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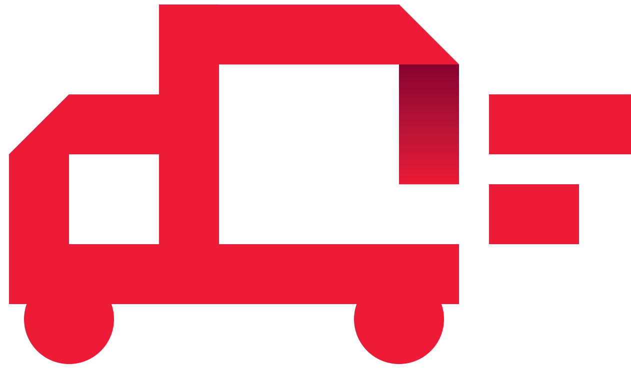
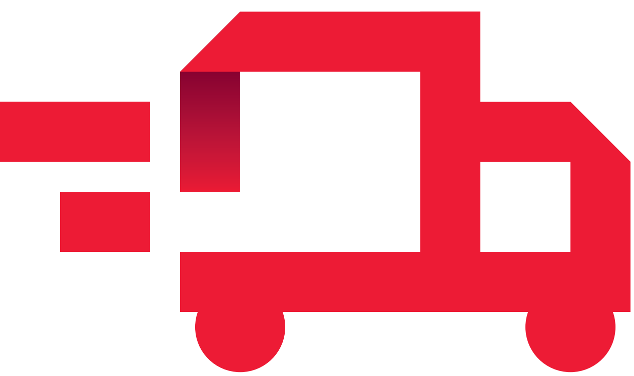


REROUTE YOUR STRATEGY

FOR LAST-MILE DELIVERY



NICOLAS BOUVET | PIERRE FRANÇOIS KALTENBACH

Several disruptions are shaking up the last-mile delivery ecosystem across Europe. Consumers want more control and choice. Logistics providers must deliver volume with velocity. And technology is minimizing the barriers to market entry, making it easier for startups and other logistics players to grab their piece of the value chain.

In response, retailers, manufacturers, logistics providers and postal organizations must completely rethink their logistics operations strategies to remain competitive—before it's too late.

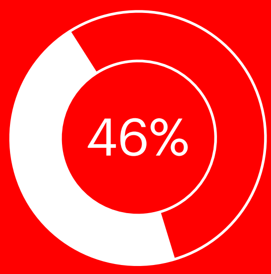
LAST MILE DELIVERY: THE MOVEMENT OF PEOPLE AND GOODS FROM A TRANSPORTATION HUB TO A FINAL DESTINATION.

FREE AND FAST IS NOT ENOUGH

Consumer demands continue to escalate, and logistics providers must deliver on these rising expectations. Offers for "free and fast" delivery used to satisfy consumers, but now, they want more. Speed at low to no cost has become a requirement. When shopping online, just over one-third of consumers (36 percent) are willing to wait for free delivery.[1] Furthermore, nearly half (46 percent) expect next day delivery to be free, 44 percent would pay $5 or less.[2] Only 19 percent are willing to pay more than $5 for same day delivery.[3]

Today's consumers want practicality, for example, having greater control over delivery parameters and more choice of delivery options. Now, people want to select the exact time of day for delivery, location (residence, logistics hub, retail store or office) and the number of parcels. Current logistics networks aren't built to handle the rising complexity and new demand, which is increasing more than 10 percent year over year.[4]

The only way to deliver volume at speed is to get closer to the customer. This means logistics hubs must relocate from the outskirts of towns to city centers. Proximity will shorten lead times and open up opportunities to deliver at various times of day. Some businesses are already taking steps to improve last-mile delivery capabilities. GeoPost, the international subsidiary of the French postal company La Poste, has acquired last-mile delivery startups to speed the delivery of goods within cities.[5]



Nearly half of consumers expect next day delivery to be **free**.

LOCATION REQUIRES COLLABORATION

While relocating logistics hubs to urban centers is essential, this is not going to be a one-size fits-all transition. Governing bodies across European countries and cities are forcing players to design logistics solutions built for local city operations—this introduces a host of challenges:

- **Delivery is difficult** as European city centers are dense with narrow streets and lanes. Opportunities to build new facilities or infrastructures are scarce as ground real estate is very expensive and hard to come by.

- **Regulations are strict and explicit**, such as not allowing certain vehicles to enter city centers, dedicated parking facilities for delivery services and special traffic paths for buses and bikes. Some large cities are calling for a 25 percent reduction in carbon emissions in the next 20 years.[6] Transport has been a major contributor to the current problem, representing 20-30 percent of carbon emission in large cities.[7]

- **Technology is rapidly reshaping logistics models** in city centers. The internet of things is affecting everything from roads to parking to IT infrastructure. Breakthroughs such as autonomous vehicles are functioning as couriers. Several small carriers are already piloting self-driving delivery automobiles in the UK.

These constraints will force everyone into shared and standardized logistics solutions that are uniquely designed for local city operations. Players in the value chain must be agile and flexible enough to work together to adapt to regulations and share key assets. For instance, one company may own a piece of the solution in one city, but not another. They may partner across the ecosystem to supplement capabilities.

Operating models must also become more modular, enabling the business to adapt to differences city by city and share resources. Practices including cross-docking will come into play to enable providers to load vehicles quickly, delivering items locally while minimizing the need for storage. Ultimately, such a shared supply chain model may boost efficiency and enable cost savings for those who participate.

TAKE PART, OR BE SHUT OUT

As the future of last-mile delivery unfolds, we anticipate one or two platforms will emerge as the backbone that connects all players in the ecosystem—from consumers to retailers to logistics providers and manufacturers. These IT platforms will be used to capture orders, manage hubs, plan routes and schedule deliveries in order to maximize the use of shared resources. For instance, Uber-like platforms that allow truck sharing can make the most of the fleet. And rather than using multiple platforms to access products, consumers will use one platform for managing deliveries.

Companies must determine their role and how they will deliver value in this ecosystem. Those who don't stake a claim and prove their worth will be pushed aside. Other industries are facing similar challenges. Twenty-seven percent of executives report that digital ecosystems are transforming the way their organizations deliver value.[8]

Companies must determine their role and how they will **deliver value** in this ecosystem.

WHICH DIRECTION TO GO?

Every player involved in last-mile delivery must adapt to the new industry landscape to remain competitive.

Logistics/postal companies must relocate logistic hubs to city centers, and reinvent them to be faster and greener—otherwise they risk being replaced by governing bodies or retailers. As the industry evolves and consolidates, it is essential to move to new approaches. Companies can make transport greener by using emission-free small trucks and sharing transport vehicles. Simulation conducted by Accenture Strategy shows moving to these vehicles would produce a 75 percent carbon emissions reduction at no additional operational costs.

Retailers can capitalize on their brick and mortar stores in cities by offering services that extend beyond shopping. For instance, stores can be designed to support parcel operations for some segments. Retailers can offer convenience and fast pickup while monetizing new customer traffic. Apple offers "Personal Pickup" in several European countries for a variety of products, from phones to computers to televisions. Amazon and other online players are designing connected lockers located at hubs or within residential areas.

Manufacturers must be agile in their operations to deliver on promises (such as time/place) and differentiate in last-mile interactions. To win the personalized customer experience battle and be competitive, they must share some pieces of the value chain with competitors who are interacting with customers through emerging platforms. Such collaborations will be increasingly important as manufacturers operate in an environment with specificities by city.

Governing bodies must get specific with regulations as city characteristics impact logistics solutions. For instance, London has enacted a "Low Emission Zone" that encourages the most polluting heavy diesel vehicles driving in the city to become cleaner, and there are penalties for vehicles that do not meet the standards.

BE A FIRST MOVER IN LAST MILE INNOVATION

The last-mile delivery playing field is shifting every day. Everyone has strengths they can build upon to be competitive in this new environment. However, the ultimate winner may be a new player—one that takes a first-mover position to capture more than one piece of the value chain and scale rapidly.

In the end, the businesses that come out ahead will be the ones that use emerging platforms to connect with customers to own the relationship, and then deliver added value through differentiated services.

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NOTES

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[4] Fédération e-commerce et vente à distance (FEVAD); key figures 2016 - e-commerce growth (+21% CAGR 2006-2016 in France,+14% 2015-2016)

[5] "GeoPost acquires delivery startup Stuart;" TechCrunch; March 7, 2017 at https://techcrunch.com/2017/03/07/geopost-acquires-delivery-startup-stuart

[6] Accenture Strategy analysis of city planning documents in Grenoble, London, Lyon, Oslo and Paris

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[10] https://www.apple.com/shop/shipping-pickup

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