

Submission to the Productivity Commission Inquiry into the Economic Structure and Performance of the Australian Retail Industry

Supporting innovative solutions to the problem of unsuccessful delivery of online purchases

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Summary

Whilst online purchasing attracts consumers for a wide variety of reasons, one of the issues faced by consumers in the process of online shopping is receiving their purchases via current parcel delivery options. Quite often, purchases are too large to fit in an average size mailbox, yet consumers are increasingly not at home to receive their delivery, resulting in unsuccessful deliveries.

This submission outlines some of the drivers behind this growing issue, its negative consequences for consumers and other parties and also policy recommendations to assist in resolving this issue through innovative solutions.

Drivers behind the increasing problem of unsuccessful parcel delivery

As highlighted in the draft Productivity Commission Report, online retail sales have grown significantly over recent years. This trend is projected to continue, with growth estimated between 10 and 15 per cent per annum. Whilst over 60% of adult Australian internet users have enjoyed various benefits from online shopping, including access to a much wider product range and competitive pricing, the "last mile" of the process is still riddled with frustration for many consumers.

Furthermore, over recent decades there have been changes in working patterns, such as longer working hours, as well as shifts in typical household structures, with more singles and working couples. There has also been an increase in medium and high-density living such as apartment blocks, where there are no suitable places to leave a parcel unattended. With more online shopping, these trends worsen the problem as consumers are increasingly not at home when parcel deliveries are attempted.

Based on initial primary research with some couriers, it is estimated that approximately 10-15% of all deliveries are unsuccessful on their first attempt.

This is compounded by the fact that there is often a disincentive to attempt delivery - it is potentially more efficient to leave a card in a mailbox and drop off items at the post office for collection by the consumer than it is to knock on each recipient's door, wait for them to answer and then sign for their parcel. Whilst it is not clear whether any formal research has been conducted in this area, anecdotal evidence from various popular online discussion forums shows significant consumer frustration with this particular issue.

Impacts of unsuccessful delivery attempts

The unsuccessful delivery problem has several negative effects, two of which are outlined below:

1. Frustration and lost productivity for the consumer as they need to make alternative arrangements to receive their parcel. For example, they may rearrange their schedule to visit the post office during their working hours or stay at home to receive the delivery.
2. Labour, transport and environmental costs in order to redeliver the parcel. These costs are sometimes passed back to the sender, or else are absorbed by the deliverer. However, these costs of inefficiency are ultimately borne by the consumer as they are eventually reflected in the price of parcel delivery. This problem is exacerbated in the case of express courier parcel deliveries, as most unsuccessful delivery attempts by couriers are taken back to central depots instead of the local post office. Given that there are only a small number of depots in each major city, this results in longer journeys for each redelivery attempt and even higher labour, transport and environmental costs.

Existing alternatives to overcome the unsuccessful delivery problem

There are existing alternatives, two of which are outlined below. However, each of these options has its drawbacks and limitations.

1. Post Office boxes – these must be rented for a long term, often at least 1 year, which does not suit occasional parcel recipients. Also, collection of parcels that do not fit within the rented box size is still limited to the opening hours of the post office, most of which are only on weekdays with some operating for limited weekend trade. Finally, some courier companies and retailers do not permit delivery to PO Box addresses.
2. Some consumers are able to send their parcels to their work address, however this is not available to all people due to workplace policy restrictions, unsuitability of certain workplace environments (such as construction sites or hospitals) and an increasingly mobile workforce who do not have a single office at which they are based.

Policy recommendation

In order to overcome the unsuccessful delivery problem and its negative consequences, it is recommended that the government encourage innovative solutions to this problem through grants and subsidies.

For example, ParcelPoint offers an alternative shipping address for parcel delivery. It allows consumers to have parcels sent to their nearest agent, such as a convenience store or newsagent, instead of their home or work address. These stores are open long hours, allowing consumers can then pick up their online purchases at a time that suits them. Given these enterprises are already incurring fixed overheads such as labour and rent costs, this additional service provides a greater utilisation of existing resources whilst providing a solution to the unsuccessful parcel delivery issue.

In addition to addressing the aforementioned issues of consumer frustration, lost productivity and the various costs associated with parcel redelivery, it is predicted that enabling such a change may also increase overall online retail spending, as consumers find the process of receiving their purchases much easier.