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Same Day Delivery Options and Factors to Consider for Future Demand

A Case Study for a Premium Fashion Brand in Stockholm

Master's thesis in Supply Chain Management

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Abstract

Superiority in logistics, distribution and inventory management are emerging as some of the most important success factors in today's omnichannel world. One observed development on this topic is that more and more retailers are seen to start offering same day delivery to customers. The focal company of this master thesis, a medium sized Swedish company producing high quality premium fashion, has certainly also seen this development and will investigate same day delivery options and its potential in a Pilot Project in the Stockholm region during the autumn of 2018. This thesis is in turn conducted in order to investigate how to approach and set up such an initiative and in order to do so, the purpose is to investigate *how a mid-sized company in the apparel industry can approach and design same day delivery distribution to customers in metropolitan areas*.

The thesis approaches the problem using an abductive research approach and is built upon four different research pillars: a comprehensive literature review, a survey with retailers, secondary data collections with data from the focal company and a far-reaching set of interviews with both industry professionals and academics.

In order to fulfil the purpose of the thesis it begins with a market analysis investigating the changes that has been happening into the field of e-commerce and e-commerce distribution. From this study it can be concluded that omnichannel strategies are crucial for every company in retail environment, that customer demands will continue to push the market towards faster and more convenient solutions for e-commerce distribution, that same day deliveries are likely to impact the industry to a very large degree and that the topic thus is of crucial importance for both companies and academics in the field. The research continues with presenting a strategy for The Company's same day initiative and does so by first investigating different storage solutions that can help solve the same day transportation dilemma. It is concluded that during the initial stage the initiative should be setup around store storage. This solution provides a combination of minimal investment costs, low risks and low response time. Likewise, the transportation service that should be used in conjunction with the storage setup is investigated. The recommendation here becomes to establish a partnership with a service provider that provides the customer centred service, has focusing on home deliveries during evening, and offer flexibility and dependability of the transportation service. The two providers investigated in this study that satisfy this are Best Transport and Budbee. Finally, the thesis also gives recommendation of a series of other omnichannel services that should be included by The Company in order to complete the holistic view and approach. Among these are return in store, drop shipment and click and collect

Keywords: Premium Fashion Retailer, E-commerce, Distribution, Same day.

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Gothenburg, 29 May 2018

Marcus Karnermo

Patrik Sturesson

Terminology

Brick-and-Mortar Retail

Refers to an actor that have physical presence and operate one or more company owned or leased retail stores.

Crowdsourcing

To utilize the potentially large resources of a large and unknown population, called the crowd, to perform tasks. Often combined into crowdsourcing transportation, meaning that private people already planning to do a delivery is asked to perform someone else's as well and receive a small profit (Joerss et.al., 2016).

Cut-off Time

The time at which the last order will have to be placed in order for it to still go on the next transportation in order to be delivered the same day.

Customer Touch Points

A touchpoint is any way in which a customer can interact with a company or business. Common example includes face-to-face, via a website or in any kind of communication.

E-commerce

The term for buying and selling products or services using the internet. E-commerce commonly utilizes connected mobile devices, computer or automated purchasing setups. According to Treese and Steward (2003) e-commerce is defined as: the use of the global Internet for purchase and sale of goods and services, including services and support after the sale.

Endless Aisle

A method that allows the customer to, via a digital interface in the store, shop products that are currently not available in the store. The products are then usually shipped and delivered to the customer or picked up in the store.

Electronic Data Interchange (EDI)

To transfer digital information in a structured manner using a predefined digital format. Often used between companies for for example things like stock levels and purchasing orders.

E-tailer

A retailer using e-commerce as the only channel.

Home Delivery	Delivery of goods to the customer's home instead of to a post agent or other option. Commonly also the most important part of last mile transportation.
Information and Communication Technologies (ICT)	Similar to information technology (IT) but puts extra emphasis on having unified communication setups and integration between actors.
Last Mile	Describes the transportation of goods or people the final part of the journey, in the case of products, usually from a consolidation hub to the customer's home (Agatz et al., 2007).
MTM - Made to Measure	A service offered by The Company, that lets the customer customize the products according to his or her specific tastes and needs. These products can thus not be kept in stock beforehand and also have their own separate supply chain.
Omnichannel	The ability for customers to shop and gain value from using various integrated online and offline commercial channels simultaneously (Bell et al., 2014).
Post Agent	A post office, a service station, a petrol station or some other location with convenient opening hours. Each post agent has an agreement with one or several transportation service providers.
Stockholm Region	The metropolitan area including and surrounding the Swedish capital, synonymous with the Stockholm County.
Third Party Logistics Provider (3PL)	A 3PL is an actor other than the customer and manufacturer, that is specialized in logistics services. Usually the manufacturer or retailer buys logistics services like storing, expediting and inventory management from this actor.

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1 Introduction

Back in 2004 Maltz et.al stated what many were already expecting, i.e. the key to a successful e-commerce initiative is not only the attractive platforms and perceived customer convenience, fundamental to success is also superiority in logistics, distribution and inventory management. According to Joerrs et al., (2016) these are fields that are still subject to a major disruption and especially last mile and parcel deliveries to customers' homes are getting a lot of attention from both investors and media. Large size, fast growth and a difficulty for already established actors to position themselves already represent sufficient grounds for studying the development of the last mile and the future of e-commerce distribution. However, last mile delivery is also facing disruption from upcoming business models that provide ever faster delivery and new distribution technologies (ibid). Simultaneously, a growing part of customers are demanding faster deliveries while at the same time remaining highly price sensitive. One development that have been observed in recent years is that more and more e-commerce actors have started to offer same day delivery options to customers and sometimes lowering the delivery time down to only one or two hours (Savelsbergh & Van Woensel, 2016; DHL, 2015; Netzer et al., 2017). The desire to offer these services is a result of a need to try to compete with regular brick-and-mortar stores and the instant delivery provided (Savelsbergh & Van Woensel, 2016).

The company subject for this thesis is a medium sized Swedish fashion retail company that is, like many others, very much affected by this change in business model and have seen the need to investigate how to benefit from similar initiatives in order to compete with other similar actors.

As a step towards this The Company will perform a pilot project during the autumn of 2018 to test and frame the future offerings to customers in a limited geographical area, in this case Stockholm. However, despite the initial limitation in geographical area, and the decrease in complexity that results, the main challenge still consists primarily in dealing with the complexity of the present retailing environment. The complexity originates from for example four different product shapes, eight sizes, and an almost unlimited array of different fabrics and styles in a series of collections. This along with different channels, relationships and actors in the supply chain. The big question is *how the company's products will be sold in the future and how companies should generate the best profit from this new ecosystem.*

1.1 Background

For more than 90 years The Company has produced premium quality products with style and fashion in mind. During these 90 years the company has built both the knowledge required to produce some of the best products in the segment and the reputation that goes along with it. Lately however, the competition has intensified and does no longer include only the best quality, trendy design and skilled shop staff. The actors today compete through a wide range of different sale channels, quick deliveries and innovative customer experiences. In order to thrive both retailers and manufacturer need to adapt to this new reality.

Furthermore, logistics is an important enabling feature of these new initiatives, and the success of the initiatives depends on how businesses adapt to ever evolving customer journeys (DHL, 2015) and that the new channels are integrated, coordinated and that the multichannel strategy reflects its presence (Weinberg, et al., 2007).

1.1.1 The Retailing Model

Lately a lot has happened in the way fashion apparel is sold and new concepts and ideas are presented by a wide range of companies. Technologies are brought into the stores to provide the customer a better service that, in the end, hopefully will also be translated into a bigger profit for the company. At the same time omnichannel strategies are spread and when the offline and online experiences are fully integrated the customers are changing between channels without even noticing the transition. Omnichannel is described simply as the possibility for customers to, in a satisfying way, instantaneously use various integrated online and offline channels (Bell et al., 2014), and this is an emerging change that is becoming fundamental in order to operate successfully in the retail environment of the future (Luo et al., 2016). One important challenge for most companies is to design a seamless solution for the customer experience and internal processes at the same time (Deloitte, 2017; Parise et al., 2016) and to deliver detailed information to consumers regarding their purchases without this resulting in any undesirable consequences on product fulfilment (Bell et al., 2015). For smaller companies it will be especially challenging to keep up with the bigger actors and exceedingly important to select which changes to proceed with and which once not to.

1.1.2 E-Commerce Distribution

Another important shift is in the field of e-commerce distribution. Last-mile deliveries are at the moment subject to both large attention from investors and media, and significant disruption. And rightfully so, according to many researchers (Joerss et al., 2016; Camhi, 2017; Fernie & Mckinnon, 2009). The drivers behind this shift is, without a question, the growth of e-commerce (ibid), reaching a magnificent 17 % in Sweden during the year 2017 (PostNord, 2018). Furthermore, the last mile's substantial part of delivery costs for parcels, a share that sometimes exceeds 50 %, makes the field an important business process to focus of in order to achieve cost reductions and competitive advantages (Joerss et al., 2016). Finally, further argument for the investigation of the field can be found in the competitive environment. The field of last mile delivery is facing fierce competition and disruption from new business models, for example in the form of actors that feed the customers' demands for even faster delivery and increased customer experience along the way.

1.1.3 Retail Ecosystem

It is emphasised time and time again that what will be crucial in the next generations retail environment is the interaction and integration between different actors, systems and channels that are contributing to getting the customer the product and experience demanded. Managing different sales channels, customer demands and partners in the systems with a holistic approach and as one common ecosystem is therefore what is preferable. Furthermore, in such an ecosystem extra focus should be put on the interaction, communication, interdependence and relationship between actors and channels.

1.2 Purpose

The purpose of this thesis is to investigate *how a mid-sized company in the apparel industry can approach and design same day delivery distribution to customers in metropolitan areas.*

The report aims to portrait the market developments, both historical and in a potential near future for the field of e-commerce distribution to consumers and to distinguish what possible methods there are for The Company to establish this setup in the Stockholm area. Furthermore, the objective is to create a frame of reference that can serve as a guideline for the company when choosing logistics setup for their last leg of distribution to the end customer and as a basis for the company's same day initiative going forward.

For the sake of simplicity these different aims can also be translated into research questions. These research questions are presented in order for the report to clearly fulfil its purpose and are formulated in such a way that when the research questions have been answered the purpose will have been fulfilled in an all-inclusive manner.

First of all, in order to understand the current and potential future developments in the area of e-commerce distribution the following question has been formulated.

1. What are the characteristics of the e-commerce distribution market to customers and what important developments are likely to be influential for the future?

Secondly, in order to guide The Company in the process of initiating a same day service to customers the second question will separate differentiate the methods that are viable for their current situation.

2. What possible methods are there for The Company when establishing a same day setup in the Stockholm region?

Last but not least, this thesis will also formulate a distinctive recommendation regarding what options should be chosen for the same day setup and The Company's e-commerce distributions, in order to initiate the pilot project in Stockholm during the second half of 2018.

3. How should The Company design the e-commerce distributions in association to the same day initiative in the initial stage and during the pilot project?

1.2.1 Problem Analysis

Same day delivery is an area of huge strategic relevance, and it's therefore motivated to investigate the potential in great detail. However, from the company's perspective, research, investigations and surveys focusing on the commercial potential is only beneficial to a certain degree. This is due to the facts that the field is relatively new to the market, that there is a large set of firm specific factors that are hard to account for and that a large majority of the customers still are not sufficiently familiar

with the service to be able to evaluate its actual benefits for them. Experimenting is therefore the more suitable method after a certain point.

From an academic point of view, the area of same day delivery becomes especially interesting when it involves the study of different methods to actually design the same day initiative and actual ways for the actors to collaborate in the ecosystem. This since the academic literature to some extent is lagging behind when it comes to these topics while it at the same time is a very hot topic in other research disciplines. Same day delivery and e-commerce distribution is for example commonly discussed in industrial research papers.

1.2.2 Problem Definition

In order to approach problem in the most structured manner possible the purpose of these thesis has been divided into several different sub purposes that aim to together fulfil the purpose in a holistic way. A graphical representation of the research structure can be seen in Figure 1. In the figure there is a strong connection between the intended result and the research questions. The intention is to break the purpose down to intended results which are broken down to cornerstones etc. The two middle cornerstones are for example a part of the intended result to evaluate different supply chain options.

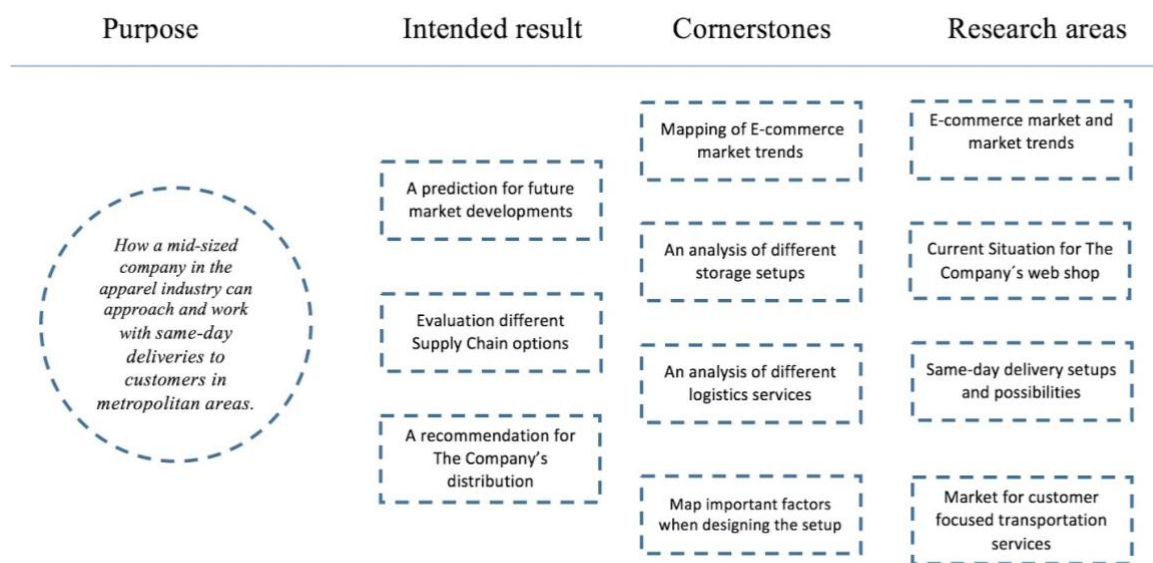


Figure 1: The purpose divided into different research areas.

1.3 Limitations

There are several factors that this thesis, and its results, will be limited by. The most significant factors are presented below:

- The study will be conducted, and the paper written in just over four months which makes time the most distinguished resource limitation. Without this limitation a bigger part of the main question could be considered, and a bigger number of cities studied.

- The conclusion of this study will be based on the unique case of The Company which brings a certain degree of limitations even though it will be bridged by literature studies and interviews with industry professionals.

1.4 Delimitations

In order to keep the study precise and to be in the right size for a master thesis, 30 credits (ECTS), some limitations constraining the scope has to be made.

- Conclusions from this thesis will only consider The Company, and how it should operate in the competitive environment of premium fashion apparel. This is simply due to the fact that The Company is the subject of the pilot project.
- The thesis will only cover distribution, logistics and storage and no other parts connected to a same day delivery initiative.
- Furthermore, the report only covers one city, Stockholm. This will result in an assumption that the product flow upstream is already functioning in a sufficient way. This limitation is made to keep focus towards the last mile and same day delivery.
- Another assumption is that the product base will look more or less similar in the future with approximately the same number of collections and different types of products in order to reduce the number of different possibilities. By this limitation the analysis will be more manageable and focus on the actual case.
- No analysis into details of storage, pick-and-pack nor a detailed route for the transportation will be made.

1.5 Thesis Outline

Chapter 1 – Introduction: The background to the thesis is presented and the actual problem is put into words and critically examined. After that some key areas and purpose for the research are presented along with limitations and delimitations for the thesis.

Chapter 2 – Company description: In order to bring further enlightenment to the problem presented in the introduction a complete company description will be presented in chapter two. Here both the company itself, its products and the environment around it will be explained.

Chapter 3 - Methodology: Here choices for the design of the research study will be justified at length. Also, the methods including interviews, structured observation, company data and literature study are presented.

Chapter 4 – Literature review: The findings for theory and academia will all be presented here, and different viewpoints will be but against each other. The topics are those most relevant in order to fulfil the thesis purpose and as many different viewpoints as possible are brought to light.

Chapter 5 – Empirical Findings: The findings from the many interviews are presented and put next to each other and the result from the survey will be shown. Furthermore, the structured observations critical for this master thesis are shown and their results indicated.

Chapter 6 – Analysis and Discussion: The analysis and discussion presented in this chapter is a direct result from the findings from previous two chapters. In terms of possible solutions to the research questions all the alternatives will be discussed thoroughly, and pros and cons will be investigated. The analysis and discussion will revisit the problem descriptions and discuss its relevance further.

Chapter 7 – Conclusion: The discussion from last chapter will be distilled down to a clear understanding of the same day delivery options that exist and which is the most suitable for The Company's situation. By doing so the aim to answer the research question *how a mid-sized company in the apparel industry can approach and design same day delivery distribution to customers in metropolitan areas* will be reached.

2 Company Description

The Company is a highly regarded player in the market for both high fashion and more standardised high-quality clothing. The company competes with many actors producing similar products in the same segment, but few competitors have the same focus on one specific type of product. Very few competitors do however have the same reputation for and association with quality. The Company is based in the outskirts of Sweden's unofficial “clothing city” Borås in the west part Sweden. The Company does however also have a smaller office in Stockholm. Despite The Company's roots being very locally grounded in Sweden, The Company is today present on 49 markets globally and can be found in some of the world's most exclusive stores. The Company operates thirteen of their own brand stores worldwide and six of these are located in Sweden.

2.1 The Product

The largest part of the product catalogue is built up on “base” clothing usually in one subtitle colour typically a common sight in all customers’ wardrobes. However, The Company also produces a large selection of products with more of a fashion character to them. These products are recognised by more vibrant colours and striking patterns or broidery. These products are more seasonal and are launched in collections four time per year. They are also produced in smaller volumes and are sold during a limited time. Common for both types of product is that they are produced with quality in mind and constructed to last for a long time. In order to fit the customer, the company offers a large selection of up 17 different sizes and 4 different fits along with a large selection of different features on the product. This result is a vast array of different combinations and SKUs. And if the desired product is nonetheless not available The Company also offers tailoring services under the acronym of MTM - Made to Measure. Apart from these two types of products the company also produces accessories and jewellery that are suitable in combination with the products described above. The Company do not intend to compete on price and in order to reflect the quality and premium character of the product the price is set to be high. The different products are also set to be priced very similarly to each other and as a result there is a 32 % price difference between the most and least costly products that are not accessories or jewellery. The products made using high quality fabrics that are bought from industry leading cloth manufacturers in Italy and the cloth are then manufactured into the final product in an external production facility located in Romania.

2.2 Distribution Channels

The Company has traditionally been focused on a well-established wholesaler business model selling products to multi brand retailers. Lately however, the company has changed its focus somewhat and does today also sell products through their own e-commerce webpage and at some locations also thought their own brand stores. In Sweden there is company owned outlet stores on two locations, where products from previous collections are sold with a 40 % discount.

Another important development in the distribution channel setup is the introduction of third party e-commerce websites. These websites could be owned by a retailer also using regular brick-and-mortar

stores, or by retailers operating only e-commerce channels. The share of total sales in monetary terms for each of the company's channels in rounded percentages for the fiscal year 2015 are shown in Figure 2.

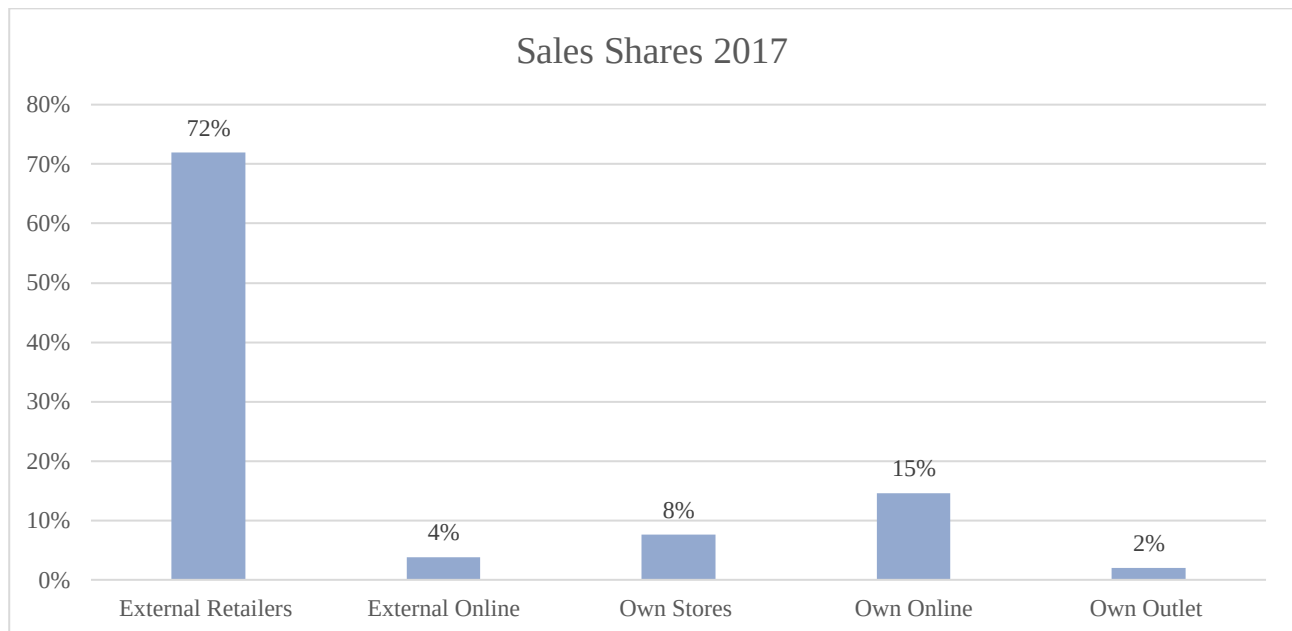


Figure 2: The share of The Company's sales from the different channels.

Not only the diversity of different types of channels proposes challenges for the company, the diversity between channels of similar type is also difficult to manage. This since the size, volume and business of the actors varies considerably. Some retailers for example operate one small shop selling not even 100 products per year while others are large multinational retail chains selling tens of thousands of The Company's products.

2.3 The Web Shop

On The Company's website customers are offered the possibility to purchase products online, this is what will be referred to the company owned e-commerce channel. The web shop was launched on its first market in mid 2013 and had a large success almost from the start. The web shop is today available from a large variety of countries including all of the EU, and Switzerland, Norway, USA, Canada, UAE, Australia, South Africa, Hong-Kong and India. Purchases can be made using 8 different currencies but apart from this the web shop is designed to look almost identical across the different regions. The web shop does, unlike other channels, offer access to the full range of products offered by the company, along with all the MTM services. The Company has also worked proactively to make sure that the prices are all the same and aligned across online and offline channels.

The web shop provides two different delivery options for Sweden; firstly, a standard delivery option where products are delivered to a pick-up point as close to the customer as possible. Secondly, office delivery, where products are delivered to the customer's office during regular work hours. Both

options are free of charge and offer delivery in Sweden within 1-3 business days from purchase. Because of the effectiveness of the service provided through the web shop the own retail stores sometimes uses this channel to order products to the store or for a customer that are unable to find the desired product in the store. This is done through an endless aisle solution based around a large customer centred touchpad in the store that communicates with the web shop in real-time and that is installed at several of the company owned points of sale. This is done despite the fact that a more conventional and cheaper route for the stores to place orders is available.

However, despite this there are many aspects of buying the products that cannot be experienced through the web shop. Firstly, these are so-called “non-digital attributes” common for most e-commerce channels (Bell et. al., 2015) and secondly the expertise, care and attention provided by the experienced professionals at the retail store.

2.4 The Internal Differences between E-commerce and Retailing

Traditionally e-commerce channels have very different attributes compared to other channels. While online channels benefit from inventory pooling and lower inventory costs, they struggle with large product catalogues and communicating the full product experience and customer support. Within the company there are also several distinctions between what is part of the e-commerce business and what is part of the more traditional retail sales channels. Reasons for this are likely to be a difficulty to integrate channels when introducing new once together with a very strong wholesale only heritage. One example of the distinction is that the company operate two different storages for the different channels, one for the web shop and one for the retail channels. Although the storages are one and the same physical units sharing and transferring products across the units are cumbersome. Furthermore, the different channels also have different profitability margins, with the e-commerce business being the most profitable.

2.5 The Company Surroundings and Environment

The Company operates in an industry that is very competitive. Both the industry itself, premium fashion, and the segment within it are characterized by many different suppliers of products. Despite this the company has few actors that mimics their business model closely. This is due to the fact that their competitive advantage is first and foremost superior quality and reputation which are both difficult to attain. In the retail fashion industry in general competition is also high resulting in high demand for store facilities in central areas, difficulty to stand out among many actors and pressure from foreign competitors supplying similar products but with different attributes and of different fashion. Since the company's goods are priced higher than most similar products, they also meet competition from less costly product segments. The introduction of e-commerce into the segment of channels has fuelled this competition further and there are now less barriers than ever for the customers to switch retailer. Moreover, there are now more and a larger diversity than ever of different actors and more sales opportunities than ever before and thus, a really struggle to be visible through as many channels as possible.

3 Methodology

Throughout this report some different methods will be used in order to, in a structured manner, find the optimal solution. The suggested methodology will here be presented to clarify the design of the master thesis. Throughout the whole process the purpose and problem definition have been adjusted and verified as the data collection and information at hand has changed and new interesting fields discovered. When the problem definition was defined in the planning report the data collection and literature research started and have been an ongoing part of the study all to the end. Finally, when the data have been obtained the next phase started, discussion and conclusion, where all the gathered data was analysed and summarized in order to draw a conclusion and fulfil the purpose of the report.

3.1 Research Approach

During this thesis both a qualitative and quantitative part have been used. The interviews and literature research contribute to the qualitative part, and the empirical studies along with surveys represent the quantitative part. A research approach has been used to collect all the data needed and further on a literature research have been conducted to bridge the gap to the academic domain. In order to be able to do the most effective data collection process possible the project try to, in accordance with what is argued by Bryman and Bell (2015), design the research method in a way that supports the future analysis in the best possible way beforehand.

3.2 Method Approach

The main part of the thesis will be based on qualitative data such as literature reviews, interviews, surveys and company specific information. When conducting a method based mainly on qualitative data it is of great importance to gather data and allow thoughts of individuals and subjective opinions. Vital to recognize is that a qualitative study is based on a limited number of sources and can contain both primary and secondary data according to Wallén (1996).

Quantitative research emphasises that the data is numerical and can be quantified both during the collection and analysis. This makes it easier to compare with other results and enable measurements of a phenomena. Qualitative research is data collected through interviews and observations or pieces of information gathered as non-numerical data (Easterby-Smith et. al., 2015). When the two approaches are compared they are suitable in different areas and in this thesis during different parts of the collection and analysis. Quantitative methods provide the researcher with more specific data and facilitates the possibility to easier compare different results and make the same test over again. On the other hand, qualitative research provides data with in-depth information regarding of what people are thinking and feeling. At the same time, it generates a large collection of data which makes it possible to adjust the data collection based on the findings (Bryman & Bell, 2015). A qualitative research method incorporates refocus and elaboration of purpose, collecting and analysing data, develop and modify theories, and deal with research quality. Throughout this study these activities have been operated simultaneously which is common during a qualitative research (Maxwell, 2008). Furthermore, Maxwell (2008) claims that a qualitative research should be open with regards to

flexibility and change regarding the output and purpose of the thesis. At the same time Yin (2013) argues that a qualitative research might seem unstructured, but it has to be less restrictive and have a broader design without the lack of research design.

According to Greener (2008) this way of using a combination of qualitative and quantitative research methods with an abductive reasoning is commonly used and becoming more and more popular amongst researchers in many fields. Furthermore, he also states that one of the most important motivations for this development is that this method enables triangulation. Triangulation refers to using different sources and methods to explore the same field of interest and is a method that therefore enhances the information found and makes it more credible.

3.2.1 Theoretical Framework

Established theories and models will be used to conduct structures for how fashion apparel should be distributed in cities. By collecting data from articles and other literature a combined theoretical framework will be created which will be the base of this project. Furthermore, the different theories, models and methods has been used to find a proper way to conduct our studies and especially how the benchmarking and interviews should be performed.

3.2.2 Practical Framework

The empirical study will be the ground for the practical framework and supported by interviews, observation and empirical research in order to create an understanding of the current market situation and the possibilities for the future one. By the understanding of the fashion industry and its characteristics a customized solution could be generated. Furthermore, the practical framework has been done to understand how the different solutions of last mile delivery and same day delivery works and narrow it down to the fashion industry and which solutions that would be most suitable.

3.3 Data Collection Primary Data

Perhaps the most important source for data and basis for analysis in this thesis is likely to be that of empirical research. Empirical research is based on data gained by experience, experiment observation. Since a large collection of relevant data is already collected by The Company along with other competitors and researcher and since this data will be relatively easily assessable a large part of this section of the thesis will be based on secondary analysis. Secondary analysis is the study of data collected by others than the researchers conducting the study (Bryman & Bell, 2015). In the event of the data turning out to be of poor quality, meaning incomplete, insufficient or substantially biased, primary data will also have to be collected for this thesis. The primary data has been collected through four different ways, semi-structured interviews with the company and experts within the area, benchmarking, structured observations and surveys with retailers. The benchmarking has been with the purpose to find different working solutions of same day delivery.

3.3.1 Semi-structured Interviews

Interviews have been an important way to obtain a large portion of the information and knowledge needed in order to conduct the research. This since it is an effective, and commonly used way of collecting primary data. Even though interview methods tend to be time consuming by nature they are at the same time very effective for gaining data that are more inaccessible in character, such as

first-hand knowledge, opinions and experiences (Bryman & Bell, 2015). The purpose of the interviews conducted in the frame of this thesis is to gain general knowledge about the industry that the company is present in, while at the same time acquiring in-depth understanding of the complexity, processes and market dynamics affecting the business. For this purpose, a qualitative semi-structured method will be used in all interview except one, with Erik Hedlund, which was unstructured. This since that interview was the first on and aimed to give an initial very broad sense of the company, sector, problem and ideas within the company. The semi-structured interview is, as the name suggest, a hybrid between a structured and unstructured approaches. The semi-structured interview is based on a predetermined series of questions or topics that are used as guidelines in order to lead the interview along the right path. This in order to give both the interviewer and interviewee the opportunity to elaborate on the questions and adapt the process accordingly (Bryman & Bell, 2015). This method is suitable because it provides interviewers a structured interview framework and guide while at the same time providing the possibility to modify and alter the questions asked depending on the competence of the interview object. Trost (2005) further describes how the semi-structured interviews gives the opportunity for follow up questions and generally result in a more personalized interview atmosphere.

3.3.2 Implementation of Interviews

All interviews started with an initial contact by phone or email where the potential interviewee was informed about the purpose of the thesis, the area this particular interview was going to touch upon and what information the interview was intended to contribute with. This in order to ensure the interviewee felt secure and could prepare and afterwards a time and place where agreed upon. In order to conduct a questionnaire and to receive as much information as possible the guidelines of Taylor, et al. (2015) was used. According to Taylor, et al. (2015) the protocol need to be established with the right questions in order to evoke the right stories and get insight in own experiences. The final questionnaire for each interview can be found in Appendix A. The interviews were all conducted face to face with the interviewee and the two authors, where one was leading the interview and the other taking valuable notes and came with follow up questions to prevent misunderstandings and misinterpretations. Furthermore, all interviews, except one where the interviewee did not agree, were recorded in order for the authors to be able to focus fully on the interviewee and to easier remember the content and information collected in the interviews. Afterwards the authors wrote all the vital information down from the records for easier use in the report. Last all the used material from the interviews were sent to each and every interviewee for them to comment if something where incorrect or misinterpreted.

A qualitative analysis was conducted, which means it was first read by its own and then compared with the other interviews, to discuss and compare the outcome of the interviews and this is according to Eriksson and Wiedersheim-Paul (2008) the only way to handle interviews and draw the most out of them as possible. Each interview notes were taken from the recordings and then the different topics discussed was summarized in the finding from interviews chapter without disclosing the whole interview. In the same chapter the opinions were put against each other and compared.

3.3.3 Interviewees

The interviews have been done with three different kind of persons and with three different purposes. Firstly, with persons from the company in order to gain knowledge of the business, secondly with

experts within the area of transportations, relationships to customers and omnichannels in order to get an insight into the market that is as holistic as possible, thirdly with persons working within the area of transportation and logistics in order to get actual insight about what solutions could be suitable for the company. The interviews with persons within the company can be found in Table 1.

Table 1: Interviewees from The Company

Interviewee	Current role	Date
Erik Hedlund	Strategy & Business Developer	2018-02-22
Martin Narvelo	Sales Manager	2018-03-16
Klas Morling	Store Manager	2018-03-15

And the interviews with the experts in the area of transportation can be found in Table 2.

Table 2: Interviewees from the academical world

Interviewee	Organization	Current role	Date
Kajsa Hultén	Chalmers University of Technology	Professor at the Division of Supply and Operations Management	2018-03-29
Dag Ericsson	University of Borås	Professor within logistics, supply chain management and business development	2018-03-06

Last the interviews with persons working in the field of transportation and logistics can be found in Table 3.

Table 3: Interviewees from companies within distribution

Interviewee	Company	Current role	Date
Julian Lee	Airmee	CEO and Founder	2018-03-12
Pär Svärdsson	Apotea	CEO and Founder	2018-03-27
Niklas Knight	Best Transport	CEO	2018-03-27
Tobias Åbonde	Bring	Nordic Director Home Delivery	2018-03-27
Fredrik Hamilton	Budbee	CEO and Founder	2018-03-13
Arne B. Andersson	PostNord	Nordic E-commerce Advisor	2018-04-11
Arvid Tuvlind	Ryska Posten	Customer Responsible	2018-03-13
Björn Hellman	Schenker	Revenue and Product Manager, Parcel	2018-04-05
Svante Lindgren	Ählens	Head of E-commerce Logistics	2018-03-12
Felix Berglund	Schenker	Business Development Manager, Storage	2018-04-25
Peter Heitala	EasyCom	Founder and Owner	2018-04-25
Carolina Norbäck	RNB Retail & Brand	Customer Responsible	2018-03-14
Åsa Szerszenski	PostNord	Sales Manager	2018-05-04

The interview process is dynamic in character and has been adapted and extended according to requirements. Furthermore, several interviews with some of the key roles is likely to be necessary in order to build both general understanding and in-depth knowledge.

3.3.4 Structured Observation

Another effective way of to gain first hand data and understanding of how things actually relate to one another, is to use structured observations. Structured observation is a research approach based on systematic observations of system that is of interest based upon a series of study categories (Bryman & Bell, 2015). The purpose of the rules is to inform the observers what they should be observant about and how they should record performance.

Compared with other methods, structured observations have the advantage that it allows behaviour to be observed directly, as opposed to for example using surveys, that only allows for behaviour to be interpreted in a secondary manner. In order for the structured observations to be trustworthy and usable it is important to make sure the study is designed to measure what should be investigated, that results and reporting is consistent over time and independent of observer, and that the observer does not affect the system on interest (Bryman & Bell, 2015). For this thesis two parts of structured observations have been performed. Firstly, in order to understand the retail environment surrounding The Company, the collaboration between the different retail actors and different offers from the different points of sale, a structured observation initiative in the line of mystery shopper was conducted. The aim was to get a general understanding of how the sales process works at the points of sale and more specifically the collaboration between different actors. The number of products offered by the stores were estimated and the store staff were asked about, for example, a product not existing in their assortment and to recommend a solution when a product were not available in the store. Secondly, in order to get a view of The Company's own retail store and the possibilities to integrate this store further a structured observation was conducted during a full day at the store. The day included a combination of observations about the facilities, the processes conducted there, evaluation of future potential related to omnichannel thinking and of getting to know and perform some of the tasks usually done by the store staff. Structured observations will be an important factor for this thesis since it is an efficient and reliable way to get a holistic view and understanding of the interactions between processes shaping the company's business.

3.3.5 Survey

A survey is used to understand a particular characteristic in a specific market by the use of a sample of members (Jansen, 2010), in this case retailers. The questions are standardized, and the data has been collected by asking the questions to representatives from the retailing companies in person by telephone. The method is inflexible and its important it's kept the same way through all calls and this requires questions that are unmistakable and distinct. The advantages with a survey is that its comparable and consistent, relatively cost-efficient, has less social impact and more available, but the disadvantages are normally lower response rate and an inflexible method. (Eriksson & Wiedersheim-Paul, 2008).

When conducting a survey, it is important to plan it properly beforehand in order to receive data which is analysable and usable. According to Wang (2014) there are several elements needed and basic components to the protocol for a survey, namely:

1. Identify the problem to be studied.
2. Review the literature related to the topic of interest.
3. Define the statement of the problem and the purpose of the study.
4. Select the population, sampling frame, and sample.
5. Choose instruments or develop and pilot test instruments
6. Gather data
 - a. Develop cover letter.
 - b. Determine data collection method. (mail, electronic, telephone, personal interviews, direct administration)
 - c. Handle non-respondents via follow-up procedures
7. Tabulate responses
8. Analyse results and present findings.

The aim of this survey is to investigate in and check the development among retailers towards an omnichannel ecosystem and their willingness to develop the offers around the product towards the customer with a focus on logistics. Through the investigation in the demand for same day delivery it might be misleading since it's something the retailer might not experience before, but it should give a good guideline. One should be aware of this since the retailing company can only imagine how it will become and therefore cannot know whether for example drop shipment will be appreciated or not. Furthermore, also in order to find out which channels the retailer use today and would like to see in the future. This is vital in order to understand the retailer's behaviour and how it works today with the advantages and disadvantages experienced by the retailer of today's system. By the understanding it is easier to change into something that work and will be experienced as a positive change. The different channels that will be investigated is normal in store shopping, shop in store receive products at home, buy online pick-up in store and buy online receive products at home or at the office. In this last channel a deeper study will be performed to check if home-delivery within a specific smaller time window or a pick-up point would be preferred. The questionnaire can be found in Appendix B. The population for this survey have been existing retailers of the company and a stratified random sample have been used to ensure proportional representation of the different sizes of the companies. A random sample of each stratum have been selected and there is an overrepresentation of micro companies among the retailers. 54 companies in total have been contacted by phone, to receive a higher response rate, and 16 have responded to the survey which is a response rate of 30 % due to the high amount of people not answering the phone. This is not statistically significant, but the responses collected are a spread between all different sizes of retailers and do give an indication of in which direction the market is changing and other thoughts of the existing retailers.

3.4 Data Collection Secondary Data

In this master thesis the secondary data process is a big part to complement the primary data collection with a literature research by which the researchers will gain deeper knowledge of the topic and be part of the baseline for making the following analysis. The literature research together with more secondary data in form of specific company information including their history, background and other

future plans will be conducted in order to make the right decision later on along with sales data of the previous year in the Stockholm area.

3.4.1 Literature Research

Within the area of literature research this report will touch upon a lot of different theories already existent and adapt these papers into a framework for this report. A literature research is conducted in order to increase the knowledge within same day delivery, last mile and omnichannel in a smaller ecosystem concentrated upon bigger cities in order to give a broader picture and generate an academic point of view to the result. When carrying out a research project the literature research is according to Bryman and Bell (2015) considered to be one of the most important tools. The literature research is primary done in order to gain knowledge and receive an insight in existing theories. The data used in the literature research have been collected from published articles, journals and books with a high record of reliability and websites that are considered trustworthy. The secondary data will therefore contribute with credibility to this report and provide it with trust.

In the literature research there are several different areas that have been touched upon such as omnichannel strategies, last mile, fashion, e-commerce and the customers experience with the brand itself. The objective has been to collect data for how to set up a distribution system and ecosystem to work efficient in a big city region and in accordance to their boundaries. In this report the literature research has both a theoretical and practical framework. This due to that the purpose of the theoretical framework is to be used as an analytic tool and the practical framework investigate different markets and how it works within the fashion industry.

3.4.2 Company Information

In order to make a correct analysis and draw the right conclusions for this specific case of The Company it is necessary to collect and gather information about the company situation (Bryman & Bell, 2015). This in form of general information about the size of the company, the market they are within, their competitors and the background of the company, including how their distribution channel do look like today and what options will be feasible. Further on, information about future plans for the company in other areas will be looked into in order for The Company to work united and not interfere or create a conflict between different wills.

3.4.3 Sales Data

Information about The Company's sales data within the Stockholm region will be collected and analysed. The data will be from both the sales from own stores and retailers within the area as well as all the e-commerce sales in the region. A lot of information about the different channels can be gathered in this way, for example about which products are more or less popular and thin in turn in order to analyse which product should be sold through with channel together with which services. Another part of the sales data will be about where the customer geographically is located and from the e-commerce data it is possible to see where the customer lives and what kind of products he or she buys all the way down to SKU-level.

3.5 Research Quality

To be critical to the source is important in order to keep a high level of accuracy and quality throughout the report. There are different factors to be aware of when evaluating a source's credibility, for example if the article is frequently cited, from a trustworthy journal, brings the latest views or is contributing different perspectives. Another part to pay attention to is the contemporary requirements, tendency criticism, dependency criticism and authenticity before the source is trustworthy (Ericsson and Wiedersheim-Paul, 2008).

In order to support the different sources, the empirical research and interviews will help to build a combined understanding which, if pointing in the same direction, gives the conclusion more strength.

Credibility

Credibility is about how trustworthy and believable the findings in the research are. In order to ensure credibility there are two different ways that are used in this thesis. According to Bryman and Bell (2015) credibility is ensured through respondent validation and triangulation which are the major ways used. Respondent validation is used during interviews by repeating the interviewee's response to ensure it is understood correctly. Furthermore, during the benchmarking studies the results were summarized and sent back to the respondents to ensure it was correct with room for correction and feedback. Triangulation refers to using different sources and methods to explore the same field of interest and is a method that therefore enhances the information found and makes it more credible (Greener, 2008). It entails different methods and sources of data to be used in the collection phase (Bryman & Bell, 2015). Throughout the whole thesis this method to ensure credibility has been used with different methods in terms of interviews, benchmarking, structured observations and surveys together with literature and internal information to ensure credibility through triangulation. Moreover, to examine the time of publication, application area and intended targeted audience is vital in order to make sure the information is still valid, what the intentions of the researcher is, and that the information is accurate (Wallén, 1996).

Transferability

Transferability concerns that the research can and does contribute to other organizations and surroundings than the specific company investigated (Bryman & Bell, 2015). Through benchmarking with the purpose to find different working solutions of same day delivery transferability is ensured. The thesis can be applied on other companies in similar size who like to investigate in the possibilities of same day delivery which indicates that the research is not limited to the specific situation of the company.

Dependability

Dependability is about making sure that two sources should not count as two if they are based on the same source (Wallén, 1996). Furthermore, dependability searches ways to adjust to instability and changes caused by the phenomena and design and concerns the data that change by time and changes in the researcher's decision during the analysis (Bryman & Bell, 2015). In this report dependability has been ensured through detailed description of the methodology and the decision line.

Confirmability

By acting in good faith as a researcher one establishes confirmability (Bryman & Bell, 2015). In this report confirmability has been ensured by not letting personal values affect the research and findings from it. Confirmability is considered to be ensured since no one of the researchers had previous knowledge about same day delivery nor the fashion industry or the specific company. One possibility to error in the interviews is the fact that the interviewee might project their answer incorrect to make their company look better. This has been dealt with by asking specific question for each company at the same time the bias has been kept in mind when analysing the interviews.

Authenticity

Besides the first four criteria required in order to reach a qualitative study there is also authenticity, which according to Bryman and Bell (2015) consider the wider political impact of the study and consist of five criteria's, namely: fairness, ontological authenticity, educative authenticity, catalytic authenticity, and tactical authenticity.

Fairness concerns how fair the research data represent the different opinions among the population and sampling frame of the social settings studied (Bryman & Bell, 2015). In this study the interviewees have been on different hierarchical levels of their organisation in order to give a broad view of the investigated area. When it comes to ontological authenticity, which concerns if the persons in the social setting have been helped by the study to easier understand their environment (ibid), the interviewee have been notified about the purpose to enable more accurate data. Furthermore, educative authenticity concerns if the research have helped people included in the study to better understand and appreciate the situation of other persons in their environment (ibid). Educative authenticity has been ensured by sharing the results of the benchmarking study to all the participants and by presenting opinions of others to the interviewee, however the source of the opinion where kept anonymous. Moreover, catalytic authenticity is about if the researchers have engaged the participants to change their settings and take action upon the findings (ibid). And in this research the findings have been presented for the company and the results of the benchmarking shared to the participants. Finally, tactical authenticity concerns if the research empowered the participants with the necessary steps to take action (ibid). The paper results in a suggestion on how to perform and implement a same day delivery ecosystem.

3.5.1 Ethics

The ethical part of the thesis and data collection must be considered carefully due to four different areas according to Bryman and Bell (2015), which is harm to participants, lack of informed consent, invasion of privacy and deception. To avoid these different areas and ethical violation some precautions had to be made before the interviews, the benchmarking and the survey. Firstly, during all the different methods the purpose of thesis and the specific usage of information were clarified. All the interviewees had the possibility to remain anonymous and only appear in the report as their title, as manager or interviewee. During the interviews all the interviewees had the possibility to not respond no matter the reason and by repeating the answer the interviewee could adjust any information that is not according to their thoughts. Beside this the interviewee could refuse the interview or refuse to be recorded. The questionnaire was sent to the supervisor of the master thesis beforehand for approval no matter if it was for an interview, benchmarking nor survey. When it comes

to the benchmarking the companies taking part in the study all received the data and the outcome of the part they contributed within for them to approve and comment.

4 Literature Review

The findings from theory and academia will all be presented here, and different viewpoints will be put against each other. The topics are all relevant in order to fulfil the thesis purpose and as many different viewpoints as possible are brought to light.

4.1 Recent Developments within E-commerce Distribution

In the past years as well as right now a lot of development is ongoing and the distribution for e-commerce is changing fast. Omnichannel retailing and e-commerce growth pushes the development of the distribution and in this chapter, we will describe the literatures view upon this area. This is in order to give support for the first research question.

4.1.1 Omnichannel Retailing

Since its breakthrough the internet has changed the market for retailing dramatically and companies have to adjust to the new technologies in order to survive. With a fast-moving market, the leaders have to adjust their strategies and order winners are more services and other factors than product and price differentiation. Internet has increased the number of customer touchpoints and the majority of shoppers today uses more than one channel. Moreover, additional channels increase customer satisfaction and sales per customer compared to one channel (Weinberg, et al., 2007). Chopra (2016) describes an omnichannel in a very simple way as Figure 3 shows. He describes it as four major parts that can be combined in order to together provide different set ups, the information can either be face-to-face and then includes own stores and retailers or it can be online, and here including both own e-commerce and a third part. The fulfilment is either that the customer picks up the product at a store or any of the other pick-up points available or utilize home delivery.

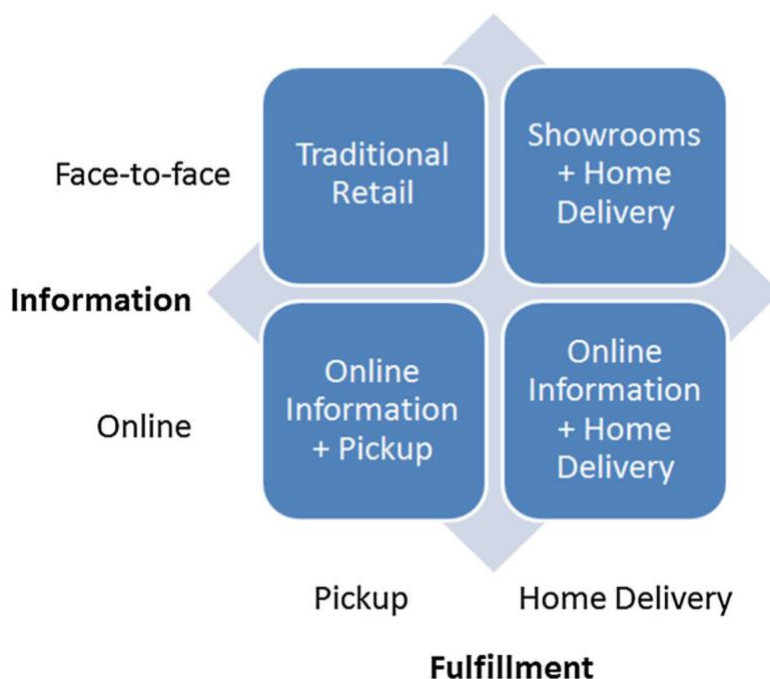


Figure 3: Chopra's (2016) simplified description of an omnichannel

An ongoing shift in the retailing field with a greater emphasis on integration and customer experience across multiple channels that has gained big attention from companies in recent years is the phenomenon omnichannel. The word omni is a prefix from Latin which means “all” or “every” and as the word says the definition of omnichannel retailing is a seamless approach of retailing that spans all and every retail channel and offer the customer a single and unified shopping experience independent of the customers preferred way of shopping (Bernon et. al., 2016). At the same time the perceived customer interaction is with the brand and not the channel itself since the channels are managed together (Piotrowicz & Cuthbertson, 2014). The different channels mentioned are for example; brick-and-mortar retail stores, e-commerce both through computers and mobile phones by e-tailers or at the webpage and stores of the brand itself. According to Domanski and Adamczak (2016) the sales strategy of omnichannel is in order to facilitate sales and returns through all different channels. New technologies, such as mobile devices and related software, mobile payment solutions, locations-based services, enabling factors and drivers behind the development of an omnichannel strategy (Piotrowicz & Cuthbertson, 2014). According to van Baal and Dash (2005) more channels do not create cannibalism but instead customers regularly buys more product compared to companies with single channel strategies. By an integration between channels and a seamless service throughout the company's channels the customer can choose when, where and how to interact with the company in each and every step of the shopping cycle. Opportunities to maximize profit might be missed by companies not integrating channels (Chatterjee, 2010). Ishfaq et al. (2016) pushes that omnichannel seeks to provide a seamless experience for the customer through all channels.

The use of omnichannel strategies enables and includes phenomenon's such as click & collect, drop shipment, in-store fulfilment, showrooms, more efficient returns and delivery methods (Armstrong, 2016; Bell et. al., 2014; Brynjolfsson et al., 2013). All with the focus towards the customer to provide the service to receive and buy the product, how, when and where the customer prefers, all of which phenomenon's will be described in more detail later in this chapter. The “last mile” delivery service is something that adds substantial complexity, demand on information, coordination and transport to the system (Ishfaq et.al., 2016; Savelsbergh & Woensel, 2016). All of these phenomenon's will be further described later on in this chapter.

There is a challenge and a risk for a traditional retailer to move from a well-established system with large volumes and organized transportation routes to different transportation solutions for different channels and new preferences from customers. Home deliveries adds a vast network complexity and a cost to the transportation and the customer have high expectations on the performance of the speed and quality of the last mile transport (Nicholls & Watson, 2005; Fernie et al., 2010). Furthermore, accompanied with a omnichannel comes several challenges that needs to be dealt with in order to make the concept feasible and work in the practical environment, but also possibilities. The following is a selection that reflects some of the most important challenges and possibilities through literature identified as crucial for enterprises to implement an omnichannel strategy.

Simplifying Replenishment and Automated Services

It is of highest importance to know and have the support from IT-systems to keep track of all products location and the precise storage level in each facility of the supply chain. By different methods of sales and operation planning, such as safety stock and lot sizing, it's possible to calculate forecasts in

order to acknowledge which articles to keep in stock at what place and at what levels (Jonsson & Mattsson, 2009). By employing an automated replenishment system companies can cut time and efforts and simplify the customer experience (DHL, 2015). A new order will automatically be generated, when the stock runs low to keep articles available, and customer can be notified by the storage status to make the integration between offline and online better. This enables research online, pick-up in store, where the customer compares products online by price, as well as shipping methods and locations to purchase (Armstrong, 2016). This also makes the supply chain visibility and customer satisfaction greater. The e-commerce channel is particularly powerful when it comes to provide information and thereby reducing the search time for the customer, while at the same time providing a wide range of products (Agatz et al., 2007).

Synchronization of Merchandising across Channels

To create a successful omnichannel strategy a synchronization of how the products are presented, prices, and what is delivered is vital. For example, can a price differentiation between channels create cannibalism and confusion to the customers (Deleersnyder et al., 2002; Ejnarsson, 2016). With a synchronization across channels customers will experience a cohesive brand and the company can present a unified company with the same sensation throughout every customer touch-point. Furthermore, the possibility to transfer merchandise between channels and a flexibility in the supply chain provide a higher turnover of a product (Ejnarsson, 2016). By all means a uniform customer experience should be created where the product, stores, webpages and delivery methods are synchronized.

New Services and Offerings

With an omnichannel new possibilities arise and a set of new offers to the customers, which can be deal breakers and turn a lost sale into an actual sale, becomes accessible. It ranges from for example enabling real-time stock levels at other stores and channels to new ways of buying, paying, receiving and enjoying products. Endless aisles and drop shipment will be on feature, which means that a retailer can provide products it does not have in stock or has run out of by delivering the product to the customer's home from for example the distribution centre (Agatz et al., 2007). More information about this will be found later in this chapter. The development of new services and offerings, along with new methods of reaching out to customers also has the effect of changing the roles of the actors in the distribution network, and unless a company can continue to add real value to the customer and its partners, it is an unnecessary expense and can be bypassed (Payne & Frow 2004).

Harness the Power of Data and Analytics

A big potential for an omnichannel is all the different first-hand data about the customer, the use of different channels from mobile, social and local sources for buying patterns, sales data and direct information about the end-customer (Brynjolfsson et.al. 2013). There is an unprecedented potential with new information that provides new possibilities for a company to make more accurate forecasts and build a much closer relationship with the end-customer through customized offers. When it comes to logistics it will be simplified with a better forecast, where it is more or less known when, where and how much is needed at different locations (ibid). Digital born business can draw a huge advantage of this information but nevertheless it might bring even bigger opportunities for traditional businesses

to gain a competitive advantage by the collection of data from an omnichannel ecosystem (Mcafee & Brynjolfsson, 2012; Parise et.al., 2016).

“Data-driven decisions are better decisions—it’s as simple as that.”

(Mcafee & Brynjolfsson, 2012)

Big data can have large effects on supply chain management for a company and its performance when it comes to transportation, more effective shipping as anticipatory logistics, better forecasting data, inventory, less storing and pricing as the value created and spent can be more accurately calculated. The hard part is to know which data to use, how to use it and in which context it is suitable (Mcafee & Brynjolfsson, 2012). According to Balakrishnan et al. (2018) product recommendation is vital for a customer when doing a research for a new purchase. Whether it comes from a salesperson, product physical placement in a store or through the internet does not matter. Also, the author continues by pointing out how retailers have tremendous amounts of data in corporate databases and if correctly extracted and analysed, is of importance for recommendations to the customer and can influence the customers’ buying patterns. Based on these data campaigns and promotions can be pointed towards the right customer and if correctly applied the full service that the company provide is synchronized and prepared for these customized customer recommendations.

4.1.2 Showrooms

Showrooms are a new concept first hand developed by online-first retailers. Bell et al. (2015) define the showroom as an offline location, where customers can feel, try and in other ways physically experience the products before placing an order in the store via an internet connected device. The showrooms do not have products available at location for the customers to bring with them as is the case in a normal store. Instead the product is delivered to a place of customer’s choice, just as in the case of e-commerce. This is a simple way for the customer to collect information about the product and try different sizes and for the retailer to utilize the full store to show the assortment but keep storage at a cheaper location outside the city centre. According to Bell et al. (2015) the biggest potential of showrooms is firstly an increased overall demand and secondly an increase not only in the showrooms but at the e-commerce website as well. According to Verhoef et al. (2015) it is a common thing among the customers today to use the stores as showrooms to try and have a feel for the product in a physical store and then go home to order it through e-commerce. In this case the purchase might be at another retailer or of another brand, but in the case of a pure showroom it will be easier for the store to make the order directly and the service is provided without a feeling of guilt for the customer. Verhoef et al. (2015) describe how the sales personnel is not performing at the same level, when they are working in a normal store and the customer is showrooming, but when using an integrated omnichannel this is not the case and the personnel do not feel the same threat from e-commerce.

4.1.3 Drop Shipment

Drop shipment is a delivery method that means that delivery of goods is made more efficient since one actors in the chain can be skipped and product shipped directly from the warehouse of one actor, typically the manufacturer or distributor, to the client without passing the retailers warehouse (Kawa 2017). Drop shipment can be usually very interesting for medium sized companies that wants to avoid having tied up substantial capital in inventory, particularly when extending the product portfolio

(ibid). For e-tailers there exist two different kind of drop shipment solutions (Ayanso et al. 2006) namely pure drop shipment, which is an e-tailer who do not have a warehouse themselves, but all products are delivered directly from the producer to the customer, and partial drop shipment, where only selected products are kept as inventory in another company's warehouse. Pure drop shipment is beneficial in the case of a single supplier with a wide product range, the disadvantage is the realization of orders when the products comes from several different suppliers which might lead to communication problems and higher costs. In case of returns in connected with pure drop shipment there is a major problem with each product needs to be returned to different actors. According to Ishfaq et al. (2015) drop shipment is used to keep delivery cost manageable such as the delivery costs, economics of inventory and risk management. By skipping one step in the delivery process the storage is kept more central and the supplier do not need to buy products on speculation which minimizes sales and other risks.

4.1.4 E-commerce Growth

Soukup (2002) predicted an enormous growth of e-commerce which is the reality and he also states that one day all business will be e-business. 2017 the growth of internet shopping in Sweden was 16 % and the numbers of stores are expected to decrease in number and size (PostNord, 2018). The development of e-commerce is on a rise and has been for many years, and the revenue for 2018 is estimated to reach close to 80 billion SEK, see Figure 4.

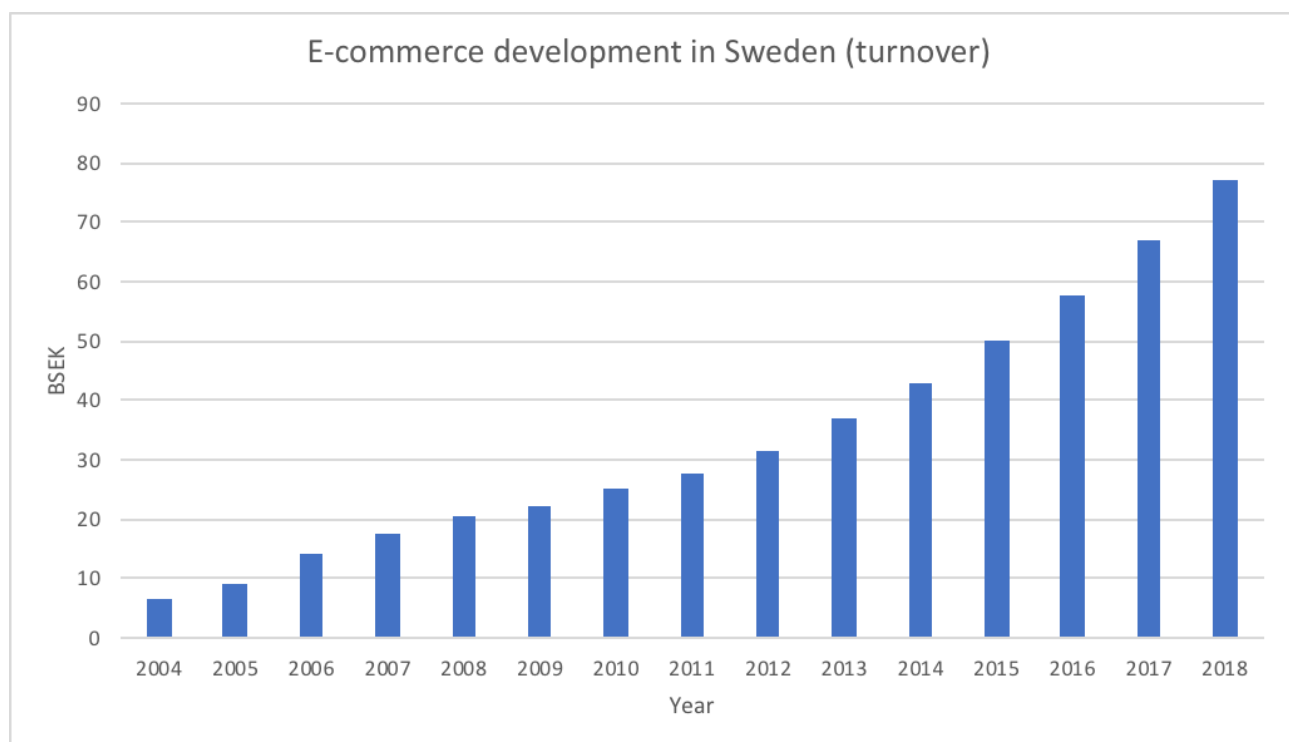


Figure 4: The development of e-commerce in Sweden according to PostNord (2018)

E-commerce is defined by a number of different researchers in a number of different ways where all point towards an information and transaction exchange by internet, for example as “the sharing of business information, maintaining business relationships, and conducting business transactions by

means of telecommunications networks.” according to Vladimir (1996). Treese and Stewart (2003) defines e-commerce as “the use of the global Internet for purchase and sale of goods and services, including services and support after the sale.” And “the use of the internet to transact business” according to Laudon & Traver (2017) and stands for trade based on electronic servers. The drivers behind e-commerce growth according to Ho et al. (2007) are internet penetration, telecommunication investment intensity, venture capital and credit card availability, and education level.

Firstly, internet penetration in Sweden is very high and according to the World Bank Group (2018) the usage of internet is 90 % and for further development during the years see Figure 5. According to Statistiska Central Byrån (2017) this number is 96 % in the age between 16-74 years old. The most common way to connect is at home by a fixed broadband but there is 84 % who have connected to internet by a smartphone outside of the home in the age between 16-74. When it comes to e-commerce 63 % of the population between 16-85 years old have bought something at internet and 80 % in the same age range have searched for information about a product online before purchasing (Statistiska Central Byrån, 2017).

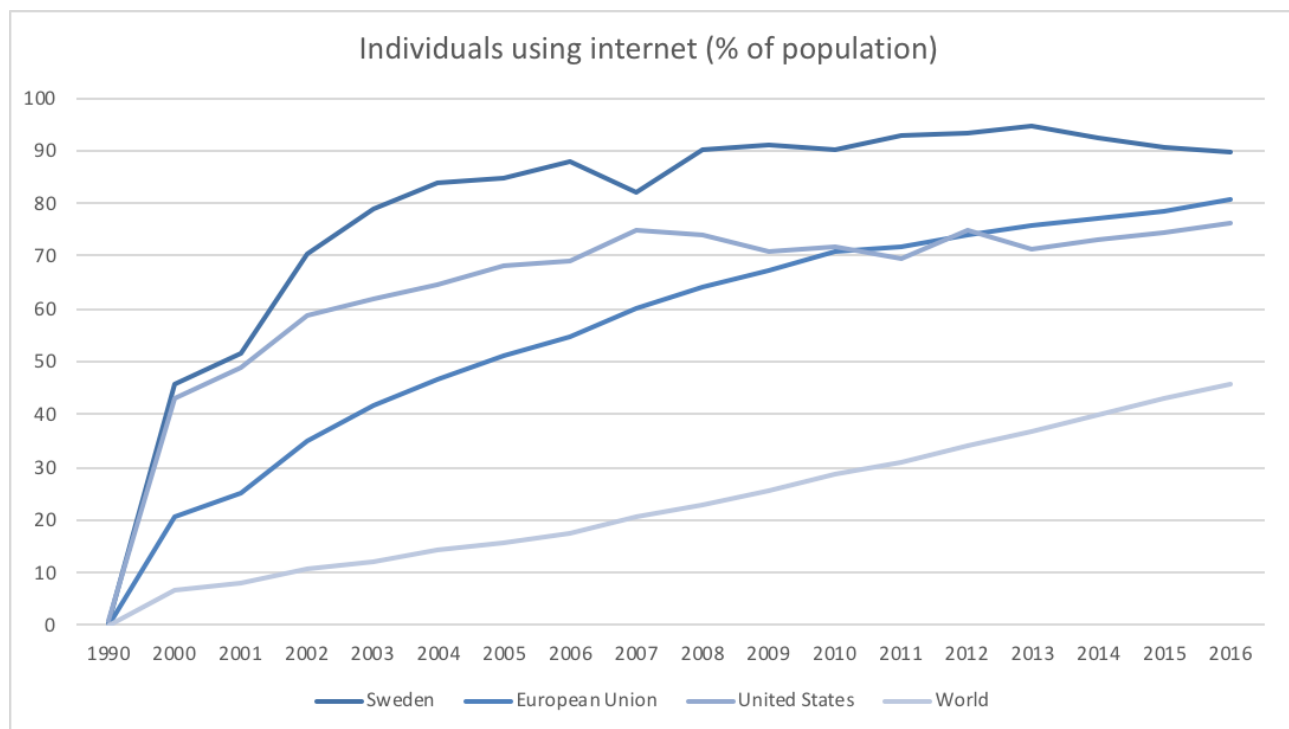


Figure 5: How the usage of internet has developed during the years (World Bank Group, 2018)

Secondly, telecommunication investment intensity and infrastructure and development of a country, have big impact of the success and growth of e-commerce in that country (Jin & Xiong, 2002). To be able to purchase through an e-commerce channel, different applications of information and communication technologies (ICT) are required. This is not possible if the infrastructure of telecommunication is not in place or does not provides connection fast enough for e-commerce to function smoothly. In order to see how well functioning the ICTs in a country is, one normally investigates fixed broadband subscriptions, active mobile-broadband subscriptions, mobile-cellular

subscriptions, households with a computer and internet access and internet penetration according to Ho et al. (2007). In the beginning of 1990 the Swedish government invested heavily in a technology infrastructure and today Sweden is considered to have a very developed ICT market and stands out with their ICT investments per gross domestic product (GDP) (Giertz, 2015). When it comes to ICT today, the emerging trends in Sweden are internet of things, cloud computing, big data, M2M and real-time analytics (The Swedish Trade and Invest Council, 2017).

Thirdly, venture capital and credit card availability are two factors that influence the possible growth of e-commerce. Venture capital is the financial support investors provide start-ups and small businesses, in which they see a big long-term potential for growth and success in return for shares in the company. Since a lot of e-commerce business is new on the market and in need of financial support to become a bigger player in a short time, venture capital in a country have a big impact on the growth. Ho et al. (2007) states that the more e-commerce business that are doing well the more potential investors see in the sector and therefore a higher number of transactions online will result in more venture capital and even greater growth. In 2016 the venture capital investment as a percentage of GDP was 0,04 in Sweden, which is a decrease with almost 50 % compared to 2010. The peak was back in 2008, but Sweden is still the 8th country in the world when ranked by the percentage (OECD, 2017). The investors are mainly government, universities and private both national and foreign. Sweden is considered a big country for start-ups and Stockholm is the second biggest after Silicon Valley, but most investments comes from abroad (ibid). When it comes to credit card availability it is most about creating ways for the population to be able to pay online and Sweden is moving towards a cashless environment where 97 % of the population between 16-85 years old have access to credit card and 85 % have an internet bank access and other payments such as the mobile payment Swish is growing with 61 % of the population. (Sveriges Riksbank, 2017).

Finally, the education level is of crucial importance and Kiiski and Pohjola (2002) states that a person's willingness to adapt to technological changes is depending on the level of education within the population and the inhabitants' monetary levels. In 2014 the investment on educational institutions (from primary to tertiary levels) was 5.3 % of GDP in Sweden and the average OECD level is at 5.2 %. In general Sweden have a legacy of many companies providing services with technological changes with good adoption from the population, examples include Klarna, Spotify and Skype.

4.2 Transportation

The literatures view on transportation for the last mile in combination with e-commerce distribution will be described below. This part is in order to provide support to the second and further on the third research question.

4.2.1 The Demand for Fast Deliveries

The change towards faster and faster deliveries is ongoing and have been for several years. Where delivery times in Sweden started at 5-7 days the standard is now 1-3 days. In the US. some e-tailers, e.g. Amazon Prime have started with same day delivery, and some have launched services as fast as

1- and 2-hour options. The main reason and rationale for this change towards fast deliveries are to compete with physical stores and their possibility to instant delivery (Savelsbergh & Woensel, 2016).

Flexibility

Customers demand deliveries anytime, anywhere and do not like being limited by the standard opening hours of a store. In combination with these different options that have arisen for the last mile delivery and omnichannel have become a big part of this. According to DHL's annual report (2015) customers are more and more interested in possibilities to change the way of deliveries after the order is made and make it suitable in their constantly changing schedules. Furthermore, companies need different options of delivery to keep up with the demands of flexibility among the customers. The highest flexibility for the customer is provided by unattended delivery, either that the parcel can be left outside the house of the customer or that they have the possibility to pick it up at any time of the day in a parcel locker (Ferne & Mckinnon, 2009). More options in this area is coming with in-car delivery and other digital key solutions which provides the logistic service provider to drop of the package at any time of the day and whereby provide the highest level of flexibility.

Predictability

Literature on delivery time window is divided between tactical level and operational level. The tactical is about the design of delivery time windows, including the number of slots, length of each slots and possible overlaps as well as service fees for the different set-ups. The operational level concerns the actual selection by a customer of time window and which solutions are feasible at what time of the day, also referred to as cut-off time. According to Punakivi and Saranen (2001) up to one third of the cost can be saved by completely flexible, unattended delivery services compared to attendant deliveries with delivery time windows of two hours. In the same area Campbell and Savelsbergh (2006) report that an increase of the time window with 1 hour can increase profits with 6 %. Furthermore, Campbell and Savelsbergh (2006) conclude that incentive schemes can reduce the delivery cost when customer accept longer time slots for delivery and therefore provide the possibility for more efficient delivery routing and scheduling operations.

4.2.2 The Last Mile Transportation

Today there is a big variety of solutions for the last mile in order for the customer to transport their products to the final destination. With different purpose and with different services the ideas have been based on a variety of technologies and implemented by new and established organisations. Due to information systems and information technologies e-commerce has become a new way of consuming products and is causing a bigger demand for new and better solutions of the last mile problem. According to Ehmke and Campbell (2014) reliable and efficient home deliveries have a vast impact on the success of online retailing.

The last mile transportation and home deliveries whether, it is to the home or a collection point, terminates at the home. The less clear part is where it begins. According to Oldhager (2003) the starting point is what he refers to as the order penetration point. This is the point where the order fulfilment process activates, and in most cases, this will be the point, where the physical picking of the order in the storage starts. Before this point the product is not designated for any specific address and in this master thesis everything downstream from this point is what is defined as the last mile.

For products in the made-to-measure or made-to-order process the order penetration point is at the production site but not a feasible solution from that point for express deliveries exists and therefore won't be taken into consideration. In the case of pick-up in store solutions the order penetration point will be the local store taking care of that order made online.

Most customers would like to have their home delivery urgently, at a precise time and with a reliability and predictability of 100 %, in order to minimize the inconvenient waiting time where they have to be at home, but very few are willing to pay the price (Ferne & McKinnon, 2009). The last mile problem is about balancing the distribution cost, customer convenience and quality. Further on in this chapter different solutions for the last mile will be looked upon.

Post Agents

Parcels are delivered to a post office, a service station, a petrol station or some other location with convenient opening hours. The goods are delivered by the retailer or their distributor and the customer is informed that the package is ready for pick-up at the collection point (Iwan et al., 2016). This is the most common delivery option in Sweden and the standard and have a high degree of consolidation, but the customer has to carry out the last mile to the home. The benefits are that bigger packages can be picked up by the customer when it suits, and the solution is thereby flexible, the disadvantages are that there might be a line at the pick-up point and the customer have to perform the last mile themselves (PostNord, 2018)

Home Deliveries

Home deliveries are according to Fernie and McKinnon (2009) products which are handled, stored and then transported directly to the end customer without the traditional stop at a retailer or post agent. Furthermore, home deliveries are a vital component to build a strong relationship to the end-customer and is developing and expanding rapidly due to that sellers can provide additional services such as drop shipment, the size of the package might require help to carry the package and e-commerce is expanding in a fast pace (Lin et al., 2015). Moreover, they continue with that the relationship is strong between service quality, service convenience and customer loyalty. Agatz et.al., (2007) describes another important aspect for home delivery when the customer has to be at home in order to receive the goods, in such a case the customer and the delivery company has to decide on a delivery time window for when the delivery should be made. The length of this time window, along with its timing, is crucial since it affect the customer perceived service in a very direct way.

In-Car Delivery

According to Cogill et al. (2014) vehicles "is a general service platform, wherein mobility is one such service" and suggest that parked cars can be utilized as delivery platforms for parcels. He points out the advantages of the fact that cars are parked in one location for a reasonable amount of time and there are more than 1 billion cars in the world which means no capacity limitation and collective incentives were distributors, customers and car manufacturer. In average a car is parked 95 % of the time (ibid) and could during this time be utilized for some contribution to its owner and the total ecosystem. There is a risk of having a movable delivery point but in cases where the customer can choose the delivery time the risk of this is minimized.

Express Courier

Express couriers contribute with daily transportation services that are characterized by a highly dynamic environment where changes occur frequently due to dynamic events (Ferrucci & Bock, 2014). One of the major characteristics is the need of a pick-up service and delivery the same day and often with even shorter notice, which contributes to a high time pressure in combination with congestions, new requests and breakdowns it has to be dealt with in real-time. The express industry has grown considerably in the last years and are mainly used for B2B and C2C transportation (ibid). e-commerce has no big portion of express courier deliveries since it does not take care of regular parcels forecasted beforehand but a fluctuating demand and can be the option in very fast deliveries such as 1-hour or 2-hour deliveries (Cheng et al., 2017). A big reason for the lack of usage within B2C is the high cost and non-consolidation possibilities.

Delivery Lockers

Delivery lockers are similar to post agents and provide parcel drop-off and pick-up services to a lower price than home deliveries and the risk of missed deliveries is mitigated (Morganti et al., 2014). This alternative combines the transport operators need to optimize parcel distribution with a consolidation of deliveries and the customers demand for flexibility. How flexible and good it is from the customer perspective depends on the number of locations of the lockers and where they are positioned. Normally the lockers are sited in railway stations, car parks, apartment blocks and workplaces (Iwan et al., 2016). The biggest difference to post agents is that these lockers are unattended. A digital- or a variable key is used to open the electronic lock to the box. Depending on country and company the time limit for pick-up may vary from 5-14 days. This way the customer covers the last mile. According to Iwan et al. (2016) the strengths are the accessibility every hour of the day and low delivery cost, the weaknesses are that the last mile has to be carried out by the customer. The biggest opportunities are efficiency gains for the logistic provider compared to home delivery or other solutions where consolidation is not possible.

Finally, Iwan et al. (2016) states that there is a threat due to the fact that the growth of e-commerce delivery lockers will generate a higher freight mileage, when the number of lockers increase. For the customer the most vital factors to choose delivery lockers is the location, if it is close to home or on the way to work (Vakulenko et al., 2017).

Morning Deliveries

The literature studies on delivering packages in the morning together with the newspaper distribution are very limited, this since the concept is very new. At the same time as the newspaper industry is decreasing the distribution still exists and this off-hour delivery is very effective (Russell et al., 2008). By a distribution of parcels to customers' homes during the early hours of the day congestions can be avoided and it can become a smooth, efficient way of transporting the last mile (Holguín-Veras et al. 2011). Furthermore, the emissions will be reduced, and the package is in the mailbox or hanging at the door in the morning, when the customer wakes up. The biggest drawback is if the parcel is too big for the mailbox and instead is left hanging on the door, where there is a risk of theft. Thus, no expensive products should be handled or delivered this way.

Click and Collect

Click and collect i.e. buy online pick-up in store is, as the name suggests, an integration between two channels for a company with both an e-commerce and physical stores, meaning that the customer buys the product online and picks it up in the store instead of receiving the product by home delivery (Kim et al., 2017). The advantage for the customer is that the search effort is reduced when using the online service. At the same time the financial costs related to home deliveries are avoided (Chatterjee, 2010). Buy this service the customer can pick-up products at the store on the way without having to search for it at the physical store. The benefit for the retailer is the potential for additional sales and impulse purchasing when driving more customers to the store (Camhi, 2017; Chatterjee, 2010). The biggest risk of Click and Collect according to Camhi (2017) is that the store potentially could run out of stock of certain items and thereby being unable to fill the demand in-store which leads to lost revenue. Naturally, customers will choose channels which minimize their time and effort spent and monetary costs during every step of the purchasing cycle.

Aviation

Flight transport is the fastest mode to transport goods and in urgent needs it can be seen as an alternative to deliver light products a long distance in areas where the demand is fluctuating and changing fast (Jin, 2014). Furthermore, aviation as a freight transportation mode is the worst possible for the environment with more than 7 times as much CO₂-emissions (g/tonne-km) as trucks which is the second worst transport mode (Chapman, 2007). Chapman (2007) continues to explain how shorter flights are growing and the most fuel is consumed during the ascent which leads to the fact that shorter flights use disproportionately more fuel than a longer flight. Freight transport by air is the fastest growing sector of aviation and some are moved as belly cargo in passenger flights.

4.2.3 Future

Parcel deliveries will continue to grow, and today's capacity is limited when it comes to the number of drivers and pick-up areas in different pick-up locations (Ferne & Mckinnon, 2009). Four upcoming new technologies for home delivery will be looked into in this subchapter.

Drones

When talking about future delivery options one hot topic creating big media coverage is drones. In the past drones have mostly been associated with defence applications, but now they can have major impact on civilian interests such as transportation (Floreano & Wood, 2015). Drones could contribute in the logistic system for small parcels in rural areas. This since they can carry around 5 kg without becoming very big and even if they only carry small packages they are large enough to be able to fly longer distances and provide cost efficiency (Joerss et al., 2016). Technology will advance, and the infrastructure needs to be developed in order to find possible landing spots for drone deliveries since in today's urban areas, with high buildings there is not many areas for landing. In Sweden there is a lot of regulations when it comes to drones for example who are allowed to fly them and where. Vital to notice here is that the drone needs to be insight of the driver at all time and cannot be heavier than 7 kg without a special permission (Transportstyrelsen, 2018).

Crowdsourcing

Crowdsourcing utilizes a large pool of citizens as workers to complete the last mile delivery (Wang et al., 2016). According to Wang et al. (2016) this pool of workers performs the task to deliver the parcels from the post agent to the home of the customer and becomes the link between the agents, to whom bigger transports can be performed, and the final destination, to minimize the total transport for the end customers and optimize the whole supply chain. This model is scalable and can easily be adjusted according demand. In combination with a smartphone the right crowd worker can be selected for the task and the routing optimized at the same time as the information exchange to the customer is clear and accessible thanks to a mobile application (Kazemi & Shahabi, 2012). During major demand peaks crowdsourcing may play an important role and the low investment required could in combination with the development of task assignment and optimization delegation between crowd workers be the vital part needed for a bigger penetration.

In-house Delivery

Today well-functioning solutions exist for off-hour delivery where, the goods are delivered inside an unattended shop with the rationale to drive more effectively during night time avoiding congestion (Holguin-Veras et al. 2011). This solution is possible due to the use of a digital key and reminds of a car delivery with the difference that it is delivered to a store. The same could in the future be used for private persons' home deliveries where the courier deliver actually in the home. The biggest concern is privacy and trust issues when letting an unknown person inside of the home, but this might be solved with cameras (Holguin-Veras et al. 2013), that the companies performing the delivery have a very good reputation and with insurances cover potential theft.

Autonomous Ground Vehicles (AGV)

A big part of future distribution systems includes digital key solutions where, the transporter and the receiver of the package have access to the location for a specific time and place. One of these, namely autonomous ground vehicles (AGV), are discussed in a positive way in a report by Joerss et al. (2016). According to this report the self-driving vehicles with lockers will be the most common delivery method for regular parcel delivery and at the same time contribute to the same day delivery model and deliveries in specific time windows. Due to the reduction of labour cost the total cost will decrease significantly with a magnitude up to 40 % savings. Most people prefer the cheapest home delivery option when choosing an alternative for home delivery (Chatterjee, 2010) and this solution provides a simple way and together with a customized IT solution with good communication to the end customer it will be both cheap and customer friendly. AGVs with lockers will also become cheaper than stationary lockers positioned in urban areas since it can be electrified and be parked in distribution centres outside town where parcels that could not be picked up can be collected during night.

4.2.4 E-Commerce Returns

The ease by which customers can return products bought online ranks high on the list of factors that are important to e-commerce customers (Berg et.al., 2015). However, e-commerce returns can be costly for the retailer and the share of goods returned can sometimes be double that of regular stores (Bernon et.al., 2016). The debate around e-commerce returns is today therefore to a large extent focused on the profitability of offering free returns. Hjort and Lantz (2016) states several interesting

findings in regard to the return policy of the e-commerce actors, they find that free returns and liberal policies increase sales but can at the same time decrease profitability. They conclude that if possible, different policies for different actors is desirable.

Berg et.al., (2015) investigates what factors are most influential when it comes to the customer's overall impression, and satisfaction with the return policy. Their analysis shows that some factors that are sometimes perceived as very important by retailers i.e. time to make the return, free shipping and number of drop of locations, are not as important to customers. Of key importance to customers are instead factors regarding the convenience of the returns, something that includes factors as offering pre-printed return labels in the packages, having as few pages to click though as possible to make the return on the website and not deciding what channel the customer should do the return though.

4.2.5 Logistics in Urban Areas

Logistics in urban areas post challenges unlike those of other logistics processes because its traffic and environmental effects happens in places shared with a large variety of other actors, for example public transport operators, drivers of private cars, taxi drivers, cyclist and of course pedestrians (Fossheim & Andersen 2017). At the same time, globalisation, population and economic standard in city regions are putting more and more strain on the urban infrastructures around the world, causing a situation that is not sustainable for the future (Bouton et.al., 2015).

However, this future can be changed, but solving the challenge of urban transportation will require for example coordination and joint efforts from public and private sectors along with technology and business model innovation among many other things (ibid). One area that has seen a rise in attractiveness is cycle logistics. It refers, as the name suggests, to professional logistics using electric or conventional cargo bicycles and has high potential in reducing energy and environmental impact from the transport services (Melo & Baptista, 2017). Employing electric bikes with cargo capacity gives even more positive effects implemented within urban logistics operations. Advantages include less strain on the driver and higher payload and they are therefore particularly useful for distribution of goods in urban areas and for last mile deliveries over short distances or combined with in innovative distribution setups (ibid). At the same time there is also a movement happening towards new multimodal services that combine for example walking, driving, buses bikes along with shared modes into a joint offering (Bouton et.al., 2015). It is also crucial, but difficult, to include the negative aspects regarding congestion and safety that comes as a consequence of increased transport and therefore traffic in urban areas (Savelsbergh & Woensel, 2016).

4.2.6 Same Day

During the most recent years some e-commerce actors have started to offer the customers the option of deliveries of goods bought online within the same day, and sometimes lowering the delivery time down as far as one or two hours. From the actors' perspective the motivations are to compete with brick-and-mortar retailers and the instant product delivery offer by them. (Savelsbergh & Woensel 2016).

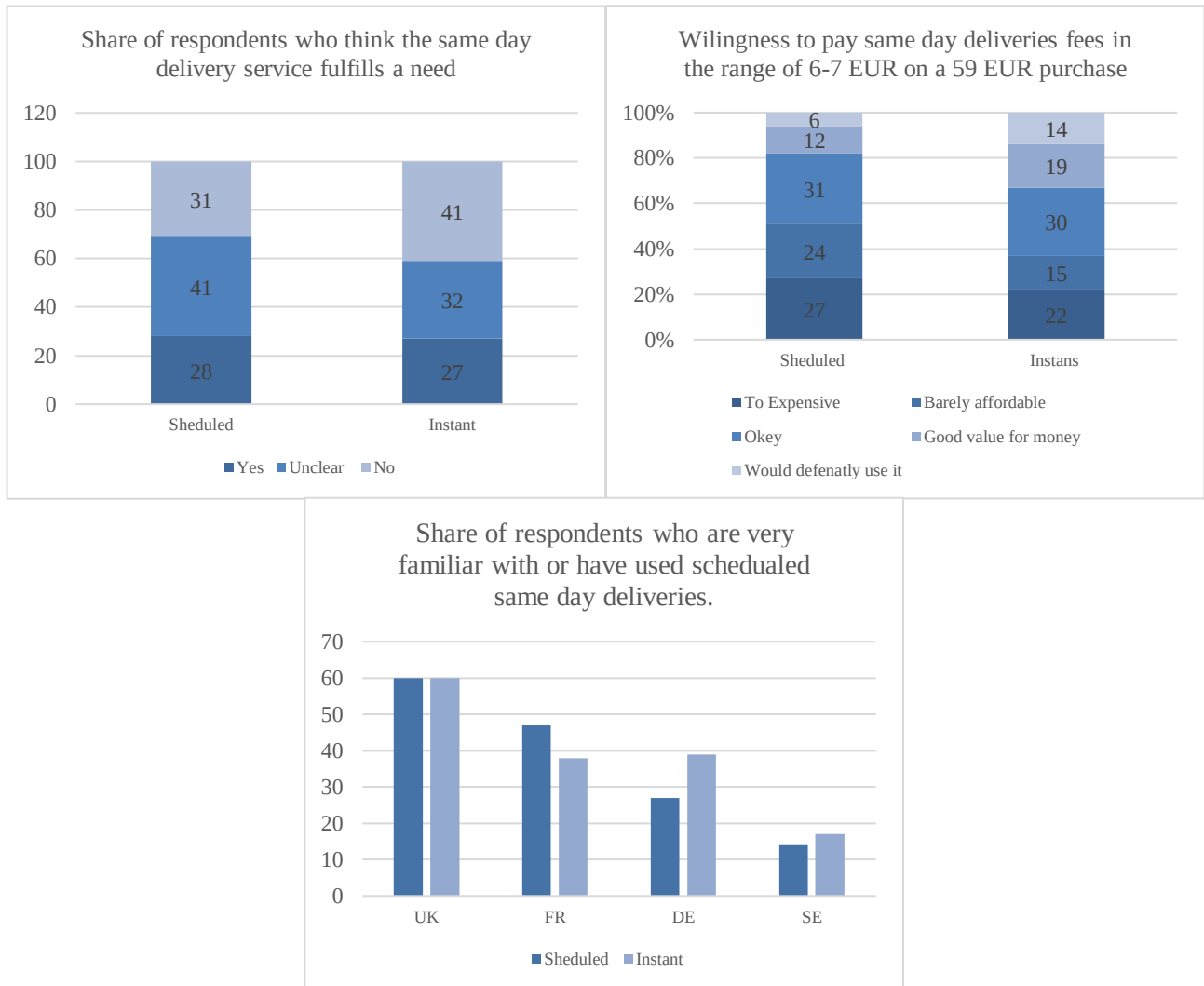


Figure 6: Customer's knowledge about same day delivery (Netzer et al., 2014)

According to Savelsbergh and Woensel (2016) many customers naturally does not necessarily need, nor want the same day delivery options that are presented to them and are increasingly not asked to, nor willing to, pay extra for the service. Despite this same day deliveries are by many considered to be the future of e-commerce distribution, for example back in March 2014 McKinsey & Company described same day deliveries as “the next evolutionary step in parcel logistics”. Furthermore, Netzer et.al. (2014) also conduct a survey investigating the market penetration, perceived value and willingness to pay for same day and instant delivery options the findings of which can be seen in Figure 6. Despite the fact that the survey was conducted during June of 2013, same day options show potential and there is also a resendable share of consumers willing to pay for the same day service. In fact, approximately half of the respondents said that they would be willing to pay between 6 and 7

euros extra on a 59-euro purchase. Furthermore, an even larger part of respondents indicated a willingness to pay for instant rather than for scheduled same day delivery. However, it was also found that the market penetration of these concepts and services in Sweden was lagging far behind the rest of the countries in Europe that were involved in the study.

Netzer et al., (2017) also predicted that by 2025, one fourth of the total e-commerce delivery market will have been captured by same day delivery options and thus representing a 200 billion USD opportunity for western retailers alone.

4.2.7 Environmental Impact of Transportation in the Future

There is an urgency to reduce the environmental impact of all activities done by humans, and as a result conserving resources has become one of the most important items on the corporate agendas (Wong et al., 2016; Chopra & Meindl, 2016). Consequently, considering the environmental aspects and implications of business decisions are a must in most companies today. And in order to be successful companies will have to design a strategy that incorporates the entire supply chain in order to realise opportunities and improve sustainability (Chopra & Meindl, 2016). Transportation is possibly the most evident issue when it comes to making supply chain practises more environmentally friendly, and it at the same time an area that has been predicted to experience increased demand in the near future (Grant et.al., 2017). The negative effects of sustainability caused by transportation is not only emittance of toxic and greenhouse gas pollutants but also the noise, accidents and congestions caused by the transportation. Transportations services are affected by customers' requirement for lower cost and fester services and these are factors that influence the choose of transportation mode. The factors that are affecting the focus on sustainability in the supply chain can be divided into three separate categories; Improving the financial performance and reducing the risks in the supply chain management practises, pressures from communities and governments and the strive to attract customers that put high value into sustainability (Chopra & Meindl, 2016).

4.3 Storage

The literatures view on storage solutions for the last mile in combination with e-commerce distribution will be described below. This part is in order to provide support to the second and further on the third research question.

4.3.1 Different Storage Setups

To insource the logistics process is a popular alternative when it comes to distribution network design (Kawa 2017). This method means letting stores handle most of the logistics process on their own and thus, allows for better control of the business process and results in more independence from subcontractor. This results in an effective process for small enterprises dealing with processes that are considered so small that the use of an outside logistics service provider would be unprofitable (ibid). Kawa (2017) further describes how in this type of setup is crucial to prepare and account for sudden developments to the business process in the future. This since a large enough increase in orders, and therefor work, will force the company to hire more staff and eventually buy or rent another warehouse. Commonly, the only logistic process that usually will not be kept in house is the transportation from the store to the end customers, something that will be done by a courier, express or postal services operators or a combination of the three (Dabidian et.al., 2016). Fernie and

Mckinnon (2009) state that the most important reason to have the store to manage the logistics processes themselves is to minimize investments in logistics facilities for which the future need is somewhat uncertain and the investment therefore somewhat speculative. Such a setup also allows for improved utilisation of existing assets and resources since the property, staff and inventory can be shared between online and store operations. Fernie and Mckinnon (2009) does however also present some potential negative aspects with using stores to manage retail operations. One such example is that the online shop does not have a dedicated inventory and thus a situation where an item is available when the order is placed but have been bought in the physical store when the picking operation starts could arise. Also, the store level accuracy is seldom as good in the store as they commonly become in a dedicated warehouse facility. There has also been a trend during the last two decades to reduce the back storage in shops and minimize inventory carried in the store and focus instead on fast and flexible replenishment. Today this limits the existing stores ability to assist in the online fulfilment process.

To instead have the process handled by a third-party logistics provider (3PL) means to let this actor take over processes like for example reception, picking and packing, inventory management, and sending the goods to the customer using an internal or external operator. Inventory, i.e. product offered via the website is sent to the 3PL actors warehouse and then unloaded, inspected, stored and then eventually picked and shipped (Kawa 2017). The setup provides a great deal of flexibility to the retailer's supply chain since the 3PL partner is very adaptable when it comes to volumes to handle and services to provide. For the retailer this means that for example the storage area and number of workers can easily be adjusted to cope with changes in demand (ibid). Companies with e-commerce that employing these services are typically small and offer a fairly large range of products but usually in small quantities. The customers in turn often buy single items, are geographically spread and have different requirements for transportation solution (Kawa 2017). Because of the diverse demand for transport solution the 3PL often does not perform the distribution service themselves but instead use suppliers ranging from slower postal service providers to more dedicated suppliers of for example more reliable courier services of even postal lockers (ibid).

Compared with stores, centred setups facilities built specifically for the fulfilment process should, according to Fernie and Mckinnon (2009), also be more efficient and faster due to the fact that they are specifically designed for picking multiple e-commerce orders. However, Fernie and Mckinnon (2009) also acknowledges that, in order to be cost effective, the fulfilment centre will have to handle substantial throughput, and that this throughput will depend on the breadth of the product range. Usually it becomes costly to offer a large part of the range on the e-commerce fulfilment process when volumes are low (ibid). This is a strong argument against handling the fulfilment centre internally. Limiting the range of products that are offered may therefore cut the cost of the operations but, on the other hand, may not lure offline customers into the online shopping experience as much as expected (Fernie and Mckinnon 2009).

Worth noting is also that aggregation of inventory to fewer, or even a single warehouse location has positive effects on inventory costs. This since safety inventory can be lower and because fixed ordering and transportation can now be spread between many different products, or in case of using a third party, also across retailers and suppliers (Chopra and Meindl, 2016). In general however,

aggregation of inventory does increase overall transportation costs after a certain threshold and it also likely to have negative effects of responsiveness (ibid).

When it comes to the e-commerce fulfilment process in for example the grocery sector, Fernie and Mckinnon (2009) also pinpoints that several researchers have argued that the store-based setup would be more suitable for retailers that are in the initial stage of entering in to the e-commerce market. This since it is a low risk strategy the minimizes initial investment and will allow business to be won at a low marginal cost.

5 Empirical findings

5.1 Interviews

Within this chapter the results from the interviews will be summarized and presented. The different opinions within certain topics will be compared and put against each other where each area is discussed in separate sub-chapters. The material comes from eighteen different in-depth interviews with persons from different companies and academic departments within the logistic business. The focus is on e-commerce, omnichannel, transportation, storage, information exchange and internal logistics with emphasis on today's market situation and in the future.

5.1.1 Trends on the Market

Ericsson argues that e-commerce is on the rise, but it will not replace stores completely even though the stores will probably become smaller and more of showrooms. Customers like to feel and see the product before placing an order or actually buying the product. He continues with the belief that the trend will stagnate in the future and that it then will be important to keep the stores and develop the store experience. On the other hand, Andersson argues that e-commerce will replace stores completely and if one translates the linear trend of approximately 15 % growth each year into actual revenue of the e-commerce business, the trend is exponential, which means that the death of stores will continue.

New technologies are driving the business and according to Lee internet of things, information sharing, and direct allocation will change the business and how vehicles in urban areas are utilized. The process of pick-up then deliver, pick-up then deliver will, by the use of new technologies, no longer be the case and a route can be changed during the run to use each vehicle to the maximum. Ericsson argues that tools and data is a requirement in order to succeed with same day delivery and to predict demand to be on top of the game.

Payments have previously been in the focus and now it is the logistical part which is the main thing in order to tie up the loose ends of e-commerce according to Hamilton, who continues with the claim that the competition is not between the players in home-delivery but to change the culture from post agents to home deliveries and putting the customer in focus.

Tuvling presents his believes that it's hard to make a business of same day deliveries as a service put into a system and a standard. The market is not mature and big enough in Sweden and he believes the overnight deliveries existing today by for example Postnord is good enough for cities smaller than the biggest in the world.

5.1.2 Omnichannel

For a company it is vital to find its position in the ecosystem and how to work with both retailers, E-tailers, own stores and own e-commerce according to Ericsson. He continues with the importance of connecting the channels together and making the best possible for the customer and draw benefits for the company from the different channels. With the possibility to buy online and pick-up in store and to return in store the customer is given an option and a feeling of completeness from the brand at the

same time as it brings more customers to the store and a chance of additional sales. Hietala simplifies the omnichannel concept by reducing it down to three channels; own stores, retailers and e-commerce which are connected and integrated and upon which one can incorporate several services such as for example drop shipment and endless aisle or click and collect. According to both Ericsson and Hietala by the usage of a store network and viewing the whole chain more as an ecosystem the system will be quicker, more agile, cost efficient and a better experience for the customer compared to a purely internet-based brand which uses distribution centres and satellite storages. Omnichannel is about building new services around the store in an ecosystem which benefit the customer who likes the company to innovate for them by bringing new services and end up on top of their minds.

According to Narvelo some customers are regulars and do always shop in the same store and by a combining the retailers and e-commerce they could shop online and pick-up in their store and by doing so these customers will be able to choose from the full assortment and keep the relationship to the store. By having retailers as pick-up points it facilitates a big potential for additional sales at the retailer. He continues with the possibility of back shipment and argues that it would benefit the customer and retailers to an even higher degree. In combination with drop shipment, where all different payment solutions exist, there is little risk for the retailer and who would therefore be able to accept a lower margin on these products. For a retailer the marginal is of biggest interest, but Narvelo believes a similar solution to the one existing for made-to-measure, where products are ordered from the store and dedicated to a customer at the retailers, would be accepted. This since both are certain sales. Also, Norbäck is positive towards drop shipment where the customer pays in the store and receives the products direct from the manufacturer and she also describe the phenomenon of regulars, who like the service and treatment in store and to receive loyalty points at the retailer for their purchase.

“It’s everything around the product that makes the product”

Narvelo

Ericsson argues that the freedom of choice for the customer, when it for example comes to delivery options, needs to be completed with a guide on how to choose and direct the customer towards the best option for that specific need. Morling further extends this with the statement that the service needs to work seamlessly with the customers’ own life and be schedule and adjusted into their lives. He claims that the company should compete on the highest level and provide a premium service which matches the level of the product. A good working omnichannel extends the customers possibilities and contributes to this ambition. Related to this Hultén argues that differentiation is the key to create a good customer experience and create a solution based on different customer segments both when it comes to services, but the price for different services also needs be differentiated. Tuvling fills in that they are working with very small price intervals and solution specified for each customer.

The dream would be a world, where the customer can buy a product how and when he likes according to Hedlund and Narvelo completes that dream with the possibility for a customer to return a product from the brand at any place with a logo of the brand. But he continues by stating that the most important aspect is a higher availability of articles in all sizes and fits. The customer needs to have faith in the product, service and the brand. It has to work all the way down to the smallest detail and

if it is cumbersome to change size, return, bad service etc. then the quality of the product does not matter. Hietala believes you should start with the customers' needs, find what you like to offer, look at what kind of channels you have at the moment and make the most of them with additional services matching the customers' needs and then add the necessary applications and IT-systems in order to build a successful omnichannel.

The biggest issue for an omnichannel according to Narvelo and Morling is the book-keeping. In order to keep track of how the different channels are performing it is of highest concern to have the data and reach the different KPIs for each channel. In an omnichannel world the problem is who should credit for the sales and from which channel does the return originate are question marks to straighten out beforehand. Another option according to Morling is if the different channels are not measured by sales figures but service performance and the only vital sale figure is the total for the company.

“Your background affects your future and which path you should take”

Svårdson

Svårdson further explains that it is not always the best to have several channels. It all depends on the background of the company and what you have at the moment. A mixture of digital and physical stores is not necessarily the best option since, he argues, that there is no loyalty online. To make an impression offline one needs several stores which is costly and contributes to a higher price on the products. This could be given grounds for if a customer needs an instant delivery but otherwise the price is the biggest incentive in the long term. A company that already have stores should use them in the logistics setup with pick-up in store and to be able to see stock levels in store online etc. according to Svårdson. Andersson fills in on the importance of remembering the background of the company when looking at e-commerce companies with showrooms for example. With fewer stores, implementing the use of the stores in the logistics setup or even as showrooms could be possible, but I would take big caution Andersson says. Ericsson claims that a store in the future will be more of a showroom and its contribution to the ecosystem is service and to give the customer an experience. But Andersson argues that the market in Sweden today is not ready for showrooms. In order to keep the conversion in stores the customer needs and is used to the instant delivery. On this topic Hultén thinks showrooms are a benefit for the cost of storage as the store do not need to be as big and can be completely utilized for the purpose of selling but also that it is a question of better transports as we can deliver effectively direct to end customer instead of transporting everything into the city centre contributing to congestion and emissions.

Shipping from the store to the customer who buys online have a big potential and all possible parts of the ecosystem should be used in the logistical part of the supply chain according to Andersson. Especially in the beginning before the demand is known and the company have figures to base the decision of an additional hub in the location. By this concept the pick-up in store is already implemented more or less and it would also have the benefit of bringing more traffic to the store.

5.1.3 E-commerce

According to Andersson the e-commerce market will in the future include two different kinds of actors, the first ones are really big ones designed as big shopping malls or market places while the

other actors will be niche players. The marketplaces will increase more due to the behaviour and comfort for the customers. The examples of today is Amazon as a horizontal marketplace and Zalando as a vertical marketplace with a focus directly towards beauty and fashion. Manufacturers with a strong brand and a special product will survive as niche players and can continue to sell through their own e-commerce channel and at the same time have the opportunity to choose to be included in the bigger marketplaces. These brands should not view the big marketplaces as a threat but an opportunity and a possible channel to sell through. Svårdson agrees on some parts but he believes the market will consist of niche players and vertical marketplaces but that horizontal marketplaces selling everything to everyone will not survive. For e-commerce to survive one has to be the best at making it easy for customers, deliver as the customer likes and offer a low price. Since there is little threshold to change between websites the horizontal marketplace will have a hard time. This is the biggest benefit for shopping malls in the physical world. This means that the store that the customer chooses has to be the best in the market or the customer changes to another one. According to Svårdson all manufacturers will have all their products online, but it will be more of a service then a big selling channel since they cannot have the best prices or campaigns to keep retailers happy. The other option is to go alone without retailers but then the brand needs to be very strong with a good reputation that can stand by itself.

When it comes to the conversion rate at the site the three most vital parts according to Svårdson are to sell what the customers likes, to sell it cheaper than the other websites and to do it fast and simple. There cannot be any hesitation and every “do it later feeling”, such as for example free shipment above a certain level, needs to be removed. A website has a very short part of the customer attention span and during that time the customer needs to be able to place an order.

5.1.4 The Last Mile Transportation Market

According to Svårdson there is a big and vital difference between the Swedish market and the once abroad. Especially in America packages are delivered home to the door and not to the local post agent. Home deliveries in Sweden have the reputation of being bad in the sense that the delivery appears when no one is at home and the time window is a full day. After several unsuccessful attempts the customer has to collect the package himself at the distribution centre far outside the city centre. Svårdson summarizes by stating that home deliveries are very bad in Sweden and deliveries to the local post agent is very good. Knight argues along the same lines and sees a trend that customers in a higher degree are asking for home deliveries with higher precision, tighter time windows and faster deliveries. Both Hamilton and Lee argue that express deliveries have existed for a very long time and the transport is not difficult, instead it depends on making it cost efficient. The vital part is route optimization and to do that in real-time in order to make it both economically and environmentally sustainable.

Today the market is changing, and new delivery methods are on the rise. Hietala talks about in-car delivery where the packages are delivered to the end customer's car during the day while at work and how car manufacturers are putting up a new standard for these solutions through which it will be easier for the company making the delivery as well as notifying the customer. According to Hietala the advantages is that the customer does not have to do anything, and the courier can deliver at any time of the day. Svårdsson argues that this is only a marketing initiative for the car manufacturers and

sees big problems with a movable delivery point. According to Szerszensk Postnord has done a successful pilot study with six companies together with Volvo in Gothenburg, Stockholm and Malmö. The car has to be in an, by the customer, selected area and the delivery has to be delivered within a certain time window where the postman has access to the trunk through a digital key. In the existing solution for car delivery the distribution mode is selected in the check-out procedure at the website and then the customer gets to choose a suitable day for the delivery. Here the fastest possible option is next day delivery. Szerszensk further continues to explain that she believes that digital keys will be the future for delivering packages, no matter if it is in a car, a house or anywhere else that makes it more convenient for the customer.

Tuvling explains the concept of couriers and how they are working with both bikes and cars to deliver fast and direct from A to B within very short notice and delivering in the urban area of Stockholm in 30 minutes. He claims this to be the fastest delivery option but hard to make economy of since volumes and planned deliveries become costly. Furthermore, Hamilton and Knight advocates home delivery to your front door during the evenings within small time slots and using a good information exchange to the customer receiving information about exact delivery time. With these solutions products are collected during daytime, sorted and then delivered using milk rounds during the evenings. Hamilton argues that this is the most premium service and the only option fulfilling the promise of transport all the way to the customer's home, but it comes to a higher price compared to post offices. Hellman do not believe home delivery will overtake the deliveries to post agents in volume. He explains the concept where the product is delivered to a store or kiosk close to the customers' home, where the customer picks it up and completes the final transport to the home. He argues that this contributes with economy of scale and good economic advantages for the distributor. Hietala points out that a delivery to a post agent do not give any kind of service to the customer and that it might not be as environmentally friendly as one might first think due to all the transport of end customers bringing the products home.

Another concept with much in common with post agents is, according to Svärdsson, post-boxes which are products delivered to a pick-up point close to the customer home. The difference is that no one works there. Instead the product is stored in a box with temporary password which only the customer knows. The advantage is that it does not require personnel, while the disadvantage is that the boxes can only fit products of certain sizes. Hietala describes another last mile solution to be click and collect which is similar to post agents and delivery lockers, but with this option the customer picks the product up at one of the brands stores. The advantage for the company is the possibility for additional sales and a better experience for the customer where the brand has full control over the entire customer journey. The drawback of click and collect is according to Lindgren that it takes time from the personnel who is not motivated nor trained for the task. Åbonde explains another concept for home delivery offered by Bring which they call Mailbox Express. Here the product is delivered with the morning postman as he is delivering the newspaper. This enables late cut-off times, fast deliveries and the possibility for the customer to wake up to the new product. But Hietala and Andersson reflects upon the risks for more expensive products, which do not fit in the mailbox and therefore will be left hanging at the door.

Table 4: Advantages and disadvantages of the different last mile solutions according to the interviewees

Last mile solutions	Advantages	Disadvantages
In-car delivery	<i>Easy for customer</i> <i>Delivery at anytime</i> <i>Package secured without quittance</i>	<i>Moving delivery point</i> <i>Trust issues</i> <i>Uncertainty about standards across car manufacturers</i>
Express courier	<i>Fast delivery</i> <i>Flexible</i>	<i>Expensive</i> <i>Inefficient</i>
Home delivery	<i>Easy for customer</i> <i>High customer experience</i>	<i>Expensive</i> <i>Customer needs to be home</i>
Post agents	<i>Easy for distributor</i> <i>Economy of scale</i> <i>Flexible for customer to pick-up</i>	<i>Customer fulfil delivery</i> <i>Limited capacity in system</i> <i>Poor customer experience</i>
Delivery lockers	<i>No personnel</i> <i>Flexible for customer to pick-up</i>	<i>Restricted package sizes</i> <i>Customer fulfil delivery</i>
Morning deliveries	<i>Easy for customer</i> <i>Late cut-off time</i>	<i>Security for goods bigger than a mailbox</i>
Click and Collect	<i>No distributor</i> <i>Flexible for customer to pick-up</i>	<i>Keeping track of storage levels</i> <i>Personnel not motivated</i> <i>Personnel not trained</i> <i>Customer fulfil delivery</i>
Aviation	<i>Use full product range</i> <i>No new investment in storage</i>	<i>High environmental impact</i> <i>Customer needs to be home</i>

Another option presented by Åbonde is the option to transport the products by air from Borås to Stockholm, then sort it and deliver using home delivery during the evening in a similar way as the home delivery previously discussed. With this option Åbonde claims that the cut-off time can still be around lunch with a pick-up in Borås at 13.45 for transport to the airport, flight to Bromma at 15.30 and home delivery between 18.00-22.00. Hultén and Ericsson point on the environmental impact from the flight option and that it has to be weighed against the benefits of not investing in a new satellite storage and the possibility to offer the full range of products. See more of the advantages and disadvantages according to the different interviewees in Table 4.

5.1.5 Capacity

While the delivery service to the local post agent that Svårdson describes is very good in Sweden, many of the interviewees also acknowledge that there are capacity limitations and shortages in many parts of the system. Andersson claims that Postnord in their current position are terrified of the capacity limitations that exist in terms of space at local post agents, qualified delivery drivers and Instabox solutions when e-commerce in Sweden is growing at the current rate. He also describes how many agents are opting out of handling packages since it sometimes limits their core business extensively. Hultén, Hamilton and Hietala all also see that the maximum has been reached for the post agents business and describes situations from Christmas last year when stores and shops were filled to the brim with e-commerce deliveries because of the peak in demand. Along the same lines Svårdson describes how he thinks the market will converge from 20 % home deliveries and 80 % post agents to the direct opposite with 80 % home deliveries and 20 % to agents when customers realize the benefits with home deliveries.

But, it's not only the post agents that have a generally high capacity utilization, Andersson and Lindgren both describes how the logistics companies also have a problem finding drivers with the right competence to drive the trucks and delivery vehicles.

5.1.6 Storage

Svårdson has a very firm understanding of how to design the appropriate distribution network setup and choosing the number of storage locations. He describes how the complexity and difficulty handling multiple storage locations are far greater than the benefits for a company like Apotea. He further explains how different storage levels, double the amount of safety stock and decisions processes regarding where the products should be delivered from are some of the negative aspects with more than one storage location. Furthermore, the only positive aspect that Svårdson sees is that the delivery time to some parts of the country would decrease to an extent where same day instead of next day would be possible.

When asked about how to set up a second "satellite"-storage location despite its drawbacks, the opinions of the interviewees are diverse. Ericsson is adamant that such a storage has to be controlled by the company, and preferably highly automatic and robotized. Hietala on the other hand sees a company-controlled storage as an option only if the volumes are really high and he also explains that most storage automation setups require quantities that are far greater than those that would be suitable for The Company, this since the initial investments sometimes range between 10 and 12 million SEK. Furthermore, another feature that has seen a lot of interest during interviews is the possibility to utilize the company owned concept stores as an important part of the distribution network. For Hietala this is an important part of the future for many retailing companies, and certainly for The Company. Lindgren describes how Åhlens are already using this setup and let store employees to some extent pick items in their stores, mainly for click and collect purposes. He does however describe how this process is complicated because of less than precise inventory levels in the stores, many different SKUs and the fact that the store staff are not trained nor motivated to fulfil e-commerce orders. Most of Åhlens e-commerce orders are instead fulfilled from their central storage location a few kilometres outside Stockholm, where the e-commerce business has a separate storage next to the central storage for all of Åhlens. That the store staff would be unsuitable when it comes to pick-and-pack of e-

commerce orders is a viewpoint that Hietala does not share, instead he emphasizes that the personnel usually has some spare time during their day and that with the right IT support this process can be very smooth.

Together Hietala and Lindgren do see many potential benefits with using the stores as storage units and important parts of the distribution network. One of the most important being the fact that it can increase the number of customers actually entering the stores and thus, lead to extra sales.

Furthermore, the stores are unique in their closeness to the customer, have an already functioning distribution network around them and commonly require small investments in order to function as an integrated part of the distribution process. The drawbacks of the setup are mainly limited and relatively high costs for spaces, the relatively low scalability and the need to get the staff onboard the initiatives. See more of the advantages and disadvantages according to the different interviewees in Table 5.

Table 5: Advantages and disadvantages of the different storage solutions according to the interviewees

Storage solution	Advantages	Disadvantages
Self-owned satellite storage	Quick response time Late cut-off time Drop shipment Control	Two storages More tie-up capital Initial investment High risk level Less scalable
3PL-owned satellite storage	Quick response time Late cut-off time Drop shipment Expertise Flexibility	Two storages More tie-up capital
Store storage	No new storage Pick-up in store Environmental aspects Quick response time Late cut-off time	Restructure of storage More work for staff No drop shipment High price/m ² Less scalable
Central distribution storage	Full product range Low investment Existing staff One storage Drop shipment	Environmental aspects Early cut-off time Transportation cost

5.1.7 Information Exchange

In order to achieve an e-commerce process where the different channels, actors and services are updated and work together information exchange is a key enabling feature. Interviewees to a very high extent describe the need for effective information exchange and describe the information

exchange that is most crucial to them. Morling, being a store manager uses all the information systems in the store every day. He emphasizes the value of having accurate and updated stock levels in the store in order to be able to supply customers. Both Morling and Hietala describe the usefulness of RFID systems in order to achieve a higher level of stock level accuracy. An RFID system is used both in the store and throughout the company, however Morling claims that the potential is not fully utilized. He is also concerned with how the store results are affected by integration with other channels. If for example, the store is used to fulfil e-commerce orders, Morling feels that pretty soon the store will have delivered a lot of products without having any paying customers.

Hamilton, Knight and Hietala also describe the importance and demand for effective information exchange to customers. The customers are, nowadays more than ever, requesting the possibility for full visibility of both availability at different point of sales and of real time view of deliveries. All three of them offer systems that allows full visibility of customer's home deliveries via web page applications. These applications track the delivery via GPS and displays the number of deliveries that are to be handled before the customer's delivery, an estimation of precisely what time the delivery will arrive and a chat functionality for conversation with the delivery driver directly. An example of the customer interface for one of these web page applications is displayed in Figure 7. Even the interviewees from logistics companies that does not yet offer these services (Åbonde, Andersson, Hellman) agree that they offer considerably higher customer utility than more traditional home deliveries without the ability to accurately track deliveries and with poor delivery time predictability. And if the services are combined with efficient deliveries during evening hours the value for the customer is likely to be even higher.

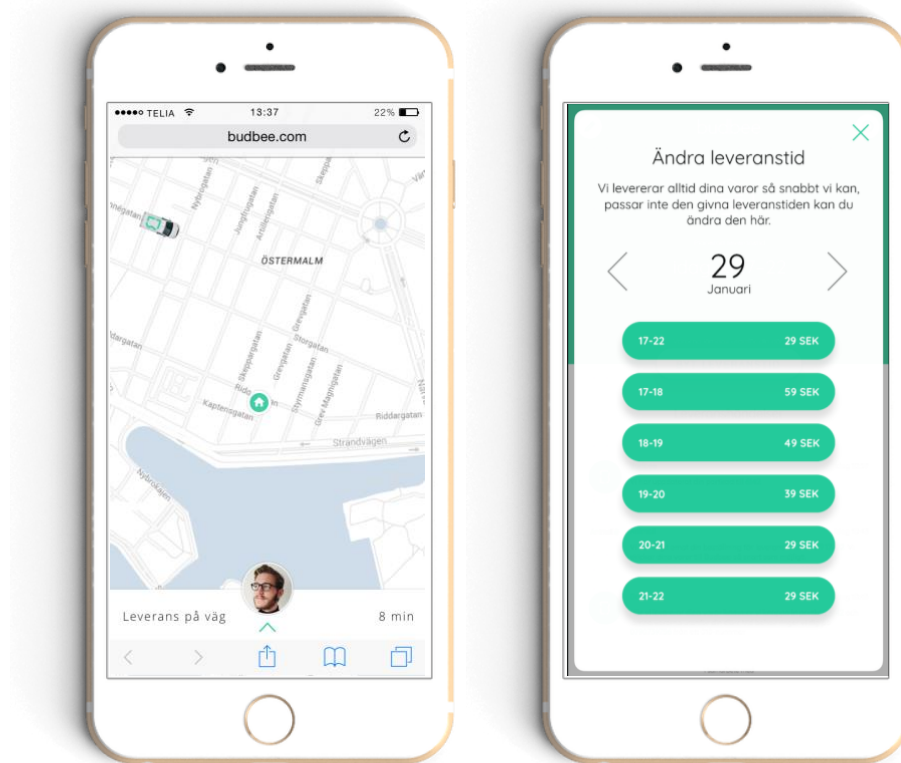


Figure 7: Customer mobile interface for the Budbee transport service when an order has been made

The information exchange between the transport company and the manufacturer or retailer should not be marginalized either. All of the interviewees emphasized the importance of this exchange and pinpoint the advantages that comes with using a well-developed transport administration (TA) system. A TA system is a common standard that helps transport buyers to efficiently connect, book and manage transport together with transport service providers. Such a system enables more efficient information exchange between the actors and also make it easy to switch between different once. Hamilton, Andersson and Knight are among the respondents that all describe how such a system would make it easy for The Company to assign another, or one more, transport service provider of their goods. One of the key features of a TA system is EDI file management and despite the many voices pointing at the systems huge advantages EDI file management has it problems. Knight concludes that everyone needs to be aware and be prepared for EDI messages for some reason not working, this is the most common problem related to the communication according to him. Berglund also describes how some of these EDI messages can cost 30 000 SEK per message to set up and that thus, rather high volumes and frequencies need to be transferred via EDI for it to be a suitable option. However, there are other options if EDI is considered too costly. When buying 3PL services from Schenker Berglund describes how the information exchange could be done via their mobile and web App, and even via email if the customer so chooses.

5.1.8 Internal Logistics

Not only an efficient information exchange process is key for successful transportation collaboration. Åbonde and Knight emphasise the importance of that The Company, the buyer of transport services, has the appropriate internal logistic system to support fast deliveries with late cut-off times. One example of this is the difficulties that Lee describes arises when the staff at the storage location, whether in a store or at storage unit, leaves in the evening. In this case customers will not be able to get their products that has been ordered after this hour, even if the transport provider is fully capable of providing a very fast delivery service. Instead the customer might get the products around noon the day after. In such a case the same day initiative will be almost pointless according to Lee. That the internal logistics processes for picking and packing is performing well is also of great importance. However, Lindgren describes that the fact that the store staff sometimes are not trained nor motivated to fulfil e-commerce orders can be problematic. In contrast, large fulfilment centre like the one operated by Bring and described by Åbonde does have all the space, equipment and trained personnel needed to operate such a process.

Finally, the internal logistics processes that are in place to manage and transport goods between different storages and fulfilment centres is another key component of the internal logistics process, and the complexity in this part of the supply chain does, according to Svårdson, increases with the number of storage locations in operation.

5.1.9 Returns

When interviewing people in the industry and with knowledge into the market for e-commerce distribution, returns are emphasized time and time again to be an important part of the customers' total e-commerce experience. Hietala describes his view that customers in the future will not be okay with having gotten a very customer friendly same day delivery service, but then having to print their

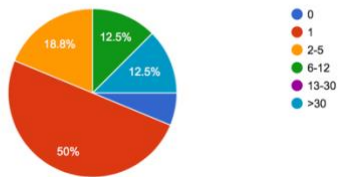
own return labels, stand in line at the post agent and then wait weeks to get their money back. However, Ericsson describes that handling the returns is costly, and that offering free returns will increase the number of returns. In his view it is however far costlier not to offer free returns. He also sees that some companies that have not offered free returns in the past, to a large extent, have had to change their ways of working due to the expectations from the customer in recent times. Hamilton estimates that between 30 and 35 % of the fashion products bought online gets returned. Ericsson's view is that the ability to return product in the store will be a necessity in the work towards an omnichannel ecosystem and like The Company have done in the past is stillborn. Andersson too describes, all though in a more subtler tone, that The Company should utilize their store to a greater extent and that it would be a "no-brainer" not to use it for return from a logistics point of view. Andersson and Ericsson also agree that the motivations of the store staff and that they understand opportunities for extra sales are key. Along the same lines Narvelo sees a future where a customer can return a product bought online at any point of sales, where they can find the company logo. This since he believes that for the customer it's all one and the same brand, even though the products are sold by different actors. Finally, it's also worth noting that it seems to be a common understanding among the interviewees that The Company's products and business are less influenced by customer returns than most other actors within the fashion segment. This being due the fact that the customers sometimes are too comfortable to initiate the return process, the customer base in general have high buying power and make less impulse purchases and because the products have a standardized aspect to them.

5.2 Survey

A survey to investigate the future usage of an omnichannel and the prospects of e-commerce and retailer's business without e-commerce has been conducted. Presented here is the result of this survey and in Figure 8 the questions followed by the answers are presented from 12 of the questions. Questions 1-4 are about demographical parts and the following are focusing upon the changes between different channels. Noticeable is that most respondents see a decrease in store visitors and an increase in e-commerce. At the same time retailers do consider or have at the moment pick-up in store and same day delivery, see Figure 8 for further details.

How many stores do you have?

16 responses



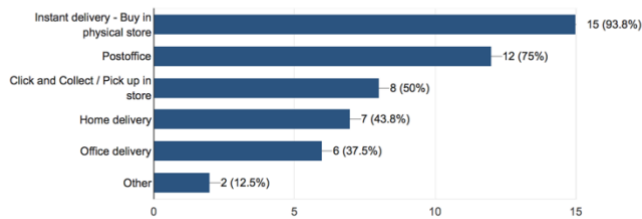
What is the size of the company?

16 responses



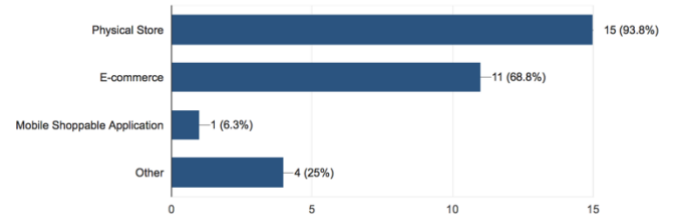
How can customers receive their products today?

16 responses



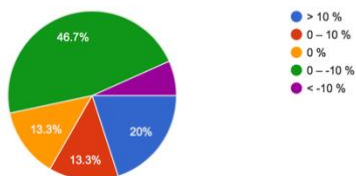
Which channels do you operate?

16 responses



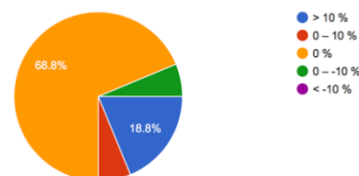
How has the number of store visitors changed the last 12 months?

16 responses



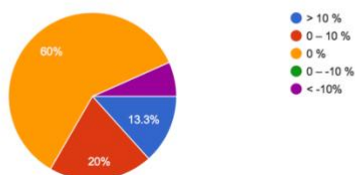
How has the number of stores changed the last 12 months?

16 responses



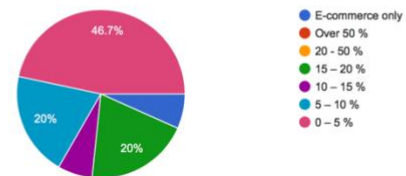
How do you believe the number of stores will change in the next 5 years?

15 responses



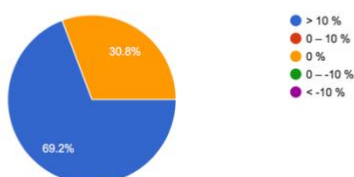
Approximately what is the percentage of e-commerce sales today?

15 responses



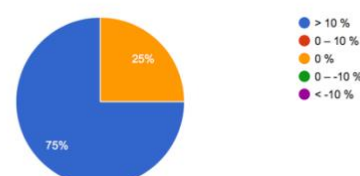
How has the e-commerce sales changed the last 12 months?

13 responses



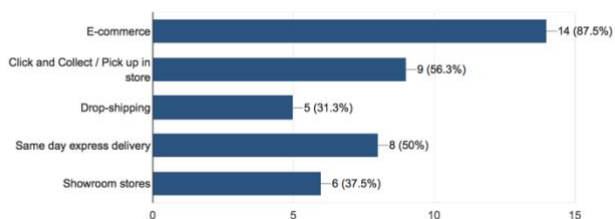
How do you believe the percentage of e-commerce will change the next 5 years?

16 responses



Have you considered any of these methods for reaching customers?

16 responses



If there existed a possibility of Dropshipment from your supplier to your customers, would you use it?

16 responses

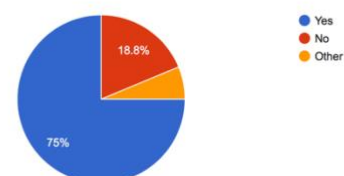


Figure 8: Survey results

In question 9 and 10 one can tell that the interval was misjudged. A lot of companies started their e-commerce during the last few years and both the changes during the last year and the expected changes were in fact over 100 % and in some cases up to 600 % which these charts do not show.

Furthermore, there were three more questions in the survey which did not have options for the answers but where the responder could answer short but freely. The question was the following including the most common replies:

1. *Which services you have launched have generated more sales?*
Social media, tailoring and customer loyalty programs.
2. *Which services you have launched have generated less sales?*
My Mall, a pick-up in store concept and fashion parade.
3. *Which is your top 3 strategic prioritizations/investments when it comes to omnichannel strategies?*
Change and return online purchases in store, digital sales in the store and an general integration between e-commerce, social media and the store such as prices, brand awareness and design and promotion.

5.3 Structured observation

In order to build an even deeper understanding of the retail environment surrounding The Company in the Stockholm region, two measures of structured observation have been undertaken during the process.

5.3.1 Mystery Shopper

In order to understand the retail environment surrounding The Company, a mystery shopper initiative was conducted. The number of products offered by the stores were estimated and the store staff were asked about, for example, a product not existing in their assortment and to recommend a solution when a product were not available in the store. From this study it was concluded that a relatively small part of the product assortment is held at the different stores. Furthermore, the products that are the headlines of the brand during the season, often called Seasonal Heroes, were often absent from the stores. Finally, when a product that were not available was requested, an overwhelming majority of the store staff directed the customer to the brand's own concept store, sometimes even before the retailer's own e-commerce site and before another store within the same chain.

5.3.2 Brand Store

In order to get a view of The Company's own retail store and the possibilities to integrate this store further, a structured observation was conducted during a full day at the store. From this study it was concluded that the customers that visited the store to a large extent did so because they request the expertise, interaction and conversation provided by the staff. Furthermore, the staff very devoted to customer satisfaction and spent a lot of time on each potential customer and thus, very few left the store without making a purchase. Despite the store staff's dedication and time spent, there were time, when the staff was not necessarily busy with any work-related task.

Regarding the store layout it was concluded that a lot of space was dedicated to storage of products. It was estimated by Morling, the store manager, that the number of products held at the store at any one time is about half what we know to be last year's store sales. Despite this, the facilities were not used to their full potential and a lot of space could be restructured and used better. For example, in order to store more products. Despite keeping a lot of products in the store personnel commonly had to order the requested products to the store, since it was not available in precisely the configuration the customer wanted. In such a case, no option to deliver the product anywhere except for the store was available.

5.4 The Last Mile Transportation

As stated in the interviews subsection above there are a lot of different set-ups to perform the last mile to the customer. In this master thesis different providers of these services have been reached out to in order to compare price, delivery time and range, which all can be viewed in Table 6.

Table 6: Benchmarking of different last mile solutions

Last mile solutions	Prize	Delivery time	Range
In-car delivery	200 SEK	1 - 3 days	Urban areas
Express courier	61 - 265 SEK	15 min - 6 h	City centre
Home delivery	59 -225 SEK	within 24 h - 5 days	Urban areas
Post agents	25 - 50 SEK	1 - 6 days	Full country
Delivery boxes	39 - 139 SEK	within 24 h - 3 days	Urban areas
Morning deliveries	35 SEK	within 24 h - 5 days	Urban areas
Click and Collect	0 SEK	within 2 h - 5 days	In Store
Aviation	130 SEK	within 24 h - 5 days	Urban areas

The baseline for this thesis is the standard delivery option in Sweden namely post agents where the customer picks up the package within 14 days from it is delivered to the agent which takes between 1-3 days from order. This option consist of a lot of actors, is the cheapest and can be performed in the whole country.

The in-car delivery solution is an interesting upcoming way of receiving packages bought online and according to Andersson different car manufacturers in Europe are making a standard for how it will work in the future. Today the solution exists on the Swedish market in Stockholm, Gothenburg and western Skåne as a collaboration between PostNord and Volvo. Packages will be delivered to the car's trunk by a digital one time key and the car will afterwards be locked. The customer chooses the delivery time and spot where the car has to be within one-kilometre range and if it's not, the package will be delivered to the closest post agent to the customers' home. This is not a same day delivery option today but might be in the future. In the next years the business most likely will gain momentum up and this Spring (2018) Amazon is presenting a solution together with Volvo at the American market.

Express couriers, such as Ryska Posten and Best Transport provide a service where the delivery is executed immediately, and the package will be picked up within 15 minutes, delivered straight away or picked up and delivered sometime during the same day. The delivery is performed by bikes or cars and the price vary depending on time limitations and distance to the customer, which can be anywhere within a given range. There are no integrated IT solutions for this solution to connect to the webpage and every delivery has to be booked by phone or email.

Home delivery can be divided into two different services. Firstly, the old option where the car comes to your home at any time during the day between 08.00 - 17.00 mostly performed by UPS, Schenker, PostNord or DHL, secondly the newer option, that is on the rise, with evening deliveries between 18.00 - 22.00 performed by Best Transport or Budbee for example. The first option is most suitable for office deliveries where the customer orders the product to their office. This can however not be performed the same day and the customer cannot choose the delivery day, but instead it will be performed within 1-3 days. The second option is more customer friendly and provides the possibility for the customer to choose the exact evening for the delivery between the same day up to 5 days later. During the delivery day the customer can view the transport in real-time on a screen showing the calculated delivery time and the number of stops. This option is suitable for home deliveries, where the customer is not at home during days and the price difference is between different actors performing the same service.

Delivery lockers, like for example Instabox, are very similar to the baseline post agents, with the difference that the package is locked in a box, and the customer pick it up using a digital one-time key within 1-3 days from order and after a maximum of 14 days. The advantage is that no personnel is needed, but on the other hand a package has to always fit in the box.

Mailbox express is a service provided by Bring together with morning paper distribution company called MTD, and it involves the package being delivered in the morning by the postman delivering the newspaper. If the package is too big for the post-box this service has the possibility of hanging the goods on the door. This service has the potential of very late cut-off time, as late as midnight and still the option of delivery in the following morning.

Click and collect is a delivery method where the customer pick-up the package in the store of the brand with the benefit that everything is picked and packed and can be collected within two hours.

Flight delivery is an option provided by Bring where a truck picks up the products at 13.45 in Borås, drives to Landvetter airport, is handled at the airport and then takes a flight to Bromma airport between 15.30 to 16.30 and thereafter is handled as a home delivery and is delivered in the evening between 18.00 to 22.00.

5.5 Storage

Through the interviews some different storage solutions have been presented and in this subchapter they will be explained and include a cost estimation, a proposed range of products for each solution,

see Table 7, and previously during the interviews the biggest advantages and disadvantages with each solution have been shown.

A self-owned satellite storage is a storage owned by the company placed near the market it is supposed to supply which is the area of and around the city. The storage will take care of some of the e-commerce including the same day deliveries and it will supply the stores and retailers in the area with products. The product range is as described in Table 7 adjustable which means it can be adjusted to the demand and which products are promoted in the area. Therefore, it can handle the baseline of the products as well as the seasonal heroes but not the full range of products in all different sizes and fits to minimize the number of shelf warmer. Further down in this chapter in Figure 10 it is shown the different sizes bought in 2017 from the e-commerce in the area. Furthermore, there is some cost related to a self-owned satellite storage, an initial investment of a storage, equipment and IT solutions and running costs such as salaries, facility related fixed costs and maintenance.

Table 7: Product range and costs connected with the different storage solutions

Storage solution	Product range	Cost
Self-owned satellite storage	Adjustable	Initial investment Salaries Running cost
3PL-owned satellite storage	Adjustable	Fixed price per order Fixed price per shelf space and month IT setup
Store storage	Limited to the store's product range	Potentially salaries Share of running cost Adaptation cost
Central distribution storage	Full	

3PL-owned satellite storage is a similar solution to the self-owned one with the biggest difference that it is outsourced which means one do not have full control but do not consider it as a core competence. With this solution the storage is much more scalable for changes in demand, the price might be higher compared to a good balanced own storage but do not involve the same risks connected. The product range is the same as for a self-owned and the price is based on the manhour the staff works with your products and how much space is used. For example, a price example from Bring where incoming products costs 15 SEK / box containing one and the same article, storage is 145 SEK / used pallet space / month, outgoing products have a starting cost of 25 SEK / order and additional 18 SEK / orderline, surrounding services is charged per hour. Hitala also supplies the study with a template that he uses to calculate an approximation for 3PL services for his customers and partners. This template corresponds well to the price examples received from Bring, and the fact that for example costs for pallet spaces here are slightly higher is compensated by slightly lower costs for

handling of incoming goods. A more detailed comparison between these estimations can be found in Appendix C.

Moreover, the IT-communication needs to be good and there exist different options such as EDI-messages which have a setup cost or if the orders are placed manually there is someone who needs to do the work.

Store storage is based on the products already existing in the store and that these are shown in the store at the same time as they are the storage for the e-commerce products ordered for same day. Some adjustments are needed to implement this with a packing station and a possible change of the types of products stored in order to fulfil both channel's needs. Initial cost in this case could be a rearrangement in the storage behind the store to be able to pack the products if there is no available spot at the moment. Furthermore, as seen in Table 7, there is a potential salary cost if the demand is higher than the time available among today's personnel more workers are needed and the share of running cost is no additional cost from today's setup but a change in expenses from the store to e-commerce and it will increase the number of deliveries with a more frequent schedule due to a higher turnover.

Central distribution storage is the fourth option and uses the already existing central distribution centre to store the products. With this option no additional costs are connected since it is used today for all e-commerce and can therefore offer the full product range for same day delivery, but it limits the transport mode to air.

5.6 Secondary Data

Different forms of data have been received from the company which are analysed in this chapter. The data processed comes from company material showing the current situation and future plans for the omnichannel structure and implementation plan for the company along with sales data from e-commerce and retailers down to SKU level from sales in Stockholm region.

5.6.1 Company Thoughts

The Company have a big change ahead with plans for a new omnichannel distribution to create the ultimate customer experience with new in-store concept, more agile distribution, better payment solutions, endless aisle solutions, premium resellers and a new focus for e-commerce in order to fulfil their services around the product and to create a premium platform for the future customer. An ecosystem is developed which includes wholesales, brand stores, airports, e-commerce, social media, ads and campaigns to reach the customers in the way they prefer. Services as click and collect, drop shipment, endless aisle and express home delivery are on the agenda. The reasons to change towards omnichannel retailing are many according to The Company. Firstly, customer behaviour is changing, and the customer expects to be able to search the web for product information and make purchases online with smooth checkout and baskets to simplify the experience. A lack of this service will result in less customers. Secondly, traditional wholesale is in decline and the customer needs to be transitioned from The Company's main channel to new alternative channels. In the US multibrand and department stores declined with 7-9 % per year. During the last years and in Europe the growth

has been flat or modestly declining. Thirdly, an omnichannel strategy creates opportunities to specifically strengthen the business of brand, to increase brand awareness, finding new markets and densify presence. In a survey made by the company the customers point out the limited distribution, availability in store and more own stores as areas with possibilities for improvements.

The Company's view of the omnichannel perspective is broad. It includes channels with retail, wholesale and e-commerce, customer interface, customer relation, fulfilment, marketing mix and technology enablers. Furthermore, there are also back-end enablers with organization, logistics, IT and payment which are all further divided and explained in Figure 9.

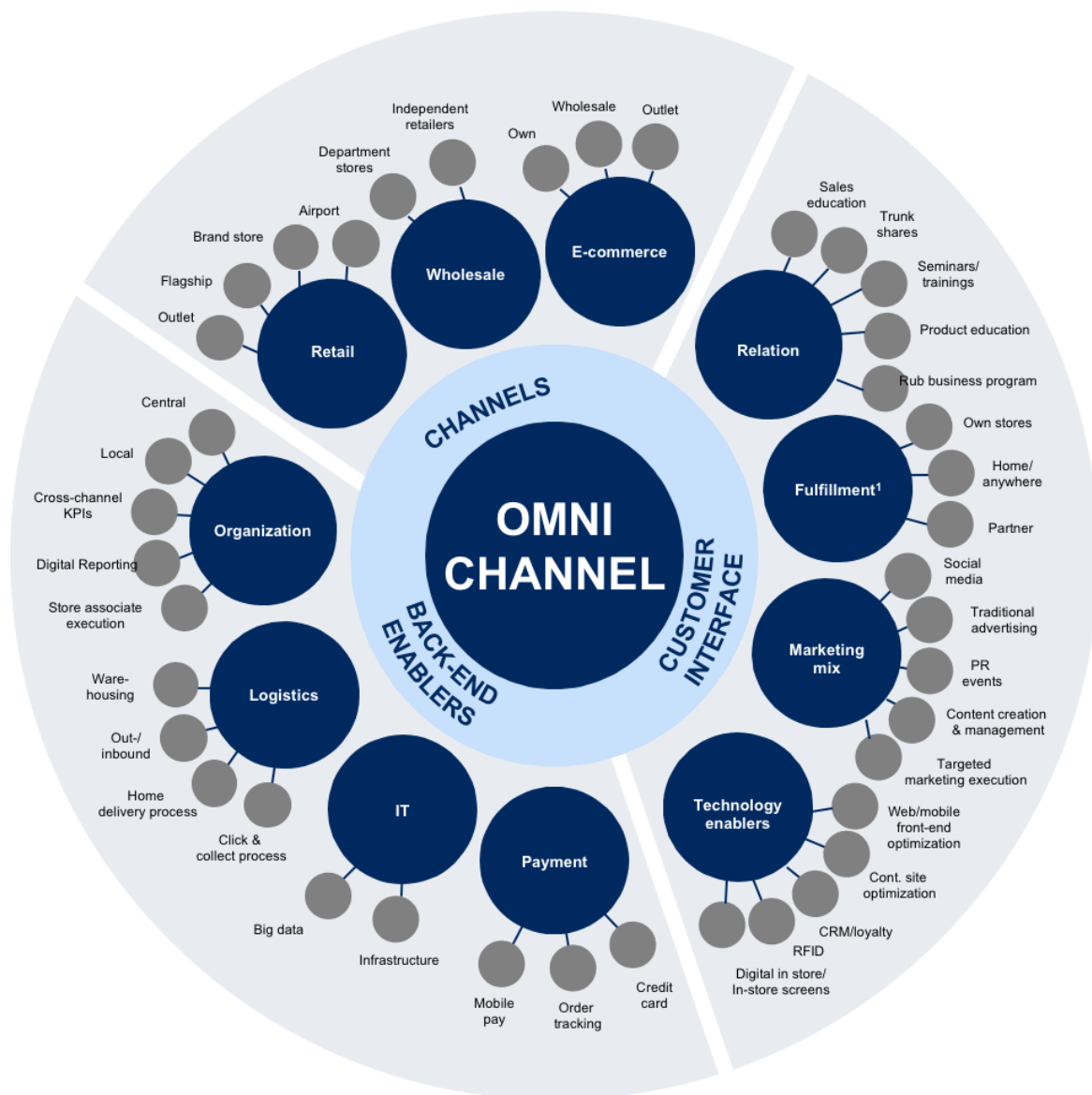


Figure 9: The Company's view of an omnichannel

As shown in Figure 9 there are a lot of aspects to consider to fully implement an omnichannel strategy throughout the whole company and Figure 9 shows the complexity and how broadly the concept is affecting all parts. Today 86 % of total sales comes from retailers, 9 % from own stores and 5 % from e-commerce. In a survey performed for the company by external party it shows that 52 % of customers

check online to see if the store has a certain item available and consider this service as very important. Furthermore, 37 % buy online and pick-up in store and 25 % buy online and return the item to the store and of those using these services 69 % find them important or extremely important. Moreover, approximately 86 % consider delivery options and return processes when purchasing online and 79 % check the delivery speed.

Today The Company has an running drop shipment program together with one wholesale, where products are ordered in their stores or online and delivered directly to the customer. In this case the company do the pick-and-pack process and the wholesaler stands for the shipping fees. By this solution the selection can be expanded, and the customer have a better availability of products and it can prevent missed sales using the endless aisle concept. To implement more of these solutions together with home delivery it is possible to provide convenient fulfilment options which, are considered key differentiating factors and a demand recognized among customers. To complement this the click and collect option boost the overall customer experience and the customer can be are certain to receive the products they like the most. The home delivery concept is aiming to have the product shipped home within 24 hours both when bought from own store, premium retailers and e-commerce. Second priority for The Company is to provide visibility and access for the customer to the inventory in different stores to match available inventory with customer demand and make products bought online or other POS returnable at their own stores.

5.6.2 Sales Data

Through the sales data received from The Company's sales in the Stockholm region it is possible to view the sales done by every retailer and own store and to every e-commerce customer down to the exact SKU. Different aspects have been aggregated from the data such as which sizes and fits are sold the most and to which addresses the products bought through e-commerce have been delivered.

The data shows that the sales in the stores business follow the pareto distribution principle where 20 % of the goods sold stands for 80 % of the sales but that the e-commerce business do not follow this rule, and that the bigger assortment provided at the web results in a much broader variety of products sold. The top 10 most sold products in e-commerce represents 2,7 % of the total sales, compared to in the physical stores where the top 10 most sold products stand for 15,5 % of the total sales.

The data also reveals the most popular sizes and fits and in Figure 10 it is possible to see the percentage of e-commerce sales divided by fit and size. The most bought size is 39 slim and in general slim is the most bought fit at e-commerce with a total of 61 % of total sales. The sizes bringing most sales are 39 and 40 standing for 20 % of total sales each.

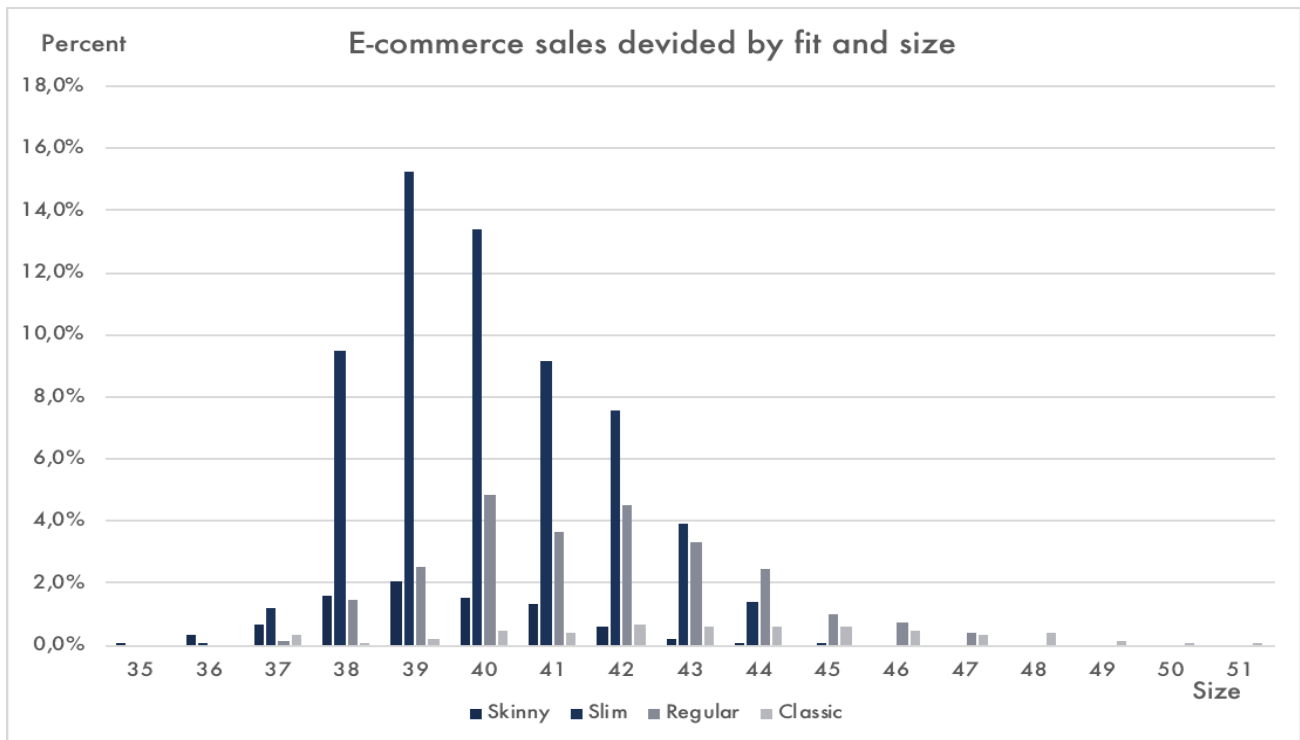


Figure 10: The sales numbers from 2017 e-commerce sales divided by fit and size

The data that have been collected also shows the number of sales each hour of the day. In order to see the sales of each day and the peaks during the days, see Figure 11. This data is from the Stockholm region and are a collection of numbers from the start of the e-commerce in 2013. Figure 11 moreover shows how Sundays and Mondays are the days with most sales with 20,6 % of the sales, while on Sundays and Thursdays sales bring the smallest volumes with 10,1 %. This data provides information to the process for the selection of cut-off time. When looking at the average day, one can tell the demand is stable with a small decrease between 08.00 and 16.00 with an additional 6 % of the total sales for each hour the cut-off time is pushed forward. The peak is at 19.00 and as expected the lowest number of orders are received during the night hours. Two things are noticeable i.e. Sundays have a different pattern while the other days follow more or less the same pattern. Sundays before 15.00 is similar to the rest, but in the afternoon/evening there is a massive peak, which is more than two times higher compared to average. Secondly, during lunch time on Mondays customers tend to buy 70 % more than the regular lunch hour, and they continue to buy more than average during the whole afternoon.

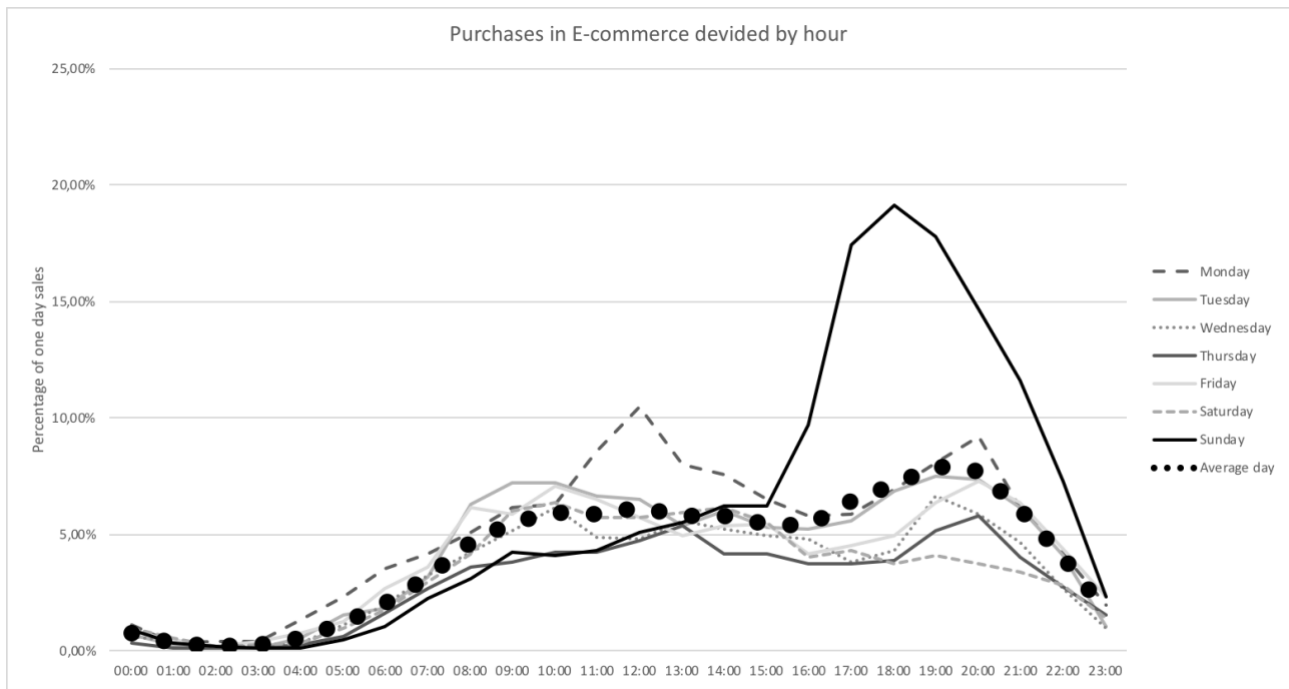


Figure 11: The sales numbers since 2013 e-commerce sales divided by hour and day

Moreover, from the sales data it is possible to view the exact address to the customers making the order and use this data to select within which area it is most suitable to facilitate home deliveries and same day deliveries. The Stockholm region is marked with a thin black line that runs from approximately Hallstavik in the north to Trosa in the south and the area also has a slightly whiter tone to it. The higher density of sales is marked in red on the heat map and it becomes clear that far from every region have bought products online, see Figure 12.

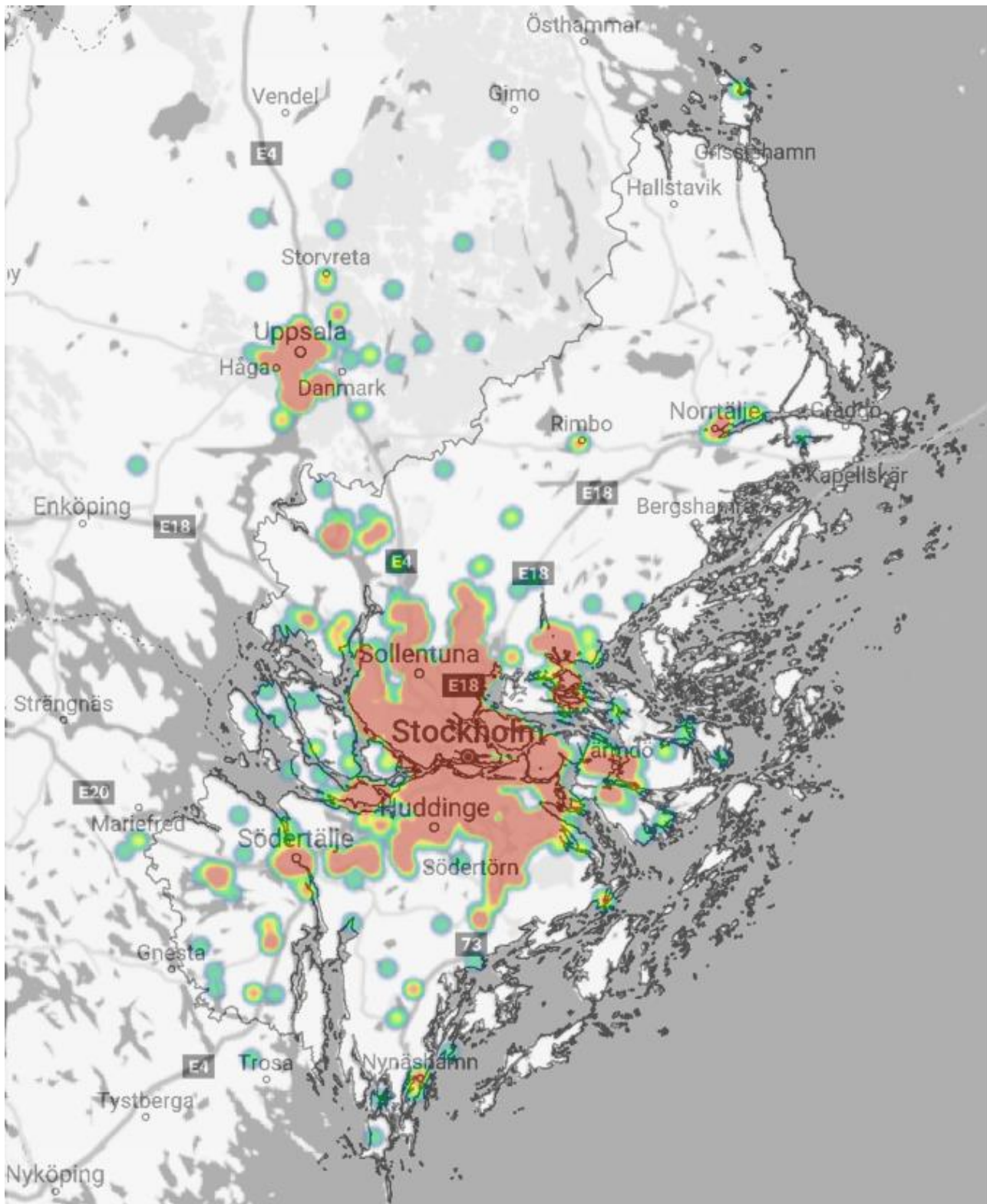


Figure 12: The sales numbers from 2017 divided over the geographical area of Stockholm

When zooming in on the map it reveals that the highest density is in the central parts of Stockholm i.e. Normalm, Kungsholmen and Södermalm which also happens to be the areas with highest density of physical stores. This indicates how e-commerce is on the rise and how people in urban areas,

despite the short distances to the stores, prefer comfort and do not have time to shop in regular stores. Some cities with a higher density further away from the most urban part of Stockholm are Uppsala, Norrtälje, Södertälje and Nynäshamn.

6 ANALYSIS AND DISCUSSION

The following chapter aims to analyse and critically discuss the finding from the empirical study and the literature review conducted in previous chapters. Furthermore, the chapter also intends to deliver a recommendation for The Company's e-commerce distribution setup and by doing so answer the research question.

6.1 The Market for E-commerce and Premium Fashion in Sweden

This thesis deals with e-commerce in the fashion industry in Sweden and one of the main purposes is to provide the reader with an overview and insights into this market. A market analysis has therefore been conducted and many interesting developments identified. Some of the most important are discussed in this chapter.

6.1.1 Omnichannel

Literature and industry professionals appears to be in agreement regarding the fact that omnichannel strategies are the future in the retail environment. The survey conducted in the thesis shows that 87.5 % of The Company's current retailers are thinking about implementation of, and the potential of, benefits associated with e-commerce. Furthermore, concepts like same day deliveries and pick-up in store, central in both omnichannel thinking and this report, are considered by 50 % and 56.3 % of retailers respectively. This indicates what literature has argued for some time, that the greater emphasis on integration and customer experience across multiple channels has huge impact on the retail environment. From the surveys and interviews it has been found that omnichannel strategies are on top of most professional's minds in the retail industry, much like what has been predicted from literature. From the interview it can be seen that many crucial omnichannel strategies are considered by a large percentage of respondents and is it therefore concluded to be influential. From the interviews it is clear that having more of an ecosystem approach to the system one can deliver better customer experience and be more cost efficient and agile at the same time. For companies to work with such strategies can therefore be said to be essential for the future. During the interviews the conversations has often revolved around the concept of pick-up in store initiatives and utilizing the stores to a better degree as one of the most important concepts within the field of omnichannel. This is something dealt with also in literature where simplified replenishment, synchronization and new services and offerings are important fields. This thesis touch upon all of these fields and gives many insights into new replenishment solutions, discusses factors that are crucial for synchronization between actors and gives strategies for new service and offerings in the field of e-commerce distribution.

One of the most important obstacles for omnichannel strategies are, as shown from literature and interviews, the bookkeeping at the different points of sale and different actors. This can however be overcome by working proactively and viewing the whole business, online or offline, as one unit.

6.1.2 E-Commerce Growth

In the year 2017 e-commerce in Sweden grew 16 %, and in the clothing and shoes segment e-commerce now represents 16 % of all sales according to Postnord (2018). If this growth continues in

the same way the market will experience exponential growth of the e-commerce business in real terms and the market will have increased fivefold within 10 years. During the interview with Andersson, who should be one of the most knowledgeable interviewees into the area on e-commerce development, he expresses his belief that the death of stores will continue, and the stores be completely replaced by online channels.

Along the same lines the concept of showroom stores is gaining popularity and should be considered a solution in between online and offline. An offline location where customers can feel and try the products, as is the definition of the concepts, could bring great advantages to for example for the retailers that do not have a brick-and-mortar heritage and that are looking to establish store presence.

Finally, the survey also presents evidence of a strong future e-commerce growth. Of the retailers that responded 75 % believed in a strong growth for the sector in the upcoming five years. This despite the fact that 69.3 % of businesses has already seen more than 10 % growth in the last 12 months.

6.1.3 Transportation Market and Changes in Customer Demand

The market for e-commerce distribution is switching to home deliveries. From both interviews and literature, the market trend towards home deliveries has been clear. From multiple interviews the capacity restrictions in the systems and the effects of these has been emphasised a lot and from the literature study the dominance of home deliveries abroad is evident. Customers will in the future have adjusted to delivery models that are centred around the customer experience, is flexible enough to adapt the need of the customer and will not be associated with waiting at home for many hours or travel far, sometimes outside the city, to fetch the goods. Thus, in such a system flexibility will be key. The ability to, at a small fee, change the delivery to a more precise time and different place or adjust other preferences along the way adds customer satisfaction and therefore will be important in the future. The research has also identified predictability as having high contribution to customer experience. Examples of this is the ability to foresee where and when parcels will be delivered and being able to trust these predictions, and it's easy to see how the customer experience, and satisfaction will be highly influenced by these aspects.

In the future the market will also include several other delivery modes not yet in use at large scale e.g., drones and car deliveries, and these services have the potential to change the market dynamics substantially. This research discusses some of the more interesting phenomena on the topic, that is drones, in-house deliveries, autonomous ground vehicles, and crowdsourcing. All of these are currently being tested in different pilot projects in different parts of the world and as soon as some barriers have been overcome the impact is likely to be substantial.

E-commerce returns is also an area of great strategic importance and highly influenced by changes in customer demand. The literature in this area is to a large degree focusing on the profitability of offering free returns and many other aspects are neglected. Berg et al. (2015) does however investigate what factors in the return process has most influence on customer experience and they find the convenience factor of the return process key. Examples include offering pre-printed return labels with every order, having a streamlined return procedure on the website with as few clicks as possible and letting the customer decide what channel to do the return through. Furthermore, doing

the returns in the store is an untapped opportunity by many retailers, including The Company. The ability to provide a positive customer experience during the return procedure is unprecedented in the stores and there is also a great opportunity to convert a returned product into additional sales when the customer comes back to the store. The ideal setup here would be the possibility to return any of The Company's products at any of the points of sale. However, the question of bookkeeping and motivation in the stores, both internal and external, to handle the returned goods is important and poses a substantial obstacle for the implementation of these services.

6.1.4 Same Day Delivery

Same day delivery options are emerging as the next frontier of delivery options in the segment. The service today is a way for retailers to try to bridge the gap between online and regular shopping experiences and deliveries. What more, a same day option should also be considered a service aimed to provide a premium experience and distinguish one service from another. Several actors, e.g. Åhlens, is already offering the service to customers in selected regions. In the case of Åhlens the same day setup is a additional premium service offered to customer that are willing to pay that little extra in order to get the product quickly, or that are just interested in trying the same day service. Because of this the regular delivery is free of charge and the same day service is priced at 69 SEK. This setup is well aligned with what both the interviews and literature study recommend in terms of pricing and positioning of the service. Andersson for example explains that is that if the customers are offered a “premium” and one standard option for delivery the customers will be more satisfied with the standard one than they would if they were offered the standard delivery as the only option. And this is regardless of whether they use the premium service or not. Other interviews also argue that if the same day delivery option is offered on its own, or for free, it will quickly be chosen by almost all customers and the cost will increase but the perceived customer benefit decrease. Therefore, it advised to price the same day delivery option higher than other options during the customer checkout process.

The price does also vary with the geographical area the initiative it looking to involve. This is natural since the cost of deliveries increase the further outside the city centre, and the more geographically spread they are. However, the research shows that a very large part of the e-commerce customers can be offered the service despite a narrow geographical area due to the high concentration and density of e-commerce customer in the central part of the Stockholm region. The data does for example show that using Stockholm post town as the basis for the initiative would result in inclusion of 30 % of all sales in the region. What setup should be chosen and what area to include depend on a variety of factors like for example time, cost, and transport service provider. However, the finding indicate that it would be advisable to start off with a smaller and well-defined area or service of postcodes to include in the initial stages and specifically the pilot project. This since it gives the possibility to feel the market and an idea of the customer demand for the service at a minimal cost initially.

Regarding the actual customer demand for the service this is to a large extent precisely what the pilot project aims to find out and the actual demand from The Company's customers will therefore have to be evaluated at a later stage. However, the literature has evidence that show that already back in 2013 customers in Sweden had knowledge about and had started to use same day deliveries. Furthermore, more than 50 % of respondents in that same study (Netzer et.al., 2014) said that they would consider

a delivery fee of around 10 % on a 59€ purchase fair. From the interviews the confidence into same day deliveries has also been high. Svärdsson for example expresses that he believes that in the future the market will have shifted to 80 % home deliveries and post agent account for a mere 20 % and that same day will be an important part of this development. Since Svärdsson is the CEO of one of the largest pharmacies in Sweden his views may have been influenced by the immediacy demanded by the customers buying medication. However, Svärdsson also has probably one of the best views of anyone into the Swedish e-commerce market and experience from also selling for example books, sailing gear and baby products online. Adding all of these opinions, research and predictions together the conclusion is that same day deliveries is a very important shift into the field of e-commerce distribution. By acting now companies can stay ahead of the competition and thus develop their premium reputation and take advantage of the hype/trendiness factor.

Worth noting however is that same day deliveries generally affect the environment in a bad way. Environmental sustainability is an area that has become very important in most business contexts and initiating same day delivery services, that results in fast response times, requires flexibility and means less consolidated transportation, is therefore problematic from an environmental sustainability perspective. An evaluation of the environmental performance of the different solutions and a comparison with the company's sustainability ambitions can therefore be suitable.

An area that has been left outside the scope of this thesis is the government's opinion regarding more and faster deliveries. Today there are no such signs of more restrictive policies in this area, but if the industry keeps on growing in a high pace such regulations could be a concern in the future.

6.1.5 The Need for the Initiative

With the knowledge found in previous chapters it can now be concluded that the same day initiatives and challenges are phenomena of great importance and are therefore interesting to consider, both from the perspective of The Company and from an academic standpoint. The purpose of this thesis therefore has the potential to contribute extensively to both areas. As previously discussed same day deliveries are a very important shift into the field of e-commerce distribution. Companies that act early can stay ahead of the competition and thus develop their premium reputation and take advantage of the hype/trendiness factor. However, while same day and short delivery time windows has great potential to increase customer satisfaction, what is more essential is the ability to offer flexibility, predictability and dependability when it comes to home deliveries. This since the demand for the immediacy is found to be of less importance for The Company's products and customers than the ability to predict accurately when product will be delivered.

6.2 Options Available for The Company's Same Day Initiative

In this subchapter the different options previously presented in the report, starting with the prerequisites needed to implement the same day initiative, will be analysed. Ending up in a recommendation for the company on how the pilot should be performed according to this study followed by a suggestion to continue further if the pilot is successful.

6.2.1 Prerequisites

There are several processes and tools internally that will have to live up to certain criteria's in order for the changes in offering to be possible, desirable, and manageable. Most important of these are the IT tools that are used to communicate between different actors internally and to actors outside The Company. This need is emphasised time and time again in interviews and literature. One example is Morling that points to the value of having accurate and updated stock levels in the store in order to be able to supply customers. IT solutions also needs to communicate with the web shop and with the unit responsible for the replenishment of the stock levels. IT solutions and tools for integration with the transport company and if used, also the 3PL partner, are key in order to facilitate the fast deliveries and dependability required. For this purpose, a TA system should be used in order to efficiently connect, book and manage transport together with transport service providers. The fact that The Company is currently implementing new systems for Enterprise resource planning, customer relations management and point of sale is a huge plus in this regard.

Many of the solutions elaborated on in this report also require that space and capacity is available at the locations and in the systems. This is obvious in for example the case of in store fulfilment and managing same day orders from the store, if there is no space and capacity available this will result in very large investment needs.

For the process of implementing the new way of working one requirement it that time is available among the employees at The Company. Any change management process requires a lot of both time and effort before being finished. Along the same lines, motivation is also important. To communicate and show the employees the result that will be achieved and giving them incentives to work with activities that might not benefit them in their daily work directly will be important. Motivating the employees and making sure that there is time available for the implementation initiative is however outside the scope of this thesis and will therefore not be touched upon any more.

6.2.2 Transportation Services in Metropolitan Areas

Both in the literature and from the data collection and benchmarking of the transportation sector a lot of different options of transportation solutions has been presented. In Table 4 in the section 5.1.4 The Last Mile Transportation Market, the different alternatives can be seen including advantages and disadvantages and in Table 7 in the section 5.4 The Last Mile Transportation the prices, range and delivery time for the same alternatives can be found. Depending on what kind of service the company likes to offer the customer different alternatives are the most suitable.

Premium Service

Car delivery, home delivery, express courier and morning deliveries are the options of the presented alternatives where the last mile is included, and the customer receives more of a premium service compared to post agents, delivery lockers and click and collect. According to the interviews with persons from the company the target for this study is to provide the customer with a premium service that do not exist today and where they are ahead of competition within the area of distribution. Furthermore, the service should be scalable to other big cities around the world with similar solutions. From interviews with different transportation providers it is clear that it will not be possible to find a global service provider which exists in most of the cities and provide the premium experience in a

good way. The solutions discussed do exist in most cities of developed countries around the world but the best actor within transport is the smaller providers at each location, this is due to the big changes in the branch which the biggest actors are too big to adjust for in an agile way and opened up for new companies to fill the gaps. In about 5 to 10 years the market most likely will look very differently from today and it is vital to follow the trends on the market and provide the customers with the best services at the time to gain advantages.

The winners on the e-commerce market according to the interviews are the ones with a clear and simple website with easy access to distribution information with no hesitations for the customer to keep a high conversion in the checkout. Furthermore, they have good, functional and the correct delivery option for each customer. From the interviews it has been found that giving the extra service around the core product is in many cases the difference between a satisfied customer spreading the word about your company and the lost sale. The most premium service but also the by far most expensive is express courier bringing the parcel straight to the customer wherever he or she is at the time. The product can be picked up within 15 minutes and then transported directly to the customer by bike or car and given to the customer's hand in very short notice depending on the location for the delivery. The cost of this service removes most of the margins of the product and the price will more or less remain the same with an increase in volume due to zero economy of scale.

Another option, morning delivery is a very convenient method of delivery for the customer, an order made at any time during the day is delivered by the door the next morning before the customer has woken up. Both literature and the interviewees touching upon this topic point out the benefits, but also that a parcel too large for the mailbox will be hung on the door. With premium products that are of high value this is not the optimal alternative and the question of security and responsibility is vital. Even if this obstacle is straightened out the customer will not be satisfied if the product is not there in the morning even if a new one will be sent for the following day. The two services most feasible for this premium-service and feel are home and car deliveries since it takes care of the full last mile dilemma and contributes to a more satisfied customer. Home deliveries exist in two different forms, one where the delivery is at any time during the day in 1-3 days after the order is placed. This setup is most suitable for office delivery and nothing to be suggested as a delivery method to Swedish homes. The other form is home deliveries during evenings and here the actors that supply the best customer interaction are Budbee and Best. By delivering during the evening selected by the customer it can be fast but also precise and the exact time within the time window between 18.00 - 22.00 will be notified to the customer when the routing is set at around 17.00 and thereafter the customer can follow the delivery car in real-time on a map telling exact delivery time and number of stops before the actual parcel will be delivered. Budbee even provides the extra premium features of letting the customer select between knocking or ringing the door and for an additional cost, the possibility to shorten the delivery time window to one hour according to the customer's preferences. This option is something that the large and traditional players in the transportation industry are slow to adjust to and what opens up the market for a new type of parcel deliveries.

Car delivery on the other hand does not require the customer to attend at the moment of delivery but the package is there when you open the car next time. According to Szerszinski the biggest issue is to gain the customer's trust of letting someone into the car, even if it is only the trunk. There are many

developments into cameras that record the delivery and using them with time this setup will gain acceptance from car owners. At the moment the appeal is mainly word of mouth marketing but even if the volumes most likely will be small it definitely provides a feeling of a premium service. Moreover, one should also keep eyes open for future premium services such as digital keys for example similar to those used in the in-car delivery technologies, this since they can open doors to new way of doing business.

Delivery Time

When diving deeper into area of delivery time it is evident that some of the options, such as post agents and in-car delivery fall out of the same day interval. Post agents are the baseline for this thesis and the possible service offered today together with office delivery is 1-3 days after the order. Car deliveries fastest delivery time today is next day but since it is still at a pilot level this might change. Moreover, if in-car delivery will be a beneficial option the delivery has to be made before the customer uses the car for the last time of the day which might not be feasible for same day delivery without the use of express couriers to the car. Looking at delivery lockers, Instabox is the biggest provider in Sweden and will be able to pick-up in Borås in the evening and have the parcels in the lockers in Stockholm by 09.30 the next morning. Compared to post agents the time is the biggest difference combined with a possibility to pick-up every hour of the day. The biggest disadvantage is that the solution does not provide an additional service of something special for the customer but keeps the same level of customer experience or lower, depending on if the customer prefers a personal interaction or no waiting time at the pick-up point. As demand grows and more companies start using the delivery boxes in the future the range of box sizes will be bigger and the boxes will be more common in the city. Looking at other countries like instance China, delivery boxes are found to present a real potential with this service since the boxes can be located in the entrance of huge apartment building in urban areas which makes it more or less a home delivery method.

A similar solution, click and collect provides the fastest delivery time of all the presented alternatives, the customer can pick-up the order as soon as it is picked and packed in a store. The service in the store is likely to be the most premium of all alternatives and as both literature and interviewees points out there is a potential of additional sales and establishing a feeling of completeness in the omnichannel. Another benefit is that it, if accepted by the store personnel, does not require much additional alteration to today's store setup since the picking and packing can be done during times with less customers in the store according to Hietala. Thus, it can be concluded that there is not much change needed in order for the company to start with a click and collect initiative and the only drawback is that the customer needs to solve the last mile themselves. Click and collect can be a good addition for The Company if combined with a solution that cover the last mile for the customers who demand that.

Environmental Impact

According to a lot of the interviewees the environment is a hot topic that should be considered in most business decisions. And for the customer choosing to buy new products the environmental performance will be an even bigger factor in the future. Literature continues on this topic that there is an urgent need to reduce the environmental impact of all human activities and the transportation is the most evident contributor in a supply chain. Looking at the different options, literature and some

of the interviewees have different viewpoints, on which of the alternatives is better. According to Hultén it is a vital but complex area, most of the alternatives with a pick-up point uses economy of scale when transporting goods to that point, resulting in low environmental impact. However, the contribution from the customers are hard to calculate since it depends on whether or not the trip would have been made either way or not and therefore how big part of the last stretch should be included in the calculation of the environmental impact of the distribution. Customers can walk or take a car and the company have no control over this part of the transport. On the other hand, the different delivery alternatives that do include the last mile use consolidation with other packages going to the same area in order to increase efficiency. When evaluating home delivery setups, for example using Best as a supplier, it is found that they as a standard compensate for all their environmental impact. The option of express couriers in city centres can also be carried out by Ryska Posten using bicycles and therefore have minimal environmental impact, even though at first sight one might think that option would be the worst.

Furthermore, when evaluating morning deliveries, one might reason that this transport would be carried out either way, but this might not be a correct assumption due to that the parcel distribution might become bigger then the newspaper distribution in a very short time. The worst option when considering environmental impact is the option that utilizes air freight. This option includes a transport by car from the storage in Borås to the airport, air transportation and a home delivery by car to the end-customer. Even with the benefits to be able to offer same day delivery for every product in The Company's product range and no need of investing in a new storage set-up, the negative environmental impact is far outweighing the benefits according to literature. Furthermore, the solution for same day delivery in Stockholm should, according to the company, be scalable to other cities around the world and since the solution of express air freight would not be viable in most other parts of the world it would not be a suitable setup for the Pilot project in Stockholm. With pick-up, a flight and then last mile distribution to the customer only the northern part of Europe can be reached and since the solutions becomes dependent of the closeness to the central storage the test does not fulfil the prerequisites of the pilot.

6.2.3 Factors Influencing the Choice

In order to select the right options for the company there are several factors that influence the choice. The right option might be one or several of the previously mentioned and will complete the offering of delivery methods for the customer in the check-out at the e-commerce webpage. The different factors that have been taken into consideration in this master thesis are the following;

Time: Time from order to delivery, time during the day of delivery, cut-off time, length of time window, possibility to change time and how late changes are possible.

Customer experience: Personal interaction, premium feeling, rating possibilities for customers, additional services and the hype/trendiness factor.

Offering: Geographical range, environmental impact.

Cost: Cost of option, collective labour agreement.

Depending on how the different factors are evaluated the result will be different. Perhaps most important is time, and in this aspect the most important factor is the time from order to delivery. This

measurement has to be within 24 hours or actually within the same day as the order if the order is placed before the cut-off time. Furthermore, the cut-off time needs to be as late as possible and as shown in the data collection the peak is at lunchtime and at 20.00 in the evening, here it is considered vital to cover the first peak for deliveries within the same day and the full day for deliveries within 24 hours. Timewise the other factors are a combination in order to provide as high customer service as possible within a reasonable price.

Secondly, customer experience is of a high importance, the service needs to be considered a premium offer to contribute to the complete view of the company and the strategy where quality is key which should be reflected in the distribution as well. Moreover, additional services such as the possibility to contact the chauffeur or the transporting company in an easy way will increase customer satisfaction. Furthermore, a premium service should also contribute with a hype/trendiness factor to give the customer an exclusive feeling and make the company associated with good and exiting distribution options.

Thirdly, the offering were the most important factors are environmental impact and how far the solution can reach. As discussed earlier in this chapter the geographical range should initially be limited and focused on smaller areas, but the solution needs to be feasible for an increase if the pilot is successful. The range is more of hygiene factors or order qualifier where the it is either sufficient or not. Regarding the environmental impact the different options is either good, less good or bad.

Fourthly, cost of the option is and will always be an important factor for a company, to be able to weight the offer of a solution to its price. Furthermore, if the service provider uses collective labour agreement or not can be a crucial thing in the transport sector and is especially for government owned businesses.

6.2.4 Recommendation

The aim and purpose for the transportation is to provide a new solution which includes a same day option to give a more complete offering and strengthen the services around the product with the same premium feeling. Taking the different factors mentioned above into account the different options have been evaluated and pros and cons pointed out.

First, it is suggested that the company should continue with post agents as a free option for deliveries since this is how most people are used to receive parcels and the setup is available in entire country. The second alternative in the current setup is office delivery during day time and it is an alternative free of charge today and since it appears to be working well the recommendation is to keep it the way it is. On top of these further alternatives in the urban areas of Stockholm should be added as a pilot and if successful make the geographical range wider as time goes on. The system can then be implemented in other bigger cities around the world following the strategy for expansion.

On top of today's offering it is recommend that the company add two more options, home delivery and click and collect. This since it would be useful to have one option for the full last mile, and here home deliveries are the best option, and one option for the customer to pick-up the package and click and collect is the most exclusive feeling of the alternatives. For the home delivery option, we suggest

Best Transport or Budbee for the Swedish market and not because of the companies themselves but the service they provide. This kind of home delivery is during the evenings between 18-22 resulting in high possibility that the customer is at home during the delivery. The same day delivery option will be included in the check-out procedure for the customers living in the included regions and there should also be an alternative to any other day according to the customers preferences. Furthermore, the date will also be easily changed after the order if the customers plans changes. The cost for the service is depending on how far from the city centre the delivery will be but starts at 59 SEK and the recommendation is to charge the customer the difference in cost between post agent and the cost for home delivery. Included in the service is clear and precise information to the customer with a confirmation, and a link for possible changes, as soon as the order is made. Furthermore, when the exact route is decided the logistic service provider sends a new notification to the customer with a map to follow the vehicle in real time and see estimated time and number of stops in front. Some important difference between the two providers is that Best Transport compensate for their environmental impact as a standard and Budbee provide the customers with an opportunity to specify the time window to a certain hour for a small extra cost of 29 - 59 SEK depending on the time of the day.

Click and collect is the other option recommend. It provides a feeling of completeness of the company and is an option easy to implement. Starting from only the self-owned store it will provide the customer with the flexibility of picking up the product with a very short notice and be sure to receive the product he likes. Furthermore, the package can according to Morling be presented nicely in a bag handed over with the right feeling and the company have full control of the whole process all the way to the end customer. Moreover, there is no need of changes in the product flow from today's set-up it will only bring more customers to the store and if more shirts are sold it can be handled just as if the store itself sold more with higher frequency of refillment. The cost for this is considered low as it will more or less only be the extra deliveries added to the store and regarding the time of the personnel there is according to Morling and Hietala times in the store with less customers where this picking and packing can be handled. Furthermore, the limited need for packaging along with the opportunity for additional sales when the customer enters the store should not be underestimated. In combination to this we suggest that the store also handles returns from the e-commerce and closes the loop for an omnichannel world. Before implementing this suggestion, the company needs to decide how these sales and returns will be registered and how to bookkeep the sales.

In the future it is also recommend keeping an eye open for in-car delivery, delivery lockers and morning deliveries if the different drawbacks are bridged.

6.2.5 Storage Setup

Four different storage setups have been identified through literature and interviews and will in this chapter be discussed and analysed in order to end up in a recommendation for the company. The four different options are; *self-owned satellite storage*, *3PL-owned satellite storage*, *store storage* and *central distribution storage*. First of all, it has to be mentioned that when implementing any of the satellite storages one should not only include the distribution in the area from the e-commerce or same day option but for the distribution to retailers and own stores in the geographical range of the storage. The literature argues that an aggregated storage has a positive impact on inventory cost and

in order to be cost effective, the fulfilment centre will have to substantial throughput, and that this throughput will depend on the breadth of the product range. When analysing the product range, it is found to follow a pareto distribution in the company owned store and a much wider spread in the number of articles bought online. It is therefore suggested to keep the 20 % of the products that sell the best in the satellite storage and to include the additional standard products and seasonal heroes. When it comes to sizes it is shown in Figure 10 in the section 5.6.2 Sales Data that the e-commerce sales has a majority slim fit and the sizes 38 - 43 should be included as well as the regular fits in sizes 39 - 44.

Self-owned Satellite Storage

The different options come with different costs during different parts of the process. The biggest initial investment is connected to the self-owned satellite storage since that is the only option where the company needs to purchase a new location, new shelves, IT solutions and hire a number of people. Furthermore, the self-owned storage is not scalable in the sense that if demand changes either to the higher or lower of calculations, one has the wrong capacity. These are the biggest drawbacks for a self-owned satellite storage and in a pilot study, where the demand is very uncertain and where the purpose is to find a good solution but also in which amplitude the demand will be, this solution is associated with a high-risk level. On the positive side the self-owned satellite storage gives the company control over the full process and is not dependent on someone else and there is also an advantage in the possibility to design the storage, equipment and IT solutions for the company's specific needs and products. Compared to a 3PL a self-owned satellite storage can be more adopted to the products since their business system is general and they can handle everything from electronic, clothes to kitchen appliance and construction machinery. With a satellite storage it will provide the possibility of a fast drop shipment solution where the customer trying to buy in the store can receive that specific product the same evening.

3PL-owned Satellite Storage

When investigating the costs for a 3PL-owned satellite storage they are found to be dependent on several different components. Examples of components are how much time the staff in the storage needs to work with the products when they arrive and when they leave, how big product range is and the number of articles stored i.e. how much shelf space the company occupies. The biggest difference to the self-owned storage is that the 3PL can change the offering as the demand changes for the company and as explained in the literature and from the interviews with persons at The Company we believe in a big change in demand and number of sold products will increase. With a 3PL the company pays for the shelves they uses, and it can easily be changes in capacity and thus, there is not the same risk as with a self-owned satellite storage.

Store Storage

Store storage is a solution where the products stored and shown in the store are utilized for two channels, the physical store as it is today, and also the e-commerce same day option. The biggest benefit with this option is that there is little need for an investment during the initial stage and no big additional cost connected. Also, the risks that are associated are small, this since there is no big change needed from today's business. The only actual change to business setup is the addition that a logistic service provider comes to pick-up the same day orders sometime during the afternoon. The personnel

will also have an additional task in their work description, pick-and-pack, and they will most likely find the time for this between customers in the store. One problem that might arise is that one product is bought both online and offline at the same time, and in these cases the solution has to be that customer service contacts the online customer, explains the situation and ask if the product instead can be send and delivered in 1 - 3 days instead or if the customers would like to cancel the order and get some kind of consolation gift. The store storage will give a limited product range to the same day delivery option but will most likely be enough for a pilot study in order to investigate the demand for the service. This since the store already do have the most popular products, such as the basic once and the seasonal heroes, stored in most sizes. For this solution and both of the satellite storage options the cut-off time will be around 14.00 for a pick-up by the logistic service provider at around 15.00.

Central Distribution Storage

The central distribution storage has the most limitations when it comes to providing the product the same day to the customer both regarding transportation modes, how early the order needs to be placed to be delivered the same day and there is also a potential to miss the lunch peak of orders. Also, the option does not fulfil the whole purpose of the pilot project since it can provide products same day but is not applicable in other cities around the world due to the lack of a central distribution storage in the range of a shorter flight for other cities. The idea of the pilot project is to find a scalable solution which can be adopted to other cities if the pilot in Stockholm is successful and the central distribution storage do not provide this possibility. In order to test the demand and have a simple solution for that kind of test the use of the central distribution storage would be good and not include too big investments nor contracts but then the full concept has not been investigated.

6.2.6 Factors Influencing the Choice

In order to select the right options for the company there are several factors that influence the choice. The different factors that have been taken into consideration in this master thesis are the following;

Time: Time from order to delivery, cut-off time, possibility to change time and how late changes are possible.

Customer experience: Premium feeling, additional services as support, omnichannel- possibilities

Offering: Geographical range, environmental impact, range of shirts, pick-up in store, adjusted to future expansion plans such as showrooms.

Cost: Cost of option, collective labour agreement.

Firstly, time is crucial and to have as late cut-off time as possible. A change with 1-hour shorter time needed, and thereby a later cut-off time, results in approximately 6 % more of the orders during the day being offered same day delivery. After the cut-off time no changes to that day's deliveries will be possible if not the service provider can provide a service of delaying the distribution.

Secondly, customer experience is not dependent much upon the storage solution. The biggest difference for the customer is the different omnichannel possibilities a specific storage solution can provide such as click and collect.

Thirdly, offerings the different storage solutions can provide. One has to weight for example how big range of the products can be offered and stored with the different solutions and the geographical range for the storage as well to choose the right solution of the correct size. Furthermore, one has to include factors as how adjustable the solution is to future expansion plans and at the moment the company have a project that will change the setup of the stores which outcome is not known at this point but is a factor that should be considered for the solution.

Lastly, the cost is a very important factor for which setup to select and which will be recommended. Here both the initial cost and the cost in the longer term will be considered.

6.2.7 Recommendation

The aim and purpose for the recommendation of storage solution is to facilitate the same day solution and a faster time between an order and a delivery to the customer. At the same time the concept of omnichannel should be considered, and which position the storage should have in the ecosystem.

Two different solutions will be recommended depending on the outcome of the pilot and the store setup project. For the pilot we recommend the store storage with a disclaimer for the potentially planned store changes with for example showrooms. This solution is easy to implement and will not take lot of time to get going as long as the number of each article stored is known and can be integrated to the e-commerce. There is no risk and will not include any other actor or need of a contracted service provider. For the pilot as well, it has been recommended to have a small geographical area and not the full range of products and it will complete the purpose of testing the demand for same day delivery and it is supported by the personnel in the store. This will as well make the click and collect alternative easy to integrate since all products for same day will also be available for pick-up more or less directly after the order is made. The recommendation is in line with the literature and several of the interviewees.

If the pilot is successful after evaluation and the test will proceed into a real service that will be spread to other cities around the world, it's recommended using the store storage in the cities with own stores if not a showroom concept is implemented. In cases where same day like to be offered but there do not exist a store owned by the company, showrooms have been implemented or the demand is too high for the store to handle we recommend a 3PL satellite storage solution since it is flexible and limits the risk connected with changes in demand.

6.3 Specific Recommendations for The Pilot Project

In order to introduce the methods discussed in this thesis many changes will have to be made to the e-commerce and e-commerce distribution setups internally.

6.3.1 Storage Setup

The storage solution in the pilot project should, as discussed above, be able to facilitate the same day initiative. In the analysis, achievable cut-off times and the influence on the product range has been the most important aspects to consider when evaluating the solutions. The way that the setup facilitates a new customer focused omnichannel strategy, has also been a crucial deciding factor. Because of this the choice should in an initial stage fall on a store storage setup. This since the solution

provides the best combination of low investments, risks and response time combined with possibility to innovate in the customer offer.

If, however the pilot project is successful, and the same day initiative should be extended to other cities around the world where company owned stores are not available a 3PL service provider is recommended.

6.3.2 Transportations Service

The transportation solution in the pilot project should, as previously described, be chosen for its ability to fulfil the same day promise along with providing a cut-off time as late as possible. Also, the customer focused approach and the ability to provide the best possible customer experience should be central. Because of this the choice should fall on one of the small, dedicated home delivery service providers focusing on home- and evening deliveries to customers. The once discussed in the study are Budbee and Best, these two providers are chosen not because of the actors themselves but because of the services that they have shown to be able to provide.

6.3.3 Other Services

Several other services that should be offered in order to closes the loop of the omnichannel initiative has been identified in the thesis. Among these are click and collect, return in store and drop shipment.

Click and collect is recommended since it is an easy way to provide the customers with products on short notice. It also has the potential of being both less costly and provide more of a premium character. The fact that packaging can be limited, and costs therefore saved along with more visitors to the store and additional sales therefore achieved should also not be underestimated.

The benefits of return in store are to a large extent the same as the click and collect setup. Achieving additional sales are just like for click and collect the most obvious advantage. However, for return in store there is also the ability to, thought exceptional customer support, turn a non-satisfied customer into a satisfied one which is one of the most substantial benefits. The obstacle is what in this thesis is referred to as bookkeeping, meaning managing the stores ability, and motivation to, handle returned products despite the irregularities that will occur in the stores result.

Drop shipment is another interesting idea that could bring value to every actor in the chain. The setup is most useful for medium sized companies that wants to minimize capital tied up in inventory, particularly when extending the product portfolio. To offer this service will be a great service for partner retailers and provide better customer experience for customer whenever in contact with the company's products.

7 Conclusion

The purpose of this master thesis is to investigate how a mid-sized company in the apparel industry can approach and design same day delivery distribution to customers in metropolitan areas. In order to do so, several critical aspects have been evaluated. It can be concluded that omnichannel strategies are of crucial importance in order to thrive and stay competitive in the retail environment in the future. This is especially true in the premium fashion sector.

In connection to the first research question this thesis has identified that a lot of the future significance has to do with the growth in the e-commerce sector and an evident shift in demand from the customers. One of the shifts is the development from post agents to home deliveries when it comes to e-commerce distribution. This is one of the most important developments that is likely to be influential for the future of e-commerce distribution. As a consequence of this many of the largest and most commonly used transportation service providers will have a hard time adjusting to this shift and smaller newcomers on the market, providing customer centred services and focusing on home deliveries during evening, flexibility and dependability, will therefore have a great future ahead of them.

Another important shift is the one into e-commerce returns which is an area with both potential and strategic importance. Offering pre-printed return labels, streamlining the process on the website and letting the customer choose return channel are some of the things companies can work with regarding online returns in order to improve the customer satisfaction with the return process. Managing the return process through the store is another opportunity for most retailers, so also for The Company. In the stores there is a tremendous opportunity to convert an unsatisfied customer into additional sales and provide the best possible customer experience.

Several storage methods that are available for the company's same day initiative were found through both literature and interviews. Examples include self-owned satellite storage, 3PL-owned satellite storage, central distribution storage and store storage. Several interesting transportation options that are available for The Company were also identified in this study, the list of potential options can be found in Table 4. Together the different storage setups and the many transportation alternatives create a holistic view of the possible methods available for The Company when establishing the same day setup, and thus, the second research questions is answered.

Regarding The Company's same day initiative and the Pilot Project in Stockholm during the autumn of 2018 several recommendations have been made in order to answer the final research question. When choosing storage setup during the initial stage, the choice should be a store storage setup. This solution provides a combination of minimal investment costs, low risks and low response time. The investigated store is found to provide good possibilities for this initiative and the additional handling and processing will be handled by the existing store staff during times with fewer costumers in the store.

The storage setup should be combined with a transportation service provider, that is able to fulfil the same day promise with as late cut-off time as possible. Focus should also be put into the customer experience provided by the different actors. The recommendation becomes to partner with a service provider that provides the customer centred service, has focusing on home deliveries during evening, and offers flexibility and dependability as previously mentioned. The two providers investigated in this study that satisfy this are Best Transport and Budbee.

Finally, several additional omnichannel approaches suitable for combination with the same day initiative have also been identified. Examples include return in store, click and collect and drop shipment.

The recommendations are however built upon a series of prerequisites that will have to be investigated by The Company before initiating the implementation process. Most important among the prerequisites are an effective IT-environment and collaboration among parties and how the book-keeping should work.

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Appendix A

All interview questions from all the different interviews are presented here. They will be found in alphabetic order based on the surname of the interviewee.

Arne Andersson

- Please tell us about your role, and the department! (how it works)
- In what way do you see the market developing?
- What is the impression on the competitive environment? Do you feel the competition from new smaller providers of logistics services?
- What are the most important trends for logistics providers in general and more specific within home deliveries of goods purchased through an online sales channel?
- Which solutions do you see for same day delivery?
- How do you work with customers regarding same day deliveries at the moment?
- What to think about when implementing same day delivery?
- How have PostNord helped customers set up same day delivery solutions?
- Do you have a cost/price example for us?
- What are your views of customer demands in the future? Speed vs. Predictability and dependability?
- What recommendations/solutions do you see for a company like The Company?
- Is there anything else we should look in to?

Felix Berglund

- Please tell us about your role, and the department! (how it works)
- In what way do you see the market developing?
- What are your views of customer demands in the future?
- Do you provide the possibility to set up a logistics hub in Stockholm?
- How would the set-up look like?
- How does your customers set up their system currently?
- Pick-and-pack?
- Prices?
- Transport combined with the logistics hub?
- Information exchange needed, (your IT system of The Company)?
- What recommendations/solutions do you see for a company like The Company?
- Do you see any other possibilities for our set up?
- Is it possible to estimate the cost despite our vague estimations of quantities?
- Is there anything else we should look in to?

Dag Ericsson

- What are the trends today, according to you, when it comes to customers buying patterns?
- What are the most important trends for logistics providers in general and more specific within home deliveries of goods purchased through an online sales channel?
- Which solutions do you see for same day delivery?
- What to think about when implementing same day delivery?
- Do customers prefer express delivery or deliveries on a more planned basis?
How do you think that this will change in the future?
- How do you foresee the growth of online sales?
- How do you foresee the growth of home delivery initiated by online sales?
- What is the cost difference between e-commerce and traditional retail sales?
- Do you believe that the customers shopping online would like to pick-up the product in store or at a pick-up point (post office)?
- What do you think about returns, are they considered to be a problem?
- What innovative ways are there to overcome problems associated with returns?
- Do you think that an increase of online sales will result in more returns?
- Will the price for logistics change in the future?

Fredrik Hamilton

- Please tell us about your business, why you started and your future plans! (how it works)
- In what way do you see the market developing?
- What are the most important trends for logistics providers in general and more specific within home deliveries of goods purchased through an online sales channel?
- Which solutions do you see for same day delivery?
- What to think about when implementing same day delivery?
- How have Budbee helped customers set up same day delivery solutions?
- What are your views of customer demands in the future? Speed vs. Predictability and dependability?
- Many larger logistics companies do not have solutions for smart, fast urban transport (last mile), what would you say is the reason for this?
- What is Budbee's price point compared to other solution providers?
- We have learnt the returns and reverse logistics is a problematic part of many Supply Chains. What kind of potential do you see in this, and how can Budbee make this more effective.
- Where do you see Budbee in the near future?

Björn Hellman

- Please tell us about your role, and the department! (how it works)
- In what way do you see the market developing?
- What is the impression on the competitive environment? Do you feel the competition from new smaller providers of logistics services?

- What are the most important trends for logistics providers in general and more specific within home deliveries of goods purchased through an online sales channel?
- Which solutions do you see for same day delivery?
- How do you work with customers regarding same day deliveries at the moment?
- What to think about when implementing same day delivery?
- How have Schenker helped customers set up same day delivery solutions?
- What are your views of customer demands in the future? Speed vs. Predictability and dependability?
- What recommendations/solutions do you see for a company like The Company?
- Do you provide the possibility to set up a logistics hub in Stockholm?
- Do you see any other possibilities for our set up?
- Is there anything else we should look in to?

Peter Hietala

- Please tell us about your role, your customers, and your new business! (how it works)
- In what way do you see the market developing?
- What is the impression on the competitive environment with e-commerce and e-commerce distribution?
- What are the most important trends for logistics providers in general and more specific within home deliveries of goods purchased through an online sales channel?
- Which solutions do you see for same day delivery?
- What is your view on pick-up in store (click & collect) and returns which comes from other channels?
- What are your opinions about The Company's specific situation?
- How do you work with customers regarding same day deliveries at the moment?
- What to think about when implementing same day delivery?
- Which was the main success factors for the implementation of same day delivery?
- What are your views of customer demands in the future? Speed vs. Predictability and dependability?
- What recommendations/solutions do you see for a company like The Company?
- Is there anything else we should look in to?

Kajsa Hultén

- What are the trends today, according to you, when it comes to customers buying patterns?
- How should one handle the relationship to physical retailers in the growth of e-commerce?
- How should one handle the relationship to e-retailers in the growth of e-commerce?
- How do you find the right balance between these different channels?
- How do you create trust among retailers to try new things such as click & collect and drop shipping?
- How do you select premium retailers?
- How to find a balance between channels and provide a uniform customer experience between channels?

- How to establish a relationship with end customer without damaging relation with existing retailers?
- How to influence the customer experience even without proper control of the channel?
- How to work with logistic partners, how will this change? What other partners are key?
- What would be a good analysis method?
- Is there anything else we should look in to?

Niklas Knight

- Please tell us about your role, and the department! (how it works)
- In what way do you see the market developing?
- What is the impression on the competitive environment?
- What are the most important trends for logistics providers in general and more specific within home deliveries of goods purchased through an online sales channel?
- Which solutions do you see for same day delivery?
- How do you work with customers regarding same day deliveries at the moment?
- What to think about when implementing same day delivery?
- How have Best helped customers set up same day delivery solutions?
- What are your views of customer demands in the future? Speed vs. Predictability and dependability?
- What recommendations/solutions do you see for a company like The Company?
- Is there anything else we should look in to?

Julian Lee

- Please tell us about your business, why you started and your future plans! (how it works)
- In what way do you see the market developing?
- What are the most important trends for logistics providers in general and more specific within home deliveries of goods purchased through an online sales channel?
- Which solutions do you see for same day delivery?
- What to think about when implementing same day delivery?
- How have Airmee helped customers set up same day delivery solutions?
- What are your views of customer demands in the future? Speed vs. Predictability and dependability?
- Many larger logistics companies do not have solutions for smart, fast urban transport (last mile), what would you say is the reason for this?
- What is Airmee's price point compared to other solution providers?
- At your website we found that you prioritize delivery experience (your delivery, your customer), could you explain this further?
- Furthermore, you state that you are working with Machine learning and AI, in what ways?
- We have learnt the returns and reverse logistics is a problematic part of many Supply Chains. What kind of potential do you see in this, and how can Airmee make this more effective.
- Where do you see Airmee in the near future?

Svante Lindgren

- Please, tell us about your role at Åhlens!
- How does Åhlens same day delivery option work?
- What was the main-driver/need that was fulfilled by the offer of same day delivery?
- How long was the implementation period, what was the most difficult part of this process?
- How many percentage of the customers uses same day delivery?
- Which was the main success factors for the implementation of same day delivery?
- How often do you manage to fulfil the same day promise?
- Do you think customers will use it more in the future? Why?
- How do your future services look like?
- How does Åhlens collaborate with The Company today?
- Do you have closer relationships with other brand/companies? (including for example click and collect and pick-up from another web shop)
- How is your view on such collaborations including pick-up in store (click & collect) and returns which comes from other channels?
- What are your views on drop shipment? (Selling good in the web shop that Åhlens does not own or keep in stock e.g. directly from supplier)
- What is your future collaboration plans at Åhlens?

Klas Morling

- What are the typical customers? (spontaneous/determined)
- We have seen that many customers nearby like to shop online, what is the main reason for this do you think?
- What advantages/disadvantages do you see with pick-up-in store setups?
- Can customers return products that they have bought online in the store?
- Often setups that allows customers to pick-up or return products in stores has positive effect on basket size, e.g. they buy more/extra! Do you think this would be true also for The Company's customers?
- What is The Company's own stores position in the future?
- How big portion of the assortment is in the store?
- How do you handle wishes from customers that you don't have in store/stock at the moment?
- Regarding transportation, how many deliveries do you have a week?

Martin Narvelo

- How does the relationship with the customers look like today?
- How do retailers handle wishes from customers that you don't have in store/stock at the moment?
- Could retailers be included for Click and Collect?
- Would it be possible to include returns to retailers bought online?

- How is your view on such collaborations including pick-up in store (click & collect) and returns which comes from other channels?
- Often setups that allows customers to pick-up or return products in stores has positive effect on basket size, e.g. they buy more/extra! Do you think this would be true also for The Company's customers?
- Endless aisle solutions, with closer relations between retailers, what do you think about it?
- What are your views on drop shipping? (Selling good in Ströms that they do not own or keep in stock e.g. directly from supplier)
- Differentiation between retailers, for example premium retailers, what's your view?
- What's your view on working closer with other e-commerce platforms? (Åhlens)
- What's retailers position in the future?

Carolina Norbäck

- How does NK collaborate with The Company today?
- Do you have closer relationships with other brand/companies? (including for example click and collect and pick-up from another web shop)
- How is your view on such collaborations including pick-up in store (click & collect) and returns which comes from other channels?
- How do you handle wishes from customers that you don't have in store/stock at the moment?
- What are your views on drop shipping? (Selling good in NK that you do not own or keep in stock e.g. directly from supplier)
- What is your future collaboration plans at NK?

Pär Svärdson

- In what way do you see the market developing?
- Which potential do you see in the future?
- What are the success factors in e-commerce?
- How do work with logistic partners? What other partners are key?
- How do you work with fast deliveries and what's your view on this topic?
- Which solutions do you see for same day delivery?
- What's your view on the number of logistics provider? Paradox of choice
- I know you don't have physical stores but what's your view on pick-up in store?
- How does your distribution set-up look like?
- Which are the most important parts in-house when it comes to systems?
- How do you get the product from order to the distributor in an efficient way?
- How do you predict the future demand?
- How will Amazons entrance into the market change the e-commerce environment?
- Is there anything else we should look in to?

Åsa Szerszenski

- Please tell us about your role, and the department! (how it works)
- In what way do you see the market developing?
- What is the impression on the competitive environment? Do you feel the competition from new smaller providers of logistics services?
- What are the most important trends for logistics providers in general and more specific within home deliveries of goods purchased through an online sales channel?
- Which solutions do you see for same day delivery?
- How do you work with customers regarding same day deliveries at the moment?
- How does PostNord's in-car delivery option work?
- Have it been a successful test?
- How do you ensure trust among customers?
- What is the next step?
- What is the cost for the service?

Arvid Tuvlind

- Please tell us about your business! (how it works)
- In what way do you see the market developing?
- What are the most important trends for logistics providers in general and more specific within home deliveries of goods purchased through an online sales channel?
- Which solutions do you see for same day delivery?
- What to think about when implementing same day delivery?
- How have Ryska Posten helped customers set up same day delivery solutions?
- What are your views of customer demands in the future? Speed vs. Predictability and dependability?
- Many larger logistics companies do not have solutions for smart, fast urban transport (last mile), what would you say is the reason for this?
- What is Ryska Posten's price point compared to other solution providers?
- We have learnt the returns and reverse logistics is a problematic part of many Supply Chains. What kind of potential do you see in this, and how can Ryska Posten make this more effective.
- Where do you see Ryska Posten in the near future?

Tobias Åbonde

- Please tell us about your role, and the department! (how it works)
- In what way do you see the market developing?
- What is the impression on the competitive environment? Do you feel the competition from new smaller providers of logistics services?
- What are the most important trends for logistics providers in general and more specific within home deliveries of goods purchased through an online sales channel?
- Which solutions do you see for same day delivery?
- How do you work with customers regarding same day deliveries at the moment?

- What to think about when implementing same day delivery?
- How have Bring helped customers set up same day delivery solutions?
- What are your views of customer demands in the future? Speed vs. Predictability and dependability?
- What recommendations/solutions do you see for a company like The Company?
- Is there anything else we should look in to?

Appendix B

Here all the questions from in the survey are presented with the multiple choices when available. The purpose of the survey was to investigate the future usage of omnichannel and the prospects of e-commerce along with the retailer's business without e-commerce. The following is the questionnaire for the survey:

- 1) How many stores do you have?
 - a) 0
 - b) 1
 - c) 2-5
 - d) 6-12
 - e) 13-30
 - f) >30
- 2) What is the size of the company?
 - a) Large
 - b) Medium (<250 employees, <EUR 50 M turnover)
 - c) Small (<50 employees, <EUR 10 M turnover)
 - d) Micro (<10 employees, <EUR 2 M turnover)
- 3) Which channels do you operate?
 - a) Physical store
 - b) E-commerce
 - c) Mobile shoppable application
 - d) Other
- 1) How has the number of stores changed the last 12 months?
 - a) >10 %
 - b) 1 - 10 %
 - c) 0 %
 - d) -1 - -10 %
 - e) < - 10 %
- 2) How do you believe the number of stores will change in the next 5 years?
 - a) >10 %
 - b) 1 - 10 %
 - c) 0 %
 - d) -1 - -10 %
 - e) < - 10 %
- 3) How has the number of store visitors changed the last 12 months?
 - a) >10 %
 - b) 1 - 10 %
 - c) 0 %
 - d) -1 - -10 %
 - e) < - 10 %
- 4) Approximately what is the percentage of e-commerce sales today?

- a) E-commerce only
 - b) Over 50 %
 - c) 20 - 50 %
 - d) 15 - 20 %
 - e) 10 - 15 %
 - f) 5 - 10 %
 - g) 0 - 5 %
- 5) How has the e-commerce sales changed the last 12 months?
- a) >10 %
 - b) 1 - 10 %
 - c) 0 %
 - d) -1 - -10 %
 - e) < - 10 %
- 6) How do you believe the percentage of e-commerce will change the next 5 years?
- a) >10 %
 - b) 1 - 10 %
 - c) 0 %
 - d) -1 - -10 %
 - e) < - 10 %
- 7) Which services you have launched have generated more sales?
- 8) Which services you have launched have generated less sales?
- 9) How can customers receive their products today?
- a) Instant delivery - but in a physical store
 - b) Post office
 - c) Click and collect
 - d) Home delivery
 - e) Office delivery
 - f) Other
- 10) Have you considered any of these methods for reaching customers?
- a) E-commerce
 - b) Click and collect
 - c) Drop shipment
 - d) Same day express delivery
 - e) Showrooms store
- 11) Which is your top 3 strategic prioritizations/investments when it comes to omnichannel strategies?
- 12) If there existed a possibility of drop shipment from your supplier to your customers, would you use it?
- a) Yes
 - b) No
 - c) Other

Appendix C

Price example for an 3PL solution.

Lease	Cost template	Costs from Bring	
Storage lease per shelf space	4,50 SEK	-	per week
Storage lease per pallet space	20,00 SEK	36,25 SEK	per week
Handling	Cost		
Incoming delivery per order	100,00 SEK	-	per order
Incoming delivery per orderline	35,00 SEK	15,00 SEK	per orderline
Outgoing delivery per order	25,00 SEK	25,00 SEK	per order
Outgoing delivery per orderline	8,00 SEK	18,00 SEK	per orderline
Additional cost	450,00 SEK	-	per hour
Package material	Cost		
Post order bag (without print), 325x430mm	1,06 SEK	N/A	per bag
Post order bag (without print), 430x560mm	1,62 SEK	N/A	per bag