ROADIE

YOU VS. AMAZON:

How Retailers Can Compete with Nationwide, Same-Day Delivery

A whitepaper on leveraging crowdsourced delivery to improve the customer experience with greater speed and optionality.

PRESENTED BY ROADIE, INC.

EXECUTIVE SUMMARY

In today's hyper-competitive retail environment, store closures and retail bankruptcies have reached record highs, while cart abandonment rates continue to climb. At the same time, Amazon continues to grow and gain market share, due in no small part to its commitment to low-cost, expedited shipping. The e-commerce giant has gone so far as to make one-day shipping table stakes.

Increasing consumer demand for same- and next-day delivery is putting retailers under enormous strain at a time when margins are razor-thin and labor shortages are already taking a toll. Meeting this demand is complex; there's no one-size-fits-all solution among existing delivery models. Traditional parcel shippers and trucking companies offer national coverage, but can't address the urgent needs of today's on-demand economy. Local couriers can help address urgency for retailers willing to accept higher costs, but add more complexity and reduce control over the customer experience. At the same time, many retailers are finding that the emerging field of alternative service providers such as Deliv and DoorDash are merely tech-enabled couriers with strict geographic footprints, narrow size restrictions, and a limited ability to flex when demand peaks.

Top performing retailers are learning that to take on Amazon, they need to offer a full menu of options, especially when it comes to delivery choices. To build better customer experiences and increase retention, companies need to reliably deliver orders when buyers want them delivered. This is accomplished by leveraging multiple delivery models and creating a reliable set of options that includes urgent, same-day, next-day, and more.

Crowdsourced, on-the-way delivery is well-suited to augment an existing logistics infrastructure to offer high-quality urgent, same-day, and scheduled delivery support for items of all sizes. By tapping into a non-commercial vehicle network, this model dynamically adds capacity without additional investment in expensive asset infrastructure, making it possible to enhance the delivery experience and ultimately improve the customer experience.

WHAT THE AMAZON EFFECT MEANS FOR RETAILERS

We want our things.

Amazon has made it pretty easy to find said things and have them delivered straight to our door. The e-commerce giant, now accounting for 45% of online sales, has altered consumer standards for excellent retail experiences.[1] It's no longer enough to offer products consumers want. Retailers must put products people want into their hands at exactly the moment they want them.

Consider this: more than half of consumers will switch to a competitor if the competitor can deliver the item when needed.[2] With Amazon's low-cost one- and two-day shipping, the company uses delivery as a differentiator to capture market share, resulting in retailers losing out on sales.

Surging consumer demand for same-day and urgent delivery is forcing retailers to think beyond the constraints and high fixed costs of traditional delivery networks to successfully offer this capability. Traditional services, built for efficiency, aren't flexible enough to handle the challenges of same-day at scale. Think of a typical delivery service provider, such as the U.S. Postal Service, whose retail ground shipping takes two to eight business days to arrive. Overnight services from providers such as UPS and FedEx allow retailers to offer a faster alternative, but the high per unit pricing makes the service cost-prohibitive. Conventional shipping networks just don't cut it for the optionality that consumers need.

"Limiting shipping choice to traditional shipping options such as 'standard' and 'express' will result in higher cart abandonment," said Carl Hartmann, Co-Founder and CEO of Temando, an e-commerce fulfillment software firm. "Retailers are struggling to find the right model for same-day shipping that makes sense for their business."[3]
But even matching Amazon's one-day shipping promise isn't enough. Consumers want more than same-day, next-day, or scheduled deliveries – they want the freedom to choose. There's no one-size-fits-all solution. Capgemini

found that 73% of consumers think receiving a delivery in a convenient time slot is more important than receiving it quickly.[4] Sometimes they're willing to pay for something to be delivered in a few hours, and sometimes they'd rather save money and receive it in a few weeks.

To effectively offer consumers the delivery options they demand, retailers can't afford to stick to conventional delivery. As more consumers flock to the most convenient competitor, the cost of doing nothing is a loss of sales, competitiveness, and customer satisfaction. Retailers have to do something to meet demand for standard and expedited delivery.

Creating their own delivery infrastructure likely isn't the answer. Doing so comes with a high price tag:

- **Fixed-asset costs**
  For a large and fluctuating fleet, retailers would need to spend millions on infrastructure and headcount. Despite added fleet costs, retailers could still find themselves at limited capacity during peak seasons.

- **Ongoing maintenance**
  Owning their own delivery fleet gives retailers complete control, but the added responsibility means pouring money and resources into maintaining vehicles.

- **Operational complexity**
  Between stores, warehouses, and fulfillment centers, retailers already have enough assets to maintain. Scaling same-day delivery in-house means tremendous operational effort across the supply chain.

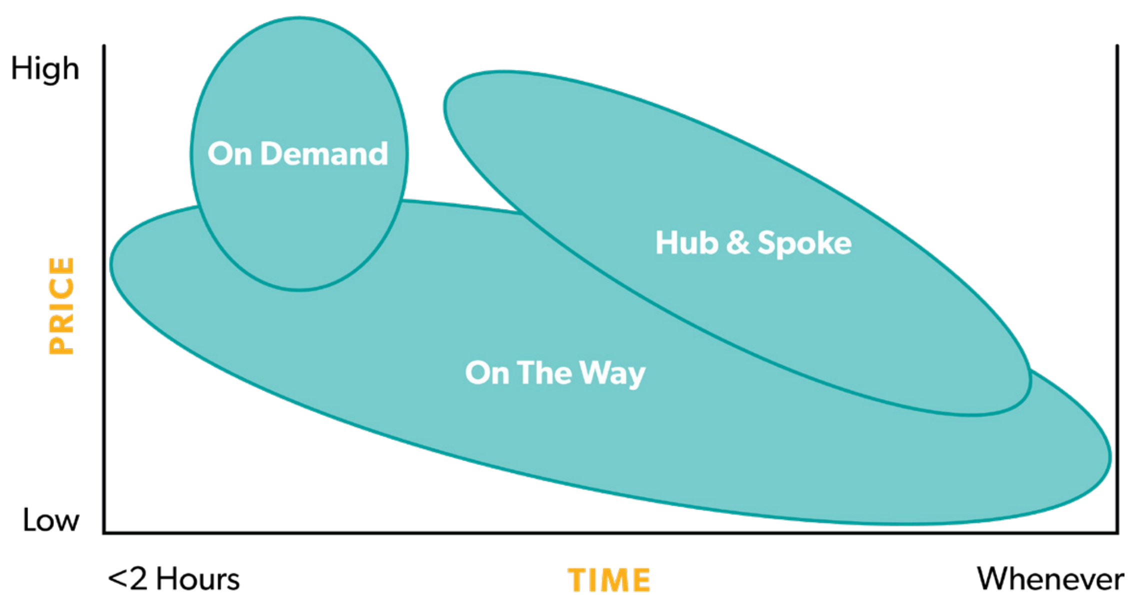
Compounding the pressure are razor-thin retail margins and the deep pockets of Amazon. Of course, near-term profitably is less of a concern for Amazon than most other retailers. The retail giant racked up $27.8 billion in shipping costs last year, a staggering 28% increase from the prior year.[5]

Few retailers can replicate that model, nor should they. So where to begin?

THE PATH TO DELIVERY OPTIONALITY

Creating a differentiated delivery offering means leveraging the right delivery model for each and every order. Like most things in life, everything boils down to a question of time vs. money.

The Price-Time Continuum



Delivery services fall into three types, each having its own strengths:

HUB & SPOKE

Traditional parcel networks and courier services that make scheduled pickups and drop offs.

- **Strength:**
  Large-scale logistics for orders that fit neatly in boxes and don't require precise delivery windows.
- **Limitation:**
  No flexibility to accommodate items that aren't easily packed; difficult to adjust truck schedules for quick and urgent deliveries.
- **Typical Use Case:**
  A warehouse picks and packs clothes orders and schedules deliveries for within 2-3 days.

ON-DEMAND

Crowdsourced and tech-enabled couriers that allow you to summon drivers for one-off deliveries.

- **Strength:**
  Urgent orders that customers will pay anything to have delivered within a few hours.
- **Limitation:**
  Strict geographic areas and size restrictions.
- **Typical Use Case:**
  A neighborhood restaurant prepares an online order for chicken noodle soup and requests immediate delivery so a sick customer doesn't have to leave her home.

ON-THE-WAY

A network of drivers already located at, or heading to and from, critical logistics locations.

- **Strength:**
  Reliably delivering at scale for orders where time is most important OR where cost is most important.
- **Limitation:**
  Sources drivers using their personal vehicles, limiting options for vehicle sizes to cars, trucks, or vans.
- **Typical Use Case:**
  A local hardware store fulfills an online order for a contractor and requests delivery before workers leave for the day. The marginal cost of sending the order with someone already at the store and heading towards the worksite is lower than summoning a driver.
- **Another Use Case:**
  A home furniture store schedules a mattress delivery for one week away. The store avoids the dim-weight and oversized item fees charged by parcel networks, and doesn't have to worry about filling up a courier's box truck.

By leveraging unused capacity already going that way, the on-the-way model provides a faster, more cost-effective, and more scalable solution for urgent or same-day deliveries and oversized items.

Retailers must consider how to leverage all delivery service models to ensure that customers can always get an order delivered at the right time and price.

CAN RETAILERS REALLY RELY ON CROWDSOURCED MODELS?

Many innovative retailers are aggressively exploring on-demand and on-the-way delivery models, which include both crowdsourced delivery companies and tech-enabled couriers. In fact, Sequoia, Kleiner Perkins, and other venture capital firms poured $9 billion into on-demand and alternative delivery services in the past decade, according to data from Reuters.

Crowdsourced delivery companies have experienced tremendous growth. Major on-demand players such as Postmates have expanded reach as they prepare for an upcoming IPO, and Roadie, the first on-the-way delivery service, recently secured a $37 million investment in partnership with The Home Depot.[6] Roadie's previous investment rounds have included partners such as the UPS Strategic Enterprise Fund, demonstrating that even big logistics players are taking the crowdsourced model seriously.

Nearly 90% of retail logistics executives plan to use crowdsourced delivery within the decade.

At the same time, adoption of the crowdsourced model is growing. Crowdsourced delivery is one of the fastest growing segments of the sharing economy, which is estimated to grow more than 20X and reach $335 billion by 2025, according to the Brookings Institution.[7] In fact, nearly 90 percent of retail logistics executives say that they'll be using crowdsourced delivery within the decade. The opportunity is staggering, and retailers are just getting started.

However, some delivery startups are facing challenges in meeting the needs of national retailers. "Most [delivery] start-ups are present in only a few metropolitan areas – sometimes with limited density, especially in the suburbs and far from nationwide coverage," reports the 2018 McKinsey study on urban mobility. "And even leading players in the US, such as Instacart for groceries or Deliv for non-food deliveries, currently cover only 60 percent or less of the top 25 metropolitan areas in the country."[8]

"We're going to continue to see more crowdsourcing and collaborative activities, and better technology to support it," said Tim Brown, Managing Director of the Georgia Tech Supply Chain & Logistics Institute. "Amazon put the spike in the ground, and now smaller companies are starting to do more collaborative activities."

Choosing to partner with a crowdsourced platform to solve the need for urgent, same-day, and scheduled deliveries comes down to finding a company that makes it easy to launch, easy to scale, and easy to manage a national delivery network.

SCALE AND FLEX NATIONWIDE WITH ON-THE-WAY DELIVERY

The new generation of crowdsourced delivery is evolving beyond on-call drivers and towards community-based workforces — using existing resources to enable greater speed and efficiency across the supply chain. On-the-way delivery providers such as Roadie tap into employees, customers, and local drivers already in close proximity to stores and warehouses.

Because this model taps into latent capacity already on the road, it creates a flexible, scalable fleet that acts as a just-in-time delivery infrastructure. The result is a faster, more efficient, variable-cost solution compared to traditional asset-based systems.

For retailers, the on-the-way model gives them more control to exceed customer expectations, close more sales, and protect their bottom line – without having to give up branding and customer relationships to third-party providers.

- **Scale to any market nationwide**
  By tapping into existing resources – employees, customers, and other drivers in close proximity to stores and DCs – the on-the-way model enables retailers to quickly and easily scale across markets. Not just in NFL cities, but also in smaller towns nationwide. This existing resource stretches across city lines and zip codes, allowing retailers to service any customer by making local, regional, and long-haul deliveries.

- **Flex to meet peak demand**
  When online purchases increase seasonally or unexpectedly, asset-based delivery systems struggle to efficiently accommodate peak volume. Utilizing available unused capacity, a crowdsourced model adds delivery resources in real time and frees retailers from the costs and constraints of legacy shipping networks that must carry costs for assets whether they are fully utilized or not. As delivery volume goes up, the number of active drivers delivering within a crowdsourced system goes up as well, while delivery times and costs remain the same.

- **Support for oversized items**
  Customers aren't only requesting next- and same-day delivery for small stuff that fits in the front seat of their car. In fact, they're requesting delivery for huge items and bulk orders as well. Whether they are purchasing a sectional sofa or a smart TV, many consumers without large vehicles need home delivery for huge orders. As a result, retailers suddenly find themselves with a size problem. With a crowdsourced fleet, retailers utilize vehicles ranging from hatchbacks to cargo vans for one-off deliveries, rather than relying on LTL trucks.

MAJOR BRANDS PUT UNDERUTILIZED ASSETS TO WORK WITH ON-THE-WAY

The concept of utilization — once a logistics term for maximizing available cargo space inside a hub-and-spoke delivery system — is expanding to include maximum utilization of all retail assets.

To meet growing competition, retailers are now looking to harness legacy infrastructure and existing assets in new, creative ways.The e-commerce boom, coupled with record-setting demand for express delivery, has forced retailers to meet the unprecedented challenge of extending their supply chains locally — into the towns and communities where customers live.

Amazon has taken a note from retailers in this arena. Through its partnership with Kohl's, Amazon repurposes unused retail space to create a local presence. The partnership handles Amazon online returns while doing double-duty as a hyper-local fulfillment center – and recently expanded to all Kohl's stores in the U.S.[9] Amazon is also rushing to increase its warehouse capacity, going so far as to construct tents in expansion markets where it has been unable to secure permanent facilities.[10]

Harnessing existing assets doesn't only include the physical footprint. Legacy retailers are finding smarter and more efficient ways to leverage human resources already within their local communities. In this emerging model, everyone from cashiers and co-workers to customers can help create a better, faster, and cheaper omnichannel supply chain.

But will real people actually engage with on-the-way delivery offerings? Over the past two years, Walmart has experimented with utilizing store employees who want to earn extra cash by making deliveries on their way home from work, and research shows customers are willing to get in on it, too. One study found that 55% of consumers are willing to deliver products to neighbors in their vicinity.[11]

"Success with experiments such as these only encourage more retailers to make on-the-way service offerings commonplace within a handful of years," said Dr. Paul Dittmann, Executive Director of the Global Supply Chain Institute at the University of Tennessee.

"The savviest retailers are the ones who are testing right now," Dittman says. "Because these retailers will quickly gain best practice insights on customers, they'll see a significant advantage over their competitors."

"Crowdsourcing is brilliant," Dittman said. "You're using existing space in stores [for fulfillment] and crowdsourcing to deliver. It brings the cost down so it's more viable and affordable."

RETAILERS BOOST SALES, BRAND LOYALTY WITH ON-THE-WAY

It seems consumer appetite for delivery has become almost as personal as taste in spaghetti sauce. Some prefer in-store pick up, while others think next-day delivery isn't fast enough. The race to win last-mile delivery isn't just about speed; it's about giving customers a full menu of delivery options to fit their preferences at the point of purchase, each and every time.

To meet the range of customer preferences, retailers have become more focused on addressing out-of-stock SKUs, extending order cut-off times, and meeting delivery demands. Operationally, that includes having product available to both fulfill online and in store traffic, as well as having enough resultant delivery capacity to make sure it all gets where it needs to go on time.

On-the-way provides just-in-time infrastructure, so retailers can handle volume spikes more dynamically than asset-based models.

Because on-the-way delivery provides a just-in-time infrastructure, retailers can flex to handle spikes in volume in a dynamic, ad-hoc way that's significantly less resource-intensive than asset-based models.

The model immediately gives retailers the available capacity and delivery resources needed to handle one-to-one orders, regardless whether deliveries were scheduled or requested at checkout. For customers, that means experiencing true same-day delivery rather than scheduled next-day shipping or limited time block options.

"On-the-way delivery helps retailers differentiate themselves in a cost-effective way," said Marc Gorlin, Founder and CEO of Roadie. "Not only can it contribute to the bottom line by driving more sales and improving customer satisfaction — it can actually reward customers for coming into retail stores in the first place."

For The Home Depot, delivering a superior customer experience remains the first priority. In today's competitive retail environment, America's largest home improvement chain knows well that express delivery is a game-changer. To serve a diverse base of DIYers and home improvement pros, the size of its delivery fleet matters just as much as speed. In 2018, the retailer partnered with Roadie to offer express delivery on everything from paint to pressure-washers in 35 markets nationwide.

As Home Depot EVP Mark Holifield said, "This is just the beginning of our expansion of improved delivery options, but it's a significant milestone in the way we're serving customers."

For other retailers such as Walmart, reducing friction in the purchasing process is key to offering better experiences for customers. After finding initial success with its popular Online Grocery Delivery, the company announced earlier this year the addition of four delivery companies to its team to expand the service. Point Pickup, Skipcart, AxleHire, and Roadie will help power Walmart's Online Grocery Delivery in metro areas across four states, with further expansion planned.

"Customers love our Grocery Delivery service. As they are busy managing jobs, soccer practice, dance lessons, and social schedules, we are on a mission to do more than keep a little extra money in their pockets," said Tom Ward, senior vice president of Digital Operations, Walmart U.S. "With the help of these new delivery partners, we're making grocery shopping even easier by bringing the everyday low prices of Walmart right to the front door of customers."

Retailers aren't the only ones benefiting from on-the-way delivery. Delta Air Lines partners with Roadie to deliver delayed bags from more than 70 airports nationwide, including Atlanta, San Francisco, Orlando, Philadelphia, and other airports large and small. Delta says it has seen a significant decline in delivery times and dramatic improvement in customer satisfaction scores.

“Working with a startup like Roadie gives Delta the flexibility to try new and creative ways to solve customer pain points,” said Gil West, Delta’s Chief Operating Officer. “The response from customers and employees has been overwhelmingly positive. We knew we were on to something when we saw delivery times drop by around 65 percent compared to traditional delivery services, and baggage service customer satisfaction scores jump dramatically.”

TAKING ON AMAZON WITH COMPETITIVE DELIVERY OPTIONS

For retailers, the bottom line is this: consumers want what they want, when they want it. The maturation of e-commerce has ushered in an era of personalization at scale and growing customer demand for convenient, flexible shopping experiences. Next-day and same-day delivery sit at the center, where Amazon has combined the immediacy of in-store product availability with the convenience of online shopping.

For retailers determined to stay competitive, on-the-way delivery comes at just the right time to add optionality while avoiding the challenges of building out owned asset networks or expanding service with traditional parcel networks.

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ABOUT ROADIE

Roadie is the first “on-the-way” delivery service that puts unused capacity in passenger vehicles to work by connecting senders with drivers who are already going that way. Roadie works with top retailers, airlines, and grocers to provide them with a faster, more efficient, and more scalable solution for same-day and last-mile deliveries nationwide. With over 120,000 verified drivers, Roadie makes it possible for companies to ramp up service in new markets in weeks and to quickly scale up by adding employees, customers, and other nearby drivers to the platform. The company has delivered to more than 11,000 cities nationwide — a larger footprint than Amazon Prime.

Roadie is backed by Warren Stephens of Stephens Inc.; the UPS Strategic Enterprise Fund; Eric Schmidt’s TomorrowVentures; David Bonderman, founder of TPG Capital; Guggenheim Partners’ Executive Chairman Alan Schwartz; Square Co-founder Jim McKelvey; the Mellon Group; Tom Noonan, the former CEO of ISS and Joulex; and H. Barton Asset Management, among others. To learn more, visit roadie.com.

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