
FEPE QUARTERLY



A magazine about the envelope, light packaging
and ecommerce packaging industries

SUMMER 2021

EXCERPT

ECOMMERCE TRENDS

**The ecommerce
booster shot: Covid-19**

ECOMMERCE DELIVERY

**Solving ecommerce
delivery fails**

The ecommerce booster shot: Covid-19

THE TRANSFORMATION OF RETAIL IN 2020-2021

The Covid-19 pandemic has transformed lives since early 2020 and its effects will be long-lasting. It has changed our behaviour as individuals and as groups. The most obvious changes are in how we connect: in

the future, the shift from in-person to virtual meetings will undoubtedly have a profound impact on how we socialise and work. The other major change has been in people's shopping habits.

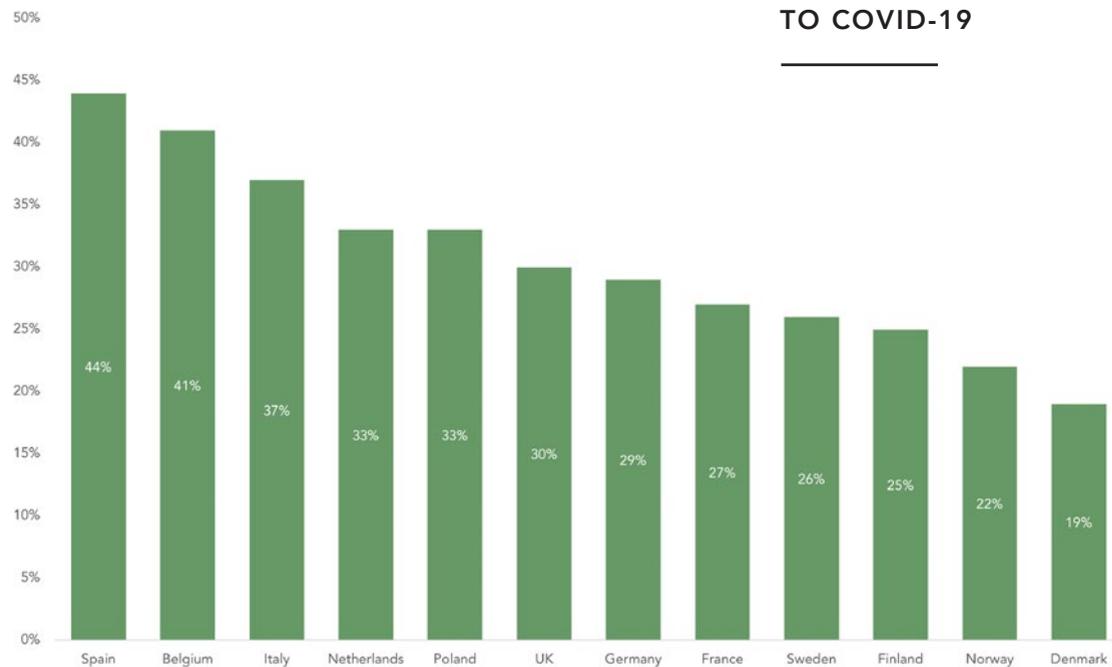


Fig. 1: % of respondents who say they shopped online more in 2020. Source: Direct Link Ecommerce Europe 2020

THE YEAR THAT CHANGED EVERYTHING

The past years have seen a **fast and steady shift from in-store to online retail trading**. The pandemic has massively accelerated the trend: online orders reached record levels in 2020 (Figs. 2 and 3). A recent report from Direct Link shows that the number of people who said they had 'shopped online more often because of the pandemic' ranged from 19% to 44%. The increase was greatest in Spain, Belgium and Italy. (Fig. 1)

In the UK, IMRG Capgemini Online Retail Results reveal that UK online sales grew 74% year-on-year in January 2021, when **ecommerce accounted for an astonishing 35.2% of all retail sales in the UK**.

The 2020 increase came from both a **higher number of orders and larger orders**. According to a new Loqate study, 69% of retailers reported a massive increase in the average order value (AOV) of their online sales.

Overall, in the three largest European markets, goods worth more than €150 billion were ordered online in 2020. For all Europe, the 2020 value is estimated at more than €300 billion. (Fig. 2)



Fig 2. Value of ecommerce spend. Source: Direct Link Ecommerce Europe 2020

More orders are international too: 54% of retailers report a trend towards international orders as consumers increasingly trust global retailers and retailers in neighbouring countries.

PEOPLE WON'T GO BACK

Even if online shopping falls again after in-store shopping resumes, pundits unanimously expect that **the share of ecommerce in retail will increase significantly and permanently**.

Once customers get used to the convenience of shopping online, and overcome any residual mistrust of ecommerce, they develop new habits that persist. Unsurprisingly, Fig. 1 illustrates that the greatest increase in shopping online happened in countries that had comparatively lower levels of ecommerce pre-covid. Millions of consumers who till now had shied away from ecommerce – whether because of their age, their digital competence or simply their personal preference for in-store shopping – have had to learn to adapt. Few will revert completely to how they shopped before.

Moreover, the second and third waves of coronavirus have reinforced many people's wish to continue social distancing measures until all risk

has passed. The **longer restrictions last, the more behaviour changes are reinforced and the more likely they are to last beyond the pandemic.**

THE CHANGE IS GLOBAL

The shift to ecommerce is not limited to wealthy or highly digitalised countries. The need for social distancing and for retailers to find new ways to make their products available has accelerated the growth of ecommerce worldwide.

A new report, *COVID-19 and E-Commerce: A Global Review*, by UNCTAD and eTrade for all, analyses the trends seen in 2020. The report shows strong increase in ecommerce across regions, but particularly in emerging economies.

- In China, ecommerce already represented 19.4% of retail sales; that share rose to 24.6% between August 2019 and August 2020.
- The number of items sold per day in Q2 2020 on Latin America's online marketplace Mercado Libre was double the number sold in Q2 2019
- Transactions on Jumia, an African ecommerce platform, jumped 50% in the first half of 2020.

The report forecasts that **the trend towards ecommerce will continue post-Covid.**

However, **barriers to ecommerce persist in many of the world's least developed countries.**

They include: costly broadband services, a predominance of cash-based transactions, lack of trust, poor digital skills and lack of government support for transitioning towards ecommerce.

The report highlights the digital divide between developed and less developed countries.

UNCTAD's ICT Policy Chief, Torbjörn Fredriksson, warns that "The risk is that the huge digital divides that already existed between and within countries will only worsen in the wake of the pandemic. The result will be even deeper inequalities that would threaten to derail progress on the UN Sustainable Development Goals".

Some governments in developing countries have taken supportive action. For example, in 2020:

- Costa Rica initiated a platform for businesses with no online presence
- Senegal created an information and awareness campaign on the benefits of ecommerce
- Indonesia supported the digitalisation of micro, small, and medium enterprises.

The OECD has noted that the surge of ecommerce has heightened the need for policy action to:

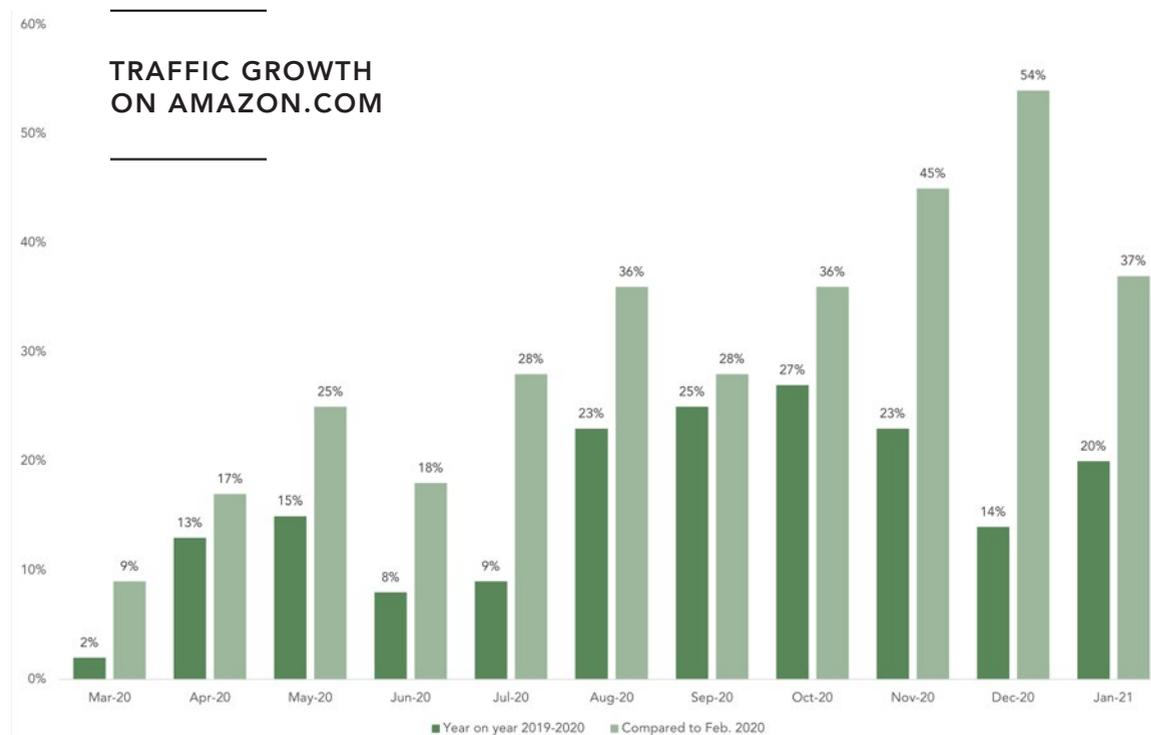


Fig 3. Growth in total visits compared with last year and with February 2020. Source: digitalcommerce360.com

TOP ECOMMERCE TRENDS BEYOND 2021

1. Rapid ecommerce growth will decelerate – but not by much
2. Consumers who were new to ecommerce will make a habit of it
3. Mobile shopping will continue to rise
4. The digital divide between developed and less developed countries will persist
5. Governments will introduce policies to support digitalisation and ecommerce
6. Businesses 'new' to ecommerce will invest in platforms and services
7. Poor ecommerce will contribute to business failures
8. Retailers will need to meet high standards to compete with ecommerce giants

- close existing digital divides
- support innovative ecommerce business models
- reduce regulatory uncertainty
- ensure that SMEs can participate in ecommerce
- reduce bottlenecks in the enabling environment for ecommerce, including areas such as connectivity, trade, logistics and postal services.

As online shopping becomes the norm, competition between retailers will increase. Businesses will fight to gain and keep customers.

REMEMBER 2000?

The same factors that drove the development of the ecommerce giants 20 years ago will now affect smaller players too. **Businesses that had survived without a strong ecommerce offer will no longer get by so easily.** Some will survive, some will be absorbed into big companies and some will thrive.

This unrelenting shift from traditional to online retail offers both opportunities and challenges for retailers, consumers and service providers. Retailers will have to deliver an offer that meets the standards set by Amazon and others. That's a high bar. It means everything from a great range of products to low shipping fees to efficient, fast delivery to generous returns policies and super-efficient customer support. Today, just like 20 years ago, Amazon is setting the pace.

For our industry, it means **new demands for ecommerce packaging designed for efficient shipping and delivery.**

RETAILERS HAD TO CHANGE

Before Covid-19, ecommerce was patchy. The ecommerce market was dominated by big companies; many smaller and local businesses didn't see a need to invest to compete with the ecommerce giants, preferring to stick with what they did best – store retail.

In 2020, by sheer necessity, almost all businesses have been forced to go digital, to a greater or lesser extent. Retailers have been obliged to offer, at the very least, a means to contact the store to reserve a product for pick-up.

All retailers with sufficient resources to do so have taken the more significant jump to building full-function ecommerce sites, knowing that, post-covid, consumers will continue to expect it.

Read more. For more details on ecommerce trends, see:

- *Ecommerce in Europe*, Direct Link, 2021, <http://bit.ly/dir-link>
- Econsultancy.com, <http://bit.ly/econUK74>
- *E-commerce in the time of COVID-19*, OECD, 2020, <http://bit.ly/oecd-cov>

Solving ecommerce delivery fails

MAILBOX-FRIENDLY ECOMMERCE PACKAGING COULD SAVE EUROPEAN RETAILERS €1.4 BILLION



Ecommerce retailers who use packaging that is not fit for purpose risk failed deliveries and dissatisfied customers.

The Covid-19 pandemic has led to an unprecedented surge in ecommerce. One of the biggest problems retailers face is failed deliveries, often simply because the package is too big to fit in the mailbox.

The right packaging – available from FEPE members – could save retailers €1.4 billion in failed delivery costs, improving their bottom line.

DELIVERY IS DECISIVE FOR CUSTOMER SATISFACTION

Successful delivery is vital for customer loyalty. A study by the German Retail Federation (Handelsverband Deutschland - HDE) showed that for 52% of buyers smooth delivery of the order is one of the most important criteria for rating retailers favourably and for repeat orders.

Unsurprisingly, a failed delivery attempt is very annoying for both the retailer and the recipient. Not only annoying: delivery problems lead to significant loss of sales and damage to the retailer's reputation. (Fig. 1)

The right packaging can help retailers save money, better satisfy customers and reduce packaging waste.

Goods with an order value of roughly €300 billion were ordered online in Europe in 2020. With an average order value of €100, that translates to about 3 billion orders.

Up to 8% of these orders (that's 240 million orders) can't be delivered on first delivery, often because the parcel doesn't fit in the recipient's mailbox.

But 40% of orders are small enough that, with the right packaging, they could be delivered into the mailbox. If each failed delivery costs €14.69 on average, that's €3.5 billion lost. If 40% of this could be saved thanks to successful delivery to the mailbox, that's a saving of €1.4 billion!

ADDRESS ERRORS, ABSENCE AND THEFT

Deliveries can fail because of an incorrect entry in the address database – a problem aggravated by the increase in orders via smartphones, where poorer usability can increase input errors on forms. More often, **deliveries fail because the recipient isn't at home when the delivery arrives.**

Deliverers either deliver the parcel to a neighbour or place it on the doorstep. Unfortunately, not all neighbours pass deliveries on to their rightful owners. And parcels left by the front door or elsewhere outside the property are often stolen.

Many parcel service providers allow for such 'substitute deliveries' in their terms and conditions. Unfortunately, these clauses are usually ineffective as a legal means to protect providers, consumers or retailers in case of loss claims. If there are customer complaints because the goods could not be properly delivered to the customer, the parcel service providers quickly come under pressure from the online traders. Nobody wins.

99% of ecommerce companies confirm that some of their deliveries are not delivered properly or they're delivered late. 24% of entrepreneurs admit that more than 10% of orders can't be delivered on the first attempt.

BUSINESS IMPACT OF INACCURATE SHIPPING ADDRESSES

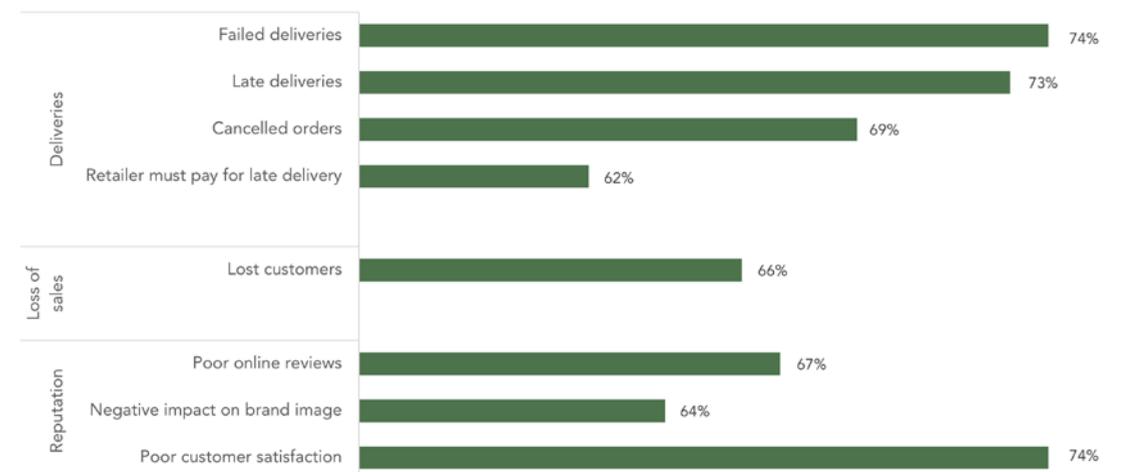


Fig. 1: Data source: Fixing Failed Deliveries, Loqate, 2021



Today, fit-for-purpose packaging for small items is the exception rather than the norm in ecommerce. Strong paper-based, envelope-type packaging is eminently suitable for many ecommerce deliveries and can help cut down on the growing mountains of packaging waste.
Photos courtesy of Bong.

So it's understandable that the **online industry as a whole is looking for solutions that increase delivery efficiency** and prevent the loss of customers due to last-mile delivery problems.

COSTS OF FAILED DELIVERIES

With higher order volumes and global goods traffic, poor delivery performance is a major threat to a company's success. As the Loqate study reveals, failed deliveries are a growing problem for retailers. After a failed delivery, most **consumers expect compensation**. And many firms feel this is only fair: 53% try to redeliver, with 36% paying any additional courier charge; 41% offer a refund; and 34% apply a discount.

The effect on brand reputation of **negative reviews and comments** cannot be overstated. Nearly all consumers (93%) read reviews before

making a purchase; just three negative reviews can drive away nearly 6 in 10 potential customers.

The direct financial cost of failed deliveries is also high. About **6–8% of deliveries fail on the first attempt**, costing the retailer €14.69 euros per order, on average, for returns handling, redeliveries, goods replacement, reimbursements or compensation.

MANY ORDERS COULD FIT

A 2018 study published by the International Post Corporation (IPC) stated that more than 50% of all online orders weighed less than 500g. Due to their size, more than 40% of the goods ordered online could be packaged for safe delivery into a standard domestic mailbox.

Appropriate, fit-for-purpose packaging for small items is the exception rather than the norm,

however. Who hasn't received small items packed in large cardboard boxes filled out with plastic, paper or polystyrene fillers? The frequent use of **grossly oversized packaging is a disaster from an ecological point of view**, never mind the 'inconvenience' of not fitting in the mailbox.

Access to more mailbox-friendly delivery services and products would be highly advantageous for online retailers as well as consumers. Successful delivery first time would be much easier. Once goods are deposited in the mailbox, they are safe from theft and damage.

Many companies have now taken on the challenge of providing ecommerce packaging for smaller, relatively lightweight products.

FEPE is committed to supporting its members to offer and promote packaging suitable for mailbox delivery of goods. With a complete range of innovative solutions now available from FEPE

members, almost all packaging problems for ecommerce products can be solved.

SOLUTIONS FROM FEPE MEMBERS

The product spectrum ranges from **easy-to-open cardboard pockets, to padded paper and bubble envelopes, gusset bags with expanding side seams and water-resistant pockets**.

The envelope market is today alive and well, and socio-economic changes – such as ecommerce – offer scope for innovative paths to growth. FEPE members can help online retailers solve their packaging problems, generating more customer satisfaction and loyalty through secure mailbox delivery of online orders.

Read more. For more details on ecommerce deliveries issues, see: *Fixing Failed Deliveries*, Loqate, 2021, <http://bit.ly/loq-report>

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