The Customer Genome – the secret weapon of the last mile delivery war
What if Apple started a delivery company?

What if it took all of its data-driven, platform-enabled creative power and turned it toward package delivery?

Imagine how that would transform the user experience. Gone would be the days of hard to use tools and inconvenient deliveries. The new experience would be intuitive, user-centric and digitally powered.

Suddenly, the old way of receiving packages would seem as dated as mobiles without touchscreens.
A new delivery paradigm is just around the corner

Our research indicates that we are on the brink of a new delivery model – driven not by Apple, but by dozens of retailers, marketplaces and digital start-ups. They view the last mile market as ripe for disruption, improvement and reinvention – where services will be cheaper, better and more consumer–friendly.

The new paradigm is centered on a data–driven, predictive and personalized user experience – something consumers have come to expect from other sectors. These capabilities are just beginning to emerge in much of the last mile delivery industry. Yet they are core strengths for a growing list of innovative, digitally superior new entrants.
Digital natives are transforming last mile delivery

Deliv, for example, offers a same-day service that customers love and a software that seamlessly interfaces with retailer websites and local stores. The model has proven successful in several major cities, helping Deliv to attract over $40 million in funding, including a major investment from UPS.¹

Several similar services are growing (e.g. Instacart and Hitch), and the likes of Uber and Lyft have expanded into package delivery in similar ways.²
Meanwhile, Amazon is making major inroads into the delivery sector and brings some of the world’s most advanced customer analytics and personalization capabilities with it.

The company has already filed a patent for “anticipatory package shipping” – a large set of capabilities that includes speculative shipping based on predictive models of customer demand. ³
It is not just Amazon. Other major eCommerce players are taking control of delivery to ensure end-to-end excellence in customer experience.

In China, JD.com, one of the country’s largest internet retailers, recently acquired Dada, China’s leading crowdsourced delivery provider. Dada was launched in June 2014 with an innovative app – much like Uber’s – that allows stores and restaurants to put orders up for delivery, and then matches these to the nearest of thousands of registered, freelance delivery workers.

The app calculates the best route for delivery workers to take to pick up the most packages and deliver them quickly, while also providing a rating system to weed out poor performers. In less than two years, Dada has built a network covering 37 key cities, with 1.3 million registered deliverers and an average of one million deliveries a day in peak season.
More established providers are beginning to react

DPD has launched an app that uses smartphone geolocation data to alert DPD drivers to when customers are home to accept delivery. The app also allows customers to specify times of day when they cannot accept delivery, specifying an alternative destination (e.g. a neighbor) or collection point. This is market-leading functionality, but it still relies on the customer to do much of the anticipating, planning and instructing.

The longer-term winners will be the organizations that go beyond this by drawing on richer data to anticipate customer preferences and, more importantly, behaviors.
“It’s raining at your house and we see you are at work. Shall we leave your parcel with your neighbor, Janet, at number 34?”
Data-driven, anticipatory services

The escalating torrent of consumer data offers limitless new opportunities to provide a superior consumer experience. Organizations that harness these will win the battle for the future of last mile services.

For example, many providers now let customers change their delivery address at short notice. Customers love this feature, but postal and parcel organizations must bear the cost of getting the parcel to a new location when the redirection is ordered.

But imagine if delivery providers could reliably predict when redirections were most likely. When a customer is at work, for example, or on holiday, or when it is raining. Services could be designed to anticipate a delivery change – directing the parcel accordingly while proactively informing customers. Customers could still change the destination, but anticipatory delivery makes this far less likely.

Just as Amazon knows what products you like, anticipatory delivery organizations will know the delivery you want.
From customer data to customer genome

These services demand a more sophisticated approach to the capture, management and use of data. To compete with new entrants, established providers need to start building customer data into “customer genomes” – living profiles of preferences, motivations and needs that go beyond what customers choose, to an understanding of why they make those choices.

The customer genome model defines specific and granular customer behavior and preferences, based on robust analytics that account for context, timing and variations. Much like the genetic code in DNA molecules, each consumer comes to be defined by a unique profile.

A customer genome model relies on focused efforts in three key areas:

- Sequencing
- Analyzing
- Experimenting
For postal and parcel organizations, it means focusing more resources on the vision and foundation of data-driven model. They need to micro-tag and systematize every process and interaction available to create the building blocks of customer genomes.

The customer genome model begins by capturing and combining data from products, services and customer interactions into a library of granular attributes that form a unique, evolving profile for each customer. This includes traditional data such as demographics, location, purchasing history and customer ratings. The more defined, specific and extensive the attributes, the more powerful the customer genome will be.

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At a more fundamental level, Netflix needs to know what genres each customer enjoys so that its recommendations are strong enough to keep customers watching and subscribing. To do this, it uses an ever-improving system of “micro-tagging,” which assigns highly specific labels to content.\(^7\)

This yields close to 80,000 different genres – including the likes of “visually striking Latin American comedies” and “scary cult movies from the 1980s” – and allows Netflix to understand and recommend customer viewing preferences like no media company ever has.

Netflix goes as far as analyzing the colors and hues of the cover art that customers are likely to choose – using the data to determine which ones appeal to which customers and how to design the ideal cover for particular content.\(^8\)
The greatest benefit the customer genome brings is the ability to predict customer behavior with ever-increasing accuracy and then anticipate his need.

In the last mile delivery space, this approach equates to anticipating every factor that could prevent or delay delivery and knowing the best response based on the individual customer. Ultimately, customers will proactively get delivery when and where they want it, and delivery personnel can stop knocking on the doors of or leaving cards at empty houses.
Alibaba, China's biggest eCommerce company, has racked up some of the world's most impressive results in this area. For instance, Alibaba has used data from millions of transactions on its eCommerce sites and payment services to identify when small online businesses need to borrow money and how creditworthy they are. The company then proactively offers loans from its financial services affiliate, Ant Financial.9

Building on this success, the company has launched a dedicated credit rating business, Sesame Credit, which draws on dozens of unheard-of indicators of creditworthiness – many of which are drawn from Alibaba's own online ecosystem – to generate individual credit predictions for consumers and small-business owners. These go far beyond traditional metrics like credit card debt and utility bill payments to include, for example, the websites a person visits, the products they shop for, the times they are online, the length of time at their current address and even the characteristics of their online friends.10
Deploying strategies based on customer genomes needs to be an agile, iterative process. The science is in the data, but the art is in the creative ways businesses use the information.

The right model would incorporate continuous cycles of low-cost, small-scale testing, measurement, refinement and deployment.

This kind of model needs to become the new normal for postal and parcel organizations. It offers the best chance of finding the solutions that optimize core metrics – i.e. cost, service quality and efficiency – while also allowing the freedom to explore new ways to gain a competitive edge.
Amazon measures everything possible about its customers, from the items you abandon in a checkout cart to the point at which you give up on a Kindle e-book.

Measuring is the easy part. What really separates Amazon from its competitors is how the business harnesses data to make the right personalized recommendations, optimize prices, execute micro-targeted marketing campaigns and drive just about every decision the company makes.11

To do this, Amazon is constantly running experiments in dedicated "weblabs" that conduct around 2,000 experiments per year on the company's websites. The whole business is set up to make experiments accessible and easy to run, and to ensure the resulting data effects rapid changes where indicated.12

Amazon's relentless experimenting keeps the business constantly on the verge of a new breakthrough in its predictive capabilities and resulting customer experience – a model that has kept it ahead of its competitors for over two decades.
Disruption becomes the norm

It may take some time for the delivery industry to shift to a relentless focus on data-driven experimentation, anticipatory delivery and user experience. But the race has started and some significant customer segments – the affluent, urban, tech-savvy and younger populations – will be quick to choose more contemporary, innovative services.

Industry stalwarts will have memories long enough to recall how postal and parcel organizations were caught off-guard by free shipping, a differentiator that has since become the norm. It is happening again with rapid shipping – a service that was endlessly debated before Amazon and others began pushing it into the mainstream.

Predictive, personalized services, driven by data-rich, consumer genome models, are the next differentiator, harder to implement but much more impactful than free or fast delivery. Providers that recognize this – and start moving with the market – can avoid being caught flat-footed once again.
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