



The Hive Mind Guide to Logistics as a Differentiator

From Cost Centre to Strategic Function: as channels become more diverse, how do you simplify whilst delighting your customers?

In Partnership With:



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From Cost Centre to Strategic Lever

Across retail, logistics is undergoing a perception shift. Historically positioned as a back-office cost centre, it is increasingly recognised as a driver of customer experience, margin protection, and even revenue growth. However, this shift is uneven. Many organisations still default to cost reduction, particularly under new leadership or during economic pressure. Others are beginning to see fulfilment as a “crown jewel” capable of driving loyalty and lifetime value, and in some cases, evolving into a new service offering altogether.

This guide pulls together Retail Hive member perspectives and thinking, based on small group and individual conversations we’ve had in the past months with logistics leaders.

How important is delivery to the customer?

Delivery is often the last physical interaction a customer has with your brand. Customer churn can be correlated directly with service failures in the first 30 days. Delivery experience (speed, predictability, communication, returns) shapes brand perception more than many marketing investments. Retailers are increasingly measuring sentiment decline across the journey, particularly at checkout where delivery complexity can damage conversion.



Customer Decision Fatigue

Research consistently shows that too many delivery options reduce conversion. In our recent online discussion, one retailer noted that reducing from six options to two (e.g., standard and next day) can improve both sentiment and profitability. Decision fatigue is real. At the same time, regional nuance matters – carrier choice influences conversion in markets like Japan but less so in the US or UK.

“Actually, we saw conversion improve as you narrow the delivery options. So now we offer click and collect, next day or standard. That's it, you don't overwhelm them. And we've seen benefit as we've simplified our offering in terms of the fulfillment costs. But the second you go into the dropship side of things, you are putting all of that complexity back in.”

**Kieron Colclough,
New Look**

“In short, the more delivery options, the more routes the more complexity and yes, it definitely translates directly into a decrease in sentiment”

**Tom Wakefield,
Kingfisher**



3PL Dependence vs. Control

Many retailers rely heavily on 3PLs, sometimes with multiple partners across geographies. Trends show growing sophistication in integration (API-led, modular systems rather than silo builds), but also tension: long-term contracts create “heart surgery” complexity when moving. Automation capability within 3PLs is increasingly critical as labour inflation pressures costs.

“It's the people who make it work, and that means the people who work for that 3PL, in one country. It's not necessarily the same people and the other countries. So we went down the route of performance over complexity.”

**Lewe Goldman,
Cloud Nine**



Opportunities



Fulfilment as a Revenue Stream

Marketplace models and fulfilment-as-a-service are expanding. Large retailers and platforms are pushing stock pools into their own networks. Retailers are exploring monetising excess warehouse capacity or turning logistics capability outward. The challenge comes around dropshipping options and adding complexity and variability for delivery.



Monetising Speed

One of the most powerful insights from our recent discussion was that increasing next-day pricing during peak did not impact conversion. This reveals a key opportunity; delivery is a lever for incremental margin. As a retailer, you can dynamically price speed without necessarily harming demand.



Omnichannel & Distributed Fulfilment

Ship from store, click & collect, and marketplace drop-ship introduce range extension opportunities, but also operational complexity. The tension between operational simplicity and checkout simplicity is becoming a central strategic debate.



Surprise & Delight as a Loyalty Driver

Upgrading customers from standard to next-day without telling them can materially improve reviews and word-of-mouth. Word cloud analysis often shows delivery-related delight as a dominant theme in 5-star reviews. Small operational shifts can significantly influence brand perception.



Cross-Functional Alignment

Operations teams that quantify their impact on repeat purchase rate, acquisition cost reduction, or churn prevention can shift internal perception. When CMOs see delivery upgrades (eg through later cut off times for next day delivery) reducing customer acquisition cost, fulfilment becomes revenue enabling, not cost absorbing.

Opportunities



Automation as Margin Defence

With labour inflation rising sharply over recent years, automation is no longer optional. Choosing 3PL partners with forward-looking automation capability protects long-term margin. Retailers who fail to account for this risk structural cost creep.



Marketplace & Capacity Monetisation

Excess warehouse capacity can be monetised through third-party storage, fulfilment services, or marketplace enablement. However, this requires balancing complexity against commercial benefit. Some retailers are early in this journey, but ambition is growing.



API-Led Integration Strategy

Modern backend architecture that connects to multiple 3PLs through a unified layer reduces switching friction. This flexibility enables negotiation leverage and multi-region optimisation without rebuilding systems each time. Putting integration into the tendering process will eliminate the risk of complexity further down the line.

“A key thing that would make it less expensive is if you look for the 3PL that's forward looking in terms of automation capability, quite simply because labour inflation over the last four or five years is over 40%. So if you or your 3PL has the incentive to automate you can be protected against labour Inflation. Otherwise, your costs are only going one way, which therefore has to get passed onto the consumer: a nightmare from top to bottom for any business.”

**Tom Killeen, COO,
THG Ingenuity
(THG Fulfil)**



Pitfalls To Avoid



Overcomplicating Checkout

Introducing multiple drop-ship partners and varied SLAs can overwhelm customers. More choice does not always equal better experience. Conversion decline and negative sentiment can outweigh assortment gains.



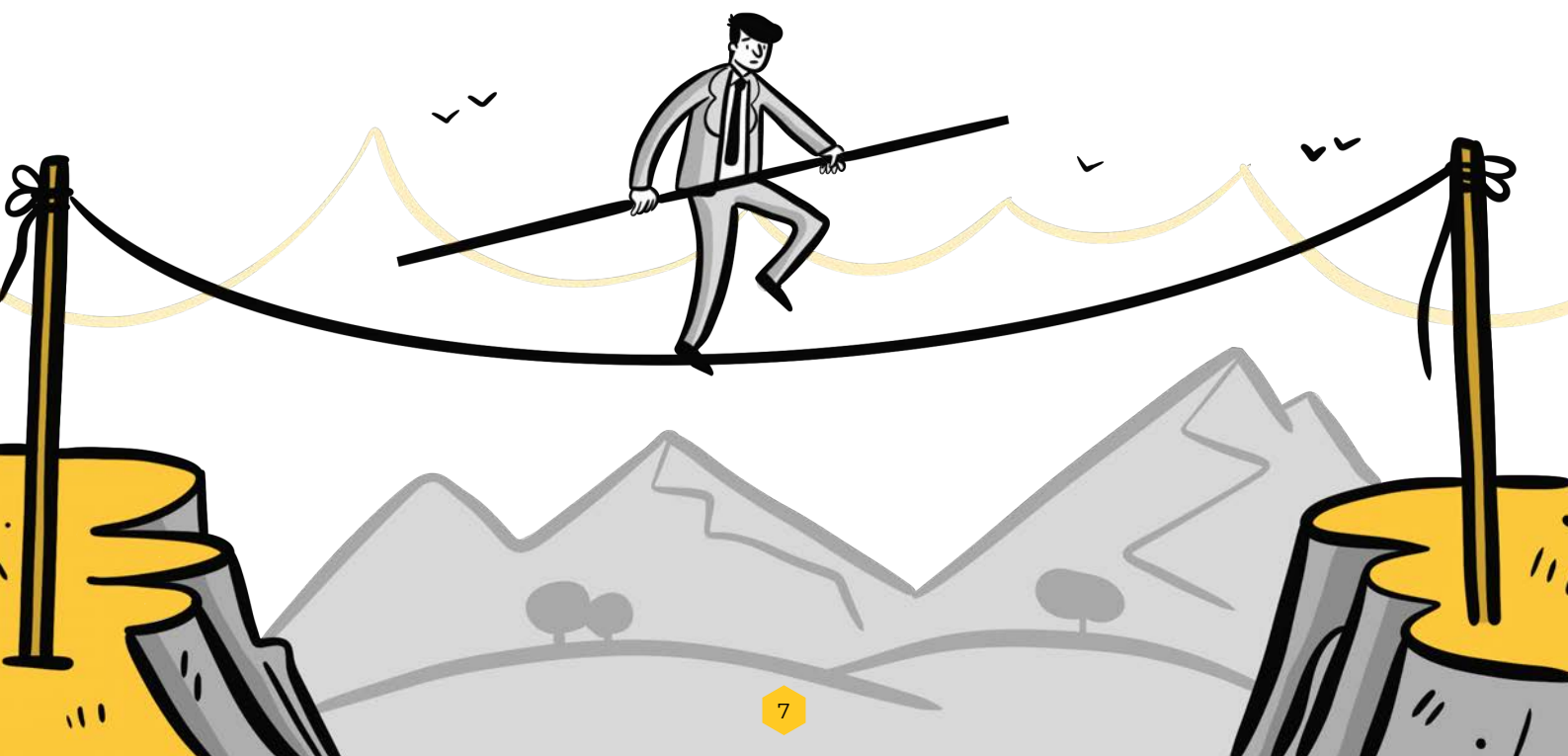
Treating 3PLs as Commodities

Selecting purely on price ignores the importance of people, culture, and automation roadmap. When peak volumes hit, relationship quality, not contract wording, often determines success.



Fragmented KPIs

When marketing optimises for top-line growth while operations are measured solely on cost reduction, internal friction emerges. Without executive sponsorship and shared KPIs, fulfilment transformation stalls.



Pitfalls To Avoid



Multiple Stock Pools

Platform-mandated fulfilment (e.g., TikTok, Amazon) creates inventory fragmentation risk. Managing separate stock pools increases working capital and complexity. Retailers must assess whether incremental channel growth offsets these costs.



Technology Over-Customisation

Heavily bespoke integration makes partner switching prohibitively expensive. A modular, standards-based approach preserves agility.



Underestimating Cultural Change

Moving from decentralised to centralised supply chains (or from fully outsourced to in-house) requires organisational mindset shifts. Without cultural alignment, logistics remains perceived as operational overhead.



i Quantify Logistics Impact in Commercial Terms

Translate fulfilment metrics into revenue language: repeat rate uplift, churn reduction, gross margin protection. Internal storytelling is critical.

i Simplify Before You Expand

Before layering marketplace or drop-ship complexity into checkout, test minimal viable delivery options. Protect conversion first.

i Choose Partners for Capability, Not Just Cost

Evaluate 3PLs on automation investment, systems flexibility, and leadership quality. Long-term resilience outweighs short-term savings.



“Just choose the people over the business itself and appreciate that it's the people who are going to get you out of the swamp when challenges crop up.”

**Tom Killeen, COO,
THG Ingenuity
(THG Fulfil)**

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Invest in Checkout Control

Owning or deeply customising checkout allows dynamic delivery rules, tax calculation, regional carrier presentation, and conversion optimisation. This is a strategic asset.

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Test and Learn Relentlessly

A/B testing carrier display, delivery sequencing, and price elasticity should be continuous. Consumer expectations shift across generations and geographies.

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Align KPIs Across Functions

Establish shared objectives between trading, marketing, and operations. Executive sponsorship accelerates change. Without it, fulfilment will remain marginalised.



Next Steps

1 Audit Perception Internally

Survey your leadership: is logistics viewed as cost centre, value centre, or growth enabler? Identify any misalignment.

2 Run Delivery Elasticity Tests

Test pricing adjustments on premium services. Measure impact on conversion and profit.

3 Map Checkout Complexity vs. Conversion

Quantify sentiment drop-off at each stage. Test reducing delivery options if possible, and thereby establish what 'matters' to your customers..

4 Review 3PL Automation Roadmap

Assess partner readiness for labour inflation and peak scalability.

5 Evaluate Stock Pool Strategy

Model the working capital and operational implications of platform-driven fulfilment requirements.

6 Develop a Logistics Value Narrative

Build a cross-functional case study demonstrating operational contribution to revenue or savings.

7 Explore Capacity Monetisation

Where excess space exists, evaluate controlled pilots for third-party services.



In Summary....

Recent conversations with Hive members reflect an industry caught between legacy cost-centre thinking and emerging strategic ambition. Those who successfully reposition fulfilment as a commercial growth lever, while managing complexity and customer clarity, will create defensible competitive advantage.

Whilst there is always pressure to reduce cost, it's important to balance that with partnering with a 3PL who adds value, and thereby contributes to growth. In a similar vein, service extension is vital: to avoid losing control, look for a high quality partner who aligns with your brand, and who can provide delivery that meets and exceeds customer expectations.

The shift requires cultural alignment, architectural flexibility, and operational courage. But as demonstrated in practice, when logistics delivers measurable commercial impact, perception changes quickly.





About The Retail Hive

The Retail Hive brings senior retailers together to soundboard, ask questions, benchmark and collaborate as a collective. They do this by providing safe, co-owned and curated environments for retailers and partners to build meaningful relationships, give one another value, identify solutions, and promote best practice. www.thehive-network.com/the-retail-hive.



About THG Ingenuity

THG Ingenuity provides cutting-edge ecommerce solutions for clients designed to accelerate brand growth. It comprises THG Commerce, a complete commerce solution with the highest performing technology platform in market, THG Fulfil, a provider of world-class fulfilment and courier management solutions engineered to improve customer retention, and THG Studios, an award-winning creative agency providing a range of services from campaigns and content creation to videography and photography. With its expertise in building direct to consumer brands, Ingenuity is uniquely positioned to bring pertinent, pragmatic, and global know-how across all aspects of commerce.



About THG Fulfil

[THG Fulfil](#), the world-class fulfilment and courier management solution from [THG Ingenuity](#), provides ecommerce warehousing, distribution, fulfilment, and courier management solutions designed to optimise cost, speed and reliability.