



DODDLE DIAGNOSIS CHALLENGES & OPPORTUNITIES IN THE LAST MILE IN SINGAPORE

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Foreword

Welcome to the Doddle Diagnosis, a series of market reports looking at the opportunities and challenges for parcel carriers in specific markets around the world.

We started this project because we want to shed light on the unique and sometimes surprising ways in which global macro trends in delivery and returns are playing out within certain nations and regions. The aim is to help the decision-makers and information-hunters working in logistics to better understand the nature of the challenges they face, as well as the opportunities they have to address those challenges and grow their businesses.

Our perspective is a little unusual. Today we're a tech company, not a postal or carrier company – but we also have years of experience in our history of actually dealing with consumers, signing deals with retailers to offer them a place to deliver parcels to, and making sure those parcels get where they need to go. That leads us to focus across those three groups of stakeholders – consumers, retailers, carriers – to figure out what isn't working in the last mile, and what might help.

Tim Robinson
CEO, Doddle.



Factfile



Estimated average delivery cost \$2-\$3



Delivery typically attempted twice



Free delivery commonly has basket value threshold



Delivery success rate 90%



Estimated 90% of parcels are delivered to home



Low share of retail in ecommerce



Massively higher per capita spend on ecommerce than immediate neighbouring countries

Regional Comparison	eCommerce market size (\$bn USD)	Population (millions)	Per Capita eCommerce Expenditure (USD\$)	eCommerce % share of retail	Parcel volume (millions)	Average parcel content sale value (USD\$)	Parcel Volume CAGR
Singapore	4.9	5.6	875	3%	128	38.3	113.7%
Malaysia	4	31.6	127	1.1%	910	4.4	56.4%
Thailand	3.5	69.6	50	3%	140	25	29.1%
Hong Kong	3.7	7.5	493	0.9%	160	14.2	no data
Indonesia	18.76	264	71	8%	1200	15.6	25%
Vietnam	11.5	96.5	119	3.6%	80	14.4	no data
New Zealand	4.75	4.8	990	9.5%	160	29.7	10%

Global Comparison	eCommerce market size (\$bn USD)	Population (millions)	Per Capita eCommerce Expenditure (USD\$)	eCommerce % share of retail	Parcel volume (millions)	Average parcel content sale value (USD\$)	Parcel Volume CAGR
Singapore	4.9	5.6	875	3%	128	38.3	113.7%
China	1552	1433	1082	25.8%	64000	24.3	32.1%
United Kingdom	142	68	2102	19.4%	3500	40.6	16.7%
United States	602	329	1828	16%	16630	36.2	8.5%
India	62	1366	0.05	no data	2500	24.8	94.5%
Germany	82	84	980	8.8%	3500	23.4	5.3%
Japan	164	127	1291	no data	9000	18.2	-0.4%



Economics: High rise, high cost

Thanks to Singapore's unusually dense geography and the high percentage of the population living in high-rise public accommodation, delivery costs are high. In other markets, we would expect the opposite to be true, where lower density means more miles travelled per drop and therefore increased cost per parcel delivered.

However, HDBs do not typically have a common parcel storage space to allow delivery drivers to drop parcel deliveries in one go. Instead, existing central mailbox systems work fine for mail deliveries, and allow residents to collect their mail from the ground floor of their building, but parcels which don't fit into mailboxes have to be delivered to the door, adding a lot more time to the delivery process.

Failed deliveries are not unusually common in Singapore relative to other markets, but the cost of each failed delivery is higher, driven by the higher cost of delivery attempts and worsened by the fact that there is very little use of parcel shops or locker drop boxes in cases of failed delivery. That necessitates another (expensive) delivery attempt.

Consumer expectations do not allow for deliveries to be much more expensive than they currently are, but parcel volumes are increasing steadily, exacerbating the delivery cost challenges and further squeezing carrier margins.

“Parcel volumes are increasing steadily, exacerbating the delivery cost challenges and further squeezing carrier margins.”

In other markets, especially China, carriers have found success with diverting packages to locker installations or other PUDO locations if the consumer isn't available to accept delivery. By leaving the package somewhere secure and local, the carrier saves bringing it back to the depot and re-attempting delivery, and the consumer gets their parcel at their own convenience. This also introduces consumers to the experience of using PUDO as a delivery option, without the carrier needing to convince them to actually choose it up-front, potentially increasing future PUDO adoption and reducing the overall cost of deliveries through increased consolidation.



Key Challenge:

As noted above, Chinese ecommerce deliveries heavily rely on local PUDO locations, typically lockers, in order to reduce the frequency and cost of missed deliveries. However, in Singapore, PUDO capacity is very stretched, particularly in parcel shops, which are typically small-format convenience stores with limited storage space. These stores suffer when parcels are left to build up over time and are not able to offer a great customer experience. Additionally, while some consumers are familiar with locker banks and frequently use them for returns, they are not usually harnessed by carriers as a potential location for failed delivery redirects.

Opportunity:

Increased PUDO capacity needs to be found. On the parcel shop side, adding new host partner stores and increasing flexibility for individual host locations will help spread volume through the network and prevent storage issues, allowing individual shops to “turn off” new drops until they have the space. Better customer communications could also help to nudge consumers to pick up their parcels in a timely fashion, preventing parcels taking up limited space for long periods.

There also seems to be some opportunity to use the federated system of lockers to turn on new PUDO capacity quickly and reduce the cost of failed delivery attempts by enabling missed deliveries to be left securely in a location very close to the delivery address. As noted, the Chinese market illustrates the power of this set-up, where carriers have easy access to local, carrier-agnostic locker banks. That means they very rarely need to re-attempt delivery.



Capacity: Peak Inflexibility

Around the world, carriers in the most mature ecommerce markets are struggling to hire enough delivery drivers, a problem exacerbated in Singapore thanks to tight labour laws. Combined with the incredibly dense urban environment, which results in warehousing and sorting space restrictions, and it adds up to a last-mile delivery market where capacity is constantly stretched and has little flexibility.

Unsurprisingly, this is usually especially apparent during peak season. However, 2020 saw parcel volumes reaching levels usually associated with Singles Day at various different points this year, thanks to lockdowns and restricted offline purchasing driving ecommerce demand upwards.

“It adds up to a last-mile delivery market where capacity is constantly stretched and has little flexibility.”

Key Challenge:

The solvable problem here is to deliver more parcels with the same resources (in terms of drivers and warehousing capacity).

For that to happen, the element of the equation which must change is the final destination.



Opportunity:

Encouraging greater PUDO adoption and improving the consumer experience at the point of collection should be a key goal for Singaporean carrier businesses who need to increase the efficacy of their networks. By improving the user experience and promoting the adoption of PUDO, they will be able to deliver more parcels by bulk drop-offs at collection points. In the case of lockers, the pilot for government-provided lockers showed that it allowed drivers to deliver up to 250 parcels per day. That figure is approximately four times higher than the number of parcels which drivers can deliver to the doorstep.

“By improving the user experience and promoting the adoption of PUDO, they [carriers] will be able to deliver more parcels by bulk drop-offs at collection points.”

As noted in the previous chapter, there is a clear need to improve the PUDO offering to host partners, who appear

to currently struggle for storage room and are having to deal with lingering uncollected parcels. The remedies outlined previously are therefore also crucial to be able to scale up the pickup and dropoff network effectively and ensure a great experience for consumers.

Amazon is a potent example of a logistics business trying to maximise its effectiveness. In many of its markets, the logistics/retail giant has been actively nudging customers to increase their usage of pickup and dropoff locations, with discounts for consumers who select Amazon Hub (their PUDO brand) delivery locations and homepage promotions to raise awareness of the option. Their reasoning for doing this in a market like the UK is similarly applicable to Singapore: the development of new infrastructure (warehouses et cetera) is challenging and expensive and drivers are expensive to hire and hard to retain. That’s why Amazon has developed its combined “Amazon Hub” & “Amazon Locker” PUDO network, and it is now increasingly marketing that to consumers.



Returns: Locker usage increasing, but carriers could be adding more value for retailers

As ecommerce growth continues, one of the biggest drawbacks for retailers is consumer returns. Shoppers are increasingly used to treating their bedrooms as fitting rooms, sending back items that don't match their expectations. With COVID pushing more volume online, the overall rate of product returns have tended to increase in most markets. While Singapore tends to experience slightly lower return rates than other markets, even in typical hotspot categories like apparel, returns volume still represents a significant opportunity for carriers.

“Returns volume still represents a significant opportunity for carriers.”

Lockers enable fairly convenient local returns for those with easy access, though the numbers of locker banks are currently limited, with just 330 locker banks and poor coverage across the city. With 26 million return parcels per year, even the planned 1000 new banks will clearly not

be able to manage the volume alone.

That means that the vast majority of returns currently go through post offices and parcel shops. Typically, the consumer will use a pre-paid returns label or request a pickup via the retailer website. However, neither of these journeys really connect up the dots for the retailer – they don't necessarily get the full picture of customer data and returns data.

Communication about the return can be fractured and unclear, coming from both the retailer and the parcel carrier, or neither.

“With 26 million return parcels per year, even the planned 1000 new banks will clearly not be able to manage the volume alone.”



Key Challenge:

The lack of a digital aspect to return journeys in Singapore may be more important than the physical questions of where the parcel is sent back from. Currently, carriers aren't offering a fully digital experience for customers and do not offer a platform to retailers where they can leverage the data this generates and improve their returns process – a near-universal objective in modern retail.

Opportunity:

The set of problems that come with ecommerce returns are worth a huge amount of money to retailers, with return rates at around 20% in ecommerce. Reducing that number and helping to manage that process more effectively makes a carrier a much more valuable partner than simply moving parcels around.

“Helping to manage that process more effectively makes a carrier a much more valuable partner than simply moving parcels around.”

If a carrier can provide a digital returns journey, they can start to offer retailers a ready-made returns solution that makes booking a return simpler for customers, and captures customer

data and marries it to returns behaviour to offer retailers powerful insights and ways to manage their returns processes. That's perhaps doubly true for the dominant marketplaces like Shopee and Lazada, who would dearly love to enable a consistently great returns offer across their seller base. Providing that solution represents a huge opportunity for the parcel carriers.

Looking internationally, in the last several years Australia Post was finding that its merchant customers were struggling to manage returns. In partnership with Doddle, they now offer merchants a Collect & Return solution that enables shoppers to book a return digitally through a simple online site, customisable and brandable for any merchant. This makes the returns process much more efficient and streamlined for the consumer and the retailer and ensures that Australia Post continues to provide a valuable service to its retailer customers.



Consumer behaviour: Turning the tide

As far as Singaporean shoppers are concerned, buying online means delivery to the doorstep, and out-of-home deliveries remain the exception rather than the rule. Given the economic pressures and capacity challenges faced by carriers, consumers need to be won over and see out-of-home delivery as a valuable part of their lifestyle rather than an inconvenience. As ecommerce adoption rises and COVID pushes the proportion of retail happening online ever higher, this will become a more and more urgent task. The government's deployment of locker infrastructure is a forward-thinking move that will bring out-of-home delivery closer to home (literally, given their co-location with HDBs) but this alone will not be a panacea for carriers, who will still pay rents on the lockers and quickly learn the limits of their capacity.

"Consumers need to be won over and see out-of-home delivery as a valuable part of their lifestyle rather than an inconvenience."

However, what the locker program might achieve is a normalisation of the practice of picking up deliveries from somewhere other than the doorstep. That is a critical factor in encouraging shoppers to adopt PUDO in other formats too. In our experience, in the UK and elsewhere, usage breeds usage when it comes to PUDO.



Key Challenge:

It's clear as well that consumers and host locations alike have some issues with the current form of over-the-counter PUDO. Limited storage, lingering parcels and a lack of consumer trust are limiting capacity, hurting the customer experience and reducing usage. Improving the flexibility for hosts, recruiting larger host partners and offering a smoother and more secure experience for customers are key objectives for carriers who need alternatives to lockers to really increase capacity. These are challenging but absolutely achievable objectives, which will require investment in technology and customer experience design to come to fruition.

Opportunity:

Pricing will be a vital weapon. It's something we hear time and time again from carriers across the globe: they don't want to pass on the savings of consolidation to their customers. That's understandable - giving away margin seems like bad business. However, strategically passing on some amount of cost reduction to retailers is the right way to drive volume and ultimately secure a greater benefit from consolidation in the long term. Used intelligently and adaptably, pricing can also be used to manage capacity, by making PUDO a cheaper option than home delivery at peak periods. That doesn't

necessarily mean PUDO has to become cheaper - another way to achieve a similar incentive would be to increase the prices of home delivery. In the United States, 2020 was the first year for carriers like FedEx and UPS to bring in volume-based residential delivery charges, affecting home deliveries. Similar movements may begin elsewhere, as the investments in infrastructure and consumer behaviour start to pay off for parcel carriers.

About Doddle:

Doddle provides parcel carriers with the technology to power their Pick-up and Drop-off (PUDO) networks, improve collection and return experiences, and drive greater value for their retail customers. Headquartered in London, we have a global reach, working with postal services in the United States and Australia, as well as regional carriers like Yamato in Japan and Starlinks in Saudi Arabia.

To find out how Doddle's technology can create value for your parcel operation, visit doddle.com/carrier

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