza hut, big restaurants etc. In retail sector, home delivery

services are provided by players present in consumer durables, furniture and big retail shops (like Apna bazaar, rajmandir etc.).

C) Literature Review

Key words: Home Delivery, cost structure, sectors,

The literature review yielded a number of articles and books that have dealt with what goes with home delivery operations, impact on customer relationship, and how a retailer may standardize its practices. Delivery can be defined as “ how well the product or service is delivered to the consumer”. Delivery is the final link in the chain of the total Logistics function; that is, it is the point where the logistic function finally meets the customer. The focus is on efficiency and effectiveness and it includes fleet routing, deciding on timing and locations of delivery, scheduling and vehicle planning, etc

Peter Drucker comments distribution as the ‘ last Dark Continent’ for businesses yet to be conquered. It is inconceivable in today’s world for a firm to operate without the aid of transportation. Transportation is one of the most essential and a major sub-function of logistics that creates time and place utility in goods. The backbone of the entire supply chain is the transportation management which makes it possible to achieve the well known seven R’s- the right product at the right place, at the right time, in the right quantity and the right condition, for the right customer at the right cost. According to Dr. T. A. S. Vijayaraghavan, Professor, Information Systems & Operations Management Area Coordinator, Center for Logistics and Transportation Management XLRI, Jamshedpur, India presently has one of

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the largest road networks in the world (with over 2.9 million km). The rate of growth in road traffic has been steady 10 percent since 1951 and could have gone higher had there been a penetrative and larger road network in country. In the book "FedEx Delivers", Madan Birla discloses that FedEx had started home delivery services in an internet boom era. After the bust company has still relied on the system developed and it has given appropriate returns. FedEx Home Delivery service connects its customers to every residential address in the U. S. What makes this service special is its residential-only delivery network, the flexibility to customize delivery to suit your recipient, and a money-back-guarantee. Indian retail market is highly unorganized and so is the transport industry, there has been almost no data regarding this 'last mile' business. One of the most important factors which affect last mile logistics is surface transportation.

The fulfilment process for direct consumer orders can be characterized as consisting of three stages (Campbell and Savelsbergh 2005; Delaney-Klinger, Boyer, and Frohlich 2003): (1) order taking, (2) order fulfilment and (3) order delivery. All the 3 stages are critical to providing excellent customer service at a cost the customer is willing to pay. The focus of our study will be on the final stage - Order Delivery. The delivery of the final product to the customer's door is logistically difficult and challenging due to a number of factors. It is also potentially very expensive (according to a study in USA, costs for a single delivery of groceries run anywhere between \$10-\$20/order according to Boyer, Frohlich, and Hult 2004). We need to find the costs structures that are prevalent in India and how affordable it is to provide home delivery service in India.

Ping (1993) has defined retailing effectiveness as the degree to which business activities add value to the products and the manner in which they are sold to customers for their personal and family use. Experience is an important factor that differentiates an effective retail outlet from the run-of-the-mill ones (Berry, 2001). Marketers have increasingly started realising the fact that the purchasing power of customers, consumer preferences, latent need fulfilment, and convenient buying are the most important reasons for improving the retailing effectiveness (Kreager, 2000). Of all these reasons, it is experienced to be the 'convenient buying' that demands a unique approach in retailing (Saji, 2002). Elaborating on 'convenient buying', the term refers to the ultimate objective that the retailers should strive for; ensuring that every customer enjoys the benefits that the retailer is able to provide to the best of his/her ability with respect to the target segment. The objective here is to make all products and services available so that the customer is not found wanting at any given point. Home delivery of goods further adds to the consumer's experience of convenient buying.

Research on home delivery strategies is increasing, but most of the initial work has focused primarily on comparing the profits from very different service models rather than optimization in the design or performance of a single model. Punakivi (2000) studies the trade-off between the use of fixed routes and the use of optimally sequencing the deliveries on routes as soon as all deliveries are known. Yrjölä (2001) compares different strategies for picking the orders but also suggests values to use in evaluating the performance of an online grocer. Lin and Mahmassani (2002) summarize the delivery policies for many online grocers in the United States and use

vehicle-routing software to evaluate the impact of some of these policies on a few realistic instances of the problem. A great deal of research has examined a need for collaboration between marketing and logistics professionals (Ellinger, Keller, and Hansen 2006; Flint and Mentzer 2000), in this case, challenge is to balance marketing's desire for short delivery windows that are attractive to customers against logistics' desire for longer delivery windows which are more flexible and provide more efficient routes. This study will focus on finding best route optimization technique in Indian scenario. As of now, there is no particular technique being employed by Indian retailers.

Customers buy more from the outlets which not only gives them better service but also which customizes its service for them. Some of the critical factors affecting the home delivery service operations: Traffic congestion; Distribution infrastructure and technology

This study will identify the overall scenario of home delivery service market in India. Since home delivery is logistics of last mile there is need to identify existing issues of distribution of products. The study will approach various sources for enumerating relevant practices, challenges, and improvements in sphere of distribution.

The study by Jha(2006) in his dissertation on " Home delivery service - in occurrence with the Indian retail boom" touched upon home delivery aspects for the following retailers - Big Bazaar, Sales India, Style Spa and Pizza Hut. However, the number of retailers covered was very less and local retailers were not covered at all. In this study we will look into the adoption of home

delivery model by local retailers as well as changes executed by the bigger players in their model. This study also intends to look into the consumer perception about home delivery model from two different perspective of consumers - offline (brick and mortar model) and online (e-commerce). By bringing goods to the customer's door, home delivery can be seen as the ultimate and most convincing value-added service for consumers. With the trends that indicate an increase in e-commerce and TV shopping in India, home delivery services are set to grow exponentially.

Specifically to India, modern retail had entered India at a huge magnitude around 2005; it posed a serious threat to existence of local kirana stores also called mom-and-pop stores. By now, we all know that these local kirana stores have survived successfully, clearing the doubts over their existence. It will be very interesting to look at the importance of home delivery service by local retailers as a point of differentiation and its effectiveness for consumers which helped these stores to survive. The study will also look at the emerging sectors where home delivery could make a difference to the lives of people. Banking and Healthcare can have huge applications for home delivery model.

D) Methodology

Research problem: To understand home delivery model in India, its impact and potential applications in new sectors

Research objectives

To find out the cost structures and affordability of providing home delivery services in India

To understand the consumer perception about home delivery and value associated with it

To study home delivery model as alternate channel of retailing

To estimate the value home delivery model can add if extended to new sectors

Information Areas

Sectors where home delivery is currently being provided - Restaurants and eating outlets (Pizza chains like Domino's, Pizza Hut etc.), local retail shops, durable shops (heavy electronics stores, furniture etc.)

Current distribution network and operational structure for home delivery model

Calculating the efficiency of presently followed system of home delivery

Reasons for preferring home delivery as a marketing tool over other marketing tools available

Change in the perception of home delivery when the term ' Free' is added to home delivery, also, finding potential of paid home delivery services

New sectors where home delivery could be implemented - Healthcare, Ticketing, Banking, Apparel, etc

Emergence of home delivery model as another channel of retailing and its impact on the retailer's business

Efficiency of presently followed model and scope of improvement

Standards presently followed in Indian scenario and what should be the benchmarks

Importance of home delivery in other format of retailing like online and TV shopping, where home delivery as used as an integral part

Research Design

The research objective as outlined above clearly indicates the need for a qualitative as well as quantitative research design as research objective demands description of consumer perception about home delivery. In addition qualitative research will be required to estimate the cost structures of such services and value addition provided by such service if extended to new sectors like healthcare and banking.

Further, to use or provide home delivery as a service is more of an individual decision, both from a consumer perspective as well as service provider (shop owner, restaurant etc) perspective. Therefore depth interview will be a suitable tool to measure the above. Therefore Churchill 1979 methodology is used.

Secondary Research

Initially, we will conduct a secondary research to understand the home delivery sector, competitor analysis, challenges faced by the sector, how home delivery services are communicated to external world. It will also act as homework for primary research.

Primary research

Our primary research design will be two-fold because some of our information areas are psychological and subconscious in nature that would require qualitative research and other information areas are numerical in nature and would require a statistically significant number of responses to be valid.

Qualitative (using Depth Interviews to measure)

To delve deeper into the reasons behind consumer preferences for opting for home delivery services

Feelings and emotions towards home delivery services

Attitude towards usefulness of home delivery services

To define a base for quantitative research that will follow

Quantitative (using Questionnaire to measure)

Usage patterns

Preferences and rankings

To confirm and substantiate the findings from qualitative research on a larger scale

Depth Interviews will be conducted for

Consumer

Retailer

Questionnaire will be conducted for

Consumer

Data Collection method

The data collection tool will be questionnaire and personal interview. The data collected through questionnaire will be processed by using software tools like SPSS. The data collected through personal interviews will be content analyzed and research findings will be mined for consumer insights.

Sample details

Our discussion above has clearly suggested the target group for this research will be young to middle aged customers who are aged between 15 to 45 year old as various previous researches have demonstrated that they are the primary users of home delivery services.

We will not like to research customers of 14 years and below because the decisions are guided more by the family (specifically parents') choice than their own. Further their behaviour in general and consumption behaviour in particular is still at the stage of development and therefore will require a study which is focussed on only this age group. We will conduct our research in a Tier-1 and a Tier-2 city where home delivery services are used more. We have selected Delhi as our Tier-1 city while Ahmedabad as our Tier-2 city. We will keep our research restricted to Ahmedabad and Delhi only because of logistical and financial constraints.

Selection of sample

Selection of respondents will be convenience based depending upon two factors: family stage of the respondent (single, married, with kids) and the occupation of the respondent. In the first category of respondent aged 15 to 22 year, respondents will be mostly students who are single and dependent on parents for money. In the second category of respondent aged 23 to 35 year, respondents will be mostly employed, not dependent on parents and may or may not be married. In the third category of respondent aged 36 to 45 year, respondents will be independent and having their own families with kids.

Many companies that have started providing home delivery services have found that direct delivery poses an enormous logistical challenge. Players are struggling to create direct delivery strategies that are profitable and can satisfy customer expectations.

Cost of a home delivery majorly depends upon 2 independent factors -

Customer density

This factor is expected to correlate negatively with costs; i. e., delivery in areas which have higher customer density should be less expensive

Delivery window size

This is also expected to correlate negatively with costs; i. e., longer customer windows to delivery timings correspond with lower delivery costs. In other words, a delivery to be made immediately in 30 minutes will cost more than a delivery to be made in 2 hour time period.

Hence there is a trade off between effective customer centric fast home delivery system and a cost efficient home delivery system. Every retailer can adjust between these two extreme positions and find a fit according to the environment they are located into and audience they are catering to.

If we see the trend from past few years, particularly in developed countries like USA, shopping-related driving has been growing at a very fast rate. A phenomenal improvement in the fuel economy of cars is getting eclipsed by more miles travelled on the road. The tremendous growth of big retailers, including Wal-Mart, Target, and Home Depot, over the last 15 years has been mirrored by an equally dramatic rise in how many miles people travel running errands. During the period 1990 and 2001 (the most recent year for which the U. S. Department of Transportation has data), the number of miles that the average American household drove each year for shopping in particular, grew by more than 40 percent. As concern for the environment has grown over the past, politicians and activists have suggested that home delivery solutions might offer a way to reduce travel distances. Punakivi and Saranen (2001) have suggested that grouped deliveries could be much more efficient from a travel distance/mile perspective compared to situation when consumers drive to the store by themselves

In case retailer is getting decent number of orders from customers on a daily basis, they keep permanent staff for home delivery services. Home delivery is majorly done through cheap mode of transport like bicycles and rickshaws which are owned by the shopkeepers. The staff that delivers the orders is not dedicated only for home delivery, generally they are employees who apart from working in the shop also deliver products in their free time. There are <https://assignbuster.com/home-delivery-in-india-and-its-untapped-potential-marketing-essay/>

time limits within which the products are delivered. This method is cheaper when compared to outsourcing. Outsourcing is mostly done when the number of orders is less and keeping a dedicated staff or maintaining delivery vehicles is not financially viable. A deal is done with the local courier delivery service provider, who delivers the products in 2-3 days.

New sectors holding potential of Home delivery Services

Conclusion and Suggestions for future research

From the observations in this research, it could be inferred that for home delivery in a small area, it is advantageous to have large number of smaller vehicles rather than having smaller number of larger vehicles. First option increases the ability to satisfy desired delivery windows with maximum utilization of carrying capacity. This is also helpful when there are several high-demand time periods, e. g., early evening.

We have assumed fixed and assured orders for home delivery services, One of the primary challenges faced by companies is their need to forecast demand and accordingly commit delivery personnel prior to scheduling deliveries. Future research should look at forecasting the demand and how to manage the fluctuations in demand. Demand also fluctuates widely by the day and time.

In addition to delivery between the retail store and consumer, there is another major logistical component, picking and grouping of the orders at the Distribution Centre or retail store prior to delivery. This is a very important factor determining overall delivery efficiency and should be looked at in future research.

Another interesting area will be the study of new software that are being developed to find out the ways a new request for an order delivery fits in with earlier scheduled deliveries and assigned a cost for accepting or denying that delivery request. Research on such dynamic and real time allocation approaches will be very beneficial in helping consumer direct delivery companies to improve their efficiency.