



Retail logistics: Challenges & Opportunities

The shape of logistics as we go into peak

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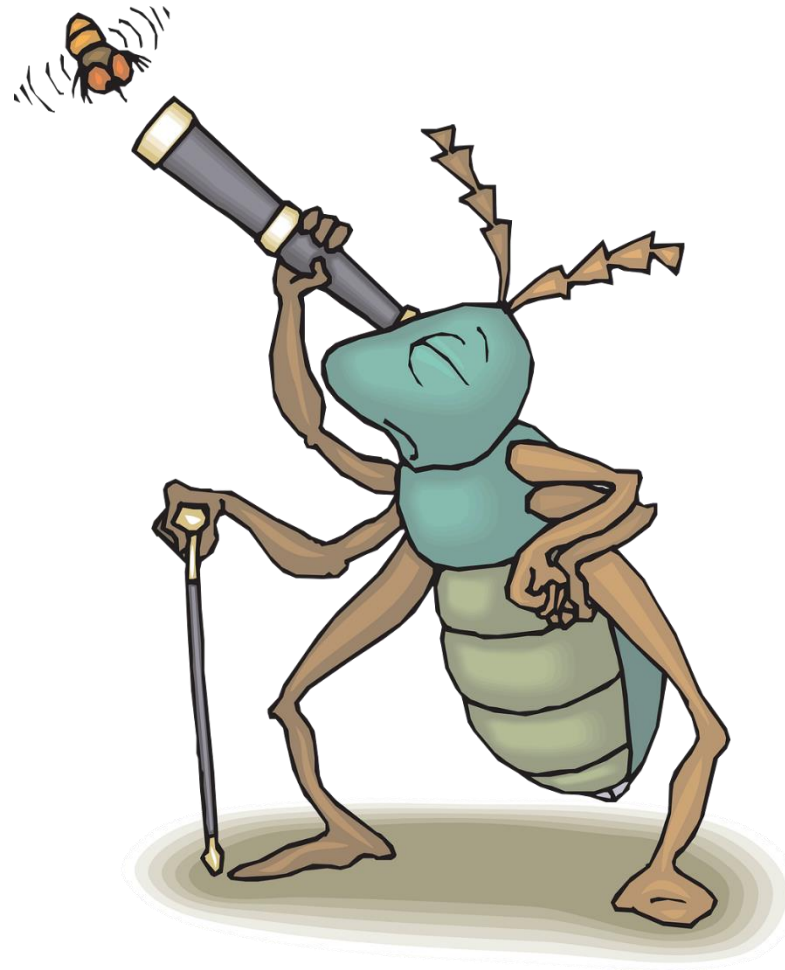
25 November 2024



Retail logistics: challenges & opportunities



A challenge for one can be an opportunity for another...



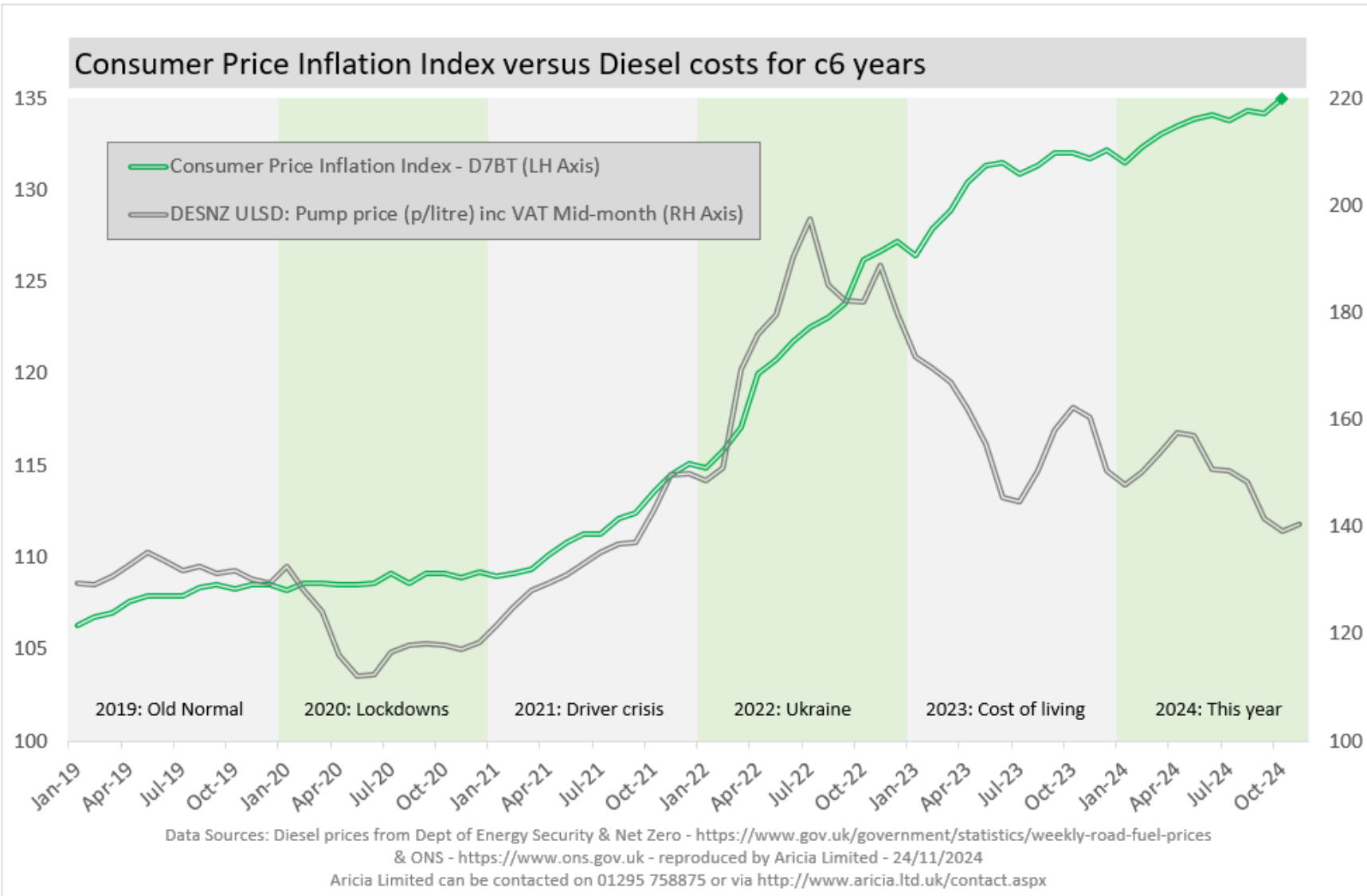
What I'm going to look at:

- > Current economic environment
- > Food & fashion
- > Retail, ecommerce & returns
- > Warehousing
- > Shipping costs & spot rates
- > Home deliveries inc two-person
- > Insolvencies & good news

- > Not in that order!



Setting the scene – some key inputs

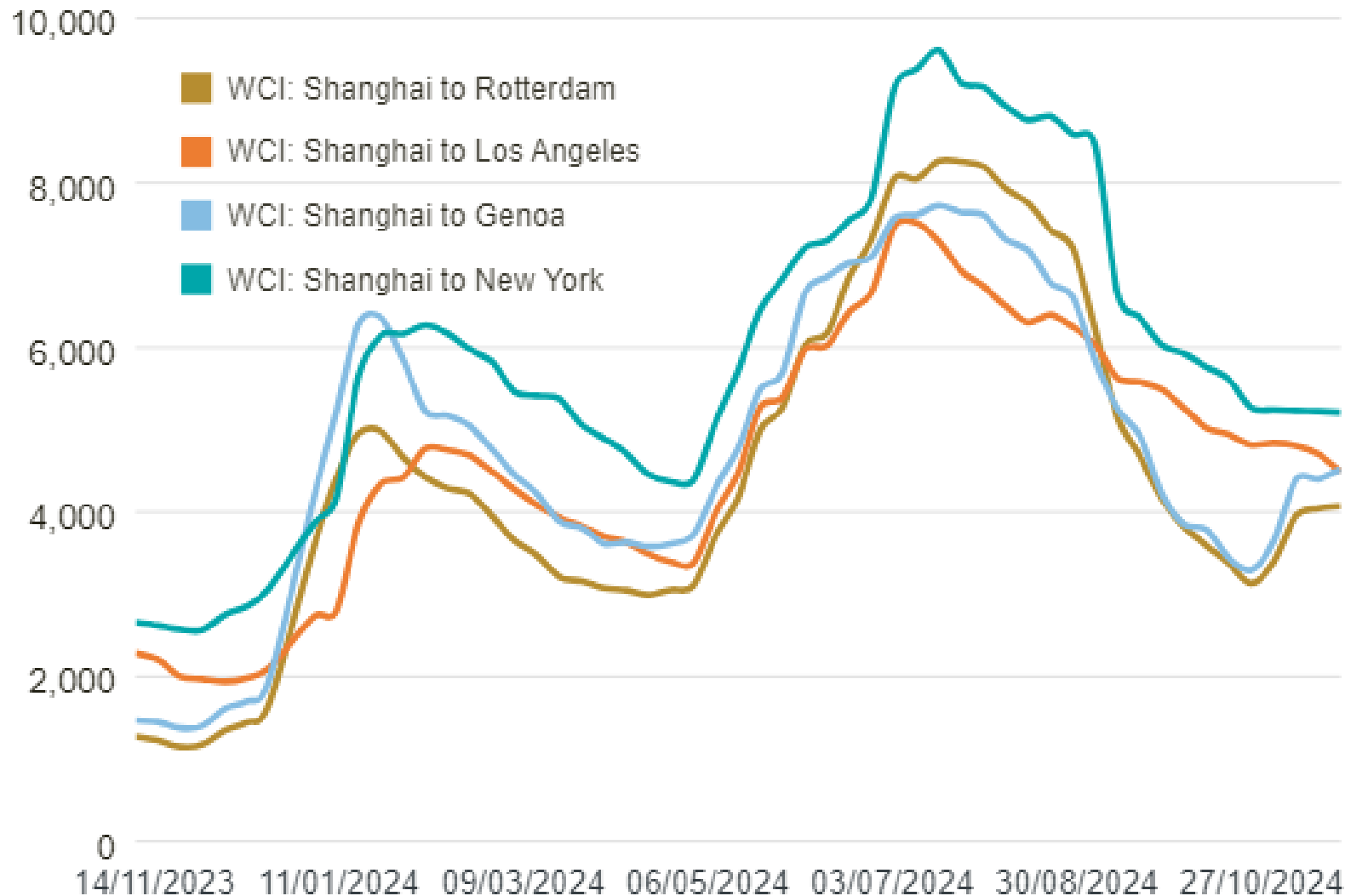


- > Inflation became embedded via wages
- > In the past three or so weeks
- > The budget – no inc in fuel duty, but inflation now forecast to rise to 2.7% by end 2025 before falling again
- > Then interest rates - BoE rate now down to 4.75%
- > ...and the US election and Fed's bank rate decision
- > Exchange rates advice: Keep on your toes! There's a piece on \$ v Euro from ING discussing Trump impact

Deep sea container costs – year to 21 November 2024



Drewry WCI: Trade Routes from Shanghai (US\$/40ft)

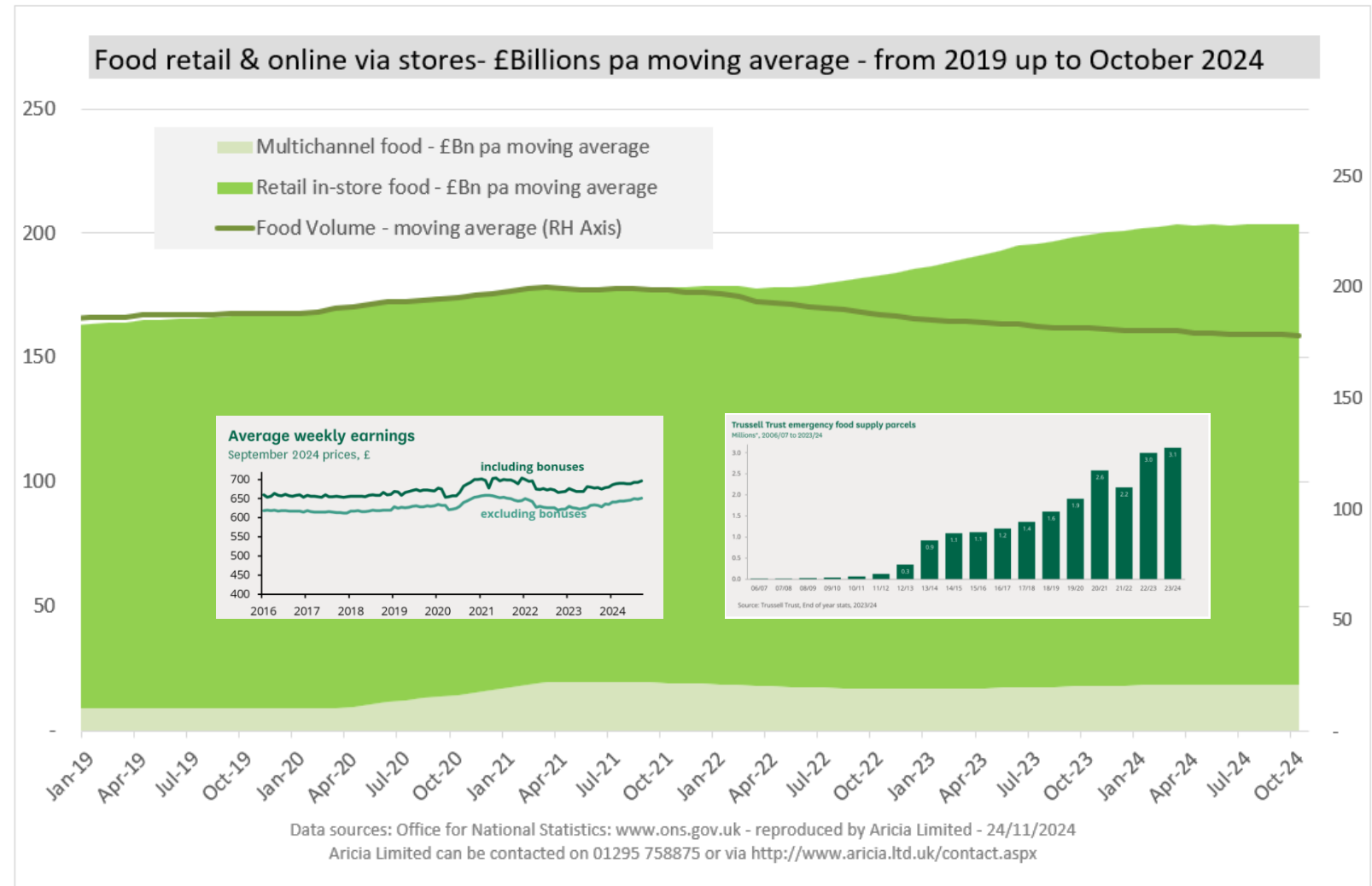


- > Red Sea crisis started 19 Oct 2023 (this graph starts 9 Nov)
- > Resulting in delays, port disruption, container shortages and price rises...
- > ...again, following what happened during Covid



Food retail – inflation has been impacting demand

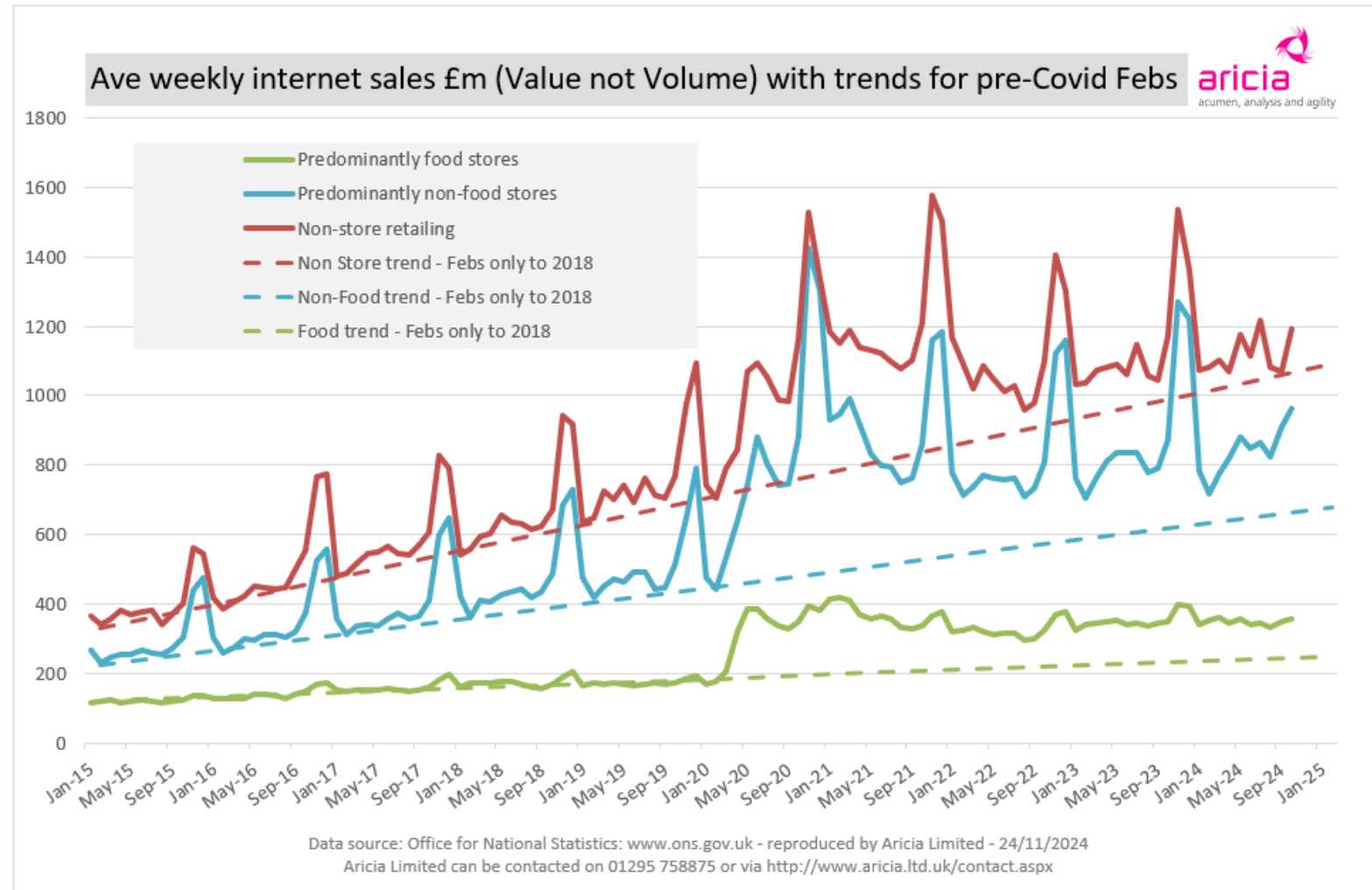
- > The cost-of-living crisis has impacted physical demand
- > Inflation means that the value of food being bought has been rising – dramatically at times
- > But people have been buying less food despite population estimated to have increased 1% per year in each of 2022 and 2023
- > Moving average removes seasonality impact
- > NB Food volume in ONS data now referenced to 2022£, but graph scales chosen to emphasise impact of cost-of-living crisis





Internet retail – weekly value by month inc October

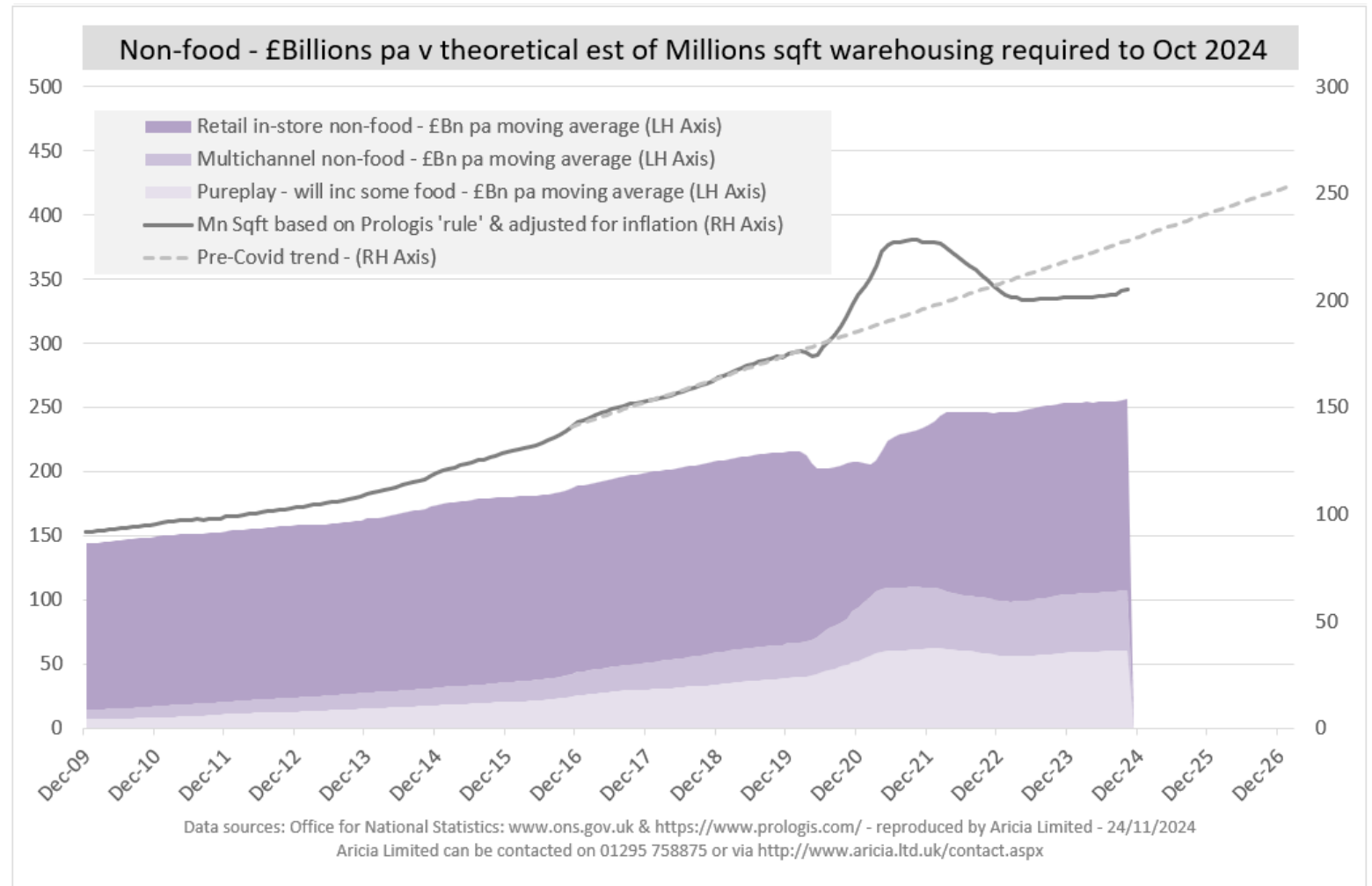
- > Regular patterns and trends pre-Covid
- > Food (green) and non-food (blue) internet sales from stores still well above pre-Covid trend line
- > However, non-store retailing internet sales = Pureplay (red) was just about back down to that pre-Covid trend line in September
- > IMRG organise weekly online events which look at performance data and also presentations by sponsoring partners
- > YoY revenue for internet retail has been down for the past few weeks BUT Black Friday has moved backwards in the calendar to 29 Nov



Non-food retail – inc theoretical warehousing requirement

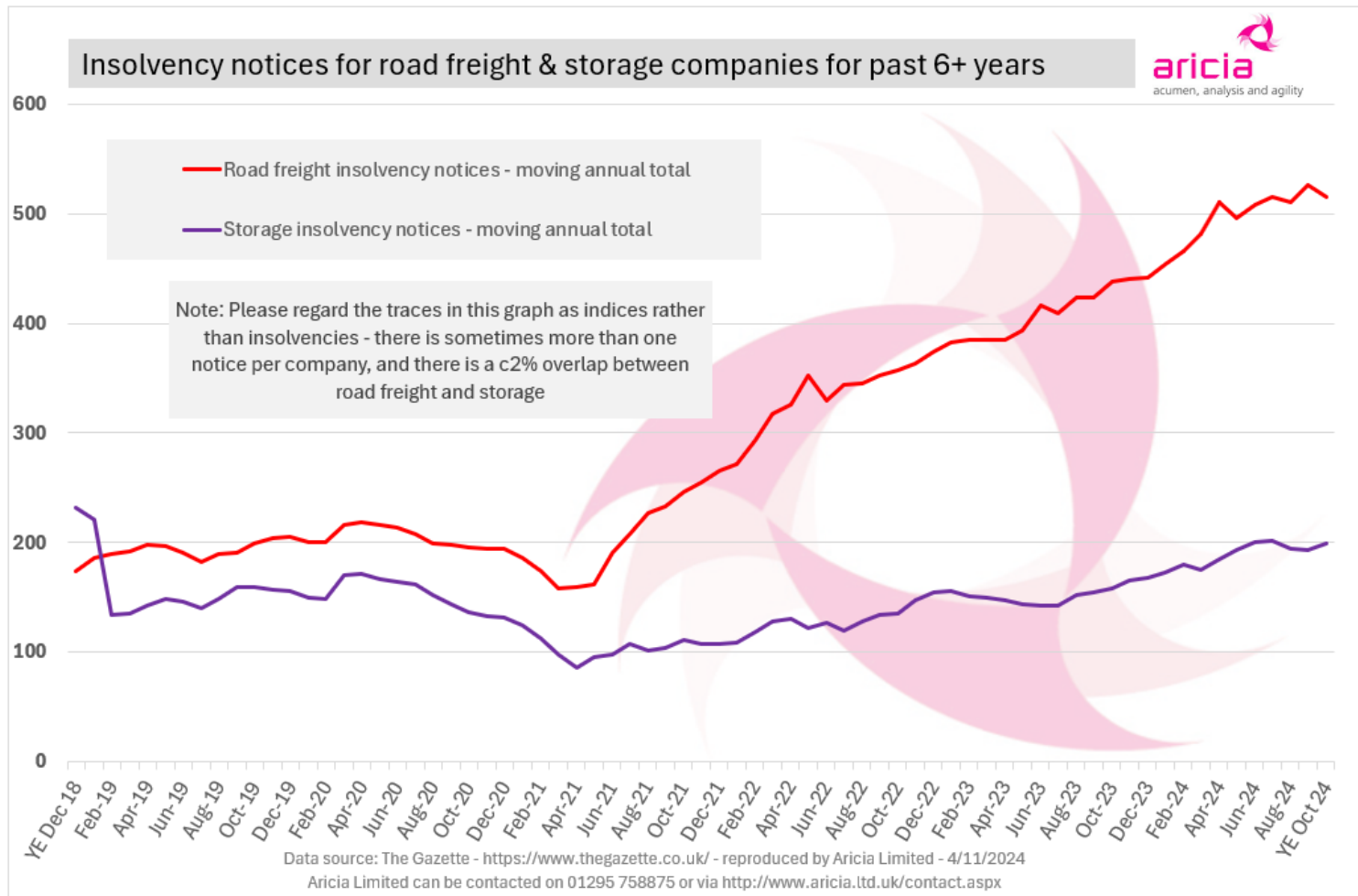


- > Shaded areas represent **non-food** retail & internet at **sales value**
- > Does include some food in Pureplay as ONS don't report separately eg Amazon pantry, Ocado, specialised food sites...
- > Dark line strips out inflation **AND** uses Prologis 'rule'* to convert to theoretical estimate of millions of sqft warehousing required
- > *Prologis analysis in 2016 resulted in a formula: online sales require approx. 3x the fulfilment space compared with bricks retail
- > The dotted trend is hand-drawn
- > What else do we know? In September more retailers & wholesalers were stockpiling than since ONS started asking back in February 2021 – lower number in November, but... November marked a return to people looking for space via LinkedIn posts





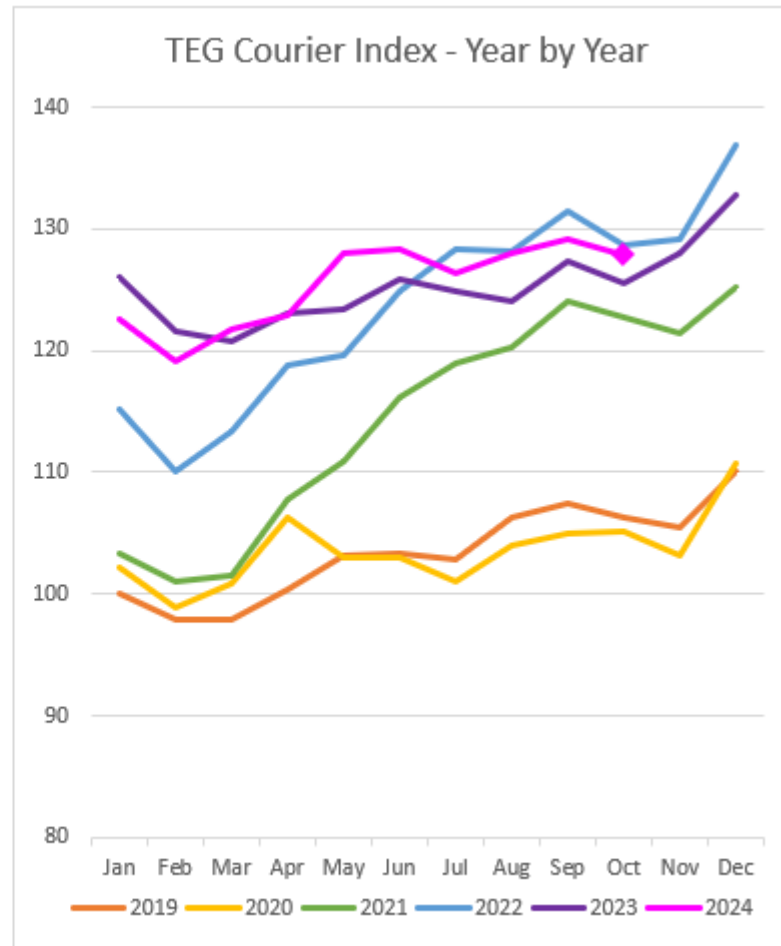
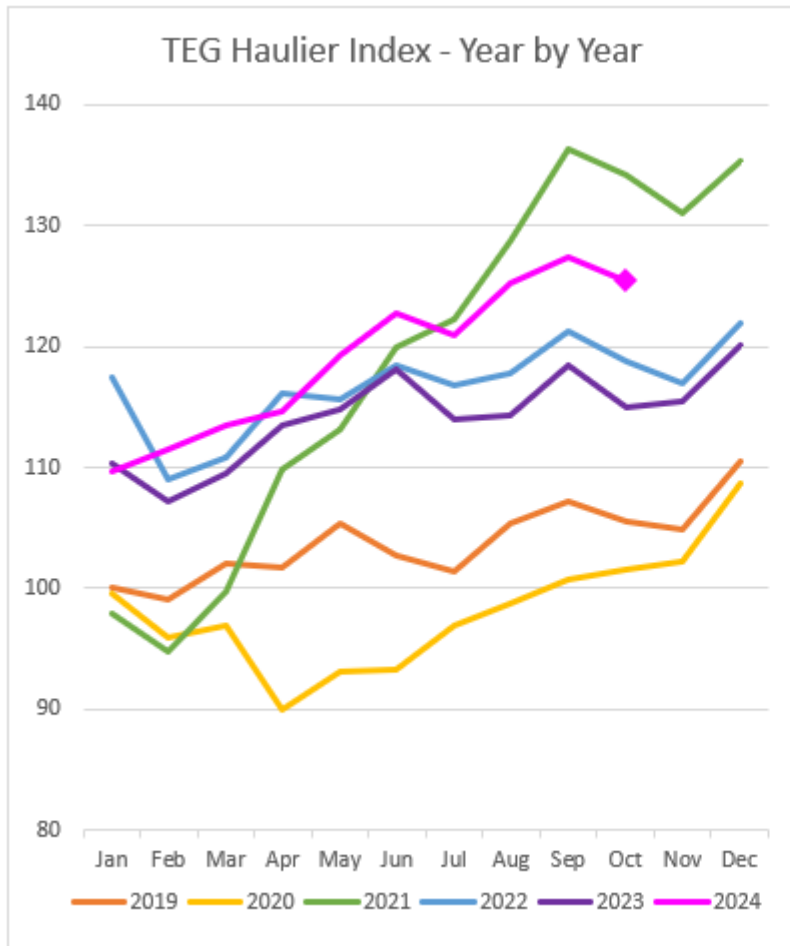
Insolvency notices – ‘road freight’ and ‘storage’



- > Regard graph as an index = no of insolvency notices
- > Search terms used were ‘road freight’ and ‘storage’
- > It’s a combination count for
 - > Administration
 - > Creditors' voluntary liquidation
 - > Liquidation by the Court
 - > Members' voluntary liquidation
- > The search terms may understate where different descriptions have been used
- > The combination count may overstate, but it is a consistent method

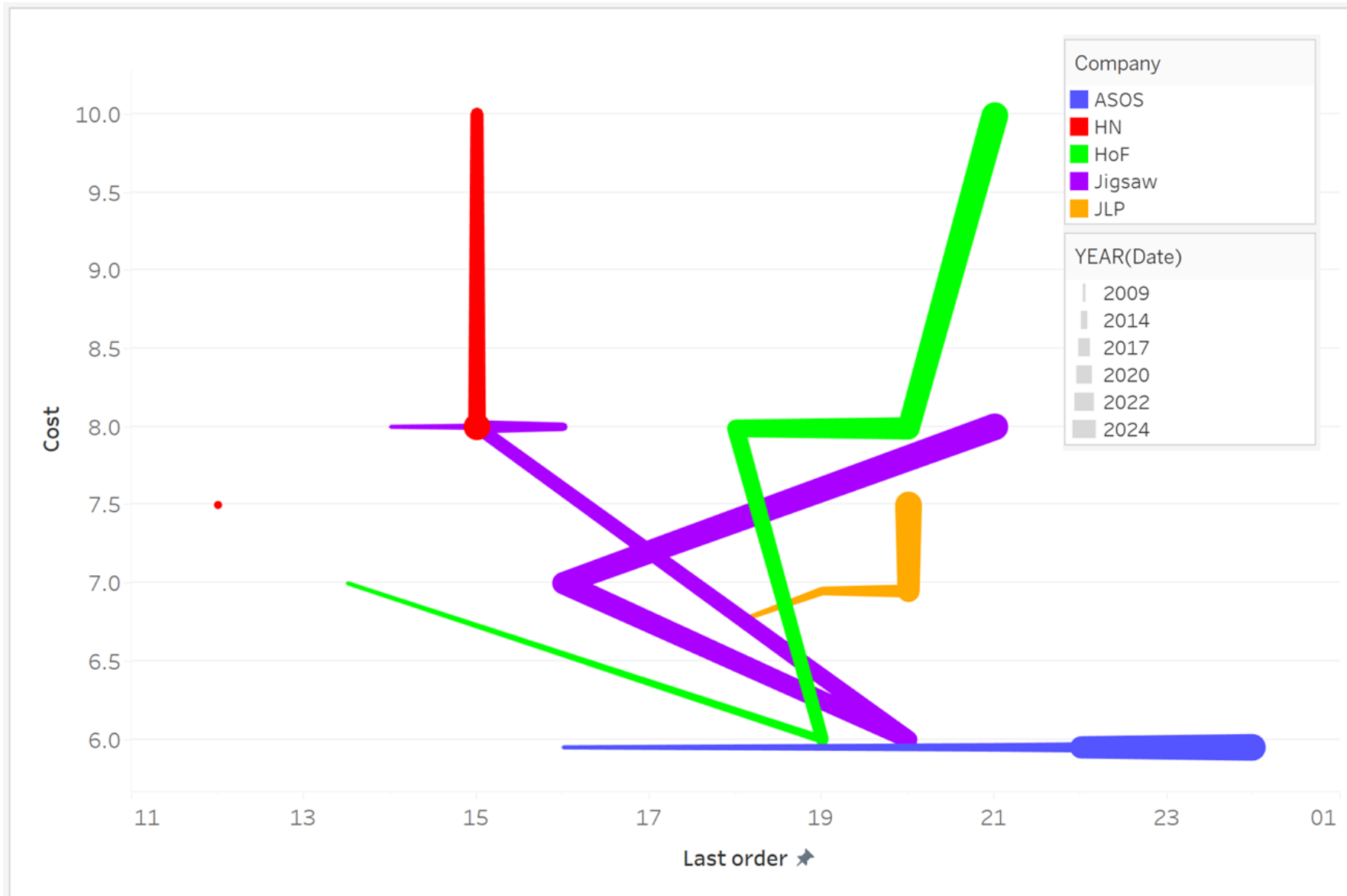


Spot rates



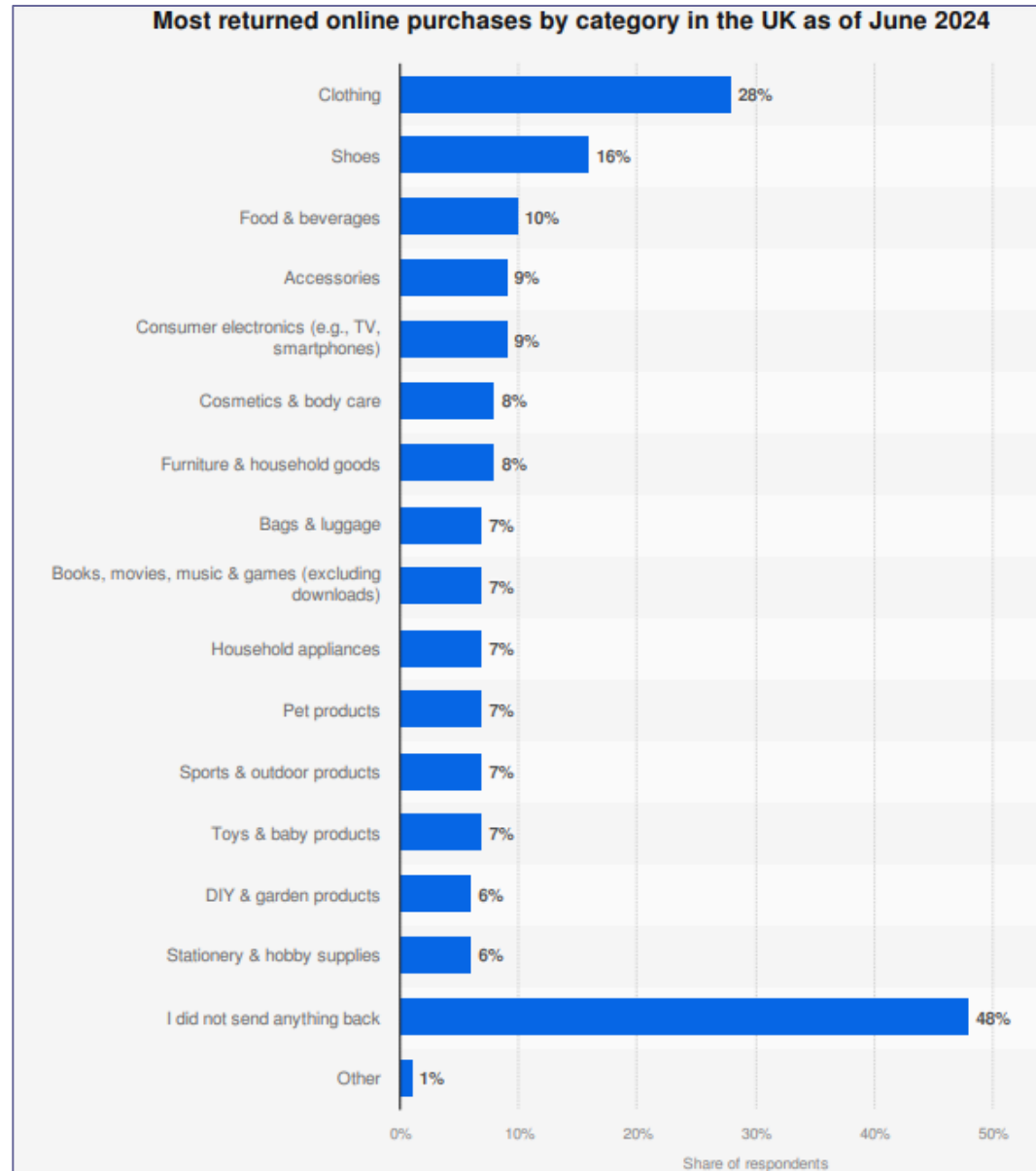
- > Transport Exchange Group produce spot rate indices based on the average pence per mile paid via its two freight exchange platforms
- > Not shown on the graph, but the ONS also produce quarterly indices, the SPPI, that include contractual relations as well
- > On average for Q3, the TEG Haulier index was above the road freight SPPI but below the 'other postal and courier' SPPI

Home delivery charges & order cut-offs for next day fashion



- ASOS lowest / most consistent pricing (& offer annual subs)
- Harvey Nichols didn't offer a next day service in 2014
- House of Fraser / Frasers now highest current charge
- Jigsaw have made most adjustments to offer over the years
- JLP have made least dramatic changes to offer since 2009

And with retail and ecommerce comes Returns!



Supplementary notes

Multiple answers were possible.

During the survey, the question was phrased as follows: "Which of these kinds of articles have you sent back after an online order in the past 12 months?"

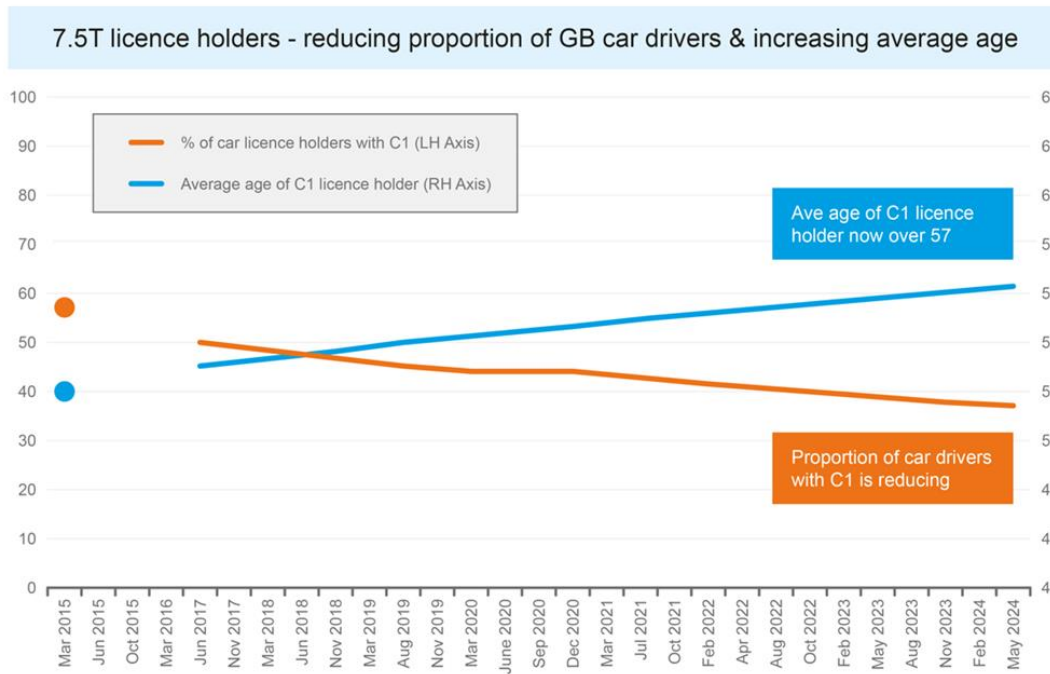
Source
Statista Consumer Insights
© Statista 2024

Additional Information:
United Kingdom; July 2023 to June 2024; 4,030 respondents; 18-64 years

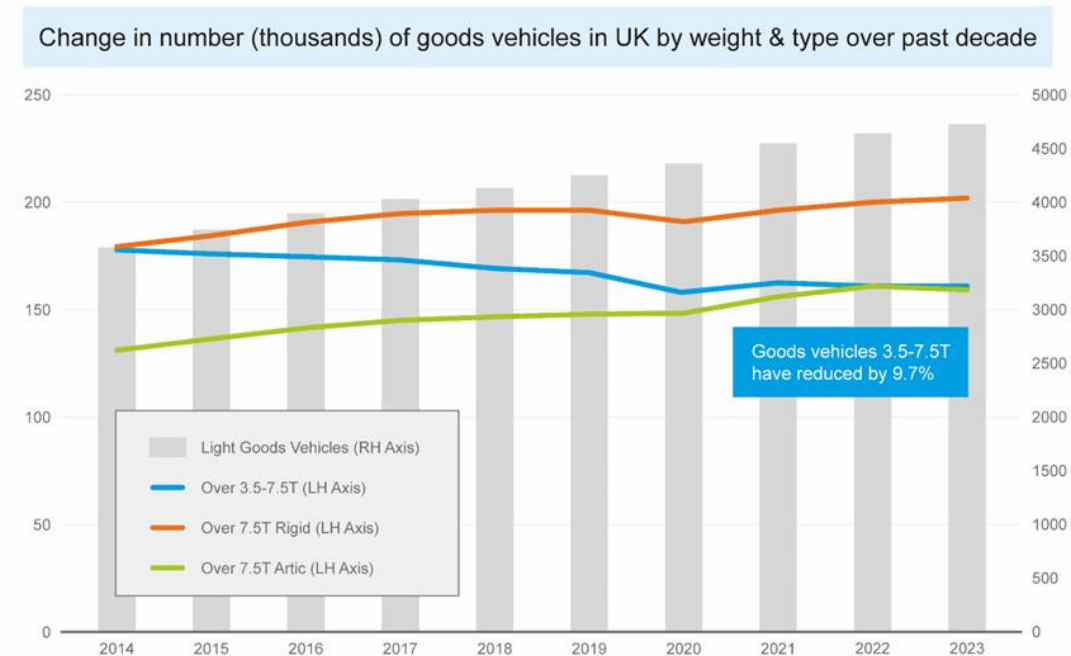


Homeware & appliances?

- > The number of car drivers who have C1 licences (for goods vehicles over 3.5T and up to 7.5T) is fast-diminishing – a category that is often used for home deliveries of larger / two-person items



Data Source – Department of Transport: <https://www.data.gov.uk/dataset/d0be1ed2-9907-4ec4-b552-c048f6aec16a/gb-driving-license-data>
Reproduced by Aricia Limited – 3/7/24 – Aricia can be contacted on 01295 75885 or via <http://www.aricia.ltd.uk/contact.aspx>

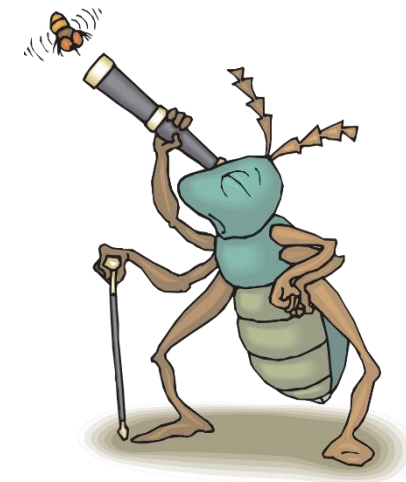
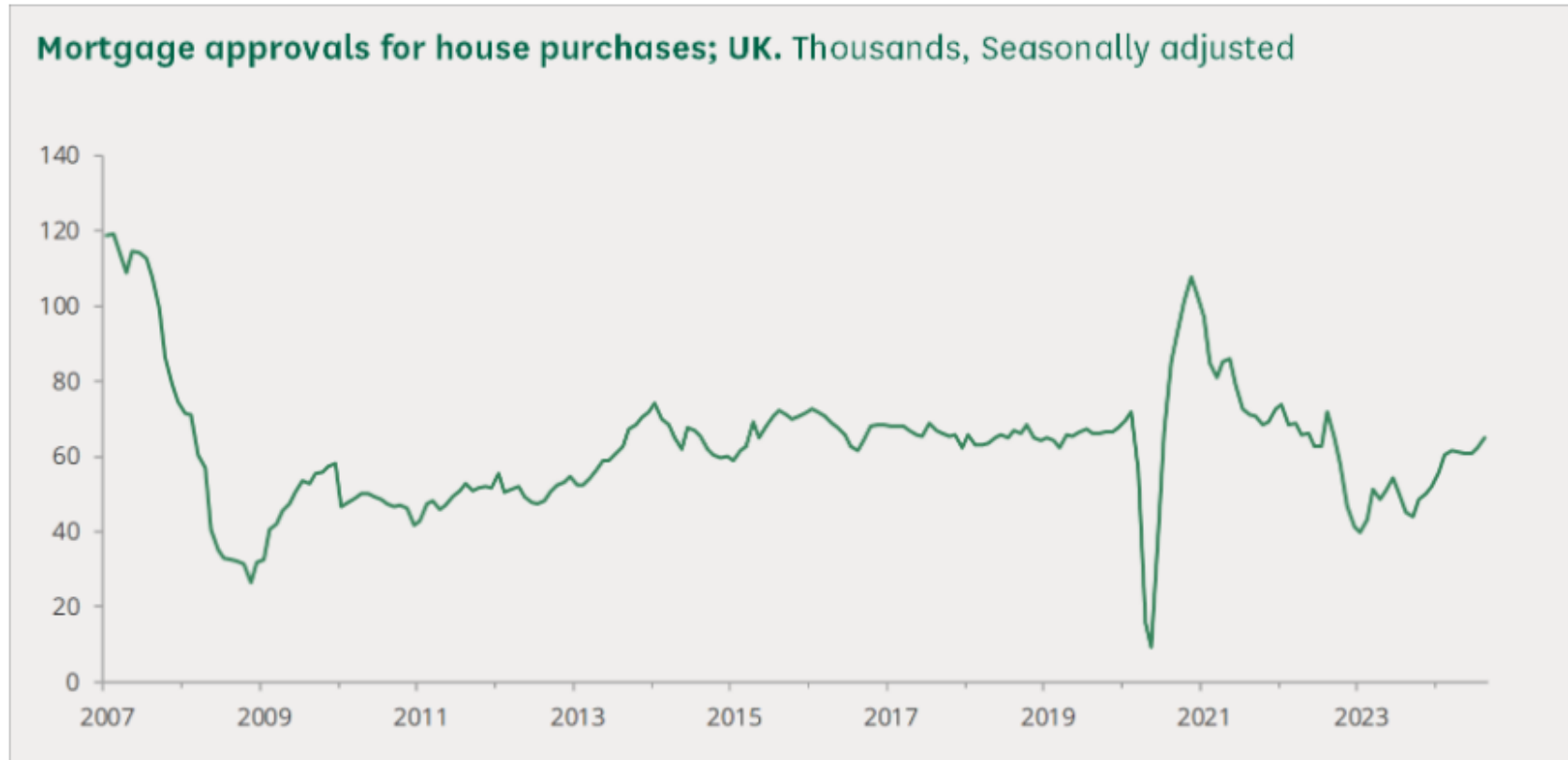


Data Source – Department of Transport: <https://www.gov.uk/government/statistical-data-sets/vehicle-licensing-statistics-data-files>
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Something that's positive for all 'sides'!

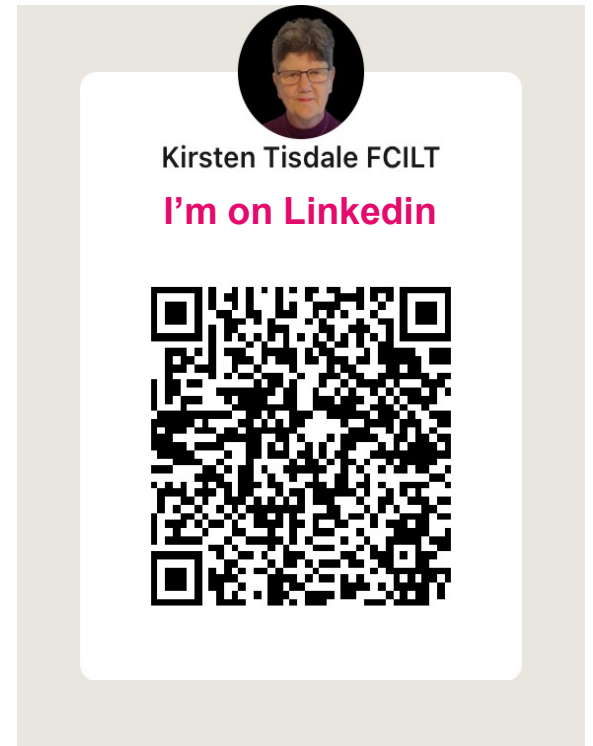
> Very nearly 50% more mortgage approvals in September 2024 compared with September 2023



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Thank you, any questions?

Sources & links for data for slides included in pdf version –
contact: forums@ciltuk.org.uk



Sources



- > Always check you have most up to date version

- > Consumer Price Inflation index: <https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7bt/mm23>
- > Diesel pump prices: <https://www.gov.uk/government/statistics/weekly-road-fuel-prices>
- > Office for Budget Responsibility – post-budget forecast: <https://obr.uk/efo/economic-and-fiscal-outlook-october-2024/>
- > Bank of England - post-budget interest rates: <https://www.bankofengland.co.uk/monetary-policy-report/2024/november-2024>
- > ING on exchange rates: <https://think.ing.com/articles/new-president-new-eur-usd-forecasts/>
- > Container rates: <https://www.drewry.co.uk/supply-chain-advisors/supply-chain-expertise/world-container-index-assessed-by-drewry>
- > ONS Retail sales inc internet sales: <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/october2024>
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- > House of Commons Library – average earnings: <https://commonslibrary.parliament.uk/research-briefings/sn02795/>
- > House of Commons Library – food banks: <https://commonslibrary.parliament.uk/research-briefings/cbp-9209/>
- > IMRG including ecommerce webinars: <https://www.imrg.org/imrg-events/>
- > Prologis 2016 report on ecommerce sqft (one off):
https://www.prologis.com/sites/corporate/files/documents/2017/02/Research_Whitepaper_Ecommerce_Impact_on_Logistics_Real_Estate.pdf
- > ONS Business Insights & Conditions Survey (inc stockpiling): <https://www.ons.gov.uk/releases/businessinsightsandimpactontheukeconomy21november2024>
- > Insolvency notices from The Gazette: <https://www.thegazette.co.uk/insolvency>
- > TEG Road Transport Price Indices: <https://transportexchange.com/road-transport-price-index/>
- > SPPI from ONS: <https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/servicesproducerpriceindexspci>
- > Home delivery charges & order cut-offs – retailers’ own websites
- > Returns rates by category: <https://www.statista.com/forecasts/997848/most-retained-online-purchases-by-category-in-the-uk>
- > Blue Arrow - decline of 7.5T driver:
<https://www.bluearrow.co.uk/recruitment-solutions/industry-insights/the-decline-of-7-5-tonne-drivers-unveiling-the-troubled-evolution-of-7-5-tonne-driving/>
- > Blue Arrow – decline of C1 vehicle numbers:
<https://www.bluearrow.co.uk/recruitment-solutions/industry-insights/navigating-fleet-renewal-and-driver-recruitment-amidst-declining-c1-license-holders/>
- > House of Commons Library – mortgage approvals: <https://commonslibrary.parliament.uk/research-briefings/sn02820/>

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