



The retail strategies to win – from first to final mile

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AT A GLANCE

The message is clear: supply chain is a core area where retailers can win competitive advantage, but transformation must happen now.

Key focuses for retailers in their 2020 supply chain strategies include warehousing, fulfilment and logistics, AI, robotics and automation, blockchain, data and predictive analytics, collaboration and sustainability. Finding the right strategic partners to help retailers transform their supply chain operations has never been more critical.

Featuring analysis of the latest supply chain trends and retailer use cases, alongside commentary from industry experts, Retail Week, AEB and Publicis Sapient's *Supply Chain 2020* report will be your go-to resource to guide and influence your supply chain strategy in the year ahead.

It also presents the opportunities available for strategic alliances to help your retail business thrive in a world that hinges on innovation, efficiency and sustainability.

WHAT DOES THIS REPORT REVEAL?

- Why, and how, retail supply chains must evolve in 2020
- The potential panaceas for supply chain strategies, from tech to transparency
- The need for retailers to embrace collaboration over supply chain silos

RWRC CONNECT: SUPPLY CHAIN 2020

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VIEWPOINT



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The retail sector continues to boast numerous examples of innovations and new technologies that drive its transformation and competitive edge. But latest findings shed light on the challenge to reconcile the widening gap between increasing investments to meet consumer demands and lowering costs in supply chain areas with continually eroding margins. These include first- and last-mile delivery, ecommerce returns, inventory management and cross-border movements.

The increasing level of consumer demands and complexity in retail supply chains is matched by the ever-greater need for flexibility, resilience and savings in 2020. It's about acting agile and being proactive. Latest research confirms that successfully navigating retail supply chains will depend on further process digitalisation, automation and collaboration – within and beyond organisational boundaries.

There is much to do, and this not only refers to deploying new technologies, equipment and partners, but to integrating existing supply chain silos across all areas. This reflects an often-forgotten aspect, but one with high economic impact. The guiding objective here (similar to

blockchain principles) is to consistently use one single set of SKUs (both physical and data) to enrich and complement throughout the supply chain, accessible and transparent to all relevant parties including suppliers, carriers, service providers and customers.

As if this wasn't enough, another topic is moving up the priority list: sustainability. And it holds great opportunities for retailers – and the potential to close the gap between new investments to meet demand and urgently required savings to make ends meet. Win-win synergies can be tapped to shape the consumers' increasingly green mindset and support their eagerness to contribute to sustainability. Full transparency on options for products and deliveries based on economic value and environmental impact enhances the customer offer and lowers retailers' logistics costs at the same time.

Operating supply chain silos, together with the lack of system and partner integration, present key obstacles for retailers; get this right and reap the benefits of innovations in this constantly evolving sector.

This report delivers many more fresh insights for your own 2020 supply chain strategy and tangible measures for action. We hope you enjoy the read.



Complexity in retail supply chains is matched by the ever-greater need for flexibility



AEB (INTERNATIONAL)

AEB's wide range of software solutions support the supply chain processes of more than 5,000 companies in 75 countries.

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VIEWPOINT



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In our work with leading retailers such as Tesco, Carrefour and Pandora, we see supply chains are no longer considered to be cost centres but growth engines, and near real-time supply chains are no longer a myth.

Supply chains are now considered to be a key part of delivering an enhanced customer experience, as evidenced in the fact that supply chain leaders are now being measured and incentivised on KPIs such as net promoter scores.

Winning the retail war profitably in 2020 will require supply chains to be customer obsessed, growth focused, cost-effective and underpinned by digital technologies. We expect winning retailers will be focused on the following:

1. Enhancing the customer experience: Leveraging supply chains to enhance the end-to-end customer experience to not only deliver 'perfect' orders (eg on time, in full, zero defects), but also in reducing friction during the path to purchase by providing high product availability and delivery assurance.

2. Near real-time supply chains: Increasing profitability by leveraging the power of near real-time supply chains to plan, simulate, sense and respond to the demanding needs of the customer.

3. Being digital: Unlocking value throughout the supply chain by embracing digital technologies such as artificial intelligence and cognitive automation to make best use of big data and hot data.

4. Managing returns profitably: Building a competitively advantaged return capability that optimises products, the purchase experience and the cost of the return, all while maximising customer value.

5. Adopting an agile mind-set: Enabling supply chain business leaders to become product owners with an agile mindset, driving an agile organisation to deliver multiple releases a day, similar to a software engineering or technology-led team.



**Near
real-time
supply chains
are no longer
a myth**



PUBLICIS SAPIENT

Born digital, Publicis Sapiient is uniquely qualified to solve some of the most pressing issues in retail. Through strategic creativity and engineering, we address the technological, operational and experience issues that are hindering ecommerce profitability and supply chain efficiency today. We help retailers leverage data to build the right mix of products, optimise pricing and promotions, and deliver against customer expectations in order to drive growth and scale in the digital age.

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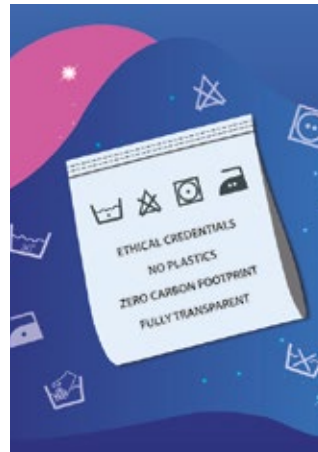
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CHAPTER I

THE OPPORTUNITY FOR RETAIL SUPPLY CHAINS



- Retailers are investing more in supply chain but don't have transparency on what's working
- Ethical and sustainable concerns are now a key factor in strategic decisions
- Technology is changing the game but bold partnerships are just as exciting

While many retailers are remodelling their supply chains for the multichannel age, there are swarms of retailers whose supply chain strategies are crying out for a makeover.

Research from Retail Week published in May 2019 shows that 41% of retailers are investing between 11% and 20% more in their supply chains than they did three years ago.

However, in the same study, 29% of retailers admitted to not having true visibility of their supply chain, demonstrating how many businesses operating in the sector are not sure if their current models are working.

Investment in retail supply chains ranges from first to last mile. It comprises new factory and warehouse facilities, as well as the race to get goods ordered online into people's homes or to a collection point as quickly and conveniently as possible.

In addition to this warehousing and logistics focus, the retail supply chain evolution increasingly has an ethical and sustainable emphasis, as social pressure and the impact retailers have on the environment continue to influence strategic decision-making.

The emergence of technology such as artificial intelligence (AI), automation and the growth of blockchain is enabling retailers to change the way they operate or replace traditional models altogether. And it's garnering interesting results.

Retailers such as Ocado and Farfetch are leveraging their technological expertise, expanding their services capability and helping third parties modernise, while other supply chain partnerships are forming.

The following four chapters will illustrate the various strategies retailers are employing as they strive towards finding a relevant supply chain model for 2020 and beyond, as well as showcasing the opportunities for you to follow their lead.

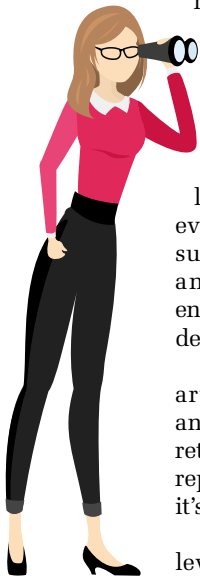
SUPPLY CHAIN

SUPPLY CHAIN

SUPPLY CHAIN

29%

OF RETAILERS IN 2019 DON'T HAVE TRUE VISIBILITY OF THEIR SUPPLY CHAIN



CHAPTER 2

OPTIMISING SUPPLY CHAIN IN THE EVOLVING LANDSCAPE



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- **Despite growing pains, retailers are fully invested in automation**
 - **Retailers are redefining warehouse space, with Alibaba's Hema leading the way**
 - **Blockchain is emerging as a potential panacea for food chains and the shipping of goods**

Twentieth-century shopping habits typically dictated a steady supply of goods from source to warehouse and then to stores – often ramped up at peak times. Yet the advent of digital retailing at the turn of the millennium has created new criteria around procurement, processing and fulfilment for UK retailers.

Today's landscape demands greater efficiency on a continual basis. In its 2018 report *The Future of Retail Supply Chains*, management consultancy firm McKinsey remarked that “meeting the multichannel consumer's increasing expectations for speed and convenience is forcing many retailers to revamp obsolete supply chains designed for a single-channel world”.

Such change is naturally evolving how products are sourced, stored and tracked, and retailers are adopting new methods and strategies to manage these processes.

Smartening up

Analyst group Gartner's 2019 CIO survey shows a major trend among retail business leaders towards exploring the power of AI within their organisations, with 42% expecting to have deployed it in some way by 2020.

Retail Week's June 2019 report *AI in Action* found that 50% of retailers are already using AI within their businesses, with 21% planning to invest anywhere between £1m and £20m in this area in the next 12 to 36 months.

Gartner senior director and analyst Thomas O'Connor says: “Historically with AI in the supply chain you think about planning, optimising the demand forecast, but we're seeing growing user cases around AI for inbound logistics into distribution centres and order management. It's an area of emphasis for leaders at the minute.”

An automation evolution

From pureplays such as Asos and Boohoo, to bricks-and-clicks retailers such as JD Sports and Matalan, warehouse automation is rising up the UK retail agenda.

While revenue remains solid at online retailer Asos, it has issued two profit warnings since December, in part owing to “operational issues associated with our transformational warehouse programmes”.

In July 2019, the etailer reported that group revenue was up 12% to £919.8m in the four months to June 30. Despite the sales increase, the retailer had to downgrade its full-year profit expectations from £55m to between £30m and £35m.

In the US, multinational retailer Walmart has 'Eden', an AI-based algorithm assessing product flow across distribution centres and monitoring freshness of SKUs. If an inbound delivery is late, the system reroutes products to a closer-proximity store rather than its target location to preserve shelf life of those goods.



Over the past three years, Asos has invested around £500m into its technology and warehousing across three territories: the UK, the EU and Atlanta in the US. It's a disruption that Asos chief executive Nick Beighton attributes to its dip in profitability.

The retailer's string of profit warnings underlines the growing importance and ROI of the robotics and warehouse tech it's investing in.

Commenting on the projects, which include automating processes in its Atlanta and Berlin warehouses, Beighton has said: "The move to a multi-site logistics infrastructure will enable us to offer customers across the world our market-leading proposition and facilitate our future growth, as well as leading to longer-term efficiency benefits."

In grocery, the pin-up for robotics in the retail warehouse is Ocado. It is rapidly growing its services business by building robotics-heavy warehouses and providing proprietary technology to third parties.

Before a fire destroyed Ocado's Andover site in early 2019, it was heralded as the future in warehouse automation with robotics and AI helping to create what the company described as "4D optimisation". By assessing its ecommerce order pipeline, the system was able to automatically choose



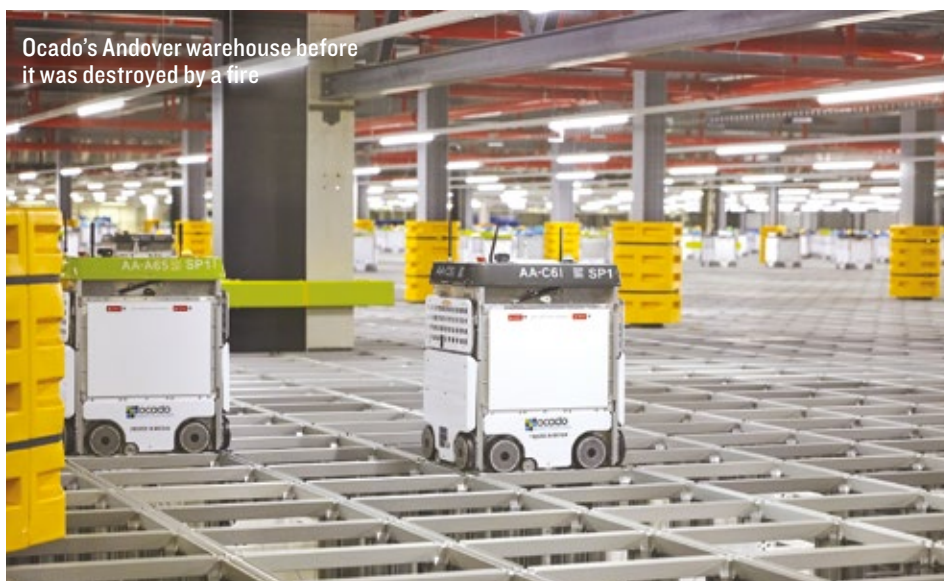
AI is an area of emphasis for leaders at the minute

THOMAS O'CONNOR, GARTNER



which boxes to pick, and the machine-learning capability of the software could adapt to carry on efficiently if parts were to break down.

While the Andover site will be rebuilt, much of Ocado's technology lives on at its Erith warehouse, which features an automated grid system comprising 72,108 bins, 94 robots, 14 carousel ports and seven conveyor ports to improve its picking and packing efficiency.



Ocado's Andover warehouse before it was destroyed by a fire

And, in May 2019, Ocado enhanced its robotic prowess further when it took a minority stake in Karakuri, a robotics start-up that automates the preparation of ready-to-eat meals.

The future use of robotics in retail is a subject that continues to persist, with the technology influencing every touchpoint of the journey of goods, from procurement to fulfilment.

The impact of robotics stretches back to the very start of the retail supply chain too.

The John Lewis Partnership, for example, has recently started a three-year trial with agricultural tech start-up Small Robot Company to test autonomous farmbots at its Waitrose & Partners farm. The small robots take care of every single plant on an individual basis, giving them the perfect level of nutrients and support, with no waste. The technology is expected to boost yields, improve soil health and increase efficiency, and is said to have the potential to increase farmer revenues by up to 40% and reduce costs by up to 60%.

The field trial has begun with a prototype robot that is fitted with cameras. Weighing just 10kg, the robot moves autonomously across the farm's wheat field to obtain a pinpoint-accurate plant-by-plant view.

Through this data collection, the Small Robot Company will develop its machine learning in a variety of scenarios, such as differentiating between weeds and terrain, and build new prototype machines in the process. The robots are expected to deliver considerable environmental benefits too. As the robots are lighter than traditional tractors, they reduce the damage caused to soil by current farming practices.

The sharing economy

Industrial and logistics investment volume hit record levels for the UK in 2018, according to property consultancy Lambert Smith Hampton (LSH) in its *Industrial & Logistics Market 2019* report. A whopping £8.4bn of assets changed hands, propelling the sector to outperform the rest of the commercial real estate market.

James Polson, national head of industrial and logistics at LSH, says: "The driver remains the UK's evolving ecommerce



Retailers such as Holland & Barrett are exploring the option of sharing warehouse space

sector, with investors and occupiers alike clamouring for stock."

In some parts of the UK demand for warehouse space is outweighing supply, and there is evidence of new deal structures between supplier and occupier. LSH says landlords and developers must start collaborating more closely with their customers to build bespoke facilities that match the changing world of commerce.

As warehouse space becomes more limited, and with pressures mounting around the impact of retail logistics on the environment, retailers are exploring the option of sharing space.

Speaking at the 2019 Delivery Conference, Emma Mead, then group omnichannel director at Holland & Barrett (now digital director at Halfords), suggested that co-sharing warehouse facilities was on the health food and supplements retailer's roadmap – particularly to support international expansion.

She said: "As we move to different regions, we're going to start using multi-operating facilities. That's what we'll do in Sweden, where we are standing up next, and Singapore. We need to find partners who will work with us, who share our goals and want to achieve the same things we do."



Alibaba's Freshippo in action

Redefining warehouses

Retailers are also looking at ways to leverage their stores as mini warehouses. Argos is a pioneer in this space and is known for its instant reserve-and-collect services, which have reaped plaudits and driven sales.

Fashion and luxury retailers including Ted Baker, Whistles and Radley have deployed ship-from-store systems too, whereby online orders can be fulfilled by a local store rather than a warehouse if deemed more efficient.

As many retailers continue to plan what to do with their stores in an ever-more digitally influenced shopping landscape, leveraging stores for online orders makes sense. However, this facility does require significant investment in endless-aisle technology, or similar, for retailers to properly gauge what inventory they have and where every item of stock is held.

Alibaba Group's Freshippo chain in China (known as Hema in its home country) boasts stores that resemble part-supermarket, part-factory, which sell groceries using a host of AI and automation to support its functions.

David Lloyd, general manager for the UK, Nordics and Netherlands at Alibaba Group, says the stores act as warehouses,

enabling visitors to scan items and have them immediately picked, packed, added to a ceiling-based conveyor and delivered to the customer's home – often within 30 minutes of purchase.

“We’re redefining what it can look like, what convenience and speed and products should be expected,” Lloyd explains, adding that Alibaba maintains complete visibility of inventory across its store estate.

Retail delegations from around the world are flocking to see these stores in action to gain inspiration for what can be done, and Alibaba believes it’s operating a model in Asia that will arrive in UK and European grocery in due course. Businesses are looking to Alibaba’s model for inspiration too.

For instance, Starbucks is on record saying it rolled out last-mile coffee delivery in the US, in partnership with Uber Eats, based on learnings from working with Alibaba’s food delivery service Ele.me in China.

Shipping out

The dropshipping model offers an alternative solution to tackle issues of limited warehouse space and upfront investments in stock.

Dropshipping is where retailers work with third-party brands to buy stock upfront to sell via their own websites, with the brand then taking care of warehousing and fulfilment – significantly reducing costs.

Research from Retail Week published in April 2018 found that 48% of retailers were currently using the dropshipping model or were in the process of implementing it, while a further 22% were in the consideration phase.

The business of blockchain

As retailers strive for more efficiency in the supply chain and consumers continue to demand greater transparency about the procurement of goods, blockchain has emerged as a potential panacea.

Blockchain is a digital system whereby multiple organisations in a supply chain share key data points to enable better transparency around issues such as item origin, where a SKU is in the distribution process and product authenticity certification.

Gartner's O'Connor says: "Blockchain is a modernisation of inventory visibility for a business. That's how it's being leveraged in retail, grocery in particular."

While blockchain has not widely penetrated retail yet, companies such as

IBM are looking to take a lead in bringing parts of the industry together and creating united supply chains.

IBM has developed the IBM Food Trust alongside companies such as Kroger, Nestlé and Carrefour to provide end-to-end supply chain visibility of food products. The global tech titan has also formed TradeLens – a collaboration with container ship and supply vessel operator Maersk – where 90 organisations share shipping data that helps track the supply of goods.

China's Alibaba has also been using blockchain to make strides in developing more transparent supply chains. Its Freshippo grocery stores offer 2,000-plus individual SKUs with easily accessible supply chain information: shoppers scan the items in store with the Freshippo mobile app and can find out details such as where the item was grown and when it was picked, as well as more about the farmer.

Alibaba's Lloyd has acknowledged that food provenance and safety is "table stakes", meaning it's the bare minimum for retailers looking to take a seat at the sustainability table. He also says retailers "have to get it right" to meet the demands of today's consumers.

Carrefour has been one of the first businesses to explore the commercial benefits related to blockchain. The global grocery player uses blockchain to provide data to shoppers about the origin of its private-label antibiotic-free chicken – from production to distribution. Consumers can locate the information simply by scanning a QR code.



CHAPTER 3

DELIVERING SUCCESS IN THE FINAL MILE



- Consumer delivery expectations are only increasing – can retailers keep up?
- Forecasting order demand and preparing appropriately is a priority
- Retailers are taking steps to solve the £60bn returns problem

etail trade body IMRG's *Consumer Delivery Review* found that concerns over failed delivery and costs of fulfilment significantly reduced UK consumers' overall online delivery satisfaction in 2018 – the first notable decline in sentiment for nine years.

As this finding demonstrates, consumer delivery expectations are increasing, which is why so many retailers must look to improve the final-mile experience over the coming year.

Last-mile logistics

From robot deliveries trialled with grocers such as Co-op and Tesco, to Icelandic marketplace Aha's deployment of drones in Reykjavik, retailers around the world are investing time and money into transformative last-mile logistics.

Starship Technologies is a go-to automated robot delivery provider for retailers testing this type of technology in the UK. The Silicon Valley-based tech company is working with Tesco and is extending its Co-op partnership, having recently started delivering from a second Co-op store in Milton Keynes.

The tech enables customers in the local area to receive Co-op groceries in under an hour. Starship app users place an order with Co-op, which prompts store staff to pack their purchased items in a locked compartment on the robot. The robot travels to its destination using in-built cameras, sensors and GPS, and customers then unlock the delivery via the app once the robot arrives.

Speaking in April 2019, Jason Perry, senior strategy manager for food digital, said the grocer was on track to hit 15,000 deliveries through the partnership – highlighting how robots are more than hype.

Waitrose is pushing the boundaries in last mile too with its 'While You're



Co-op has been delivering groceries with Starship Technologies

Away' service that, rather controversially, allows participating customers to receive deliveries to their fridge even if they're not at home.

Some 818 UK postcodes within the remit of Waitrose's Coulsdon fulfilment centre in Surrey can now sign up for the service, which utilises Yale smart-lock technology. Shoppers grant home access to a Waitrose delivery driver by setting a temporary code on the lock via their mobile app so the grocer can deliver goods straight to in-home storage.

"So far, the response from customers has been hugely positive," says Richard Ambler, head of business development at John Lewis Partnership Ventures, which drives the project.

Numbers game

Data is being deployed to create more efficient retail logistics and this will become more frequent in 2020, with telematics (devices such as GPS that merge telecommunications and infomatics) a key investment area for supply chain directors.

Argos, Co-op and Morrisons are among the retailers using telematics within their delivery fleets to save petrol costs, optimise routes and track performance.

Across the wider retail world, where online delivery peaks and troughs throughout the year, forecasting teams need to understand when demand will hit and prepare accordingly.

Bruce Harryman, senior manager for national distribution network planning at the John Lewis Partnership, spoke at the 2019 London Delivery Conference in February. He relayed the detailed analysis and forward-planning required for the retailer's annual fourth-quarter peak period.

Harryman said the 2019 peak could be "the most challenging yet" for John Lewis' online fulfilment because of the shortened time period between Black Friday and Christmas Eve compared with 2018.

"We all know Black Friday is massive; online sales and units sold are roughly 11 times more on this day for John Lewis than our smallest sales day of the year," he explained.

"Customers [used to start their Christmas] shopping after the schools went back from half-term at the end of October, but now they delay it until the Black Friday period. Between Black Friday and Christmas Eve, that's when we're seeing significant growth."

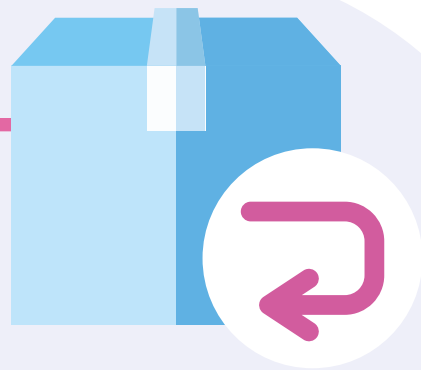
Harryman also suggested that the change in devices that consumers use to shop for goods has impacted retail supply chains. John Lewis' data shows that the rapid increase in people using smartphones to make purchases has led to a larger number of single items being ordered per customer.

"That absolutely affects our fulfilment and how parcels are leaving our network," he noted, adding that in the days of dial-up internet consolidated orders were more common.

Ruling returns

Retail technology company Clear Returns recently estimated that the accumulative cost of returns to UK retail is approximately £60bn a year. And fashion retailers are more impacted than most by the costs of customers sending or taking back unwanted items.





RETURNS COST UK RETAIL
£60BN
A YEAR



John Lewis says smartphones have impacted supply chains, with customers more likely to make single-item orders



“Returns is the great unsolved challenge of ecommerce with any clothing retailer,” asserted Marc Dench, chief financial officer of British lifestyle retailer Joules, at the eTail Europe 2019 conference.

He added: “There’s a huge amount to do on it because it’s a massive drag on profitability, but you have to make it easier for a customer to return, otherwise they’re not going to buy from you.”

Retailers are developing ways to ease the burden of returns, with Joules encouraging customers who want to return items to do so in its stores because “it costs less and gives us a chance to interact with the customer”.

Now, according to Dench, 35% of Joules’ returns come via its stores with its returns now less of a “drag on its profitability”. In its July 2019 results it posted a 19.4% rise in underlying pre-tax profit to £15.5m for the 52 weeks to May 26.

Yet, for some retailers a cross-channel interaction capability is not an option.

As a pureplay, Asos is one of a host of retailers looking at ways to reduce returns and tackle “serial returners”.

In April 2019, the fast-fashion retailer revealed it had extended the time customers can return an item (from 28 days to 45 days)



while simultaneously introducing new terms and conditions. The terms dictate that, if an item is returned between 28 and 45 days, the customer is given an Asos voucher and not a refund.

It also revealed that it would be launching a crackdown on shoppers who present “unusual patterns”. Asos said: “If we notice an unusual pattern of returns activity that doesn’t sit right – eg, we suspect someone is actually wearing their purchases and then returning them or ordering and returning loads – then we might have to deactivate the account and any associated accounts.”

Winds of change

There have also been several recent examples of retailers cautioning the unsustainable cost of getting products to online customers for same- or next-day delivery. This has resulted in retailers seeking out viable substitutions.

Amazon’s Day service, for example, encourages Prime members to choose a specific day of the week when all their deliveries will arrive together, regardless of what point in the week they were ordered, while in the US, PetSmart and Walmart now offer cheaper prices to online shoppers if they collect their orders in store.

Ocado has been pioneering delivery substitutions for some time with its ‘green van’ delivery slots. To save on fuel and reduce road congestion and traffic, Ocado enables shoppers to opt in to find out when a van is already in their area, or expected to be in their area, and can deliver groceries directly.

Gartner’s O’Connor notes: “Retailers have oriented towards faster fulfilment, but we’re starting to see businesses rethink it. They are asking: ‘How can we trade off speed for some sort of alternative reward for the consumer that allows us to ship to them more slowly?’”

CHAPTER 4

SUSTAINABILITY IN THE SUPPLY CHAIN



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- Consumers are demanding greater sustainability – act now
 - Fashion retailers are hopping on the trend for transparency
 - Is it time for retailers to follow Unilever’s lead and wind down products that serve no social purpose?

Consumer demand for sustainable products – driven by growing societal concern around the environmental impact that businesses and goods have on the planet – is influencing retail supply chains and is set to be of greater focus in the year ahead.

Scientists, political leaders and newspapers have started to abandon terminology such as “climate change” and are instead focusing on more emotive phraseology such as “emergency” and “crisis”. *The Guardian*, for instance, now talks of “global heating” not “warming”. And retailers are listening.

According to research from trade body the British Retail Consortium (BRC) published in August 2019, almost 30 retailers – including Kingfisher, Morrisons and Sainsbury’s – have collectively reduced their absolute carbon footprint by 36% since 2005.

These retailers, signatories of the Better Retail Better World initiative, are reported to have improved their environmental footprint by making changes to supply chain operations. For instance, the group’s carbon emissions from transport have reduced by 19% and 9%, respectively, over the last two years (19% in 2017 and 9% in 2018).

The BRC says that, while great progress has been made by these retailers in carbon reduction, reducing emissions from transport and refrigeration still requires more work.

Change in action

Retailers are already stepping up their sustainability activity, particularly in the fight against plastic pollution, and this will broaden in 2020. Boots is in the process of replacing plastic bags at checkouts with paper bags and expects to complete that roll-

out by early 2020, while Aldi and Iceland are making similar moves.

In August, Lidl became the first UK supermarket to introduce reusable bags for loose fruit and vegetables across all of its stores. The grocer stopped the sale of all single-use plastic carrier bags in 2017, which it said resulted in 26 million fewer plastic bags being sold annually.

Figures from the Department for Environment, Food & Rural Affairs

A GROUP OF ALMOST 30 BRITISH
RETAILERS HAVE REDUCED
THEIR CARBON FOOTPRINT BY

36%

SINCE 2005



Lush's Naked store format



released in July 2019 show that the seven main retailers – Asda, Marks & Spencer, Sainsbury's, Tesco, Co-op, Waitrose and Morrisons – issued more than 6 million fewer bags in 2016-17 compared with the calendar year 2014 – the year before a 5p bag levy came in.

Beauty retailer Lush has gone one step further and launched 'Naked' stores, where all products are sold *sans* packaging.

Retail with purpose

In fashion, the sustainability focus is more centred around the individual materials used in products. Boohoo, H&M, Asos, Farfetch and Zalando are among the retail players creating and promoting ethical edits within their online inventories.

Luxury fashion marketplace Farfetch has recently launched a resale service

that allows shoppers to sell back 'pre-loved' designer handbags to the company to support a more circular economy.

Boohoo – one of the fast-fashion retailers under scrutiny in a recent government review for its "throw-away" clothing culture – now sells recycled collections. In June 2019, it unveiled its For The Future range, which incorporates items made from recycled materials and manufactured in the UK to reduce air miles.

H&M, known for its Conscious clothing line that uses sustainable materials, has recently upped its product transparency



focus. It has started including information about materials and factory of origin next to all online products as 'transparency tags'.

In July 2019, Unilever showed it was taking a firm stance on sustainability when it warned it would be selling off its brands – such as Marmite, Magnum and Pot Noodle – that do not “contribute positively to society” and would only make products that had a “purpose”. Similarly, in August, Tesco announced its plans for 2020 to ban brands that use excessive plastic packaging from its shelves.

While Unilever chief executive Alan Jope hasn't put a timeline on when it would look to sell off unsustainable brands, this hardline approach from both retail giants could see others follow suit.

Speaking to Retail Week in August, Co-op director of product development and technical Breige Donaghy said she believed that Unilever's statement would “help to

instigate debate and challenge other brands and retailers to consider the impact of their operations on the environment to help develop sustainable solutions”.



Unilever has warned it will scrap unsustainable brands like Marmite



Retailers should consider the impact of their operations on the environment to help develop sustainable solutions

BREIGE DONAGHY, CO-OP



CHAPTER 5

COLLABORATING TO CONSOLIDATE YOUR SUPPLY BASE



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- Retailers are embracing collaboration over supply chain silos
 - Retail partnerships and tech tie-ups are shaking up supply, delivery and fulfilment
 - But retailers need to be wary of ceding too much control over last mile

Retail Week research from May 2019 found that 42% of retailers want to work more collaboratively with supply chain partners to re-engineer their businesses. Recent retail activity reflects the move to collaboration and a shift away from silos.

Convenience grocer Co-op is going through what it describes as “the biggest retail business transformation it has ever undertaken”, and this involves working more closely with its suppliers.

Its transformation began in July 2019 with the introduction of a system to improve ranging, stock holding, availability and more accurate forecasting information, supported by a new cloud-based supplier collaboration portal (dubbed Co-op Connect).

Co-op is now working with 15 of its key suppliers, including Coca-Cola and Kimberly-Clark, to test the system before full roll-out. Such a move underlines the importance for retailers – in this period of rapid change for the sector – to involve suppliers at each stage of the journey.

Speaking to Retail Week, Aaron Chatterley, co-founder of online beauty retailer Feelunique, agrees with the need for a collaborative approach. He believes that “in retail, you’re nothing without your suppliers” and says “it’s important we do whatever we can to build, develop and strengthen those relationships”.

Uber is another name that has been stepping up its supply chain collaboration with retailers via its Uber Freight offering.

While yet to reach the UK, Uber Freight is a service that operates in a similar vein to Uber in that businesses looking to ship goods can use the dedicated app to find a freight truck in their area and book loads on to it 24/7. The shipper can then track the load and receives a receipt when it reaches its destination.

42%
**OF RETAILERS WANT TO WORK
MORE COLLABORATIVELY
WITH SUPPLY
CHAIN PARTNERS**





In retail, you're nothing without your suppliers

AARON CHATTERLEY, FEELUNIQUE



The service – labelled as ‘logistics on demand’ by Uber – has been rolled out in the US and is now being expanded to the EU, with recent launches in the Netherlands and Germany.

Unlikely bedfellows

The second emerging version of collaboration, which has been making headlines in the past 12 months, comprises retailers teaming up to form strategic supply, delivery and fulfilment partnerships.

A combination of cost-saving potential, the chance to offer customers more convenience and the continued influence of new disruptive technology-led organisations is shaking up supply chains across retail.

In grocery, Asda and Sainsbury’s have forged alliances with takeaway delivery firms Just Eat and Deliveroo respectively, as they look for ways to combine their food expertise with more technologically sophisticated home-delivery networks.

Sainsbury’s is also said to be eyeing a delivery tie-up with Uber Eats, which will enable customers to order convenience staples, while Uber Eats boss Jason Droege is seeking out grocery opportunities more widely. Speaking in August, Droege said he hoped a more comprehensive grocery service would be borne out of its pilots “soon”.

These deals fast-track supermarket chains into the growing on-demand food

market and help to cater to the needs of the ever-promiscuous consumer. This is key for Sainsbury’s, whose spokesperson, speaking in July, said: “We talk to many companies about potential partnerships that could help our customers access convenient and affordable products.”

Thomas Brereton, retail analyst for research group GlobalData, tells Retail Week that there are short-term benefits to this approach, such as the immediate foothold it gives in on-demand food service and the potential to learn more before moving beyond food.

But, he cautions, retailers must think long term and not cede too much control over the last mile.

Another noteworthy collaboration is that of Amazon and Next, whereby hundreds of stores will host ‘Counter’ pick-up points for Amazon shoppers looking for a convenient collection point for online orders.

Ocado’s joint venture with Marks & Spencer, meanwhile, which will see M&S food delivered by the online grocer under its new Ocado Retail arm, is set to begin in 2020 with the businesses calling it a “transformational moment” in UK grocery.

M&S chief executive Steve Rowe has said the tie-up will shape its future as a “digital-first retailer” with the partnership unlocking “growth for M&S food through an immediately profitable, scalable presence”.

Stronger together

While many of these partnerships represent two parties leaning on each other's expertise for mutual benefit, the strategic supplier alliance between Tesco and Carrefour, the UK and France's largest retailers, has supply chain benefits on the grandest scale.

Started in October 2018, the alliance combines global supplier relationships to drive better deals with Unilever, Procter & Gamble and others. It involves joint purchasing of own-label products to keep prices down for customers in the battle versus discounters.

Summarising the deal in 2018, Tesco group chief executive Dave Lewis said: "By working together and making the most of our collective product expertise and sourcing capability, we will be able to serve our customers even better, further improving choice, quality and value."

Trust and sharing are key

Retailers can only unlock the full potential of supply chain collaboration if partnerships are based on trust and data sharing.

AEB managing director Geoff Taylor advises that "various supply chain standards and international accreditation programmes, like the Authorised Economic Operator, can help retailers define and commit to common collaboration values".

Taylor also makes a case for retailers to invest in integration: "Integrating systems or deploying overarching visibility and collaboration solutions to connect all partners and share relevant data along the supply chain is a basic prerequisite for collaboration in retail to deliver sustainable value and increase margins."

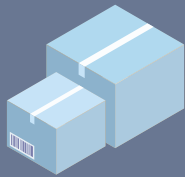
WHAT NOW FOR RETAILERS?

Having advised retailers on their supply chain strategies, Elixirr partner Brian Kalms says: "How do traditional retailers compete against companies like Ocado and Deliveroo, which have built such advanced supply chain platforms? The answer: don't. Companies cannot out-innovate the market.

"Truly innovative companies will take advantage of the latest tech solutions, partnering with experts and building them into their own propositions. It's time to say goodbye to the traditional client-vendor relationship. Adopting a collaborative solutioning process to identify the perfect candidate brings the best thinking from all the participating vendors, which in turn leads to better value solution outcomes and a closer, more strategic partnership with the chosen partner.

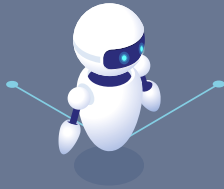
"Looking outside of your organisation and engaging with suitable partners is the best hedge to stop you from being disrupted by your own industry peers, and to keep your customers satisfied."

6 SUPPLY CHAIN PRIORITIES FOR 2020



FUTURE-PROOF YOUR FULFILMENT

In 2020, retailers must address the impact of increasing pressures on warehousing space and should explore the logistics solutions outlined in this report.



TEST AND INVEST IN AI, AUTOMATION, ROBOTS AND BLOCKCHAIN

These technologies and innovations will help retailers win in first and final mile, and will cut supply chain costs in the long term.



LEVERAGE DATA AND PREDICTIVE ANALYTICS TO YOUR ADVANTAGE

By better analysing the customer data you already hold, you will be able to accurately forecast demand and streamline your delivery routes.



COMBAT THE REVERSE LOGISTICS CONUNDRUM

Take inspiration from the likes of Joules and Amazon and introduce delivery solutions and alternative options.



MAKE SUSTAINABILITY A CORE FOCUS

Consider ethical credentials, product transparency and, in the words of Unilever chief executive Alan Jope, whether your products have “purpose”, and act accordingly.



SEEK OUT PARTNERS

Be that other retailers, suppliers, and/or brands with which to collaborate to improve and transform your supply chain.



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