Testimony to the House Subcommittee on Digital Commerce and Consumer Protection

Hearing: Review of Emerging Tech's Impact on Retail Operations and Logistics

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Summary:

- This year, over 70% of Americans will make a purchase online, flooding carrier networks and overwhelming dated customer service systems. With the boom in e-commerce and the Amazon Effect training customers to expect a seamless customer experience, success is defined by the ability to meet delivery expectations.

- As retailers aim to meet consumer demands, they face a new influx of transportation challenges that include implications for operations, customer care teams, the customer experience, and the management of expanding carrier networks. Each carrier produces tracking and distressed shipment data differently, and retailer and carrier systems don't speak to each other effectively or efficiently. Emerging technologies such as Convey exist to connect retailers, carriers, and consumers to solve these challenges and provide better customer fulfillment experiences.

- While the consumer clearly benefits from these innovations, care must be taken for consumer safety and privacy, particularly as more data is produced through the "Internet of Things" (IoT) and consumers require more in-home deliveries, whether or not they are present in the home.

Written Statement:

Chairman Latta, Ranking Member Schakowsky and Members of the Subcommittee,

It is a privilege and honor to provide testimony on this important subject.

My name is Rob Taylor and I am co-founder and CEO of Convey, a software company headquartered in Austin, Texas. Over the past four years, we have partnered with many of the nation's largest retailers to help them gain supply chain visibility for customer deliveries, prevent deliveries from failing and ultimately provide improved customer experiences. We sit squarely at the intersection of technology, retail last-mile supply chain and consumer experience.

Over the last 20 years, I have helped build three successful companies focused on providing enhanced, transparent retail consumer experiences.

At TrueCar, now trading on the NASDAQ exchange, we reinvented the auto buying process through up front, transparent pricing that benefits both dealers and consumers.

At Blacklocus, we helped retailers compete on price and assortment in an increasingly Amazon-dominated retail environment. Blacklocus was acquired by The Home Depot in 2012 and continues to grow and provide technology jobs in Austin.

And now at Convey, we are helping our retail customers differentiate on the emerging competitive frontier - providing predictive, proactive eCommerce delivery experiences to consumers.

A confluence of factors is creating new opportunities for innovation and differentiation in the last-mile retail supply chain.

The Changing Commerce Landscape

eCommerce continues to grow exponentially, projected to represent 1 of every 8 retail dollars by 2020 according to eMarketer. The same forecast reports that ~70% of Americans (190.3 million) will make a purchase online this year.

As a result of this growth, more shipments than ever before are flooding carrier networks. Over the 2017 holiday season it was projected that the three major parcel carriers, USPS, UPS and Fedex, transported more than 1.9 billion shipments.

Additionally, online growth of big and bulky item sales, such as furniture and appliances, requires more complex last-mile carrier networks and expansion into new delivery modes such as residential freight. According to Forrester, e-commerce purchases of furniture are projected to grow at a compound annual rate of about 15% from 2014 to 2019.

Consequently, retailer transportation networks are expanding to include more regional, same-day parcel, less-than-truckload, and white glove carrier partners. Many of our customers work with ten, twenty, even one hundred or more carriers for last-mile consumer delivery.

Evolving Consumer Expectations Create Transportation Challenges

Digital technology is rapidly changing the world we live in, as well as the way we live in it, impacting how we shop. By demonstrating how technology can be leveraged to provide customers a more transparent and efficient delivery experience, Amazon and other e-commerce giants have transformed the retail ecosystem.

Most consumers now expect a shopping experience that is centered around their lifestyle -- visible, seamless, and prompt. Consumers opt for faster delivery options, and they expect to have their purchases delivered within days, if not hours. In fact, a survey by same-day delivery provider, Dropoff, found that more than half (61%) of consumers have abandoned a purchase due to slow delivery options.

For retailers not equipped to meet these demands, the stakes have never been higher. A Convey survey of 1,500 consumers found that 70% of shoppers would abandon a retailer after a single poor delivery experience, and 40% report delivery is now the single most decisive factor of the shopping experience.

Furthermore, consumer demands have moved beyond "free" and "fast" to include "commitment," "communication," "convenience," and "control," placing additional strain on transportation networks already struggling with ever-increasing volumes.

A 2017 [Convey consumer survey](#) highlighted some of these trends. Below are a few of the most interesting findings:

- When asked to choose the most important delivery factor during the holiday season, 52% cited delivery date related factors.

- Over 95% of shoppers reported that they expect retailers to proactively respond if the carrier's estimated delivery date changes while a shipment is in transit.

- Over 90% expect some form of action or compensation for missed promise-by dates.

- 93% reported that they want proactive updates from retailers about their shipments. 41% of shoppers expect to be notified immediately in the event of an issue.

- 97% expect to either be able to self-serve or interact with the retailer directly to resolve delivery issues. Today, a huge disconnect exists here, as many retailers, including those acutely focused on customer service, do not have the tools or processes in place to meet this need—often responding reactively to inbound calls and in many cases sending shoppers to brave a carrier's 1-800 number.

Data, Visibility, and Collaboration are Required to Succeed

Collectively, these trends create significant transport, data silo, and visibility challenges. Each carrier produces tracking and distressed shipment data differently, and retailer and carrier systems don't speak to each other effectively or efficiently.

Why does enhanced visibility matter?

In a [Convey and eye for transport survey](#) of 200 retail supply chain leaders, 83% reported that the customer experience is now a company-wide goal that they are feeling pressure to improve. From the millions of shipments running through our platform, we know 4-10% of all last mile shipments are at risk of leading to a negative customer experience. Yet, 70% of these exception cases have the potential to get back on track through proactive carrier collaboration or customer communication.

Delivery failures inevitably reflect poorly on the retailer, not the carrier, because the retailer has the brand relationship with the consumer. According to same-day delivery provider, [Dropoff](#), when delivery goes poorly, 94% blame the retailer, while as few as 42% blame the delivery provider. Businesses that are unable to uphold their delivery promise risk losing customers, and damaging their reputation. Because of this, 56% of the retailers surveyed report that customer experience metrics are now becoming key to making operational decisions. However, challenges remain -- only 3% of retailers reported that they have current systems that fully support their efforts to improve the customer delivery experience while 66% said their existing systems do nothing at all to improve the delivery experience.

Convey was conceived to help retailers solve these challenges and provide better customer fulfillment experiences. We believe the last mile provides the most urgent opportunity for competitive innovation in retail. Our control tower application ingests millions of data streams from carrier and retail systems on behalf of our customers and transforms this data using

machine intelligence to highlight distressed shipments early enough for all parties to collaborate, remediate and head off a potential negative consumer experience. From this, our customers see reductions in call center activity, faster delivery times, reduced transportation costs, and increased customer satisfaction.

Emerging technologies, like ours, that increase efficiency, speed, and transparency for shippers, consumers, and carriers, ensure that the future of the retail experience is bright. We continue to invest in machine learning technologies that will ultimately improve last mile predictability, make adjustments in real time, and communicate with consumers about their delivery. We believe a future with intelligent, self-healing, and adaptive delivery networks is not far away. We also believe these transportation innovations will lead the way for other supply chains beyond retail including healthcare, building materials, parts distribution, and more.

Changing Transportation Models Should be Monitored for Risks to Safety, Security and Privacy

While the consumer clearly benefits from these innovations, care must be taken for consumer safety and privacy, particularly as more data is produced through the "Internet of Things" (IoT) and consumers require more in-home deliveries, whether or not they are present in the home. There is also more sharing of data across an increasing number of last mile ecosystem participants, requiring diligent and shared accountability.

In summary, local carrier capacity and connectivity, data security, and consumer safety are all relevant issues the Subcommittee may wish to consider related to the retail last mile supply chain.

I want to thank the Members for the opportunity to share some perspective with you today.