



Need a new outfit delivered pronto to your home or a store near you? Some of the industry's biggest hitters believe ultra-fast fulfilment is the Holy Grail, while others wonder if it's a concept on the slow road to nowhere. **Mark Faithfull** buckles up

Aurora's classic tale, retold so often it reads like an urban myth, is of the woman who upon arriving at a wedding discovers another guest is wearing the same dress. Following a nifty mobile web order, an alternative outfit is whisked within 90 minutes to the wedding venue, where she changes and re-emerges unique and happy.

Do such 'emergencies' justify the infrastructure required to make this kind of dazzling fulfilment happen? The heady line-up of Amazon, Google and eBay seem to think so, although even they are each travelling down different lanes.

eBay bet big on its delivery solution when it snapped up Shutl in the UK last year, not long after it had launched same-day shipping in

four US cities. The latter service was supposed to be available in 25 US cities by the end of this year, but the trading site now appears to have shelved the idea.

Taking inspiration from its UK approach, eBay has teamed up with third-party providers in the US – modelling its American approach on what it has learned from its collaboration with Shutl, a service that aggregates and connects online retailers with local same-day couriers. This enables retailers to offer same-day delivery, while letting them maintain control of their own warehousing and offer Shutl directly on their websites and advertise the service.

eBay's head of engineering for local delivery, Sam Phillips, says that while ecommerce is "accepted by the masses and it works, the distribution sucks" because the model wrests control from the product provider. He stresses that delivery matters because it is the last chance that ecommerce companies have to interact with the customer, and is also what shoppers are most concerned about.

One of eBay's UK initiatives has been its in-store collection tie-up with multichannel giant Argos. The trial is "going well", according to John Walden, chief executive of Home Retail Group, and both parties are looking into the second phase of the service. "We are also trial-

ling express-delivery options, one using our hub stores for home delivery, the other for bulky goods. So the use of stores will be different, they will play more of a strategic role," he says.

Argos' link-up with eBay is part of a wider strategy to deliver on its promise of faster fulfilment for shoppers. "For our new stores and strategy we stepped back to have a different look at inventory, especially looking at fulfilling faster. We are establishing a hub-and-spoke system, whereby our hub stores have two to three times more product and will deliver out to the spoke stores multiple times a day. This works for around one-fifth of our stores and is being rolled out nationally," Walden adds.

Local control

Hitachi Consulting's recent research found that while 77% of retailers offer a click-and-collect service, 23% have five or more delivery options designed to meet the needs of different consumers and 85% can deliver within 24 hours at an additional cost. Yet few are capable of fulfilling orders on the same day.

Currently, only one in 10 of the top online retailers offers same-day delivery, and just 17% can fulfil click-and-collect transactions on the same day. "The top retailers need to continue integrating channels across locations ↘



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Chris Gates, Hitachi Consulting

amazon v Google The fight for faster fulfilment in the US

Amazon – the benchmark for pretty much anything online these days – has its subscription Prime service, which promises next-day delivery, while it recently expanded its same-day delivery service to 10 US cities from four. Amazon's same-day service costs \$5.99 for Prime members, and \$9.98 for others.

Also in the US, Google has signed up 19 retail partners for



Google is trialling its courier service in the US

Google Shopping Express, a service that allows customers to order items from local retailers that are picked up and delivered by a courier in a Google-branded vehicle. It is currently only available in San Francisco and its suburbs, San Jose, Manhattan and West Los Angeles.

Google charges \$4.99 per store the courier visits – although for New York it has made the service free for six months – and a \$100-per-annum

flat fee is being mooted. Tom Fallows, head of Google Shopping Express, says: "You can very much expect that we are putting a lot of money into this and we're excited and willing to sustain that investment over time as this gets going."

Unlike Amazon, Google does not operate its own giant warehouses or store inventory for more than a few hours and as a consequence it has partnered with retail heavyweights including Target, Costco, Walgreens, Toys R Us and Whole Foods and – most recently – bookseller Barnes & Noble.

to allow stores to act as fulfilment centres," says Chris Gates, director of retail at Hitachi Consulting. "Retailers need to have an accurate view of the stock inventory available at a local level – either at a store or a hub – so they can provide super-fast collection or delivery services."

For Simon Roberts, Boots' managing director of health and beauty UK and Ireland, shifting consumer demand has informed the health and beauty retailer's own views on speed to shopper. "We are very focused on order and collect, not only for the big stores but also for our local pharmacies," he says. "Christmas [2013] changed our thinking, logistics is now about minutes and hours, not days and months."

Every second counts

In the battle for faster fulfilment, traditional retailers find themselves with both structural advantages and disadvantages over pure-plays, believes Richard Sullivan, national head of industrial and logistics at Savills.

"Clearly, the convenience store networks being established by the grocers provide that potential for convenience and speed, yet by the same token they are having to adapt existing supply chain, while pure players can start from scratch," he says.

"We're seeing the hub and spoke networks of Ocado and also the rise in GeoPost, with DPD vans fulfilling. I would expect to see more 30,000 sq ft to 40,000 sq ft edge-of-town distribution points being established around the major UK conurbations to accelerate delivery speeds," he predicts.

To meet the challenges of such fast turnaround demands, an extensive local infrastructure platform and delivery capability provides an opportunity to develop a genuine competitor advan-

tage to many of the UK's leading retailers.

For Sean McKee, head of ecommerce for footwear retailer Schuh, the right mix of real estate is vital to keep up with shoppers' increasingly tough delivery demands. "A quarter of our orders are fulfilled from stores – they are essential both in terms of freeing up inventory but also location picking closer to the eventual customer," he says. "We also find that store pick-up is very convenient for customers. We have also opened a mini-DC in the Midlands to facilitate later picking for next orders placed in the evening. So real estate is key."

Urban logistics facilities are becoming an increasingly vital part of retailers' final-mile solution and are easing the load on large regional distribution centres, according to SEGRO's Gareth Osborn, business unit director for Thames Valley and national logistics – but the question still remains whether retailers should run it themselves, or outsource.

"3PLs are winning contracts from retailers to service that last mile as retailers see the importance of having small hubs located in regions around the country," he says. "Retailers themselves are still going through

a period of trial and error to see which option works best in terms of operating their own last-mile delivery hub or whether to outsource. The brand of the retailer is only as good as that last mile and the interaction with the customer as this is the bit that people remember."

In this ultra-competitive market, where shopper expectations of a personalised and speedy delivery are at an all-time high, real estate strategies differ markedly. Amazon has become synonymous with mega-sheds but also has its retail and convenience-located Amazon Lockers, eBay has teamed up with Argos to use its stores, while Google has eschewed anything other than parcel hubs.

Distribution centres, parcel hubs and stores all have a crucial role – but maybe it's a combination that's best? "Customers expect speedy, reliable on-time delivery that suits the particular situation. As a result, successful retailers need to offer a variety of different delivery options such as click-and-collect, same-day delivery, parcel boxes and locker stations, and speed of delivery is a critical factor," sums up Guy Guérard, head of EMEA logistics and industrial at Jones Lang LaSalle. ■

165m

The number of orders click-and-collect is expected to grow to by 2017 (from about 25 million in 2012)

SOURCE: SEGRO AND LCP CONSULTING



Store pick-up is on the rise at Schuh (above), while eBay has linked up with Argos to offer in-store collection (right)

