



POINT OF VIEW

On-Demand Delivery: Building a Digital Supply Chain



By Britt Thompson

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Five years ago, buying eye glasses and mattresses online was unheard of. But then, Warby Parker and Casper upended their categories and brought with them a scrappy new industry known as Direct-to-Consumer (DTC).

While DTC is not new to healthcare, these non-pharma DTC brands have broken down walls and are changing the retail landscape by cutting out the middleman and building direct relationships with their customers. Their business model is different and unique, and it's starting to emerge in healthcare.

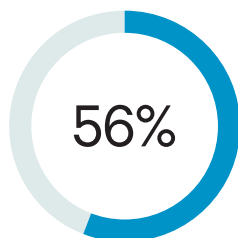
For example, you can now receive a prescription online for a number of conditions without ever leaving your couch. Leveraging this approach puts us on the cusp of a meteoric shift in healthcare access and delivery.

To better understand the possibilities, it's worth looking at how these new brands outside our industry are building modern, seamless experiences—with new supply chains—that minimize the middleman to meet evolving consumer expectations.

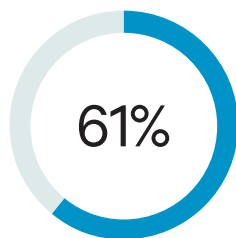
At the intersection of online retail and brick-and-

mortar stores lies **on-demand delivery**, a relatively new convenience that is fundamentally shifting consumer expectations and purchase behavior. Today's omnichannel purchase journey allows consumers to buy **what they want, how they want, and when they want it.**

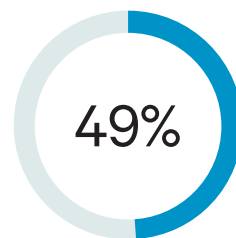
The growth and demand for next- and same-day delivery has created a new logistics industry that pushes beyond a traditional, centralized hub-and-spoke model to a decentralized flow of local fulfillment, crowdsourced delivery, and digital automation. Instead of companies **pushing** pallets of product to physical stores or warehouses, e-commerce allows consumers to **pull** products to their desired location (home, store, or locker). This new model has created a structural change in underlying supply chains and the movement of goods.



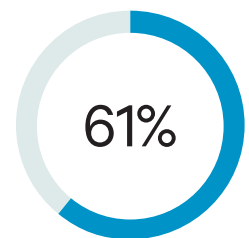
Online consumers between the age of 18–34 who expect to have same-day delivery



Online consumers who are willing to pay more for same-day delivery

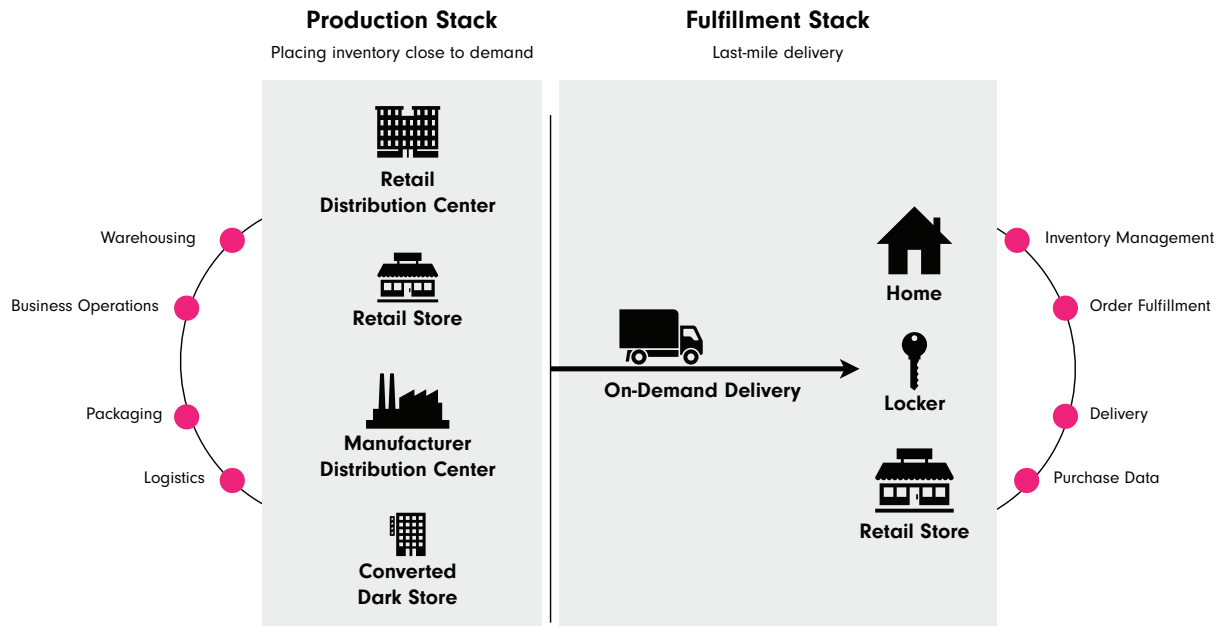


Shoppers who say that same-day delivery makes them more likely to shop online (vs brick and mortar)



Shoppers who want their purchase within 1–3 hours of placing an order

Source: *Business Insider*, 2015



On-Demand Delivery Structure

Many companies partner with major fulfillment companies, such as Amazon or Walmart, to provide on-demand delivery. However, these supply partners have immense leverage over the supplier. Amazon is known to play hardball with brands: negotiating contracts on an annual basis, forcing suppliers to take on additional freight cost, or purchase increasing advertising space to remain a partner. The bigger concern is that Amazon and Walmart—not the brand—have the direct relationship with consumers, and therefore own customer and purchase data. This allows the supply partner to understand buying behavior and control product price—supplanting the brand as a result.

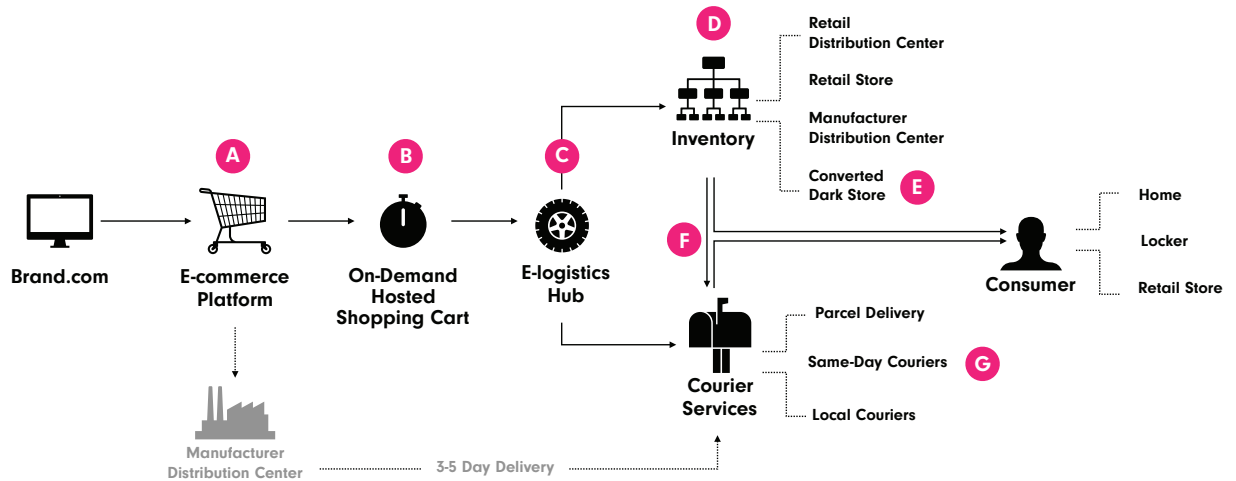
The new digital supply chain has emerged in recent years as a result of brands recognizing the growing demand for same-day delivery, but also wishing to maintain control of their own product purchase journey—including inventory, price point, purchase

experience, and data collection. **This supply chain control helps brands create better experiences and profitable margins.**

In this new direct brand economy, supply chain functions reside in primarily four “tech stacks”: production, attention, fulfillment, and data (source: IAB 2018). All functions within these stacks are now available to rent, insource, or crowdsource, depending on a brand’s strategic requirements.

Third-Party Logistics

Bypassing Amazon and Walmart requires brands to partner with Third-Party Logistics (3PL) companies. These 3PL partners help companies address the production and fulfillment stack without taking on significant internal overhead. For example, Darkstore is one of these emerging 3PLs that is upending the e-commerce model. Darkstore is the “Uber” of e-commerce logistics—a tech start-up that owns no physical warehouse space or delivery



services—leveraging dead retail space (“dark space”) as inventory storage and delivery deployment for companies and brands seeking a local fulfillment point.

The concept of dark stores has existed overseas for decades, where it’s more challenging to move goods between cities and countries. Empty storefronts, bodegas, and shopping malls serve as local fulfillment centers and deploy inventory when ordered.

New 3PL startups, like Darkstore, integrate and/or provide several key services along the supply chain that used to be out of reach for brands, including:

- B Hosted Shopping Cart:** Back-end code that makes it easy for e-commerce brands to offer on-demand delivery
- C E-logistics Hub:** Digital communication point for order fulfillment
- D Inventory Storage:** Real-time inventory assessment (dark store only)
- E**

F Order Transfer: Communication with courier service

G Courier Services: Partnership with local courier services to fulfill same-day delivery

The new tech logistics model is paving a new road for e-commerce. The start-ups entering this new vertical are defining new categories, shaping new consumer behavior, and pushing brands and industries into a new frontier of brand experience and quality.

For companies considering restructuring their supply chain for on-demand delivery, **Evoke recommends starting with a Supply Chain and e-Commerce Feasibility Assessment** to determine the investment size, profit opportunity, and best 3PL partnerships and model based on a brand’s unique business goals.