Apex
Insight

Parcel Delivery Surcharging Study

Report on methodology

Citizens' Advice Scotland
Consumer Futures Unit

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Background

Research objectives and context

Apex Insight was selected by the Consumer Futures Unit (CFU) to carry out a research exercise on its behalf to explore the extent to which online retailers restrict, or apply surcharges for, the delivery of parcels to rural or remote mainland and island areas in Scotland. This included exploring:

- The prevalence of restrictions or surcharges
- Their magnitude
- How they compare to other areas of the UK

CFU also required that the research should enable it to be able draw inferences about overall e-commerce sales.

The deliverables from the research were:

- An excel spreadsheet containing the results from the research
- This document, setting out the methodology used

About Apex Insight

Apex Insight is a research and consulting firm with a particular focus on logistics and parcels delivery services.

The company publishes a range of reports on areas including the parcels market in the UK, across Europe and Globally, UK Two-man delivery, UK Same day delivery, UK and European C2X parcels services and Global postal operators.

It also carries out bespoke consulting exercises in areas including market analysis and commercial due diligence

Methodology

Overview

Our methodology involved using a mystery-shopping approach:

- 62 items were defined to be representative of overall UK online shopping according to item category and size.
- Google searches identified 500 sellers of these 62 items.
- For each seller, the range of delivery and click-and-collect options offered to each of 12 addresses located in different parts of the UK, as well as their costs, was recorded.

Addresses

12 delivery addresses were chosen to meet CFU's objective of comparing delivery service availability and costs across a broad range of location types.

CFU specified the 12 location types to be covered. The address used for each location type was chosen by us based on estate agent listings for the relevant area and other sources.

No.	Country	Type of location	Address used
1	Scotland	Highlands, city	10 Ardross Terrace, Inverness IV3 5NQ
2	Scotland	Highlands, rural / remote	3 Druim Bhlar, Durness, Lairg, IV27 4QH
3	Scotland	Central, rural	The Straun Inn, Calvine, Pitlochry PH18 5UB
4	Scotland	Island	Kilbrennan Farm, Ulva Ferry, Isle of Mull PA73 6LT
5	Scotland	South-West, rural / remote	5 Stair St, Drummore, Stranraer DG9 9PT
6	Scotland	City	6 Henderland Road, Edinburgh, EH12 6BB
7	England	Rural / remote	2 New Cottage, Yeavering, Kirknewton, Wooler, NE71 6HG
8	England	Island	27 Allotment Road, Ventnor, Isle of Wight, PO38 2DU
9	Wales	Rural / remote	Old Post Office, Aberhosan, Machynlleth SY20 8RA
10	England	City	94 Pinehurst Court, Colville Gardens, London W11 2BJ
11	Northern Ireland	City	109 Bloomfield Ave, Belfast BT5 5AB
12	Wales	City	1 Hafod Street, Swansea SA1 2HA

Addresses were checked on Google Streetview to ensure that they appeared broadly typical for their area.

Items to be mystery shopped

A total of 62 different items was used (see appendix for the list of items). They were selected by us to be representative of overall UK internet retail categories and item sizes.

Sample profile by weight / size and category

Our range of 62 items was designed to be representative of overall UK online retail sales according to two dimensions: category and item size/weight

Internet retail is commonly divided into the following categories:

- Books
- Clothing & footwear
- DIY & gardening
- Electricals
- Food & Groceries
- Furniture & floorcoverings
- Health & beauty
- Homewares
- Music, film & video games
- Toys & Sport

We excluded the Food & Groceries category from our sample as it is predominantly served by dedicated delivery operations operated by the grocery retailers or independent specialists (eg Ocado), rather than standard national parcels delivery services.

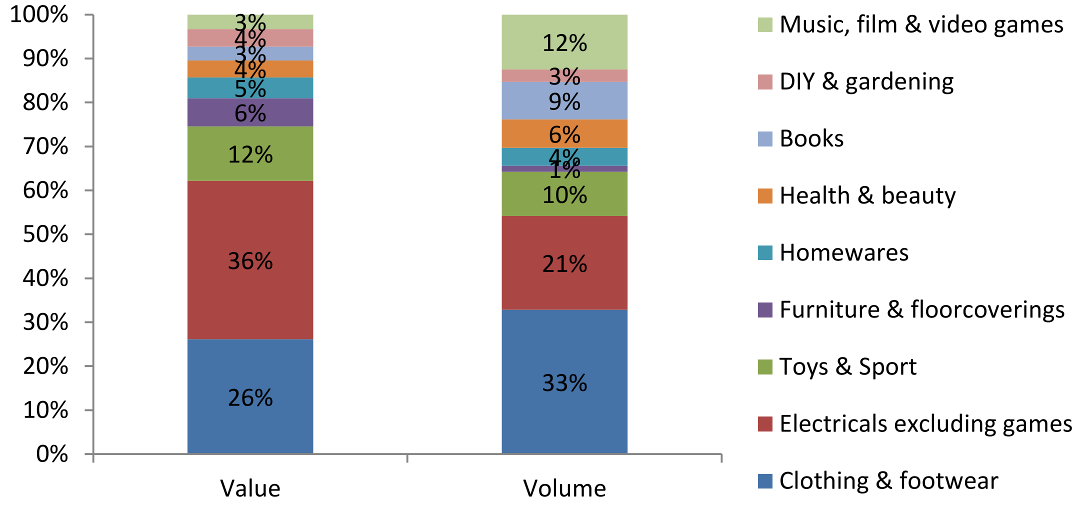
Different sizes of parcels are served by different services, from mail for the smallest items to two-man delivery for large/heavy items. The main service types, and the break points between them, are as follows

- 750g / <2.5cm thick (maximum for mail services),
- 20kg / <60cm long (maximum for the Royal Mail's universal parcels service),
- 30kg / <1.5m long (maximum accepted by most B2C parcel carriers)
- 50kg / <3m long (accepted by carriers specialising in heavier deliveries such as DX or Tuffnells).
- Above 50kg (2-man delivery service required).

We used these break points to define our segmentation between service types.

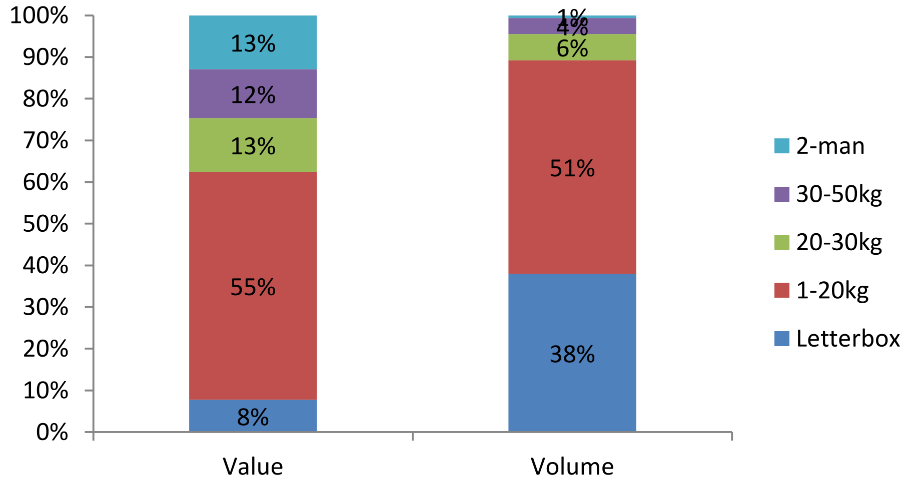
To arrive at our sample profile it was necessary to make an adjustment because available data on online retail tends to be expressed in aggregate value of the items sold however, for this exercise, it is the volume of deliveries that matters. The sample was adjusted from value to volume by dividing by estimated average prices for each item category / weight band.

UK online retail sales: value and volume by category



Source: Verdict, Apex Insight estimates

UK online retail sales: value and volume by weight / size of parcel



Source: Verdict, Apex Insight estimates

As the charts show, this leads to some significant differences in the sample composition:

- The main differences by category are Clothing & Footwear, Music, Film & Video Games and Books, which together represent 55% of parcel volume but just 32% of aggregate value. They are offset by Electricals, which tend to comprise higher-value items, with 36% of value but just 21% of parcel volume.
- By item size, smaller, letterbox-sized items, which are often of low value, account for a relatively large proportion of the total items purchased online, with bigger items – which are often of higher value – being a relatively small amount. This is supported by data on UK sales by Amazon and eBay which suggest that 88% of their parcels weigh less than 2kg and 48% less than 0.5kg.

Delivery services options

Most retailers offer more than one delivery service option for each item with a significant number also offering click and collect options.

During our initial trials, we identified the following broad range of delivery options, which were then used during the main research:

Delivery

Standard / Economy

Express

Express tracked

Evening

Saturday

Sunday

Nominated day

Nominated day and time (1-2 hour slot, or am/pm)

Same day - immediate (1-2 hours)

Same day - end of day

Click and collect

Branch of the store

Parcel shop - standard service

Parcel shop - express / next day service

Locker

Click and collect was considered to be a viable option if the distance to the location offered was less than 20 miles.

Search methodology

The 500 links to be sampled were gathered by carrying out searches for each of the 62 items in a way that aimed to imitate typical online shopping behaviour patterns.

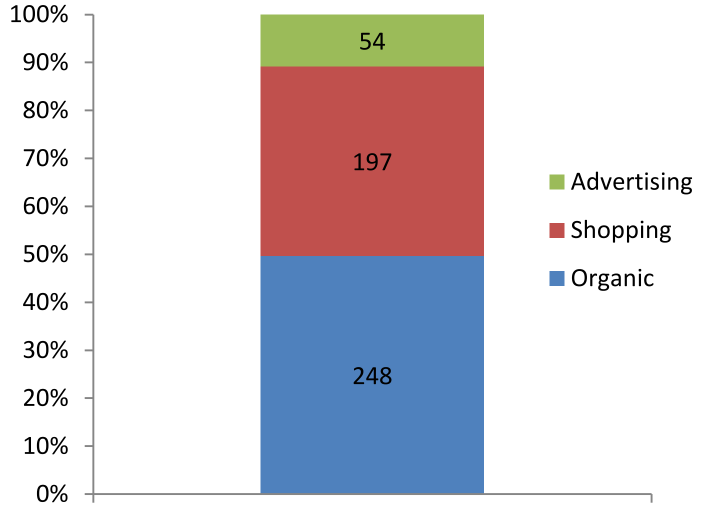
The searches were done in Google, using a private window (Firefox browser) with no other windows open and browsing history cleared before each session to prevent contamination of results.

In most cases, the relevant results from the first two Google pages were used. This typically gave us from 5-15 valid results, depending on factors such as the numbers of retailers listing the item. Using two pages of results gave prominence to large retailers who are present across a broad range of categories (such as Amazon, John Lewis and Argos) but also enabled some smaller retailers to be included.

In a minority of cases we varied from this, usually for one of two reasons:

- Some items had large numbers of non-shopping results on the first two pages so we went to a third or even fourth page to obtain shopping results.
- For some items, fewer results were needed to fill the relevant category / item size, so only the top results were used.

Search results by type



All three categories of search results were included: Shopping, Advertising and Organic, with Organic results representing just under half of the sample and Shopping just under 40%.

Duplicate results for the same retailer for the same item search were ignored. The exception to this was for marketplaces (eBay, Amazon), where results referring to different sellers on the marketplace were classed as separate retailers in their own right and hence were included.

Mystery shopping exercise

The main mystery shopping exercise was then carried out using the search results gathered above.

Each search result url was visited independently by two researchers who recorded the range of delivery options offered by each and their costs in separate versions of the results spreadsheet.

The delivery terms and conditions offered by each retailer were also reviewed to identify any additional restrictions or costs. Where the terms and conditions indicated delivery restrictions or surcharges, it was given priority over the results from the site's shopping cart. Such conflicts are most likely to occur with smaller retailers who may lack the IT capabilities to get their shopping carts to reflect the delivery terms that they wish to offer.

The double-visit methodology was designed to provide a cross-check on accuracy and enable errors to be identified and fixed.

Additional data gathering

Two further data gathering stages involved researching the numbers of UK stores that each retailer in the sample has and the software platform which has been used to build its ecommerce site.

Store numbers were obtained via a Google search, with data coming from a combination of the retailers' own websites, 3rd party sources such as Wikipedia and other sources.

Ecommerce platforms were identified using Builtwith.com. Typically, most large retailers use their own bespoke shopping platforms while smaller retailers tend to use packages.

Checking of the dataset

When the data-gathering had been completed it was subject to extensive checking in order to fix errors or inconsistencies. This included:

- Comparison of results and resolution of errors
- Removal of duplicates and items for which there were no delivery or click and collect services
- Addition of further items required to meet quotas

Results of the research

Research findings are contained in the excel file: *Apex Insight CFU delivery mystery shopping exercise*

The file contains the following fields:

Fields		Description
Item	Number	Sequential reference number: 1-500
	Category	Shopping category from which the item is drawn
	Parcel size	Size / weight band from which the item is drawn
	Description (search term)	Search term used to find the sellers of the item
	Search type (Shopping / Ad / Organic)	Type of search result
	Search position	Ranking within that category of search result for that seller of the item
	Link to product page on retailer's site	Link to the page where the item was located on the seller's site
	Price	Price quoted for the item on the seller's site
Retailer	Name	Name of the seller. NB for marketplaces (eBay, Amazon) the name of the actual seller is given
	Country	Country where the seller's site appears to be based
	Retailer / Amazon / EBay	Identifier for marketplace sellers
	Number of UK stores	Number of UK bricks and mortar locations which the retailer has
	Ecommerce platform	Shopping cart or platform used by the retailer in its website. 'X' denotes no platform identified, hence likely to be a bespoke site
Delivery Info / T+Cs	Delivery info text from site	Text from Terms & Conditions pasted into the cell
	Link to delivery info page	Link to the page from where the delivery info came

Fields		Description
For each address:		
Cost of delivery (to home, workplace, etc)	Standard / Economy	Cost of delivery for the basic service. May be described as 2-3 days, 3-5 days or with no time commitment. For some shops, next day is the standard service
	Express	Cost for a faster service than standard delivery
	Express tracked	Cost for a faster service than standard delivery with tracking (implies it is not Royal Mail universal service so not likely to be offered to all areas)
	Evening	Cost for evening delivery
	Saturday	Cost for delivery guaranteed to be on a Saturday (NB some carriers such as Yodel operate a six-day service so Saturday is a normal delivery day and would not count as specific Saturday delivery)
	Sunday	Cost for delivery guaranteed to be on a Sunday (NB some carriers such as Hermes operate a six-day service so Sunday is a normal delivery day and would not count as specific Sunday delivery)
	Nominated day	Cost for delivery guaranteed to be on a specific day
	Nominated day and time (1-2 hour slot, or am/pm)	Cost for delivery guaranteed to be on a specific day with a choice of at least two specified time slots
	Same day - immediate (1-2 hours)	Urgent, premium delivery (typically carried out within 1-2 hours by motorbike)
	Same day - end of day	Any time same day delivery
	Need to call for delivery details (insert phone number)	Website did not offer a delivery option for the address but required a call to discuss.
	No delivery service for this address (mark 'X')	Calculated field: X marked if all delivery service fields for the address are blank

Fields		Description
For each address:		
Cost of delivery to Click & Collect location	Branch of the store	Cost charged for picking up an item ordered online from a branch of the store within 20 miles of the address
	Parcel shop - standard service	Cost charged for having an item delivered to a parcel shop (eg newsagent, convenience store) within 20 miles of the address
	Parcel shop - express / next day service	Cost charged for having an item delivered to a parcel shop (eg newsagent, convenience store) within 20 miles of the address more rapidly than the basic service
	Locker	Cost charged for having an item delivered to a parcel locker within 20 miles of the address
	No click and collect option for this location (or >20 miles)	Calculated field: X marked if all click & collect service fields for the address are blank
Carriers used (if stated)	1	Any parcel carriers mentioned on the retailer's site or during the checkout process are listed here
	2	
	3	
	4	
Click & Collect providers used (if stated)	1	Any click and collect service providers mentioned on the retailer's site or during the checkout process are listed here
	2	
	3	

Issues which arose during the research

Overall, the methodology stood up well and, having carried out the exercise, we still believe that it was the best approach for this task. However, several issues arose – some of which were anticipated and some which were not – which might be useful to bear in mind in interpreting the results and also in refining the methodology for future research exercises. These are discussed below.

Extent to which online retail participation is driven by delivery issues vs other factors

The underlying hypothesis behind the work was that customers in remote areas are less inclined to participate in online retail because delivery to remote locations is significantly more restricted and / or expensive.

The research supports this, to an extent, but probably to a lesser extent than previous studies. To a large degree, this is because the volume weighting means that the majority of items in our sample – as for UK online retail as a whole – are those which can be carried by the Royal Mail under its universal service, delivering to every UK address for the same price.

For the address with the most restricted delivery service – on the Isle of Mull:

- Delivery was available for 93% of the 500 items, with free delivery offered for 38%
- The premium for delivery across those items which could be delivered to all 12 locations averaged 96p (38%) over the London address. Given a median item price of £23.60, this represents a total cost premium of 4%.

Other factors which could also influence online retail participation rates, and which were outside the scope of this study, include:

- Age profile of people living in remote areas vs urban locations
- Income or socio-economic profiles
- Ownership levels of enabling devices (computers with broadband connections, smartphones)
- % of households with broadband connections of sufficient quality to enable shopping to take place.
- Behavioural factors, such as desire on the part of people in remote communities to support local retailers with whom they have a personal connection and who may be important to the overall wellbeing of the community

Exclusive use of Google

Our search methodology relied on Google, the most widely used search engine in the UK, focusing mainly on the top two pages and combining organic and paid results. We believe that many consumers will frequently shop in this way. However, some will use a different approach some, or all, of the time, for example:

- Using a different search engine, eg Bing
- Going straight to a marketplace, such as Amazon or eBay, to find their item
- Going straight to another favoured retailer to find the item
- Purchases as a result of click-through from advertising on sites other than Google
- Purchases made as a result of online reviews or other links

- Recommendations from friends

Different shopping approaches would be likely to lead to different mixes of retailers being selected.

Different delivery options offered at different times

At the outset of the work we had implicitly assumed that the number and range of delivery services offered by a given retailer to a given address would be constant through time. However, we found this not to be the case: there were variations during the day, the week and over the period.

- Daily variations mainly related to cut-off times for next day delivery. Some shops would offer it until a certain time and then, when they were no longer able to provide it, the option would disappear. Sometimes the cut-off time would be different for different addresses.
- Weekly variations mainly related to whether next day delivery was offered. Some shops withdrew this towards the end of the week when either their own fulfilment operations, or those of their delivery services, may not have been able to provide it.
- The research was carried out during the period from late November to late December 2016. This corresponds to the peak online retail season and includes events such as Black Friday, Cyber Monday and, of course, Christmas. We found that many shops withdrew express delivery options in the few days before these dates.

The result of these variations was that our approach, involving two people checking each shop separately, gave different results which were due to reasons other than human error. In reconciling our results, we aimed, as far as possible, to include the broadest range of delivery options. However, it is likely that, some shops in our sample will offer further options at some times that were not picked up in either of our visits to their sites.

In virtually all cases, the variations involved premium delivery services, with standard delivery being the same regardless of time or date.

Single item ordering and high minimum order values

Many shops offer free delivery, some for all orders and others for orders over a certain size. The degree to which this is explicitly stated vs applied automatically by the checkout varies. In some cases, our single item was sufficient to trigger the free delivery and in others it was not.

While items are often purchased singly, purchases of multiple items are also common. On some occasions, these are likely to trigger free delivery where our single-item approach would not. Therefore, our single-item shopping approach will have underestimated the extent to which free delivery would have been available to real-world shoppers sometimes buying multiple items.

Local stockouts

Most online retailers use a model involving delivery from a central warehouse – usually covering the UK and sometimes additional countries. However, some multichannel retailers, such as Argos and the grocery retailers, have stock stored at, and deliver from, their local outlets.

When we carried out our mystery shopping exercises, we found some of these retailers indicating that they could not deliver to specific locations, but closer checking showed that this was due to local stockouts, not delivery service issues. As far as possible, we tried to correct for this to show what delivery would have been offered had the item been in stock. Generally this was done by selecting a similar item which was in stock.

Broad range of delivery options encountered

We gathered information on a broad range of delivery options. The range was established based on our initial trials and proved to be almost exhaustive.

During the research it emerged that, other than their standard delivery service, there was a large variation in the range of options offered by different retailers. This makes it more difficult to make like-for-like comparisons or draw conclusions across the sample for these other options.

Potential for a shop not to honour orders by its accepted

Our experience from the research was that larger shops tended to have more sophisticated shopping carts. We believe that it is likely that such shops will reflect the range of delivery options that they offer in their carts. However, for small retailers, this may not always be the case – their carts may lack the functionality to display their range of options properly, or they may lack the IT skills or resources to get them to do so.

In some cases, terms and conditions stated that delivery options which the site appeared to offer were not available for some locations. In others, it was necessary to call to discuss delivery to some locations

Where there was a conflict between what the cart permitted and what the terms and conditions stated, our approach was to give priority to the terms and conditions.

However, it is likely that there could be some smaller shops for whom either we did not pick up delivery exceptions which were buried in their terms and conditions or that such exceptions were simply not stated. This would mean that some shops which would look as if they would have accepted an order for delivery to a remote address may have later cancelled it manually when it was found not to be within the scope of the sites delivery services.

Slower delivery not picked up

As well as lack of delivery options and more expensive delivery, a third area where those living in remote areas lose out is in delivery services taking longer to reach them than for urban addresses.

In most cases, this was not made explicit on the sellers' sites so we were not able to track it in a systematic way.

Representation of leading retailers

One factor that we tracked, and were intending to make adjustments for if necessary, was the representation of the leading retailers in the sample. Our aim was for them to be neither significantly over- nor under-represented relative to their share of UK online sales.

Online retail is more concentrated than offline shopping. Large sites, such as Amazon, John Lewis, Argos, Next and eBay have sales of over £1bn. Data from Retail Week suggests that Amazon, the UK's leading online retailer, has around 4% of total UK online sales and that the top 10 sellers represent over 20%.

Amazon was also the most represented retailer in our sample with 37 entries (16 for its own items and 21 for other retailers selling via its marketplace), or 7% of the total (ie by volume). Altogether, the top 10 in our sample produced a very similar list to that of the top UK online retailers, and accounted for 29% of the total.

Retailer	Number of results	% of total
Amazon	37	7%
eBay	30	6%
John Lewis	17	3%
Tesco	13	3%
House of Fraser	12	2%
Debenhams	9	2%
Argos	8	2%
ASDA	8	2%
Currys	8	2%
Next	5	1%
Total top 10	147	29%

Given that Amazon and eBay have a significant skew towards smaller / cheaper items, this appears to be in line with Retail Week's view that the top 10 represent more than 20% by aggregate item value. Therefore, we believe that large retailers are represented at an appropriate level in the sample without any adjustment.