

Does Speed Matter in E-commerce?



What is e-commerce?

E-commerce is a term for any type of business, or commercial transaction, that involves the transfer of information across the Internet. In 2016, the web comprised nearly 42% of growth in the U.S. retail market, and e-commerce represented 11.7% of total sales. As technology continues to evolve, e-commerce is expected to continue to grow.



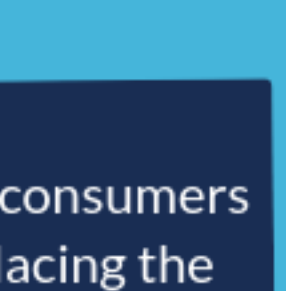
Impact on QVC & Customer Experience

In the second quarter of 2017, QVC's e-commerce business accounted for 55% of US revenue.

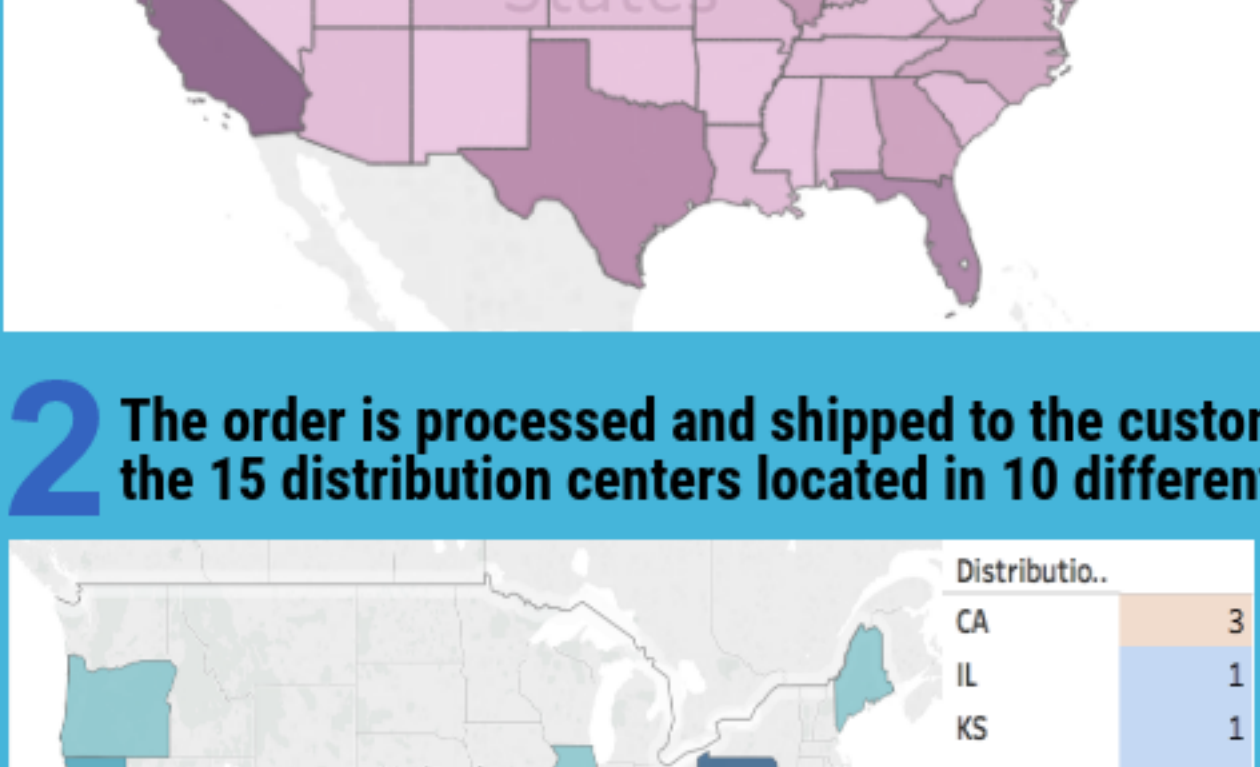
QVC recently received a gold award in e-commerce Customer Service.

QVC continues to raise the bar on customer experience to surprise and delight customers, and exceed expectations.

QVC's E-commerce Process: How does it start?



1 An order is placed in any State or US Territory

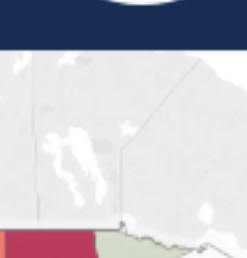


QVC's consumers are placing the most orders in Pennsylvania, California, and New York.

2 The order is processed and shipped to the customer from one of the 15 distribution centers located in 10 different states



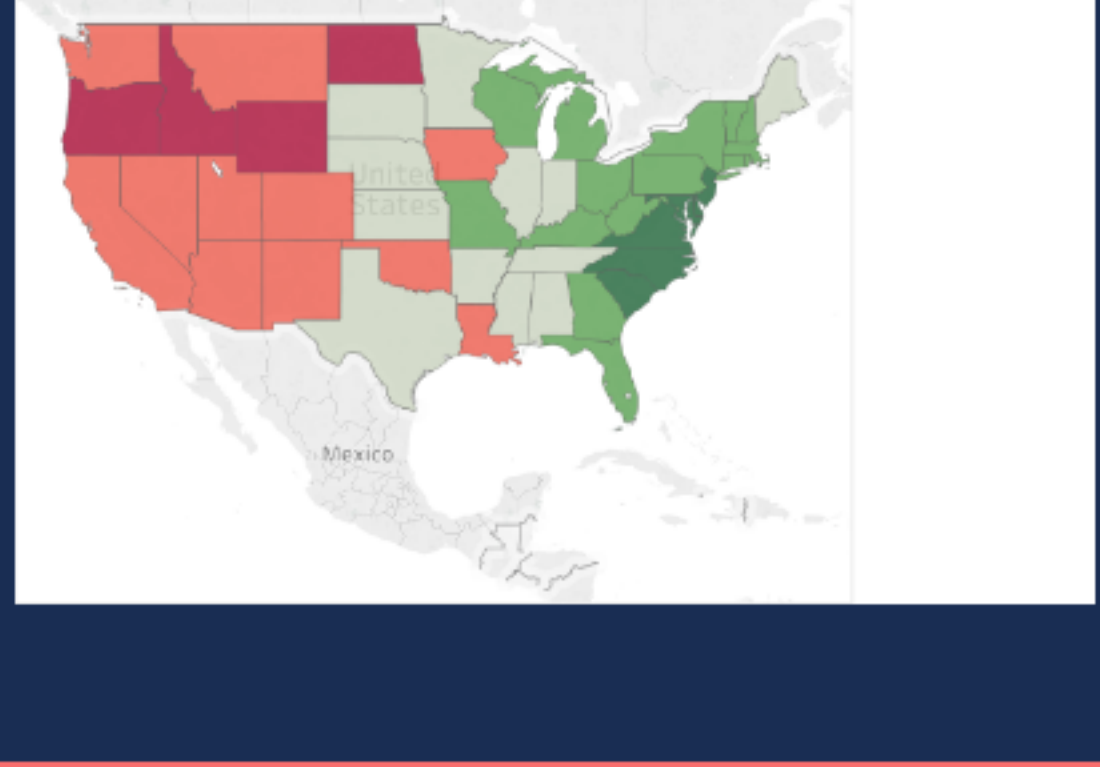
Pennsylvania and California have the most distribution centers, 4 and 3 respectively.



Delivery Speeds

From the time of order placement to the order delivery, QVC's delivery speeds range from an average of 5.7 to 9.7 days.

Orders take nearly twice as long to ship to states in the West.



Why is this?

Determining Bottleneck Areas

BY SHIP TO STATE

Merchandise Depa..	Ship to State				Number of Records
	ID	ND	OR	WY	
Home Decor	120	26	198	98	1
Apparel	98	16	198	58	1
Health/Beauty	62	54	122	37	1
Accessories	62	15	125	19	1
Housewares	28	11	86	64	1
Electronics	22	8	51	17	1
Textile/Furnit	17	13	46	15	1
Jewelry	10	6	35	22	1
Fun & Leisure	2	2	13	13	1
Entertainment	8	1	12	7	1
Costume Jewelry	4		8	3	1
Collectibles	2	1			1

Indiana, North Dakota, Oregon, and Wyoming are the states with the longest average delivery speeds. Home decor and apparel are the two most popular categories ordered.

BY MERCHANDISING DEPARTMENT

Merchandise Depa..	Number of Records
Accessories	7,064
Apparel	6,849
Collectibles	10,019
Costume Jewelry	6,694
Electronics	6,372
Entertainment	6,345
Fun & Leisure	6,620
Health/Beauty	6,606
Home Decor	9,459
Housewares	6,348
Jewelry	8,186
Textile/Furnit	6,320

Items from collectibles and home decor were the departments of longest average delivery speed.



Merchandising Departments Generating Most Value

NUMBER OF ORDERS

Merchandise Depa..	Number of Orders
Accessories	10,655
Apparel	19,663
Collectibles	109
Costume Jewelry	547
Electronics	5,042
Entertainment	1,332
Fun & Leisure	1,749
Health/Beauty	16,553
Home Decor	22,521
Housewares	8,234
Jewelry	4,305
Textile/Furnit	4,497

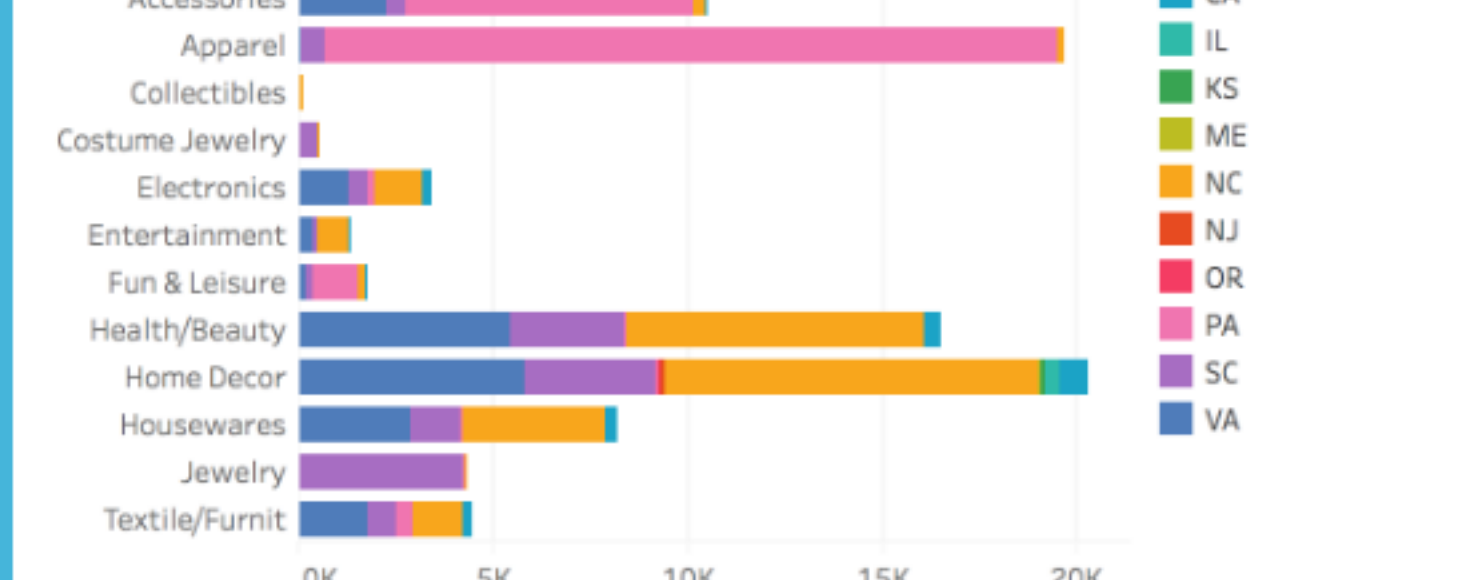
SALES IN DOLLARS

Merchandise Depa..	Sales in Dollars
Accessories	778,306
Apparel	995,442
Collectibles	4,797
Costume Jewelry	21,228
Electronics	634,522
Entertainment	60,265
Fun & Leisure	91,140
Health/Beauty	1,099,147
Home Decor	1,244,750
Housewares	563,117
Jewelry	393,887
Textile/Furnit	279,226

Home decor, health/beauty, apparel, and accessories are generating the most sales for QVC. But, unfortunately, orders for home decor items have the longest delivery time.

Home decor was the most popular item ordered in each of the bottleneck states.

Distribution of Popular Merchandising Departments



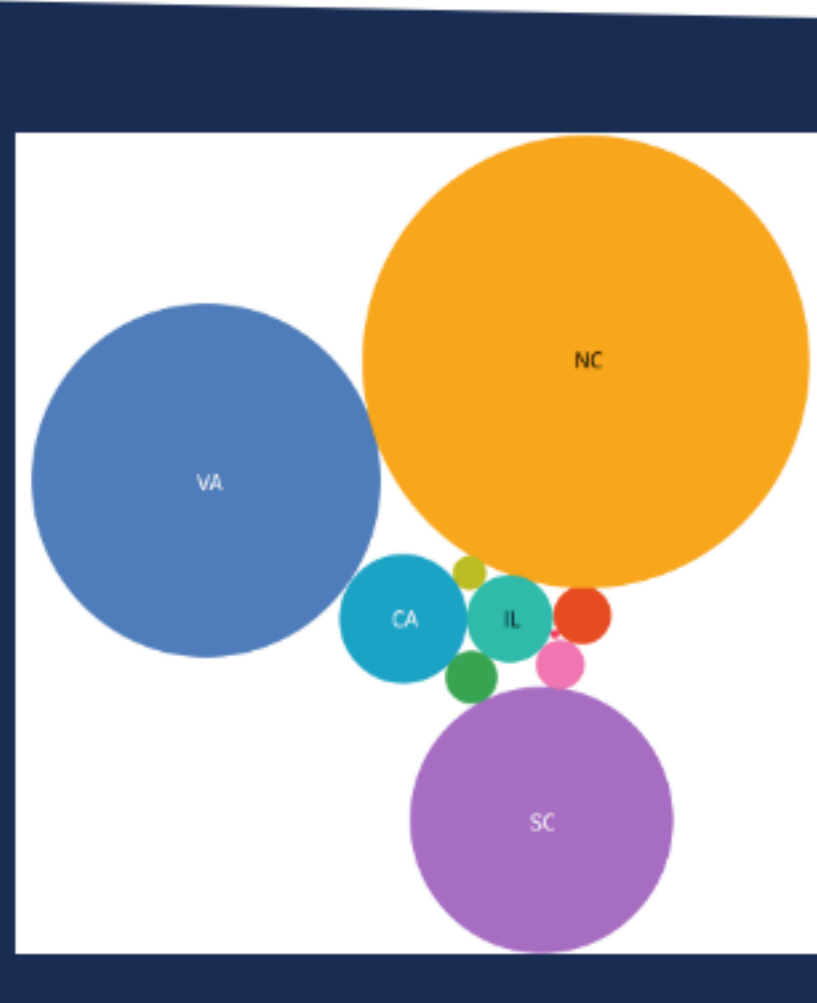
Focus on Most Valuable Department: Home Decor

PROBLEM

North Carolina, Virginia, and South Carolina are the top three distributors of home decor. However, none of these states are close to the West Coast, which is where the majority of home decor orders are coming from.

SOLUTION

Home decor products should be located in distribution centers in California or Oregon, so that the delivery speed can become quicker for these orders.



Advantages of faster delivery speeds



BRAND PROMOTERS

87%

of orders arriving in 5 days or less could generate a "promoter." A promoter is a shopper who is more likely to be a repeat buyer and will exercise word-of-mouth marketing.

BUILDING TRUST

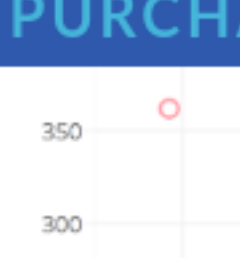
44%

of online shoppers say faster delivery would increase their trust with the brand.

INSTANT GRATIFICATION

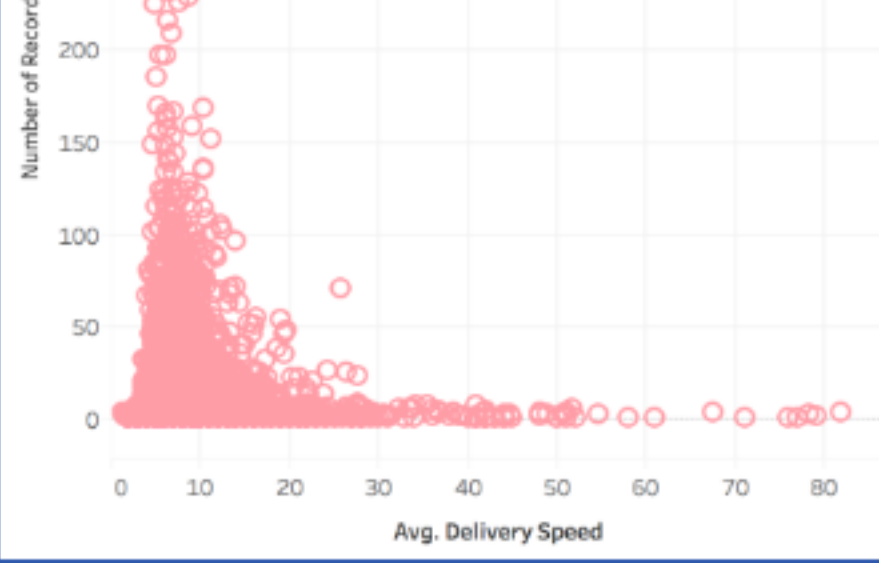
49%

of shoppers are more inclined to buy if the retailer offers same-day delivery.



QVC's shipping speeds effect on customer's behavior

PURCHASE OCCURENCES



Customers with faster delivery speeds tend to make more e-commerce purchases.

RETURNING CUSTOMERS



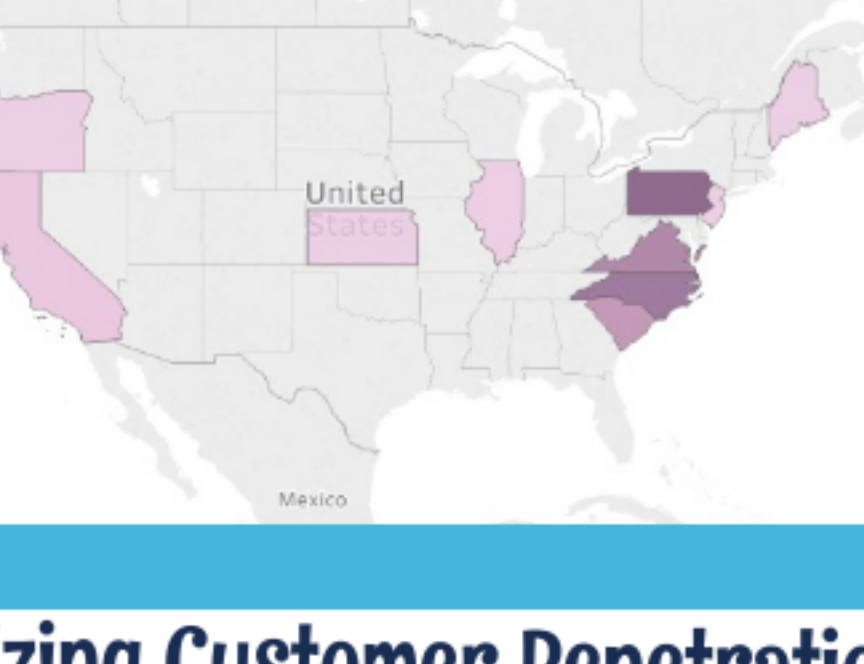
Customers who make more e-commerce purchases also tend to spend more money on their orders.

A customer's loyalty translates into more sales, which means greater profit.

What does this mean for QVC?

If QVC were to put more distribution centers towards the west coast, they could optimize their delivery speeds in that region and gain better customer loyalty.

STATES WITH DISTRIBUTION CENTERS

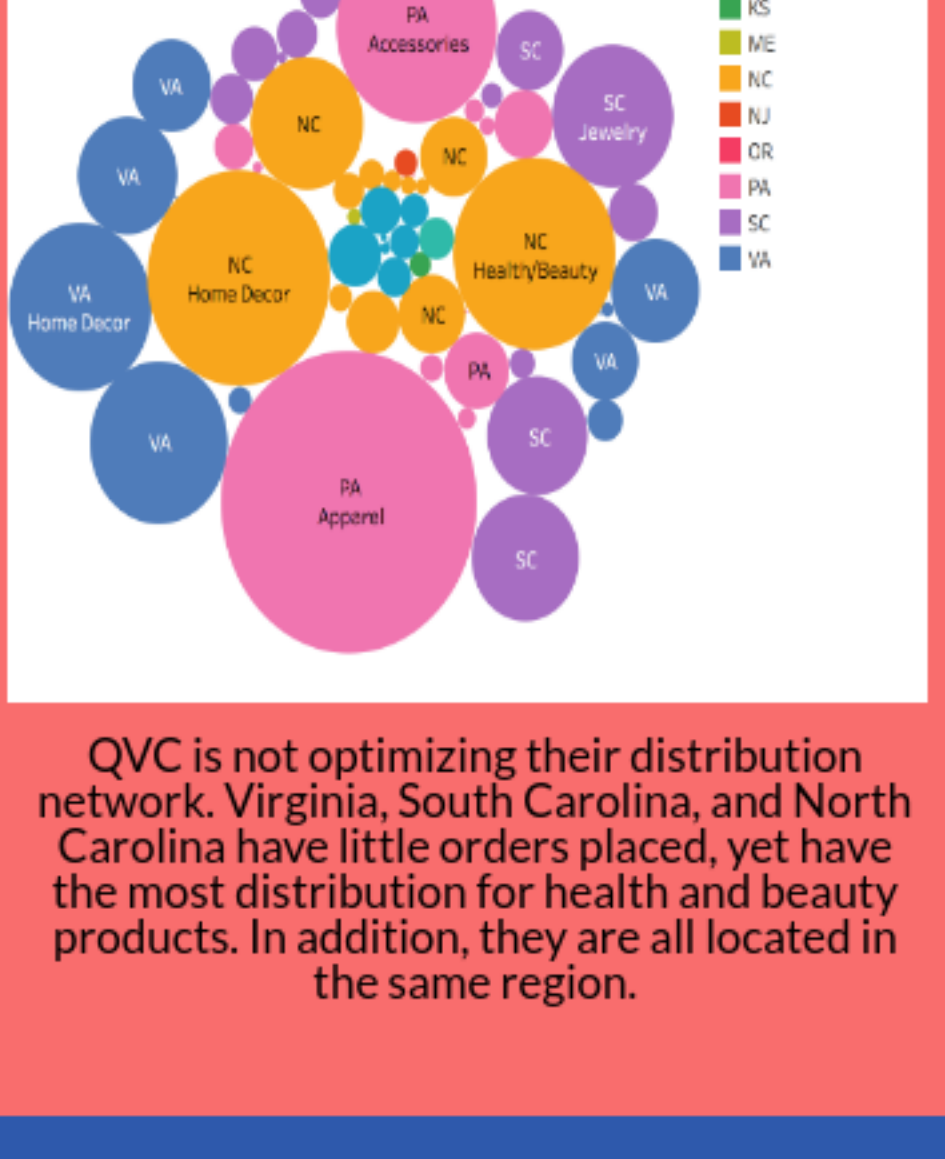
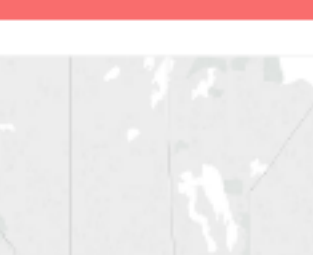


Maximizing Customer Penetration

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After home decor, apparel and health/beauty are the next two largest merchandising departments. The majority of apparel are being distributed from Pennsylvania, while North Carolina distributes more health/beauty products.

Reevaluating Distribution Network



QVC is not optimizing their distribution network. Virginia, South Carolina, and North Carolina have little orders placed, yet have the most distribution for health and beauty products. In addition, they are all located in the same region.

With the most orders coming from California, Pennsylvania, and New York, QVC should reallocate inventory to warehouses closest to these vicinities.

Proposal for QVC

In order to maximize customer penetration and create a more efficient distribution network, QVC should reallocate inventory for popular merchandise departments towards the west coast. This will help to create faster delivery speeds, which will result in customer loyalty and higher spend.



Ultimately, QVC can generate a higher profit with a more efficient business process!

References:

- Data Set Provided by QVC http://www.digitalcommerce360.com/documents/20536/164719/QVC+Fact+Sheet+Q2+2017+8-8-17_final.pdf/e9576a5a-7b0e-41c1-a3ec-d55c65c5eeeb
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