

WHY LAST MILE DELIVERY CAN SET RETAILERS APART

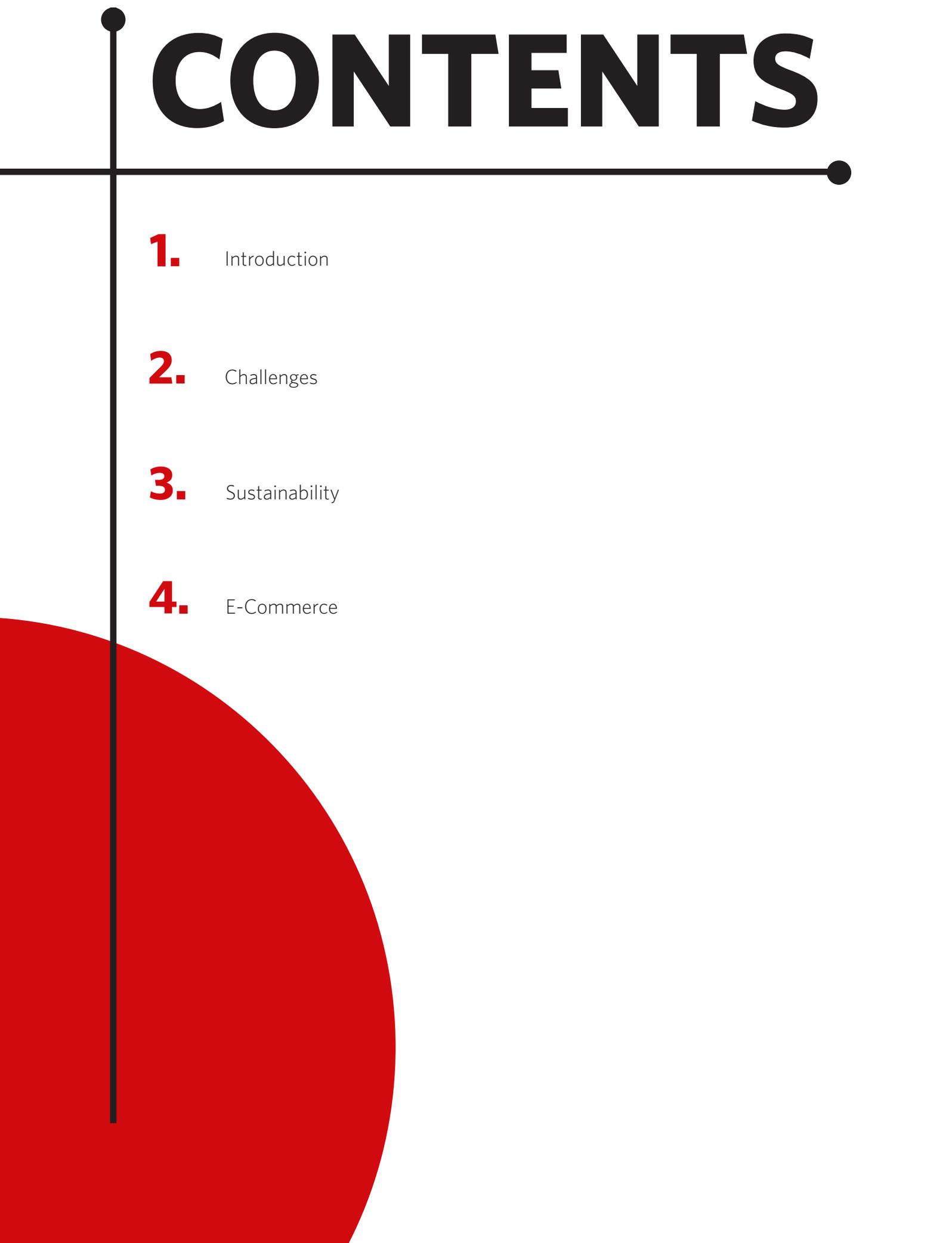
David Saenz
Chief Operating Officer at Stuart Delivery



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BUSINESS REPORTER

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INTRODUCTION

Retailers know that even if they've met all the requirements, but fail on the quick-and-reliable to their customers, all their efforts have been in vain. Customer expectations are ever-increasing, and they expect their entire journey to be as personalised and flexible as possible.

Global logistics have grown into a heavily regulated, complex network, and municipalities – in their effort for cleaner air – restrict traffic and control congestion. How can the high street stores and boutiques compete in this environment with Amazon and Deliveroo? This is what we're going to discuss with David Saenz, COO at Stuart Delivery.

BUSINESS REPORTER: WE KNOW THAT CUSTOMER SATISFACTION IS THE CENTRE OF ANY BUSINESS'S SUCCESS. WHEN IT COMES TO THE DELIVERY ENVIRONMENT, WHAT ARE CUSTOMERS' EXPECTATIONS THESE DAYS?

David Saenz: Customer expectations in this area are changing just as they are everywhere. Customers expect to be able to pull their phone out of their pocket, press a few buttons and get exactly what they want, and then pull it out again two minutes later, change their minds, press a few more buttons and have what they want now. And that's a very difficult challenge to meet in the delivery and logistics space where planning is paramount.

HOW HAS THE ENVIRONMENT CHANGED WHEN IT COMES TO LEGISLATION WITH TRANSPORT DELIVERY, AND ALSO THEN THE INVOLVEMENT OF MUNICIPAL AREAS?

These are really hot-button issues that are going to fundamentally change the entire system of how delivery is done today and require something new. So cities like London are introducing ultra-low emission policies. Other cities like Paris, Madrid are considering eliminating motorised vehicles from city centres altogether. All of that means we need to tear down the system and rebuild it.

WE'VE GOT A LOT TO TALK ABOUT. SO GIVE US AN OVERVIEW OF WHAT WE'RE GOING TO LEARN IN THIS SERIES OF VIDEOS.

Well, I think we're going to learn some really interesting things on both the retailer side and the end-customer or consumer side. For the consumer, what they care about most is, how do I get delivery that is faster, more convenient, more flexible for me? And for the retailer, it's about how do I make my end-customer happy, how do I operate in the new world where regulation changes my old systems? And for the smaller guys, how do I compete with the Amazons of the world – how does the UK high street remain healthy using delivery as an advantage?

CHALLENGES

WHAT ARE YOUR CLIENTS LOOKING FOR IN A DELIVERY PARTNER?

They're looking for a partner that can help them make their end-customer happy. So as a B2B solution, that's really our objective. We work with the retailers to understand where their delivery needs are, what their demand is like, what their customer expectations are, and then we design a delivery solution that matches exactly that.

SO THERE'S THE THREE COMPONENTS. WE'VE GOT THE RETAILERS, THE MERCHANTS, AND THE DELIVERY COMPANIES. SO TALK ABOUT SOME OF THOSE CHALLENGES THAT THEY ENCOUNTER AT THE MOMENT.

Traditional delivery is to pick up 200 parcels at six in the morning at a distribution centre, perhaps 75 miles outside of London, and then organise a big tour, all the way around the city, dropping off one package every five or 10 minutes. That's fine for the volume of parcels that need to be delivered every day. But it really doesn't match those customer expectations that we mentioned at the outset.

It means the best you can do is the same day offering, where maybe if the customer orders by 9:00AM, they can have their package after 7:00PM. It means the best they can do is that horrible four-hour delivery window that we're all familiar with, where you have to sit around your house waiting for someone to show up. And it also means there's zero flexibility.

It means that a customer... once that parcel's on that truck, it can't be changed. They can either reschedule it for another day, or they have to be there for that four-hour window. What Stuart tries to do is solve all three of those problems. We pick up from the retailer's store locations in the cities, which means we're starting our journey from two miles away, rather than 75, which means we can get out to the customer in 30 minutes or 60 minutes.

It means we're planning much shorter routes, which means that we can offer a 30-minute delivery window instead of four hours. And it means, because we don't dispatch a courier to complete that job until 30 minutes or so before the job is scheduled, the consumer can change their mind at any point right up until just the time that delivery is supposed to start, and change from their home to their office, their office to their home, from that afternoon till later that day in the evening... whatever changes they need to make to match their schedule.

WHAT IS IT THAT YOU'RE DOING WHEN YOU'RE TALKING TO YOUR CLIENTS TO MAKE SURE THAT THE REQUESTS AND EXACTLY WHAT THE RETAILERS AND THE MERCHANTS WANT, AND THAT'S ALL ALIGNING AND THAT'S ALL WORKING? HOW DO YOU DO THAT?

So this is the technology piece. So underlying everything I just described is the need to first match supply and demand. So we have extensive forecasting models, where we look at every city, break it down into 15 or 20 sub-regions, look at weather, look at seasonality, look at events that are happening... about 50 variables in total, and decide this is exactly how many couriers need to be on the street in this part of London on this day, in this week, in this month to satisfy their customer demand.

Then the second piece is the dispatch. All of that forecasting doesn't mean anything if we don't get the right courier to do the right job. So we invest in dispatch algorithms in order to be able to satisfy every single one of those requests as they come in from our clients.

SUSTAINABILITY

CITYSCAPES AND URBAN ENVIRONMENTS ARE CHANGING RAPIDLY. THERE'S A GREAT PRESSURE TO HAVE GREENER MODELS. HOW IS THAT IMPACTING ALL OF THIS?

Well, it's impacting everything immediately, indirectly. So we can see already new standards are being introduced in London. We have the Ultra-Low Emission Standard, beginning mid 2019, which will tax the use of vehicles in the city centre.

And we can see other cities going even further. So, for example, Madrid and Paris are considering eliminating vehicles from city centres altogether within the next several years.

GIVE US AN IDEA OF THE NUMBERS HERE. BECAUSE THAT'S OBVIOUSLY GOING TO HAVE A MASSIVE IMPACT, AS YOU SAY. SO PUT THAT INTO CONTEXT IN TERMS OF HOW IT'S GOING TO BE AFFECTING BUSINESSES AND RETAILERS AND DELIVERY COMPANIES.

The London [low emission] charge, to take that as an example, is £12.50 per day [for cars or small vans]. That doesn't seem like a huge number, but if you have a fleet of 100 trucks, you're looking at hundreds of thousands of pounds a year. And if you're on the other side of the equation, if you're an independent courier, that's a meaningful impact on your daily earnings.

So these numbers add up very quickly. And when those costs come into play, there are only two solutions. One, they get passed on to the customer. Or two, more efficient models are built to absorb them without needing to increase the customer fee.

HOW MUCH TIME HAVE WE GOT? HOW LONG HAVE BUSINESSES GOT BEFORE THEY REACT AND START CHANGING THE WAY THAT THEY WORK?

Well, the first step will be cost. These changes are coming already, as we see, starting in June of next year in London. And there will be additional costs that need to be accounted for. Ultimately, the changes won't be solvable simply by paying a tax.

There will need to be structural changes. And for that timeline, we're looking at two to three years, which means planning needs to begin today.

BR: WHAT ARE SOME OF THOSE TRENDS THAT WE'RE GOING TO BE LOOKING AT, AND WHAT IMPACT WILL THAT HAVE?

First of all, what we're doing - using local stores to pick up, rather than sending a whole fleet of trucks in every morning to deliver parcels to retailers to sell from their brick-and-mortar locations. And then, [rather than] sending in another fleet of trucks in the afternoon to deliver parcels to the end-customers of those very retail stores, you send only one fleet of trucks in.

That will make a big difference on pollution standards in cities. Second is using technologies like drone technologies. Those are still several years away. But those will become essential. And that's actually just an example of environmentally friendly technologies.

So vehicles can be electric. You can use bicycles for short-distance jobs. There are lots of ways to cut down on emission problems. And finally, other solutions like lockers. Ways to optimise how customers receive their parcels will be a big part of the long-term planning.

ANOTHER AREA OF HUGE CONCERN IS THE CONSUMER AWARENESS OF SUSTAINABILITY. THEY'RE EXPECTING CORPORATE RESPONSIBILITY NOW. HOW ARE YOU AT STUART DELIVERING THAT AND HELPING YOUR CLIENTS TO COMPLY?

Well, the first is in our technology. So the models that we're building and the technology that we're developing allow our retailer clients to get their products to their customers at the standard they expect in a much more environmentally responsible way.

The second is around knowledge. So we've been at this for three or four years now. And that means we've had hundreds of conversations, understood the impact on different types of retailers in different verticals and are able to take all of that and feed it back to new clients with whom we're speaking to help them in their own internal planning.

E-COMMERCE

YOU ARE SEEN VERY MUCH AS A DISRUPTOR. SMALL BUSINESSES ARE NOW ABLE TO COPE WITH COMPETITION AGAINST THE LIKES OF AMAZON, DELIVEROO, AND SO ON. YOU SEE THAT OBVIOUSLY AS SOMETHING, WHICH IS QUITE IMPORTANT TO BE ABLE TO DO. TELL US A LITTLE MORE ABOUT THAT.

Well, we think that we [give] the local retailer, the UK high street retailer the ability to have a significant advantage, in a way that used to be an albatross. To make that concrete, real estate – or the lack of real estate – has always been a big cost advantage for the Amazons of the world. They don't have that overhead. Therefore, they can offer cheaper prices, gain more market share. And the more customers come to their platforms, the stronger and stronger they get.

But when delivery becomes a consumer priority, and consumers are making delivery choices, excuse me, retailer choices, based on the delivery options, now, the retailers have a big advantage. Their stores are two miles away from their end-customer. That means they can get their products to their customers in 30 minutes. It means they can offer the advantages around flexibility and convenience that Stuart provides in a way that the e-commerce peer play simply can't.

So what used to be an albatross, that real estate, now becomes a competitive advantage. So using our technology to facilitate that advantage gives the high-street retailers a leg up.

ALTHOUGH IT STILL MIGHT GIVE IT A LEG UP, WOULD YOU SAY THAT E-COMMERCE STILL HAS THE EDGE BECAUSE OF ALL THE ADVANTAGES YOU MENTIONED?

Well, it's interesting. If you look at what online shopping experience, you have search, you have the shopping experience, and you have delivery. And search and shopping are now sort of world class. Most retailers have really good websites where you can find what you're looking for quickly and have a nice checkout experience. That leaves only delivery as an area for innovation for retailers.

And if you look at the statistics, 62 per cent of consumers in the UK say they will pay a premium for a same-day delivery service. 72 per cent say they will order more if it can be delivered to them in an advantageous way, and 79 per cent say they will switch retailers with whom they're shopping if they don't have a delivery option they're looking for. So absolutely optimising in this area, using solutions like Stuart will allow high-street retailers to have a significant advantage over the big boys of the world.

WHAT YOU'RE DESCRIBING HERE SEEMS TO BE ALMOST A HYBRID BETWEEN AMAZON AND, SAY, DELIVEROO. SO HOW WOULD YOU DISTINGUISH YOURSELF FROM MODELS LIKE THEIRS?

Well, those are marketplace solutions. And what I mean by that is they don't just do a technology piece and a delivery piece. They also source the end-customer on behalf of the retailer. And Stuart does not. We're a pure B2B solution. We exist to provide the technology and to give a great delivery experience to the retailer's end-customer.

But that's the key point. The end-customer is the customer of the retailer in Stuart's model, unlike a marketplace where you go to an amazon.co.uk to place the order. You don't come to stuart.com or to a Stuart app to place an order. You go directly to the retailer, place the order, and as a result, there's no competitive tension as to whose customer that really is.

YOU DON'T JUST HAVE THE BIG CHAINS, YOU ALSO HAVE THE SMALLER RETAILERS AS WELL. SO WHAT IMPACT IS A MODEL LIKE YOURS HAVING ON THE DIFFERENT STYLES AND TYPES OF RETAILER?

So we are a cross vertical solution. That means we'll deliver anything within reason. We have retailers in clothing, shoes, pharmacies, flowers, anything where there might be either an urgent need or a retailer is looking to offer a premium delivery service to their end customer.

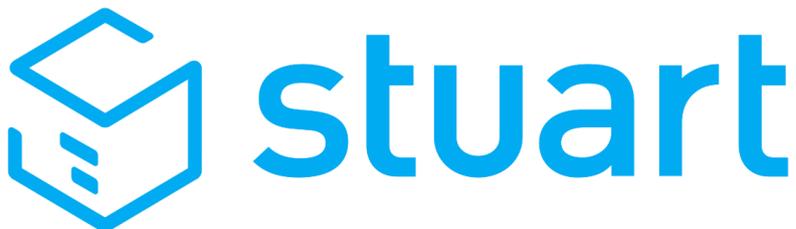
LOOKING AT THE FUTURE, DO YOU REALLY THINK THAT YOU CAN EFFECTIVELY LEVERAGE THESE ECONOMIES OF SPECIALISATION IN A WAY THAT GOING TO MAKE THIS WORK VERY MUCH MORE IN THE FUTURE?

Absolutely. These types of economies essentially pool assets to try and be more efficient. And when you look at the two core challenges we're trying to solve, the first being consumer expectation and the second being city regulation and improved environment, the only way to solve those two challenges simultaneously is to pool resources, to pool assets, and to find efficiency through technology.

WELL, IT'S INTERESTING THAT WE ALL KNOW THE ENVIRONMENT IS CHANGING RAPIDLY, AND IT'S INTERESTING TO SEE THE POTENTIAL RESPONSE THERE AND HOW THAT CAN IMPACT ON OUR HIGH STREET, OUR RETAILERS, AND ON OTHER DELIVERY COMPANIES AND E-COMMERCE. IT'S BEEN GREAT FINDING OUT MORE. DAVID SAENZ FROM STUART DELIVERY, THANK YOU VERY MUCH INDEED.

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