go/for

# achieving efficient, scalable jobsite delivery

## a guide for construction industry suppliers

deliver / better

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# executive summary

Thanks to e-commerce giants like Amazon, we're all familiar with same-day shipping. In fact, it's quickly becoming an expected part of the shopping experience.

While this shift has primarily affected B2C retailers, it's having ripple effects across every industry — including construction.

Builders, contractors, and construction trades are realizing the benefits of on-demand materials delivery, including reduced carrying costs and increased productivity.

Building suppliers like Home Depot, EMCO, PPG, and Sherwin Williams have taken note. Many have rolled out same-day and even three-hour delivery options in the past few years.

To stay competitive, suppliers also need to reevaluate their delivery offerings.

In this guide, we'll look at major trends influencing jobsite materials delivery and what suppliers can do to stay competitive in 2021 and beyond.

# the Amazon asteroid

The first major trend is sometimes called the “Amazon effect,” but it’s had the impact of a major asteroid strike.

Several years ago, it would have been hard to imagine ordering something online and having it delivered within a few hours. But that’s exactly where construction jobsite delivery is headed — and the driving forces behind this change are e-marketplace giants such as Amazon, which have rapidly changed consumer expectations around delivery speed across many industries.

CNN Business reported that Amazon spent an extra $1.5 billion to transition to one-day shipping in the fourth quarter of 2019 and another $1 billion in the first quarter of 2020.[1] And they’re investing heavily in technology that will allow them to deliver parcels in 30 minutes.

Amazon was already having a ripple effect in the B2B space when it launched Amazon Business, and now traditional suppliers and distributors are taking note. On MDM’s 2020 list of top industrial and construction products distributors in North America, Amazon Business ranked #3.[2] For context, they didn’t even make the Top 40 in 2018.[3]

B2B buyers, including contractors, can now get same-day delivery from Amazon Business in a growing number of metropolitan areas in North America. To compete against Amazon and other major marketplaces with their vast distribution networks, suppliers need to quickly step up and offer competitive delivery options that customers want. That often means on-demand and within a few hours.

Some construction industry suppliers have taken note of the delivery speeds of consumer and business marketplaces and are adapting quickly. Major merchants like Home Depot, EMCO, PPG, and Sherwin-Williams have all rolled out express two-to-three-hour delivery in the past few years. As this trend accelerates, all the major suppliers in the construction industry will have to follow suit.


**Amazon spent an extra $1.5 billion to transition to one-day shipping in the fourth quarter of 2019 and another $1 billion in the first quarter of 2020.** – CNN Business

## supply chain woes

When the COVID-19 pandemic hit in 2020, it quickly exposed the weaknesses and vulnerabilities in many global supply chains. 57% of supply chain senior executives in a 2021 study reported serious disruptions and 72% confirmed negative effects.[4] The construction industry was hard hit as the production of many raw and manufactured materials was impacted, along with the logistics systems these supply chains employed.

Delays cropped up all along supply chains as manufacturers and distributors felt the knock-on effect of lockdowns, workplace closures, material shortages, and other operational constraints. All while the construction industry got busier. Home improvement spending spiked in 2020 as people renovated to support stay-at-home lifestyles. Research shows web searches for home improvement were up 50%,[5] while project leads for home professionals were up 58%.[6]

Mid-way through 2021, these issues persist, and they partly account for the steep inflation in construction material costs (12.9% YoY in March 2021) as demand exceeds available supply.[7]

For construction industry suppliers, the impact has been felt right down to the rising cost of delivery. Domestic shortages and unpredictable international supply chains mean dealers can't keep enough product on hand and are obliged to ship incomplete orders to jobsites and make many more hot runs.

This situation requires agility and flexibility on the part of suppliers and their delivery solutions. Unfortunately, all too often they have neither.

## construction industry realities

Expectations for fast, reliable delivery are rising. But too often merchants view same-day or faster delivery as a cost center — or even unnecessary. They assume getting supplies out the next day is good enough. In fact, next-day delivery is a benchmark that many companies still struggle to meet with their existing delivery resources, and this poses a serious risk in an industry that requires 100% certainty about when supplies will arrive.

In the construction industry, a delay of even a few hours can have costly implications for developers and contractors. When materials are delayed, tradespeople must wait to complete work, leading to lower productivity and expensive delays. In fact, one study found that building costs were 9% higher when contractors didn't use just-in-time materials delivery.[8]

This is why reliable next-day delivery is so highly prized, and even that doesn't always cut it anymore.

If a contractor needs materials at their site in the next few hours and you can't deliver, they're going to hang up and call another supplier that can.

# preparing for three-hour delivery

On-demand delivery can help you stay competitive, manage the spiraling costs of delivery, and keep your customers loyal to your business. The question now is… how are you going to fulfill those deliveries?

Many suppliers operate their own fleets, often owned and managed at the store or subsidiary dealer level. They consider moving materials from the yard, store, or warehouse to a customer jobsite as core to their business, and they've invested in the vehicles, people, and technology they need to make jobsite deliveries happen. You may belong to this group.

However, these in-house fleet operations typically aren't prepared for two-hour delivery; instead, they're used for scheduled deliveries with routes established at least the day before. And sometimes there are more next-day deliveries than that fleet can handle. As a result, store employees (not dedicated vehicle operators) often have to complete last-minute deliveries — and this can be expensive for suppliers. If you're sending sales or service representatives out on the road, not only are you paying hourly wages and mileage charges for them, but you're also incurring losses in revenue, productivity, and other opportunity costs.

To avoid the necessity of taking employees off duty for unplanned deliveries, there are two main options:

- investing in same-day, on-demand capabilities internally
- working with a logistics partner that offers on-demand delivery

Let's explore the pros and cons of both options.

option 2

## build your own express delivery capabilities

Arguably, many construction suppliers could accommodate the demand for same-day delivery brought about by supply chain disruptions and shifting customer expectations.

Since these dealers already have capital and operating expenses allocated for delivery, they should be capable of scaling up internally to accommodate hot runs and other last-minute, on-demand logistics.

However, there are challenges to consider:

**Unpredictable demand:** You don't plan for supply issues, they just happen. And they can fluctuate unpredictably.

**Insufficient or idle capacity:** Fixed assets are, well, fixed. They don't scale up or down easily, which can mean you either have too few or too many at any given time.

To handle three-hour delivery with your own fleet, you need to have capacity on hand at all times in case an order comes through. You'll have to pay for trucks and drivers to sit on your lot "just in case." This often means your fleet utilization goes down — and your operating expenses skyrocket.

option 2

## partner with an on-demand delivery expert

The second option is to augment your existing fleet with an on-demand delivery partner that specializes in jobsite deliveries, or what the retail industry calls last mile logistics. While your existing fleet can continue to handle the bulk of your scheduled deliveries, your delivery partner can manage the unanticipated, on-demand hot runs and other last-minute deliveries — so you only pay for the service when it's needed.

You can also use your on-demand partner for emergencies or peaks in demand.
For example, if one of your regular drivers is sick and you need to complete a delivery, you can schedule it with your on-demand partner. This will also help reduce your capex and opex costs by eliminating the need for additional vehicles and staff drivers.

Over time, you may choose to use this partner as you build out additional capacity, including scheduled deliveries using dedicated drivers and planned routes. As older vehicles near end of life and you face new purchase costs, you have the option to shift more work to your on-demand partner instead and invest the saved capital in other parts of your business.

Lastly, as you open new locations, you have the option to serve those markets with a wholly outsourced delivery model and measure its success against your in-house and hybrid delivery models.

In short, an on-demand delivery partner can fill gaps in your operations and help you meet immediate, unpredictable demand, and they can also become a strategic partner that provides the speed and flexibility you need to efficiently and profitably grow your business.

# the business case for an on-demand delivery partner

For many businesses, the decision to solve for same-day on-demand delivery internally or through a third party will come down to the numbers. So, let's take a look at the cost of both options for a single dealer location.

Let's do some quick math. We'll assume that, like most dealers, you always keep a cargo van or pickup truck on your lot to handle hot runs — and you do about three hot runs a week. And let's assume it's your oldest truck, so it's already paid off. Your weekly costs probably look something like this:

**driver**

$109.20/week

($13/hr[9] x 1.4 (benefits cost)) x 2 hours[10] = $36.40 per delivery x 3

**gas**

$13.20/week

($2.49/gallon[11] / 13 mpg for average cargo van [4][12]) x 23 average miles/delivery = $4.40 per delivery x 3

**insurance**

$50/week[13]

**maintenance**

$73/week[14]

**weekly cost**

$245.40

$109.20 + $50 + $13.20 + $73

**cost per delivery**

$81.80/week

$245.40 / 3 deliveries/week

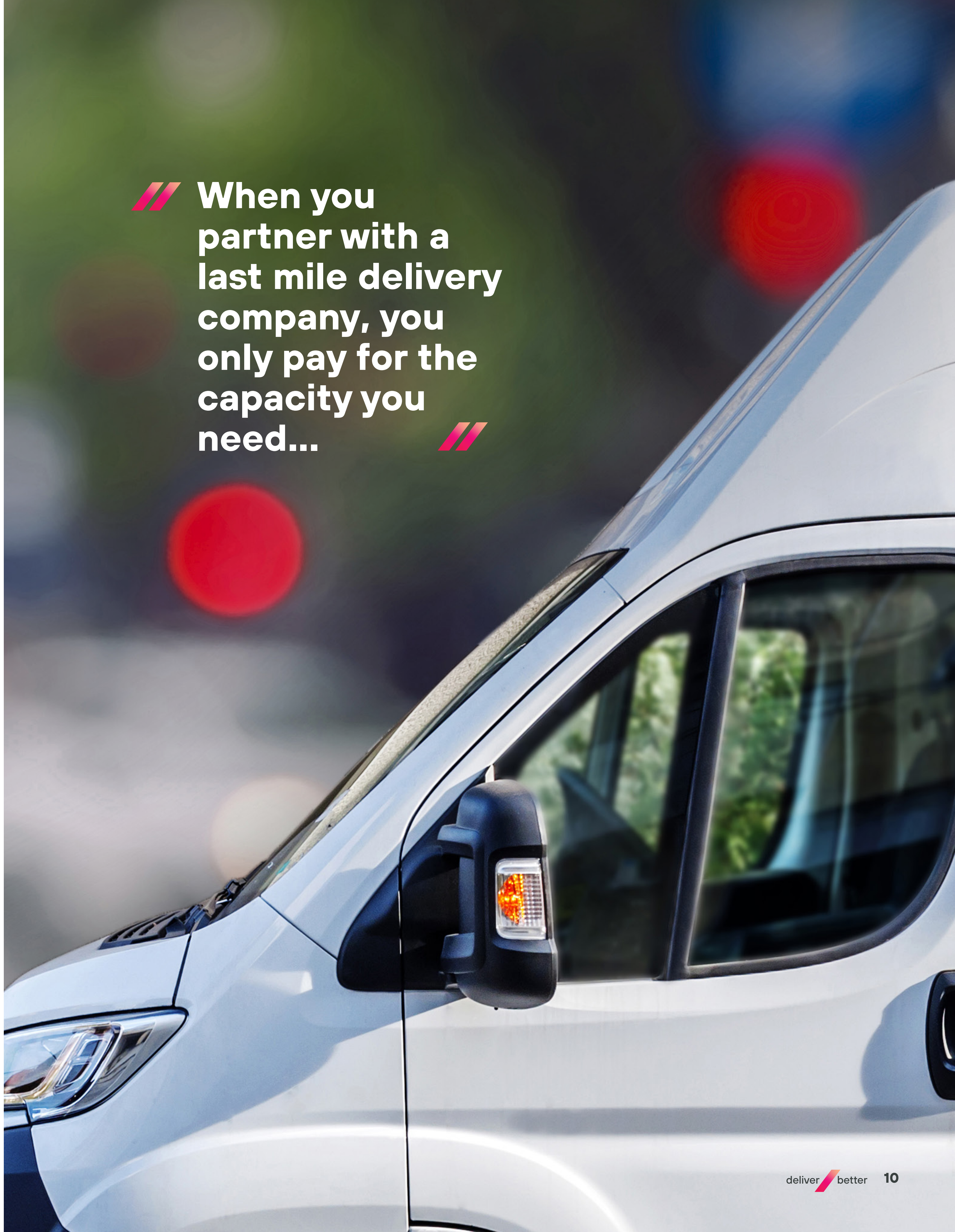
Note that this calculation excludes the original cost of the vehicle, and it doesn't consider the lost opportunity costs when your employee is out driving. Adding these increases the cost dramatically.

Based on the math above, the cost for a single delivery is roughly $81. On the other hand, the average cost for a similar delivery using a delivery partner is only $30 – $40 (or $90 - $120/week) depending on the size of vehicle and the service level you choose. That's a savings of 50%–62%.

Multiply that saving across all your locations and you're looking at a considerable opex reduction that can then be reinvested into other productivity- and efficiency-driving initiatives, including the digital transformation of your supply chain.

When you partner with a last mile delivery company, you only pay for the capacity you need, when you need it. The delivery partner is on standby, not your staff, which drives your costs down and makes you more profitable and reliable.





# how an on-demand delivery partner can optimize jobsite logistics

The above comparison provides a simple business case for outsourcing your unplanned, same-day runs to an on-demand delivery partner. While the cost-based argument is strong, the right partner needs to bring to the table additional capabilities to simplify your logistics and deliver on your customers' expectations for speed, reliability, and convenience including a logistics platform, professional drivers, and the right vehicles.


## powerful logistics platform

Look for an on-demand delivery partner whose success is driven by technology. Their operations should be built on a software platform that leverages the latest in technology, including artificial intelligence (AI) and machine learning, to determine the fastest and most cost-effective delivery of orders of all sizes. That platform should schedule, route, and dispatch deliveries based on location and time constraints and optimize the number of deliveries and pick-ups each vehicle can make. It should provide both web-based and mobile apps, so your team can schedule deliveries wherever they are. And it should provide a dashboard with delivery status and detailed metrics around costs per delivery, so you can easily manage your business.

## professional drivers trained for construction

The drivers who bring your products to your customers' jobsites are an essential part of your success, and they need to represent your business as well as the rest of your team. Look for delivery partners that know construction — it's a unique industry. You will need drivers who are trained, insured, and equipped with the appropriate tracking tools and safety gear to deliver products to construction sites safely and efficiently. Not all on-demand delivery partners have solid experience in the construction industry. You have a right to expect drivers trained in the proper loading and unloading of materials and parts, handling each item with care and attention and ensuring your customers are satisfied before they leave the site.

## the right vehicle for every job

Suppliers often choose to work with on-demand delivery partners because they don't have the right vehicle in their fleet for a job. Today, there are many delivery companies that have construction industry expertise. When considering a partner, look for one whose operations can support your needs. Technology-driven delivery partners don't have to rely on their own assets to serve you; instead, they use the power of their platform to connect you with professional fleets and individually owned and operated delivery vehicles in your area. This means they can say yes to all your requests, and it means you can expect to have the right size vehicle – with the right specialty equipment if needed – to show up for every delivery, which also right-sizes your cost per delivery.

# the bottom line

The stakes are higher than ever to get jobsite delivery right, given pressures on both the supply and demand sides of your business. Your operations need to be cost efficient and flexible, given the market forces that are beyond your control. And they need to be fast, reliable, and professional, because your customers increasingly have other options. The right on-demand delivery partner can help you transform your logistics and build long-term customer loyalty.



## endnotes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ABOUT US

# deliver better

—that's the gofor promise. gofor delivers any package, small to big and bulky, locally within three hours. The Ottawa, Ontario, Canada-based company helps North American businesses of all sizes get their products into the hands of customers faster and works with some of the biggest names in the retail, construction, and supply chain industries. Small companies can use gofor's outsourced truck fleets and web-based scheduling solutions. Large businesses can supplement and scale their existing fleets, and link to gofor's logistics system. The result is efficient, cost-effective delivery servicing today's "I want it now" online customer.

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