Delivery Preferences of Omnichannel Consumers

Dinesh Gauri
Customers are demanding faster, convenient, and affordable delivery options. Retailers that can meet these demands will be better positioned to succeed in the competitive e-commerce market.
Meeting consumers where they are

Retailers are increasingly offering a mix of delivery methods to meet the needs of omnichannel consumers. Traditional shipping companies, in-house or third-party delivery drivers, autonomous vehicles, and drones are all used by retailers to meet consumers where they are. The ability to choose between various delivery methods offers several benefits to consumers, allowing for a faster, more convenient, and sometimes even more affordable shopping experience.

Until recently, shoppers really had two choices when it came to receiving their purchases from omnichannel retailers. They could either pick up their purchases in store or have their purchases shipped and delivered. Shifts in consumer behavior as a result of the pandemic have caused retailers to further customize the omnichannel fulfillment process. Shoppers have more options than ever in terms of how they want to receive their purchases. Retailers that can anticipate shoppers’ needs and meet them where they are have the potential to capture major market share in today’s changing retail landscape.

The “last mile,” or the final leg of the supply chain between a retailer’s stores or fulfillment centers and the customer, is a critical component of the supply chain. Last-mile delivery not only directly impacts a retailer’s competitive advantage and customer satisfaction; it is also the most expensive part of an item’s journey. Getting it right—offering the convenience and speed customers expect while controlling costs—is critical to a retailer’s success. The first step is understanding shopper behavior and how consumers are utilizing existing options across the industry in order to develop new or double down on existing capabilities.

Unpacking consumers’ online shopping behavior

To analyze shopper behavior and understand delivery preferences of consumers across the country, we conducted a survey of 2,200 U.S. shoppers in 2023. The results from this study provide retailers with insight on how consumers shop online. More specifically, how shoppers want their items delivered, how long they are willing to wait, and how likely they are to use new options.

Our research addresses several aspects of last-mile delivery. We asked shoppers where they shop most-frequently, how they feel about delivery options offered across the industry, and finally what features they care most about when it comes to delivery features and how willing they are to pay for convenience.
Fighting to be at the top of shoppers’ minds

The online retail industry is still dominated by major players, especially when it comes to general merchandise purchases. Amazon still is the number one choice for 57% of shoppers when it comes to general merchandise. However, other retailers are attempting to chip away at their market share. This year’s results indicate more shoppers are looking to other retailers as their first choice over Walmart and Amazon, who combined were the first choice of 80% of shoppers in last year’s survey.

The online grocery market is even more fragmented. While almost half of respondents turn to Amazon, Walmart, Target, and Kroger as their first choice, other grocers still have a strong presence.

Walmart, while still respondents’ top brick and mortar choice for groceries, lags slightly behind Amazon when it comes to online food purchases. Walmart is investing heavily in innovative delivery options to close this gap. Between adding micro-fulfillment centers and drone delivery capabilities to existing stores, they are hoping the added convenience will attract and retain shoppers. Walmart’s physical presence across the country gives them a unique advantage over the likes of Amazon.
Customer demands are reshaping last-mile delivery

There are more options than ever before for how customers can choose to have their items delivered. Shipping companies, delivery services, autonomous vehicles, drones, and robots can bring items right to shoppers’ doorsteps. Or, if they prefer, shoppers can pick up their purchases from lockers without having to interact with anyone at a store.

Our results show that while these new delivery options are gaining traction among certain groups of consumers, such as younger shoppers, respondents still prefer traditional delivery methods. As expected, shopper preferences differed by how long they were willing to wait for their items to be delivered, shown in the chart below.

This highlights an important point of last-mile delivery options. Retailers are hoping each delivery option finds its own niche and accommodates a unique set of customer needs. Drone delivery, for example, is perfect for that quick, last-minute need. Walmart’s drone deliveries can reach consumers in less than 30 minutes, but orders are limited to 10 pounds. Larger orders make more sense to be shipped by more-traditional delivery methods, such as couriers or delivery services like DoorDash.

### Likelihood of Using Different Delivery Methods

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The last mile delivery space is changing to meet the needs of customers who want faster, more convenient, and more affordable delivery options. Businesses should adapt to these trends by offering a variety of delivery options, using their store networks to fulfill orders, and investing in technology to improve the customer experience.

Dr. Dinesh Gauri | Professor of Marketing, Walton College of Business

A “new normal” for delivery speeds

The standard for delivery wait times has been reset by Amazon and other market leaders. Since its founding, Amazon’s free delivery time has decreased from 9 days to less than 2 days as sales have surged. Retailers face massive pressure to compete with the likes of Amazon in delivering items to consumers timely.

Our results reinforce the fact that customers now demand faster delivery, with the majority of respondents expressing an interest in same-day delivery. To meet these demands, established omnichannel retailers should use their existing store networks if they have them and make changes to their fulfillment processes and IT systems to keep up.

Last-mile delivery is already the most expensive leg of the supply chain, and same-day delivery is an even more expensive promise. To compensate, many retailers have passed the expenses along to the consumer. Shoppers usually have the option to choose faster delivery, but it will cost them. As Amazon and others roll out same day delivery for free, consumers may not remain willing to pay for convenience.
Paying extra for convenience

Consumers have high expectations of retailers in the United States. More than half of respondents say they have an interest in same-day delivery. However, they are less likely to pay extra for it, shown above.

Consumers’ willingness to order products to be delivered decreases when extra fees or subscriptions are involved. Instead, they expect fast delivery to be included for free or included with a minimum purchase. This behavior remains consistent, for the most part, across income levels. Higher-earners are slightly more willing to pay extra for deliveries as expected, but not by much.

If consumers aren’t willing to pay for the fast delivery they expect, what can retailers do? Fast delivery requires a dense network of fulfillment nodes. Instead of large-footprint warehouses, some retailers have experimented with dark stores and micro-fulfillment centers to help supplement traditional warehouses, especially for dense urban areas. To keep up with Amazon, omnichannel retailers should leverage their existing stores to offer fast delivery.
Agility, flexibility, adaptability [will be] as important as ever as we enter 2022. Customers want their items delivered quickly, conveniently, and affordably. They also want to be able to track the status of their deliveries and choose a delivery time that works for them.

Brian Cornell, CEO of Target, in a speech at the National Retail Federation’s Big Ideas Conference in 2022

Importance of Delivery Features Across Age Groups

Percent of respondents who consider the feature “Important” or “Very Important”
Customers want fast, flexible, and free delivery

As our results have highlighted so far, consumers want their orders delivered quickly. This is especially true for younger shoppers and for items that they need urgently or for items that they are excited to receive. While retailers are hoping new delivery options such as drone or robot deliveries can help increase the speed for these items, these services are still new. Leveraging existing stores as fulfillment nodes and improving traditional fulfillment processes is important for retailers to keep up with consumer needs.

In addition, consumers want delivery options that are affordable. Shoppers expect fast delivery times, but they’re not willing to pay delivery fees for the convenience. Instead, Amazon has offered its ultrafast delivery times to Amazon Prime members. This is an amazing value proposition for most shoppers, and since Amazon offers shoppers a large assortment of items. Many retailers have followed suit by offering subscription services of their own, but shoppers may not want to pay for multiple subscription services to get fast delivery. Our results indicate retailers should consider including faster shipping with a minimum purchase rather than requiring shoppers to pay extra fees.

In addition, consumers want a pleasant checkout experience where they can select delivery options that are convenient for them. This includes being able to choose a delivery time that works for them and the ability to track the status of their delivery. Consumers want to have the flexibility to choose how their orders are delivered. This includes things like the ability to choose a different delivery location, the ability to reschedule a delivery, and the ability to pick up their orders in store. Our results show this feature is important for all age groups, however older shoppers are less likely to want to pick up items from stores; they would rather have the items delivered.
When it comes to delivery options, convenience is not one-size-fits-all. Some consumers may think having to pick up items from a locker or at a store is inconvenient, and they would rather pay for those items to be delivered straight to their refrigerator for maximum convenience. Others may not be comfortable with strangers entering their home and opt to pick up items from a locker while they’re out running other errands.

Compared to traditional doorstep deliveries, we analyzed how shoppers perceive pickup and in-home delivery options. On average, shoppers were more likely to utilize pickup options than in-home options, but neither delivery method was as popular as doorstep delivery. Companies like Walmart offer both options, with in home delivery being included with Walmart Plus ($98/year) for an extra fee ($40/year). On the next pages, we break down likelihood by age group to see how convenience may differ across groups of shoppers.
Pickup: I’ll come to you

On average, 34% of respondents have used curbside pickup in the last month. To understand preferences across age groups, we show the percentage of respondents who have used curbside pickup in the last month (below) and the percentage of shoppers who are likely to use locker or curbside pickup in the future, compared to doorstep delivery (right). Across age groups, shoppers prefer traditional delivery methods over pickup. However, millennials appreciate the convenience of pickup and are more likely to use the service compared to other age groups, such as older shoppers.
In Home: Bring my groceries to me

Compared to pickup, shoppers are even less likely to adopt in home or in garage delivery options. The service offers maximum convenience but is still relatively new and only offered by select retailers.

Interestingly, while in home delivery seems to offer great benefits to older shoppers, especially those over 65, shoppers in this age group are unlikely to try the service. This may be due to delivery requirements (such as smart locks or automatic garage door openers), or because older shoppers do not yet trust the service.

In summary, traditional doorstep delivery is still the most popular delivery method. As retailers roll out new delivery options, they should consider how shopper behavior across age groups may influence adoption.
The last mile delivery space is changing rapidly, driven by the increasing popularity of e-commerce and the rising expectations of consumers. Customers expect same-day delivery and are more likely to take advantage of different delivery methods to get it. This is not surprising, as same-day delivery is the most convenient option for consumers. We found that 59% of shoppers expect their items to be delivered within the same day, with all but 15% expecting delivery within 2 days.

To meet this demand, retailers are offering a variety of different delivery methods, such as same-day delivery through third-party providers, in-house delivery services, and even drone delivery. Despite their desire for same-day delivery, shoppers are generally unwilling to pay extra for it. This is likely due to the fact that many retailers now offer free delivery on orders over a certain amount. To remain competitive, retailers will need to find ways to offer faster delivery without charging extra for it.

While pick-up and home delivery options are becoming increasingly popular among younger shoppers, older shoppers are still more likely to prefer traditional shopping methods. This is likely due to a number of factors, such as the fact that older shoppers may be more comfortable shopping in person and may be less likely to trust online retailers. Retailers will need to find ways to make pick-up and home delivery options more appealing to older shoppers, such as by offering additional services or discounts.

To address these challenges, retailers can use data analytics to optimize their last mile delivery operations. This includes using data to predict demand, plan routes, and track deliveries in real time, helping retailers to improve efficiency, reduce costs, and provide better service to their customers. Overall, the last mile delivery space is changing rapidly to meet the needs of consumers. To succeed in today’s changing landscape, retailers should offer a variety of different delivery methods and invest in new technology and data analytics, to find ways to make delivery more flexible, fast, and free.
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