Dorota Książkiewicz, Wojciech Piotrowicz

a) Transportation Policy Chair, University of Gdańsk, Poland  
b) Hanken School of Economics, HUMLOG Institute, Helsinki, Finland

LAST MILE LOGISTICS DELIVERY IN THE FASHION RETAIL SECTOR: THE CASE OF POLAND

Abstract

The paper analyses the delivery options available to Polish customers. It compares two companies: Zalando, a solely online fashion player, and TOP SECRET, an omnichannel retailer which uses both online and traditional stores. For each company, an overview of logistic systems is presented and delivery options as well as product return conditions are analysed. This snapshot of the fashion market confirms that Polish customers have a wide choice of delivery options, from home delivery, through manned collection points (post offices, kiosks and others), to a well-developed city network of automated lockers. In the case of TOP SECRET, in-store collection was also possible. However, delivery times, from up to two days, are not as fast as countries such as the United Kingdom, where next day delivery is offered by local retailers. The development of e-commerce and omnichannel was stimulated by the recent modernisation of the transport and logistics networks in Poland.

Keywords: logistics, delivery, last mile, fashion industry, last mile logistics, Poland, e-commerce, omnichannel, multichannel, retail

Introduction

Fashion retail is one of the most active sectors of both e-commerce and omnichannel. Retailers have been aiming to integrate sales channels, not only run traditional stores but also customer-friendly websites and mobile apps as an integrated system. However, managing inventory across channels, seamless delivery, and unified customer experience at the same time as ensuring the highest possible level of consumer satisfaction is a challenging task. The main competitive factors
of the delivery process: flexibility, price, speed and quality have to be taken into account. The competition among fashion retailers and between sale channels is fierce, therefore last mile logistics delivery is one of the factors influencing the level of customer satisfaction as well as the bottom line.

There is an issue of how to deliver to the customer in the most efficient way. As e-commerce and omnichannel retail are relatively new, fashion retailers test and adapt various models of delivery depending on their business models, strategic positioning and potential to use the existing delivery network. However, in many cases online fashion shops do not fully exploit the potential to add value to customer service by implementing a flexible and efficient last mile logistic delivery model. The purpose of this paper is to answer the following research question: “What are the delivery options for fashion goods in Poland?”.

This exploratory paper reviews models in fashion retail, looking at two cases from the Polish market. The paper is structured as follows: at the beginning, e-commerce development in Poland and the European Union (EU) is briefly overviewed, followed by a short methodology section. Two companies, a solely online player and an omnichannel retailer, are then analysed from customer point of view to find out what delivery options are offered. Finally, some conclusions are drawn.

1. E-commerce development in Poland and other European countries

Due to the globalization of trade and wide accessibility of internet technology, e-commerce, both in volume and value, has been increasing significantly. In 2015, in Poland, 33.5% of companies purchased goods through a website, homepage or mobile application and 7.1% sent orders as EDI messages. On the other hand, the percentage of companies receiving orders via the internet webpages was smaller and amounted to 12.4%, which implies the tendency to cross-border shopping. Three-quarters (75.7%) of Polish households use a broadband internet connection.

According to the results of a survey carried out in April 2017 by TNS Poland, up to 42% of Poles purchase goods via the internet at least once a year. Figure 1 presents the percentages of individual customers ordering goods or services over the internet for private use in Poland in years 2012–2016. Within this period the proportion of e-customers rose by 11.6%. In 2016, more than 12 million people in the 16–74 age group (41.9% of the total population of Poland) confirmed having gone internet shopping.

According to the Kantar TNS E-Shopper Barometer report (DPD, 2017), in 2016 the visible trends in European e-commerce are:
- the rapid growth of mobile shopping in countries with lower internet penetration,
- the increasing preference for e-shopping abroad,
- the importance of transparency and flexibility offered in deliveries and returns.
The main devices used to order online are: laptops (63%), desktops (53%) and smartphones (35%) (DPD, 2017). As the mobile shopping sector is expected to continue to grow, it is important for e-shops to develop mobile-friendly websites with easily accessible basic information and customer services.

According to the Kantar TNS E-shopper Barometer (DPD, 2017), 52% of Europeans have made a purchase online from foreign websites. The most popular websites are those located in Europe (UK, Germany and France), China and the US. A third (31%) of European e-shoppers that never bought online from foreign websites declare that they might do so in the future, of which Poland has the highest growth rate potential of 61%. European e-shoppers generally prefer to choose websites located in neighbouring countries. The drawbacks of foreign e-shopping are a longer delivery time, problematic and lengthy return conditions and the possible difficulty of adjusting to the website language. However, due to globalization processes, customers are becoming aware that cross-border shopping is a way to gain access to better prices and a wider variety of products than what is available locally.

In most categories, European e-commerce is dominated by large companies: e-tailers, whether global or local. The large scale of operation develops the trust of customers. Additionally, the main characteristics of a successful website are safety and comfort of service. Flexible delivery options and transparency of delivery costs are essential for contemporary e-shoppers. Free delivery in many categories is available. E-shoppers expect to be able to choose delivery to a convenient place, whether it is their home, workplace or any other address of their choice. Preferred delivery options vary across different regions. The E-shopper Barometer (DPD, 2017) shows that the most preferable delivery place in Europe is the customer’s
home (84% of deliveries). However, in some countries, e-shoppers choose other options more frequently, for example: in Estonia, 81% of deliveries are made to parcel locker stations, in France, 55% to parcel shops, and in the Czech Republic, 25% to retailer stores. Another characteristic of a preferred e-tailer is the convenient return options of purchased goods. When it comes to delivery and return options, the top drivers of e-shopping are (DPD, 2017):

- transparent and complete delivery cost (for 91% of buyers), and
- free delivery, free return and a clear returns policy (for 89% of buyers).

Transport features are essential for making an efficient delivery. E-shoppers indicate their preferred features of delivery, such as:

- next day delivery (86%),
- real time information on delivery processes (84%),
- possibility to reschedule delivery (83%),
- knowing the exact 1-hour window of delivery (77%).

Customers in multi-, cross- and omnichannel retail have options to select between several delivery choices. This includes secured or unsecured home delivery (McKinnon et al., 2003). Secured delivery means items are given to the person identified as the customer, while unattended delivery refers to leaving a parcel in a pre-defined location, without proof of delivery. Unattended delivery is less secure but allows greater flexibility since parcels can be left without customer presence. Instead of the customer’s home, items can be delivered to collection points, which can be automated, non-staffed (such as automated lockers) or staffed, such as shops, kiosks and other places with high customer flow (Morganti et al., 2014; Visser et al., 2014). Parcels can be delivered by dedicated couriers, trucking companies or via postal services (Visser et al., 2014).

The features mentioned above indicate that express delivery companies and postal services are most appropriate to offer efficient transport service. Moreover, the categories of goods purchased most frequently by Europeans are those more likely to be packed in small package units that in turn can be easily processed by automatic terminals. The most popular categories of goods in European e-commerce are shown on Figure 2.

European e-shoppers are globally satisfied with their online purchase experience: 96% rate their last experience as ‘good’ and 74% declare that making their last online purchase was ‘easy,’ according to the E-shopper Barometer (DPD, 2017). However, online shopping still represents only about one tenth of the overall declared purchase of physical goods in volume. This, together with the anticipated growth of internet accessibility, enables us to predict that European e-commerce is going to experience continuous growth in coming years.

In addition to pure online players there is also an increasing transition of traditional stores to online channels. This include various models, such as multi-channel, when both online and traditional channels are used but are not interlinked. It also includes cross-channel, where there is some integration between channels, for example, joint marketing, or ‘click and collect’ (ordering online, collecting in store), and up to full integration between online, traditional store, mobile apps and social media – the omnichannel. In the omnichannel, which is at an emerging stage
internationally, the focus is on customer experience and brands, since customers can move seamlessly between channels (Brynjolfsson et al., 2013; Piotrowicz, Cuthbertson, 2014). The fashion industry is no exception and a variety of technologies are used to support multi- and omnichannel development as well as channel integration (Blázquez, 2014). Those technologies used in fashion retail include RFID, mobile apps, beacons and “magic mirrors” (Bonnetti, Perry, 2017), in addition to links with social media and supply chain management information systems (Piotrowicz, Cuthbertson, 2014).

![Bar chart showing the most popular categories of goods in European e-commerce in 2016](Image)

**Figure 2.** The most popular categories of goods in European e-commerce in 2016
Source: (DPD, 2017)

### 2. Methodology and case selection

This study is exploratory. The phenomenon of omnichannel retail as well as country studies are not well explored. Poland is still considered as transitional economy which moved from a centrally planned economy to free market. However, in the retail and logistics sectors at least, the transition is already complete. Poland was among the first wave of countries which opened retail to foreign investors and removed trade barriers (Waters, 1999), which resulted in retail modernisation (Dries et al., 2004) and consolidation (Karasiwcz, Nowak, 2010). At the same time, there was growth of local companies, including those from fashion industry which are exploring foreign markets. Despite such changes, there is still a lack of research which explores information systems, information technology and e-commerce developments in Poland and in wider central and eastern Europe (Piotrowicz, 2015; Roztocki, Weistroffer, 2015).
This paper aims to close this gap. Qualitative research is based on content analysis. Firstly, the fashion retail market was analysed, then two players with different models, one pure online (Zalando) and one omnichannel (TOP SECRET) were selected for further analysis. Webpages and other sources available in the public domain were analysed. The aim was to look from the customer’s point of view to explore delivery options and conditions available. This approach has limitations, since perspectives from the company side were not captured, nor was there any investigation of individual users (customers) or business partners such as logistic companies.

3. Fulfilment models in fashion e-commerce and omnichannel retail

Fashion is the most popular category of goods in online shopping across Europe. In 2016, 48% of surveyed e-shoppers declared they bought at least one product in this category (DPD, 2017). Small online fashion shops often rely on an in-house inventory which allows for a high level of fulfilment quality control but becomes difficult as the scale of operation grows. Global fashion brands tend to use e-commerce as well as retail shops. Using stores for order fulfilment has become a popular method. In this model, offline stores provide physical contact with the products. This solution requires that a wide inventory of products is kept in physical stores while customers order online. Online orders can be placed from within the shop or any other location using internet access at a time freely chosen by the consumer. The customer decides whether to pick up the goods in a physical store of their choice or to have them sent from a distribution centre. In the latter scenario, most retailers offer a wide choice of possible delivery places for a client to choose from based on the analysis of their customer density and local preferences. The possible drop-off points include home or work address (home delivery), parcel shop, parcel locker station, a neighbourhood retail store or post office.

Most fashion brands choose to have final control on the quality, branding, marketing and documentation of the goods before they are sent to the customer. They need to relay on to a number of cooperating partners. However, the final point of dispatch (goods fulfilment centre or own physical retail shop) remains in-house for better control. In addition to pure online players, there are multiple organisations which operate in the retail sector as multi-, cross- and omnichannel retailers. Fashion retailers integrate channels, linking physical and online (Kent et al., 2016). The Polish fashion market has been developing over last several years, moving towards consolidation phase (Regiodata, 2013). While the market leaders are international players (H&M, Zara, etc.), there is also a Polish LPP company which has around a 15% share of the market. The growth in internet shopping (Euromonitor, 2017) among apparel buyers is in part due to the move towards ordering via mobile devices such as tablets and smartphones. This motivates fashion retailers to establish an online presence and build transactional webpages. The case study companies here are no exception and they widely use social media channels such as Facebook, Twitter, Pinterest, Google Plus and Instagram, as well as mobile applications.
4. Fulfilment in pure online fashion retail – Zalando

Zalando’s online store, with headquarters in Berlin, is offering customers in fifteen European countries a variety of products from a variety of brand partners. With more than 20 million active customers, Zalando acquired around €3.6 billion in revenue in 2016. Orders are distributed through custom-built logistics centres, the warehouses located in such a way that approximately 85% of active customers live within a nine-hour truck drive. Zalando’s customer care unit together with external service providers handle all pre- and post-order inquiries by telephone or email. Zalando uses proprietary technological solutions to run their online store and drive all workflows from purchasing to ordering processes and fulfilment. The software is developed and implemented by an in-house tech team which allows for a high level of customization. To ensure the safety of customer personal data, Zalando works in collaboration with external security experts in order to minimize any risk of a breach of data security.

Logistics is a core competence for Zalando. A European logistics network has been established, consisting of four German sites in Brandenburg, Thuringia, North Rhine Westphalia and Baden-Wuerttemberg as well as smaller sites in northern Italy and close to Paris. In 2017 at least two further international sites in Sweden and Poland will start operations. Zalando’s fulfilment centres host about 6500 employees across an area of 460 000 m². Unlike many other e-tailers, Zalando’s warehouses are not operated by a third party but by their own qualified staff which ensures a high level of process quality. The fulfilment centres also control the process of returning goods which is crucial for a high quality of service. However, in 2014 Zalando, among other retailers, was accused of mistreating workers employed in their logistic centres (Reuters, 2014).

In order to meet the demand for quick and efficient fulfilment system, Zalando uses an online retail model, with a combination of delivery options to suit consumers’ needs on local markets. In this solution, a customer is offered a choice of possible options to place an order, pay and receive the goods at a time and place most suitable for them. Standard delivery is free of charge and takes up to four working days, however the consumer may choose an express delivery option, in which the goods are delivered within two working days. The consumer covers the cost of express delivery, unless it takes more than two days in which case Zalando covers delivery cost. A third-party logistics company operates transport to the customer.

Zalando offers a 100 days period to return unused goods that are not accepted by a customer. The returns procedure is free of charge. This gives the consumers the freedom to try and choose the goods at home and easily return those that do not comply with their needs and preferences. To start a returns procedure, the client completes a return document online, providing the date, time and address at which the package will be picked up by the logistics company. The goods can be sent back in their original packaging. When returned to the fulfilment centre, the goods are scanned and checked. They can then be processed for re-sale or, if the state of the goods is not good enough, sold at a reduced price. The returns procedure should be launched in the same country in which the order was originally placed.
because the online shop is segmented in order to operate locally. The quality of the returns process is very important since Zalando has a 50% returns rate across all product categories.

5. Omnichannel retail and delivery – TOP SECRET

TOP SECRET is a Polish retail company offering a variety of fashion products, accessories and shoes. It is a fashion brand, part of the Capital Group Redan and one of the best recognized fashion brands in Poland. The company targets young and active consumers willing to actively create their own personal style whether casual or more formal. The basic retail network consists of retail physical shops and franchised physical shops as well as an online store. The development strategy includes opening new shops in cities with over 15,000 inhabitants. In 2017, the retail shop network includes 29 retail stores and 156 franchised stores (TOP SECRET, 2017a). The network covers Poland, Slovakia and the Czech Republic.

Orders can be placed on the online store by either selecting the goods and completing the order form or by calling the Customer Service Call Centre. The first option is available 24 hours a day, 7 days a week, whereas telephone order is available only within the Customer Service Call Centre’s opening hours, which means working days between 8.00 a.m. and 8.00 p.m. Available payment methods include credit/debit card, direct online bank transfer and cash on delivery.

In Poland, the possible delivery options are:
– Polish Post (Poczta Polska S.A.),
– express delivery company,
– In Post parcel locker,
– delivery to the newsagent’s point (Paczka w Ruchu),
– goods are picked from a physical retail TOP SECRET store.

In the Czech Republic and Slovakia, delivery is only possible to In Post automated parcel locker stations. Customers decide on certain delivery options while completing an order form. Delivery is free of charge for many options if the total purchase value exceeds 149 PLN. Delivery to the physical shop is free of charge regardless of the purchase value. Delivery fees are also dependent on the delivery time, as shown in Table 1.

Cross-border shopping is available only with online payment, the delivery fee in this case amounts to 45 PLN. If the parcel value exceeds 500 PLN, the delivery is free of charge.

Where the chosen delivery option is express delivery company, the courier arrives at the delivery address. However, where the parcel is not picked up – either because of customer absence or a lack of funds to pay in cash on delivery where this payment method has been chosen – the customer receives an e-mail message with the address of the courier base where the parcel can be collected.
Table 1. Delivery options offered by TOP SECRET retail

<table>
<thead>
<tr>
<th></th>
<th>Polish Post</th>
<th>Express delivery company</th>
<th>In Post parcel locker station</th>
<th>Newsagent’s point</th>
<th>Physical retail shop</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delivery time, up to</td>
<td>5 working days</td>
<td>2 working days</td>
<td>4 working days</td>
<td>6 working days</td>
<td>5 working days</td>
</tr>
<tr>
<td>Cash on delivery</td>
<td>0 PLN</td>
<td>0 PLN</td>
<td>19 PLN</td>
<td>–</td>
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<tr>
<td></td>
<td>&gt;149 PLN parcel value</td>
<td>&gt;149 PLN parcel value</td>
<td>–</td>
<td>–</td>
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<tr>
<td></td>
<td>19 PLN &lt;149 PLN parcel value</td>
<td>19 PLN &lt;149 PLN parcel value</td>
<td>–</td>
<td>–</td>
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</tr>
<tr>
<td>Online payment</td>
<td>0 PLN</td>
<td>0 PLN</td>
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<td>15 PLN &lt;149 PLN parcel value</td>
<td>15 PLN &lt;149 PLN parcel value</td>
<td>10 PLN &lt;149 PLN parcel value</td>
<td>6.50 PLN &lt;149 PLN parcel value</td>
<td>0 PLN</td>
</tr>
</tbody>
</table>

Source: (TOP SECRET, 2017b)

Parcels delivered to the In Post parcel lockers are available for collection for two working days after which they are sent to the Customer Service Point unless the customer completes an online “prolongation” form. When delivery is made to a newsagents collection point, the parcel is available for collection for five working days and, where the collection time is not prolonged, the goods are sent back to the sender. Parcels delivered to the physical retail shop remain available for collection for seven working days. Regardless of the chosen delivery method, customers are informed about the arrival of the parcel via text (SMS) or email.

TOP SECRET online store allows for a 30-day period for claim submission, followed by a 14-day period for return of goods. The goods, including those ordered online, may be returned to a physical TOP SECRET store named on the list available at the company website. The customers bear the cost for the return procedure (packing and sending of goods) unless the goods are brought to the store by the customer.

Conclusions

Regarding delivery choices, Polish customers have a very wide selection. This can be related to three issues: the availability of automated lockers, the dense network of post offices and other collection points, and the development of courier services. In Poland, the network of automated lockers designed by the Polish company, In Post, is well developed, covering the majority of larger cities. This is supplemented by other non-automated, staffed collection points such as newsagents, flower shops and other small service points which operate long working hours. Also, the state-owned Polish Post (Poczta Polska) maintains a wide network
of offices, even in small towns or villages. The rapid development and investment in the transport and logistics infrastructure (motorways, inner-city roads and warehouses) has enabled the growth of courier services, reducing costs of operations and transport times. There was huge improvement in road transportation following investments supported by EU funds transferred to Poland after 2004, which has reduced transport times between key locations within the country, as well as accelerating cross-border trade. However, delivery time is generally longer than, for example, in the United Kingdom. Next day delivery is not promised to customers in Poland.

Findings also indicate the importance of returns management. A high level of returns requires the creation of the return flows, however instead of managing returns which are non-value added activities, focus should be on reducing the percentage of goods returned by customers. This can be achieved by the growth of showrooms so customers can check the physical properties of a product before ordering it online or in-store. However, returns in omnichannel retail, as is the case of TOP SECRET, could be used to attract an online customer to the physical store, allowing goods ordered online to be returned in-store. This might result in increased sales in-store.

This paper is exploratory, the focus is on two fashion retailers only. Thus there are opportunities to extend this research. Some of the options available include detailed case studies, comparison between Polish and international retail chains, as well as the analysis of small boutique shops. Analysis could be conducted from the customer, retailer, or logistic provider point of view. In particular, we recommend that the next step in research the analysis of primary data through interviews with retailers and service providers.

References


**Corresponding authors**

Dorota Książkiewicz can be contacted at: d.ksiazkiewicz@ug.edu.pl

Wojciech Piotrowicz can be contacted at: wojciech.piotrowicz@hanken.fi