

THE LOGISTICS POINT

YEAR 3 | ISSUE 06 | JULY 2022

EXCLUSIVE
VIDEO CONTENT
INSIDE

URBAN LOGISTICS' INVESTMENT SET FOR GROWTH

We spoke to DPDgroup about how urban logistics will transform the way we consume.

E-COM & LOGISTICS TEAM UP

The industry can help brands win loyal consumers

UNDERSTAND HOW RETURNS WORK

The truth about how return logistics can make it

MARITIME'S DYSFUNCTIONAL PRESENT

How the maritime sector is going to change

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EDITOR'S NOTE

The month of June brought many unexpected but pleasant surprises. The Logistics Point took part in two incredible events for the logistics and supply chain industry.

First we were happy to meet with some great logistics managers from all across the continent at Deliver, one of Europe's largest events for the sector. In this edition you will be able to read and watch about how ESG is reshaping the industry, the place of consumers and more.

Later in the month, we took part in Home Delivery Europe. As the editor of The Logistics Point it was a great honour for me to be part of the Intralogistics Track where I had the chance to speak about micro-fulfilment and share more insights with some great professionals.

In the edition you can read more about last mile efficiencies as well as how the shipping industry is transforming. More news and videos with large logistics companies are coming soon.



We are getting ready for the summer but in September we will be back with more news and insights from the industry.

Also, we are working hard on some great events and will be able to share more details.

I hope you enjoy the stories in this edition and as always, share any thoughts you might have.

Nick Bozhilov
Editor in Chief
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Home Delivery Europe Hosted The Logistics Point,
Phillips, etheclo and Done for a panel discussion



URBAN LOGISTICS TO SEE LARGEST INVESTMENTS

The pandemic reshaped the way logistics organisations look at their networks. Many built new capabilities very quickly but now, when consumers are going back to the shops, these networks look unneeded. We spoke with Hervé Crochet, Group E-commerce Industry Director, DPDgroup, at Deliver, one of Europe's largest e-com forums. You can read more from Deliver in this edition.

During the pandemic it felt easy for online vendors as everyone had to shop online. Where is the e-commerce market right now when we have returned back to the store?

The global e-commerce market had two fantastic years, and we are now entering a post-pandemic era with a slowdown in growth.

The return to shops has had a strong impact on online sales. Still, as people got used to buying online there is a good base that has been established. But even before the pandemic in Europe we could already see a maturity of the growth. Globally it is expected that the growth of e-commerce will slow down in the next few years.

What does this mean for logistics networks?

There was a lot of investment during the pandemic to cope with the increase in B2C parcels. There is a lot of delivery capacity now on the parcel market as Covid 19 accelerated carrier infrastructure deployments which provide room to cope with future growth.

Would that mean less investment in the coming years?

That would be more likely for large structures and big hubs. More investments will happen in the area of out-of-home deliveries and as well as in urban logistics as nearly 75% of the European population live in cities. At the same time the market will see a lot of consolidations specifically in the Q-commerce area.

What is part of DPDgroup's urban logistics strategy?

Part of our urban deliveries strategy is lowering our carbon emissions. We have started in many cities where deliveries are with low emission vehicles. Our plan is to develop 350 European cities by 2025 with low emission, last mile vehicles. We don't just want to ship from stores but also use large warehouses that can deliver to urban depots and then use bikes, for example, and deliver the last mile.



HERVÉ CROCHET
GROUP E-COMMERCE INDUSTRY
DIRECTOR
DPDGROUP

Where are urban facilities going to go? There isn't a lot of space and a lot of it is just unsuitable for logistics use.

That is correct. In some cities it will be quite difficult but in the meantime there are stores that can be used as they suffered from the pandemic and also parking in cities excluding cars from city centers. In some areas DPDgroup has warehouses around large urban areas from which we use electric trucks to deliver. Urban micro-fulfilment is something we want to invest in but it is not going to be possible everywhere.

The global e-commerce market had two fantastic years, and we are now entering a post-pandemic era with a slowdown in growth.

Isn't separating deliveries in this way more complex and costly? First you use a truck and then a bicycle.

Sustainability has a cost, for sure. We need to invest in this now as regulations will increase in the near future. It is also at the heart of our 'Together & Beyond' ambition : to become the international reference in sustainable delivery and a leading enabler of e-commerce acceleration.

How is logistics supporting the whole consumers' journey from the click on the page to the actual delivery?

There are many aspects from preparing the preparation of correct orders in a timely manner to providing the adapted delivery place and speed in each local market, as well as putting the consumers in the driver's seat to adapt to their mile requirements. Carriers like us also invest in innovation projects. For example, we have invested in Stuart - a very dynamic company that is delivering on demand and on time window from store and also with cross-docking capabilities. We are looking at the market constantly and are striving to anticipate & adapt market needs.



We spoke a lot about cities but how about rural areas where you can't optimise as well?

We have a very extensive delivery network and on top we developed our parcel shops network, which currently contains about 65000 parcel shops worldwide to provide convenience and more effective cost to serve.

Would we see consumers being finally asked to pay for deliveries?

We already see this. Large organisations are still subsidising it, however. Some large retailers have recently already started asking consumers to pay for returns. It is possible that those market leaders will set the future trend in this area. *

There was a lot of investment during the pandemic to cope with the increase in B2C parcels. There is a lot of delivery capacity now on the parcel market as Covid 19 accelerated carrier infrastructure deployments which provide room to cope with future growth.



LOGISTICS CAN KEEP CONSUMERS LOYAL TO E-COM BRANDS

As consumers grew more confident with buying online their loyalty towards brands diminished. We spoke with Sebastian Wouters, SVP, Global Head of e-commerce, Kuehne+Nagel, at Deliver, one of Europe's leading e-com events, about how logistics can keep consumers loyal and the importance of inventory. You can read more stories from Deliver in this edition.

What are customers asking from their logistics providers when it comes to e-commerce?

First of all, e-commerce logistics is different to the more traditional store deliveries and B2B. Also returns are becoming more of a challenge as e-commerce is picking up.

What small to medium size customers are looking for is help with scaling up and growing internationally. Kuehne+Nagel is a globally active company that offers local and international solutions and we help our customers with both. The larger customers have seen their e-commerce share increase every year too so they need help with that.

Another big category is the trend towards direct-to-consumer. A lot of businesses are realising they have an opportunity to reach directly to the consumer whereas traditionally that would only happen through retail channels. In addition, they can now also take control over what the brand and consumers' experience looks like. Order fulfilment can help create all of these.

Have your customers experienced e-commerce orders slowing down since reopening of retail stores?

Yes, to a certain extent. I see no reason to assume that things are back to pre-Covid levels. What has happened, specifically in the markets where e-commerce penetration was relatively low and for older generations, is that consumers have now tried it and know it is not that hard. I believe the behaviour has been adopted by consumers and they feel more confident.

Not everyone is going to keep shopping online the same way they did during the pandemic. Also, the amount of money people might spend on things will change. A study in the USA showed that even though store purchases have increased, that did not lead to e-commerce orders going down. That might change due to the war in Ukraine and the high energy costs.



SEBASTIAN WOUTERS, SVP, GLOBAL HEAD OF E-COMMERCE, KUEHNE+NAGEL

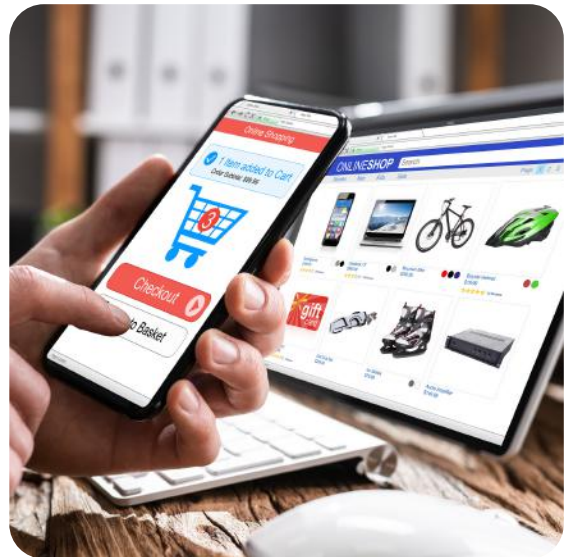
How can logistics help brand awareness? Do you expect companies like Kuehne+Nagel to turn into a one-stop-shop for retailers?

Yes and no. We, as a global provider, can offer a huge variety of services for fulfilment, order management, last mile, first mile, etc. We believe we can help customers to scale up internationally or help them with multiple aspects when it comes to growing. The industry can really help with simplifying the logistics management piece and remove the need to manage multiple companies. Just like e-commerce is making it easier for shoppers to shop and buy, e-commerce businesses want the same from logistics providers, i.e. simple to use solutions. I believe this is very appealing to medium size companies. Large customers tend to buy more in segments.

Are retailers bringing logistics and visibility back in-house?

I think for retailers offering a good customer experience is really important and part of that is visibility. When we go to a store, we have some emotion connected to the purchase, specifically in fashion retail and luxury goods. That is not the same when you buy online but it is still as important. Getting the customer experience right after a customer clicks "buy" is largely a supply chain capability. For me, if a store or a brand wants to offer the full logistics experience, that is great. But what would they need for that?

They would need reliable information from multiple sources: warehouse management system, tracking, customs clearance, etc. What ultimately is important is the quality and the timeliness of the information. There are multiple solutions logistics can offer to retailers. At the same time, inventory accuracy for webshops is vital. If a consumer buys something and it turns out it is out of stock they will just go somewhere else. Customers want to see when they get their orders. In many cases, they prefer to have more accurate or predictable delivery rather than the fastest promise.



What should we look for in the coming few years? What should we worry about?

Inbound supply chains are being disrupted at the moment because of Covid, imbalance in supply and demand, port congestion, high energy prices, and the war in Ukraine. This means that the increased cost levels, which in the very beginning were absorbed by many companies, are now being passed along the supply chain to the end consumers. So products will become more expensive. This is a driver of the inflation levels that we are seeing around the world. There is more focus on efficiency. Even companies who traditionally focused more on growth than on efficiency are now talking about it.

Just like e-commerce is making it easier for shoppers to shop and buy, e-commerce businesses want the same from logistics providers, i.e. simple to use solutions.

Managing cost levels and availability of products for online retailers will be key for success. As we said, consumers have already learnt that if the product they want is not available in one store, they will just go to a different one that has it. That unloyalty has stayed post-Covid and everyone has learnt how to go somewhere else. So, e-commerce businesses will need to make sure to have products available to sell, but also do this more efficiently.

Would we see a shift in manufacturing due to continuous supply chain issues?

It would really depend on the product. The costs of manufacturing and shipping a lower value item is quite different to the costs of higher value items. What is becoming more and more important is topics related to ESG: where do you source materials, how you produce it, how you control inbound supply chains, etc.

Some supply chains might shift but there won't be enough capacity to move everything to a new location and it certainly won't happen overnight.

Would we see retailers asking consumers to pay shipping costs?

I think it will be very hard for companies to introduce this, because the trend has been the other way around. E-commerce is all about convenience and how easy it is to buy from one seller compared to another. If you now add cost for shipping or returns, it potentially hurts the brands. I think brands would rather increase their prices, than explicitly ask for shipping to be paid. An interesting research shows that people are prepared to pay more for a product that has free shipping included than for a cheaper one that doesn't. *

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VIDEO

CONSUMERS BEHAVIOUR TO SHAPE ESG & NETZERO LOGISTICS

Logistics is moving forward with its promise to be more environmentally and socially responsible. There are many hurdles along the way but the biggest one will be how to change consumers' behaviour. We spoke to Sebastian Lefebure, Managing Director France & Southern Europe, Manhattan Associates, at Deliver, one of Europe's largest e-com events. Read more stories from Deliver in this edition.

What can be done to improve the organisation's stand on ESG issues?

One of the first things that we need to outline is that there is a steady shift in buying behaviour. There is an increased focus on digitisation and environmental and social awareness. More and more consumers are looking at the impact their buying habits have on the planet. Not just at sustainable manufacturing but also the delivery option. So this means brands need to change the way they look at their logistics partner just to make sure they maintain their market share.

What is the role of logistics companies who are heavily investing in the three pillars of ESG?

A couple of things. The first thing is that they understand the concerns of the consumer.

Consumers are making sure that the brands they interact with are living with the core values of ESG.

Which part of the ESG framework is hardest to get right?

I would say that manufacturing obviously is a challenge. For example, changing the packaging requires a lot of time and investment. Returns are also a challenge when it comes to the financial side and the impact it is having on the environment. However, I believe the biggest challenge is the consumer's behaviour because it is very unique to each person. It can change extremely easily.

Today the biggest issue for brands is to incorporate choices that are not going to be based only on price but also on the impact it is having on the environment and the society.

Today the biggest issue for brands is to incorporate choices that are not going to be based only on price but also on the impact it is having on the environment and the society.

Where should the ESG journey start from?

At Manhattan we believe that technology is a key enabler to support the agility that is needed to achieve ESG. When we talk about the supply chain software is essential to make sure that you connect the promise you make to the consumer to the reality.

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If we look at the current goals for NetZero by 2030 and 2050, do you think it is possible to achieve them?

I believe we need to change consumers' behaviour and make them more responsible. This would mean to share all delivery options with them and the impact each one will have on the environment.

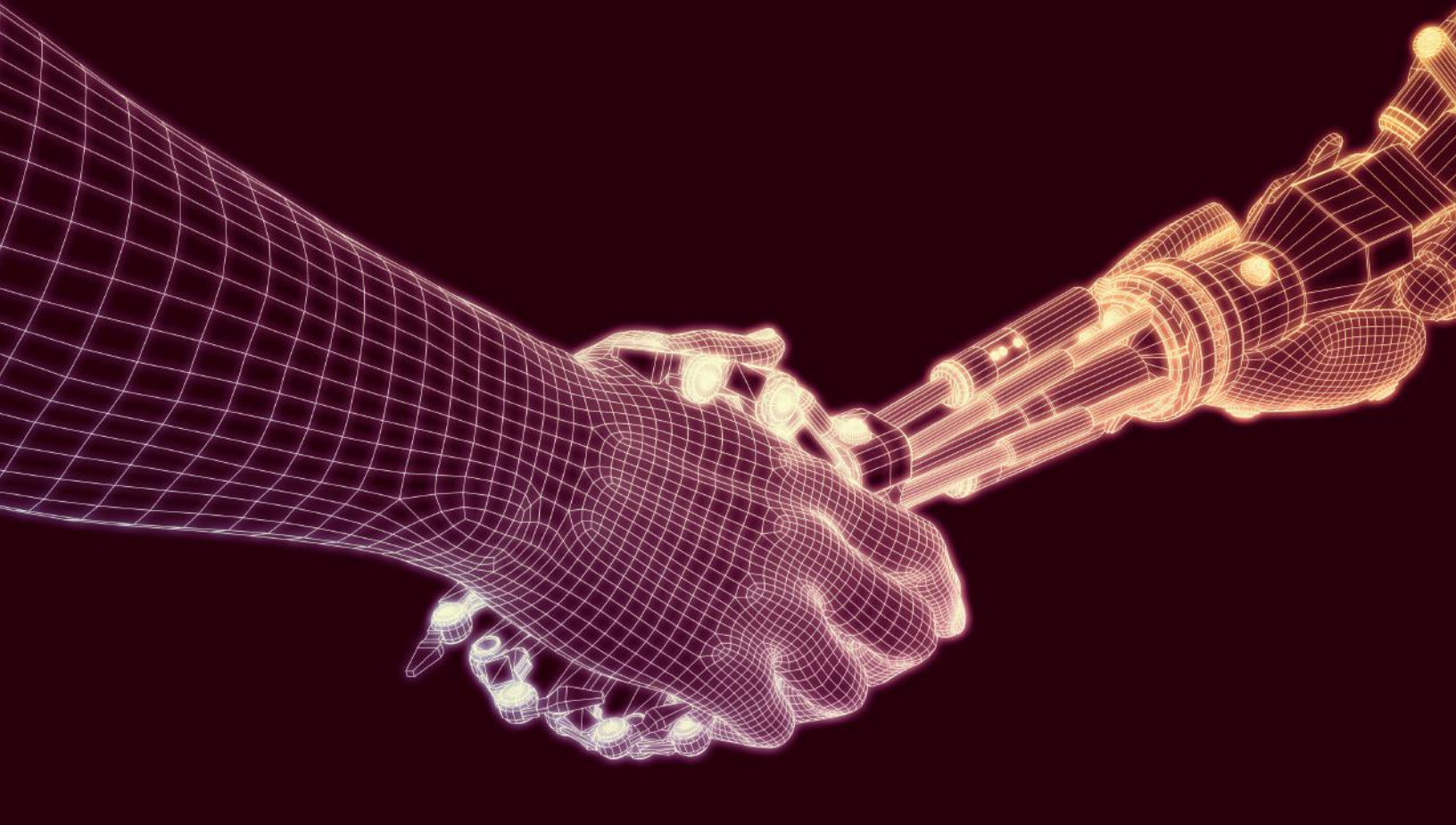
Has there been too much investment during the pandemic which could make companies less likely to invest now in ESG, NetZero, etc.?

No, I do not think so. Covid showed the need to have the ability to quickly adapt to the changing world. I think it will just be the beginning.



SEBASTIAN LEFEBURE
MANAGING DIRECTOR FRANCE &
SOUTHERN EUROPE
MANHATTAN ASSOCIATES

You can learn more about how logistics organisations are changing to adapt to the new ESG requirements in the video interview below.*



AUTOMATION BRINGS PREDICTABILITY IN URBAN FULFILMENT

Warehouses are becoming more autonomous and this means that energy consumption is going up. With the current energy crisis organisations are looking into ways that can help them solve the problem. We spoke with Jon Brewin, Business Development Manager, Autostore UK & Ireland, at Deliver, one of Europe's leading e-commerce events. You can read more content from Deliver [here](#).

Jon, how do automation and the need to control energy usage go together?

With automation there will always be a focus on energy usage, particularly when there are a lot of mechanics involved. I think it is more about being smart with your solution choice so that the energy usage is more predictable and it can be managed efficiently. If you have complex systems with a lot of equipment, there is going to be high power consumption, so if you can think differently and keep the physical solution simple with smart software, then you can manage that energy consumption a bit more predictably.

Does this involve a lot of costs and is it hard to find the right way to do it?

No, I think it is about finding the right solution that would keep it simple so costs will be lower during operation. With Autostore, the operation is simple and the software is smart so it enables a low energy usage whilst keeping productivity high.

How do you think such solutions help the idea of sustainability and efficiency?

If you go back to predictability and look at a large distribution centre, that is a big space to heat, light and manage. If you can leverage smart automation in there, that can create a streamlined and predictable process, meaning you can use less space and be more productive.

Where are we going to go from now when it comes to automated solutions like Autostore, for example?

I think there is still space for centralised distribution or fulfilment centres that service stores and customers, however we are seeing a huge increase in more localised centres, where you can have a smaller footprint, enable more reactive operations and be closer to the customers. Dark stores where automation is key, will use data and software to streamline the processes rather than relying on a large labour force that just is not available.



JON BREWIN
BUSINESS DEVELOPMENT MANAGER AT
AUTOSTORE SYSTEMS

If we are talking about micro-fulfilment and urban centres, is it easy to incorporate such solutions in an urban environment?

Absolutely! With Autostore we are able to typically store 4 times the amount of product in existing storage space, which enables stores to provide a more immersive experience for the customers where they can enjoy their shopping experience, rather than trying to squeeze all of the product range on to the shop floor. *



UNDERSTAND THE WHY OF RETURNS WITH DATA

With the growth of e-commerce returns have become a huge problem for retailers of all sizes. A good return policy is key and more people are checking policies before they purchase an item. We spoke with Al Gerrie, Founder and CEO of ZigZag Global, at Deliver, one of Europe's largest e-commerce events, on returns and consumers' behaviour. Read more stories from Deliver in this edition.

What are the biggest challenges retailers face when working on returns?

There are several challenges that retailers face right now. Costs are increasing and fuel prices are going through the roof. There is also a hidden cost to customer service and also the cost of moving stock. Labour costs are also going up for the people who are processing the returns. In addition, there is a huge number of consumers who expect free returns. The last is sometimes just an unrealistic expectation.

Consumers' expectations are changing, however, and they are checking returns' policies more and more before they decide to order. 79% of consumers are now checking the policy and half of them will compare prices.

Having the full information helps in these situations as we know who the customer was, where were the goods delivered to in the first place, how they arrived there, etc.

The challenge for the retailer is to get the return proposition right so the consumer feels that they had a positive experience and will shop from the same store again. Logistically that could be a challenge, especially if you throw into the mix Brexit where we have some unique transport problems.

Furthermore, it is very important to know what is being returned. This is one of the things ZigZag does so consumers can say what they are returning, why, what would they like instead, etc. Then consumers can choose between a few different carrier services like pick-up from home, drop-off at shops, lockers, post office or returns to stores.

Is giving as many options as possible what makes a return policy successful?

Yes, convenience is very important to consumers. People want to choose how to return the item and are looking into different options: stores that are open 24/7, for example, because they are busy during working hours, etc.



Flexibility around free and paid options is also important. Not all consumers insist on a free return and are happy to pay but need the item to be picked up. The old days of putting a return slip in the box are running out and that is because retailers need to know what is coming back and the condition of the return.

How can retailers control how likely an item is to be returned?

ZigZag can do that with data analytics to predict if a consumer is likely to return an item. For example, 41% of consumers choose to buy multiple sizes and colours. So we know there is going to be a return and that people are buying with the intention to return. We can flag those orders to retailers and monitor that consumer's behaviour over time. We can pick out those that are just buying to take a photo for social media, for example, and then return the item. In this way, we know not to send them promotions and encourage them to buy more as we are aware they would just return it.



AL GERRIE
FOUNDER & CEO AT ZIGZAG GLOBAL

What is more important for retailers is to keep the products in the local market to reduce costs. This can be done by having local carriers, who can post returns to a local warehouse and not cross-border.

How has this been affected by Brexit?

Yes, it has been a really challenging time for both retailers and carriers. But software solutions can manage costs and the challenges. Knowing what is in the box also means that we can amend the customs' declaration when an item is being returned. Really good data is key.

Having the full information helps in these situations as we know who the customer was, where were the goods delivered to in the first place, how they arrived there, etc. When it comes to returning, we already know everything that we need. We do not ask consumers to fill in customs declaration as they will get it wrong 100% of the time.

What is the connection between returns and the Circular Economy?

There is a big connection and a big part of what we do. We have cut out the label on the box completely. We also enable retailers to get rid of dispatch notes in their orders. They can communicate the information digitally and nearly 70% of all returns are paperless. Consumers do not have to print out anything and this often helps the process as their home printers are not as good. A QR code is issued and this is all consumers need.

In our locations in the UK we have the facilities to evaluate the quality of the item and decide what to do with it. This can mean it will be resold, donated, or consolidated and brought back to the retailer. That cuts the carbon footprint and the airmiles the product would need to travel.

Are goods in generally good condition when they come back?

Most of them are. There might be an issue with packaging but generally 80-90% of the goods can be salvaged for a high value resale. There is still a cost associated with that but most of it is in good condition. Consumers are becoming a bit more conscious about returns and the sustainable aspect of how they behave. They are being a bit more careful.

Are we at the end of free returns?

There is no such thing as a free return and there is always somebody who is paying for that. Large retailers are starting to change their policy and they are charging for returns in some countries. This would depend on how large the market is and also how important a specific consumer is for the brand. At the same time, although they are at a cost for the consumers, retailers are still subsidising the whole process. I think retailers would be able to get away with charging upto £5 per return but maybe not much more, even though costs may be higher.



Would this not incentivize consumers to just throw the item away?

Potentially, but retailers are trying not to tell consumers to just keep the items. That could encourage bad behaviour and would create real returns problem. I think it is still important to bring the goods back and find a different user or recycle the goods, rather than encouraging landfill. *



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ROUTE OPTIMISATIONS IS ALL ABOUT CONSUMERS' SATISFACTION

Tracking features are becoming more and more important, as consumers are asking for updates in real time. The growth of quick-commerce and instant deliveries is driving the growth in this area and is also affecting route optimisation. We spoke to Tuba Yilmaz-Gozbasi, Co-Founder of Optiyol, at Deliver, one of Europe's leading e-commerce events, about how route optimisation has transformed during the last two years and what more is expected from the technology. Read more stories from Deliver in this edition.

'We want to know where our orders are all the time,' says Tuba. 'Our customers are looking into using both route optimisation and also tracking technologies.'

Across the world consumers' expectations are very similar and this calls for a more universal approach. Allocating delivery routes is one way to improve operations. It is important to optimise fleet selection, order allocation and multi-stop sequencing given time and capacity constraints.

Happy customers

The more stops a route has, the more important it is to fully optimise where the vehicle goes first. Sequence is a problem and can be addressed by good planning. A new trend is for retailers to bring the delivery operations back in-house.

This creates different problems as often retailers do not have the expertise and need more information on how to do the logistics process efficiently. According to Tuba a good route optimisation and tracking tool can be used to mitigate these problems.

Consumers' experience is what really matters. 'One of our customers, a large luxury retailer in Turkey, managed to increase consumers' satisfaction with the service by 40% by simply improving their routes,' Tuba explains. Sales also increased as deliveries were speedier.

'We can buy similar products from many different places, but we are now looking at how fast it is going to be,' Tuba continues. She says that when delivery promises do not match with reality consumers are not just unhappy but know how to switch to a new provider very quickly.



TUBA YILMAZ-GOZBASI,
CO-FOUNDER, OPTIYOL

Tuba's prediction for the coming years is an increase in multimodal deliveries. She sees growth in EVs, as well as scooters and bikes. 'Orders will be brought to cities and then shipped to the consumers by bikes,' she says. In some places automated vehicles will also take on the streets. *

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THE LOGISTICS POINT



VIDEO

COMMUNICATE LAST MILE WITH BETTER VISIBILITY

Consumers are now used to having a seamless delivery experience every time and expect full information on their goods at any point of the logistics process. Communication is becoming key and technology would be essential for success. We spoke to Vohuman Bardi, Regional Vice President - EMEA & APAC, Shippy during Home Delivery Europe in Amsterdam. Watch the full video now.

What are the advantages of last mile technology and where should we implement it first?

What is really important is a clear and direct communication with the consumer. They need to know where their order is currently and what they can expect. Last mile deliveries are very complex in the back end but it is important to simplify the front end and what the consumer experiences.

There is a whole load of stuff that happens in the back end. We have got to select the right driver and vehicle, also we need to ensure the delivery happens on time. There are a lot of constraints and this makes technology very exciting and useful.

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How can we simplify the technology that goes in the back end?

I think it is about making sure that operations are streamlined into a tech stack with clear processes. For example, if you are a quick grocery company with a commitment to deliver to consumers within 30 minutes and you work with five delivery partners how do you ensure that the processes are set well in place based on regions that need to be serviced. Also, how do you pick your partners: is it just based on performance or the region. In addition, we need to look at the type of orders, as well as the fleet and what vehicles are being used.

The question is if the tech is capable enough to absorb all of these constraints and simplifies the output.

If a tech solution can do that, absorbs all of the complexities and give a simple answer back to the retailer, it will make life very easy.

What should we expect to see in last mile tech in the future?

We are more and more moving towards giving the consumer quick and easy access to what they might want. I see a lot of AI and Machine Learning coming into the picture. For example, Geocoding is an essential technology for last mile and logistics in general to ensure delivery to the right address from the first time. Another interesting technology will be blockchain to validate all milestones and information that flows between consumers and retailers. *



MICRO-HUBS: HOW RETAIL RESHAPES INTRALOGISTICS

It is not a secret anymore that consumers want everything to be delivered to them as quickly as possible. The growth in Quick Commerce shows that retailers do not have many options: they either have to be the fastest or provide a very special, luxury service. This is having an effect on where goods are going and how logistics fulfil them. During Home Delivery Europe our editor Nick Bozhilov took part in a panel on the future of urban warehousing and micro-fulfilment centres. Nick was joined by Jos Miermans, Business Partner, etheclo; Evgeny Knafel, Co-CEO, Cleanbox Ltd; Lu Zheng, Transformation - Warehousing & Distribution Automation, Philips.

'The market is still trying to come up with a clear identification of what MFC is and each segment has a somewhat different vision,' began Evgeny when asked how organisations can define micro-fulfilment centres and micro-hubs. One of the prevalent views is that such centres are a logistics and business solution that enables efficient multimodal last mile consolidation and distribution and at the same time offloading (or maybe even making absent) centristic hub-focused distribution models. It brings all of the fancy concepts of just-in-time, lean and so on to the consumer. It gives the suppliers (e-commerce, retailers, service providers) an opportunity to create value in the last mile by allowing a more efficient and consolidated delivery to the end user.

Jos agreed on that point saying that MFCs can be an ideal consolidation point for the last mile. Lu looked specifically at how large organisations like Phillips can leverage last mile inventory stock points to serve the growing e-commerce biz. 'From a balance of cost vs Lead Time trade-off, it's also interesting to play with segmentation /commercial pricing on e-commerce product SKUs with standard retail SKUs,' he went on saying.

The perfect amount

'It is difficult to say what is the perfect amount of MFC,' explained Jos. MFC could and should allow consolidation of the final delivery and in that way decrease the number of movements in the city. 'They will also allow for greener deliveries and calm down some groups that are annoyed by delivery vans.'

Lu agreed it is hard to find the right amount maybe because consumer habits and behaviour is changing all the time. One of the benefits of MFCs however is the flexibility they provide that could enable faster response when consumers pivot.

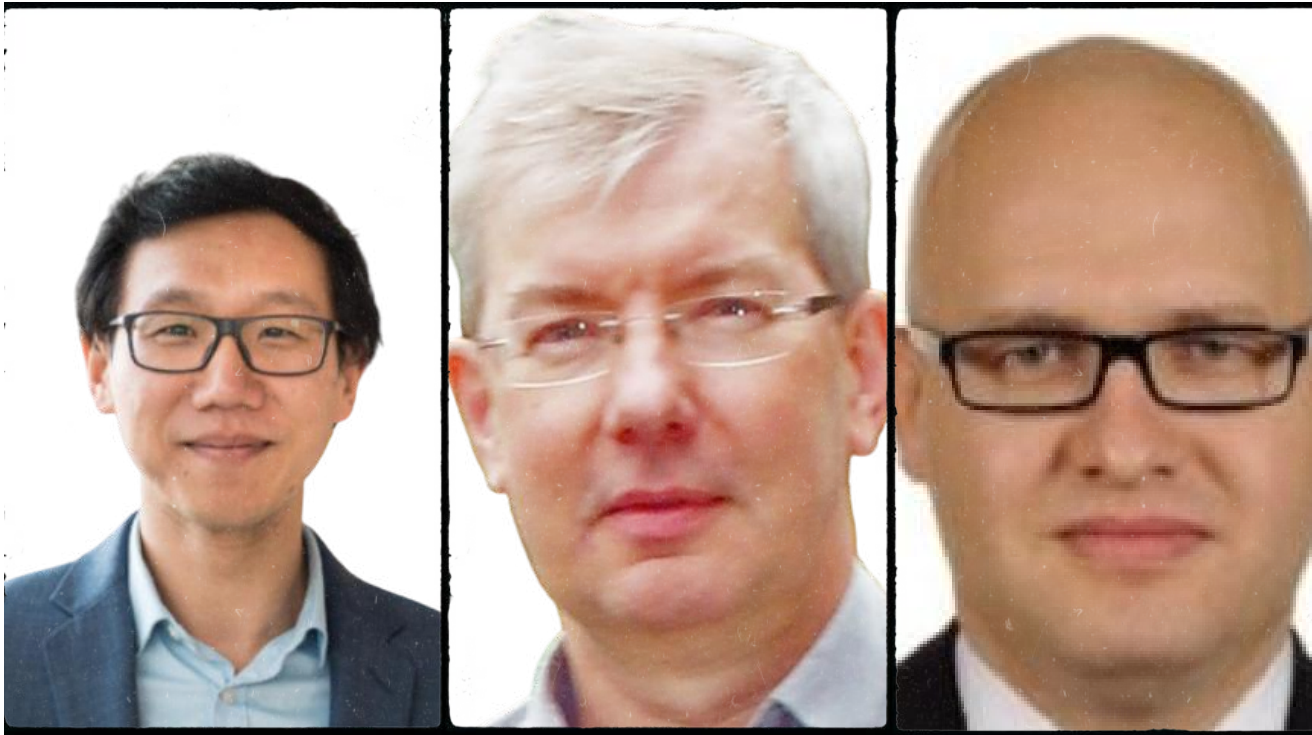


'I'd define that an MFC should be located at a 5-30 minutes drive from every potential customer,' said Evgeny. In the model his company uses, which is more customer centric, MFCs should be 300-500 metres apart (depending on the geography but roughly 1 MFC per 10,000 habitats).

Replenishment

How MFCs are replenished depends on multiple factors. For Lu one of them is the overall model of sustainability and how each organisation defines it. ESG factors should also be included.

The market is still trying to come up with a clear identification of what MFC is and each segment has a somewhat different vision.



LEFT TO RIGHT:
LU ZHENG, TRANSFORMATION - WAREHOUSING & DISTRIBUTION AUTOMATION, PHILIPS;
JOS MIERMANS, BUSINESS PARTNER, ETHECLO; EVGENY KNAFEL, CO-CEO, CLEANBOX LTD;

Evgeny looks through a different lens where suppliers drop off their goods at a specific point which then serves as a hub area for the MFCs.

For Jos MFCs will be reached by a variety of vehicles. This could include not just EVs and cargo bikes but also robots and drones. Unconventional ways should be explored, according to the people on the panel. For cities with waterways Jos also looks at how boats can be used.

Ownership

One of the benefits of MFCs is that they can have a model of shared ownership. 'I believe there should be several platforms that allow different types of SLAs, services, special requirements and are shared by multiple players.'

Municipalities should provide access to infrastructure (zoning, conversions of usages, public areas) and by this improving the environmental impact and improving service to citizens,' summarised Evgeny.

Having one builder and getting them to do the full Engineering, Design, Procurement & Maintenance will be theoretically cost effective for users (companies) with the desire to have MFCs. On the other hand, the one builder and operator will be the biggest benefactor out of this model. *



THE PROFITABLE BUT DYSFUNCTIONAL SHIPPING INDUSTRY

High profits are something many supply chain managers dream of. The shipping industry is riding the wave of high rates at the moment but it will not last forever. We spoke to Philip Damas, Managing Director, Drewry Supply Chain Advisors, about how the sector will transform in the coming years and when we can see rates going down.

What is the financial situation of the shipping industry at the moment?

It is extremely profitable but actually dysfunctional. The numbers for Q1 in the container shipping sector show profit margins of 52% of total revenue. This makes them probably one of the most profitable sectors as a whole. The reason is the record levels of freight rates which have reached something no one could have imagined a few years ago.

Usually extremes are not something good. Do you expect to see a sudden decrease soon?

It will certainly not last forever. The supply and demand will change from 2023 because the delivery of ships will be higher than previous years, based on our forecasts and guidance to exporters and importers.

There will be 7% more capacity added. Demand will also slow down a lot due to the inflation, the fears of recession and more. The other big change that will affect freight rates and profitability will be all the current bottlenecks disappearing: ships being stuck in ports, etc. We expect this to happen in the first half of 2023. These bottlenecks have been eating away around 15% of the capacity.

I think that the current situation of low capacity is mainly artificial because nothing is moving properly. If you add more ships and get the system to move smoother, rates and profits will fall. We think the profit levels will fall by about 40-50%.

How is the drive to NetZero impacting profits?

The move to NetZero is certainly a huge cost. From the shipping lines' point of view this is also a big risk. There is a big uncertainty around what technology to use. The problem is that the fuel will be completely new: something that nobody has really worked with. There have been a few pilots but they are not enough.



PHILIP DAMAS, MANAGING DIRECTOR,
DREWRY SUPPLY CHAIN ADVISORS

The costs of that would be enormous but they won't be seen in 2023. It will be from 2024 onwards, depending on the region, and we are starting to warn exporters and importers of the extra compliance costs and "carbon taxes". The goal of IMO is minus 50% of emissions by 2050 which can be seen as rather slow. But on the other hand, the EU has introduced another program to reduce emissions by 55% by 2030.

The supply and demand will change from 2023 because the delivery of ships will be higher than previous years, based on our forecasts and guidance to exporters and importers.



But shipping is an international industry. It needs a global framework, doesn't it?

Yes, it is going to be a problem. There are many proposals not just by the EU but from Japan and China, too. They are much less ambitious. If just one big economy pushes it, in this case the EU, it does not look good.

How are customers of shipping services affected by all of this?

One of the main problems for our customers - exporters and importers of all sizes - is not just the freight rates but the bad service level, delays and capacity shortages from the shipping lines. Companies have to look for non-traditional ways to move products shipped by sea and to negotiate with providers. Lead times to deliver something to the UK has increased from 40-50 days to 80-90 days. Also, it is very unreliable so it might be more than 90 days in the end. This is creating a huge pressure to create bigger inventories and product shortages.

The problem is that the fuel will be completely new: something that nobody has really worked with. There have been a few pilots but they are not enough.

We hope that from next year, with the increase in port and ship capacity, the supply chain will be more efficient.

Are importers and exporters looking at nearshoring to deal with the problem?

Everybody has been talking about this for a few years now. Frankly, if you look at the cost difference, it is so big that not many companies can absorb to move production out of Asia and "nearshore". It might happen for some high value products but for the majority of products I think Asia will still be the production hub. For some sectors, there will be a move away from China, but it will be to Vietnam or other Asian countries overall.

Some retailers are moving their sourcing to Turkey or Eastern Europe but not many. And I wouldn't call it nearshoring. *



TAKING STEPS TO PROACTIVELY ADDRESS SUPPLY CHAIN SECURITY RISKS

With [Gartner](#) predicting that by 2025, 45 percent of organisations worldwide will have experienced attacks on their software supply chains, businesses everywhere need to double down on efforts to monitor and assess their suppliers' cybersecurity arrangements and initiatives designed to reduce the risk of supply chain attacks.

Supply chain attacks have been rapidly increasing in volume and sophistication. Worryingly, however, the [UK's Department for Digital, Culture, Media and Sport](#) reports that despite the fact that many of Britain's top companies say cyber threats pose a high or very high risk to their business, almost a third had yet to take any preventative action.

As vulnerabilities such as [Log4j](#), a component block of code used by software applications and online services across the internet, spread through the supply chain, organisations will need to take a more proactive stance when it comes to protecting and monitoring their sensitive data, including how it is used, shared or stored, wherever it may be.

Who's at risk and why?

Organisations in every industry sector, including financial services, healthcare, public sector and defence organisations, hold valuable personally identifiable information (PII) and sensitive data that makes them a top target for cyber attackers. Most organisations are now part of a growing digitally enabled and extended supplier ecosystem. Consequently, organisations large and small will need to rethink their existing technology investments and prioritise their efforts where cybersecurity and data security governance is concerned.

For cybercriminals, supply chains represent a highly tempting target. These highly connected systems often involve the control of millions of pounds worth of payments and shipped goods. All it takes is just a single breach and threat actors can potentially open up access to core systems and databases in one organisation. An attack can then be cascaded to other partners in the ecosystem.

Protecting the supply chain: getting to grips with the key threat vectors

In today's hyper-connected, extended supplier ecosystems, the sending and receiving of information have become essential to the smooth operations of supply chains. This means, at the very least, organisations will need to ensure both they and their suppliers have basic security controls in place, such as Cyber Essentials, NIST, and ISO 27001 alongside good data management controls.



CHRIS SPARGEN FROM HELPSYSTEMS

Organisations will also need to adopt a data-centric security strategy to ensure sensitive data is encrypted and secured, both at rest and in motion, and access is restricted to appropriate users only.

For cybercriminals, supply chains represent a highly tempting target. These highly connected systems often involve the control of millions of pounds worth of payments and shipped goods.

In other words, they need to add to their traditional infrastructure-centric security measures featuring multiple layers of defence and protect what really matters: the data itself. This means they'll need to gain full visibility and control of data on hand: where it is stored, what it contains, and how it is used.

They'll also need to find ways to enable streamlined collaboration and data exchanges with supply chain partners, ensuring protection is placed around access and use both inside and outside the organisation.

Centralising data flows with managed file transfer

Secure Managed File Transfer solutions centralise, secure, and automate data exchange, enabling organisations to move data anywhere securely, swiftly, and across all environments to support more streamlined and robust collaboration and exchanges.

Featuring built-in tools such as credential management, user access privilege, and certificates,



MFT ensures legitimate communications are able to continue. Complementary MFT integrations include antivirus and DLP scanning to ensure inbound and outbound data transmissions are free of threats or sensitive data leaving the organisation. Another popular integration is extending rights management beyond whomever data is being shared with - for instance, an external trading partner who has access to a folder with data that only they should see, would be prevented from sharing sensitive data with unauthorised users.

When combined with other security protocols, such as regular patching and constant network monitoring, organisations can ensure they put in place effective defence measures to counter cyber threats to their supply chains. *

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