Transfrigoroute International
Annual General Meeting 2019

Refrigerated cargo and urban distribution: is the e-commerce boost posing new challenges?

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Naples - 27 September 2019

*Limitatamente alla sede di Milano

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2. E-commerce

3. Focus on food / refrigerated cargo

4. Challenges ahead

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Urban distribution

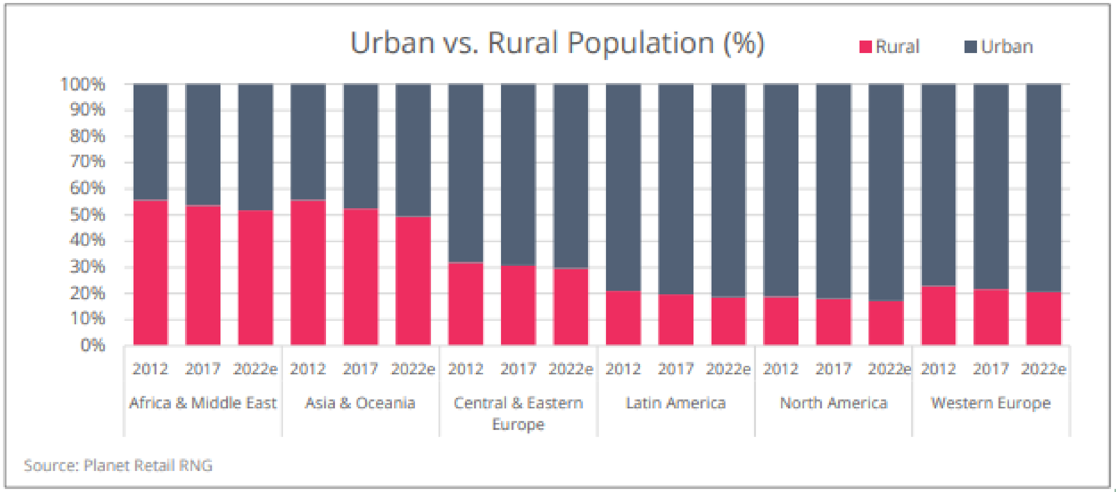
Why we focus on Urban freight distribution?

It represents between 8 and 15% of total traffic in cities (DG MOVE)

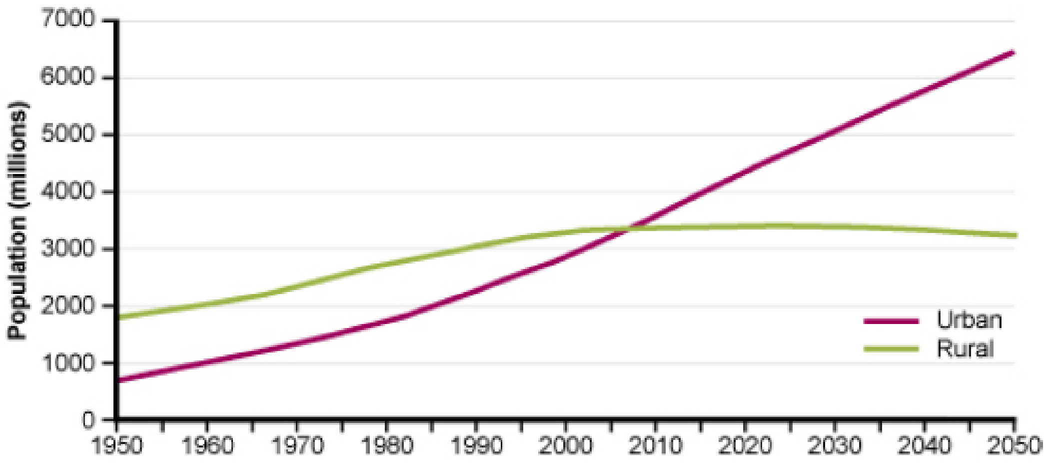
In big cities it can reach higher incidence (up to 30%, CIVITAS)

Rising urbanisation will increase the importance of freight distribution!

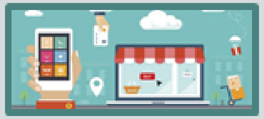
Consumer habits are also evolving quickly



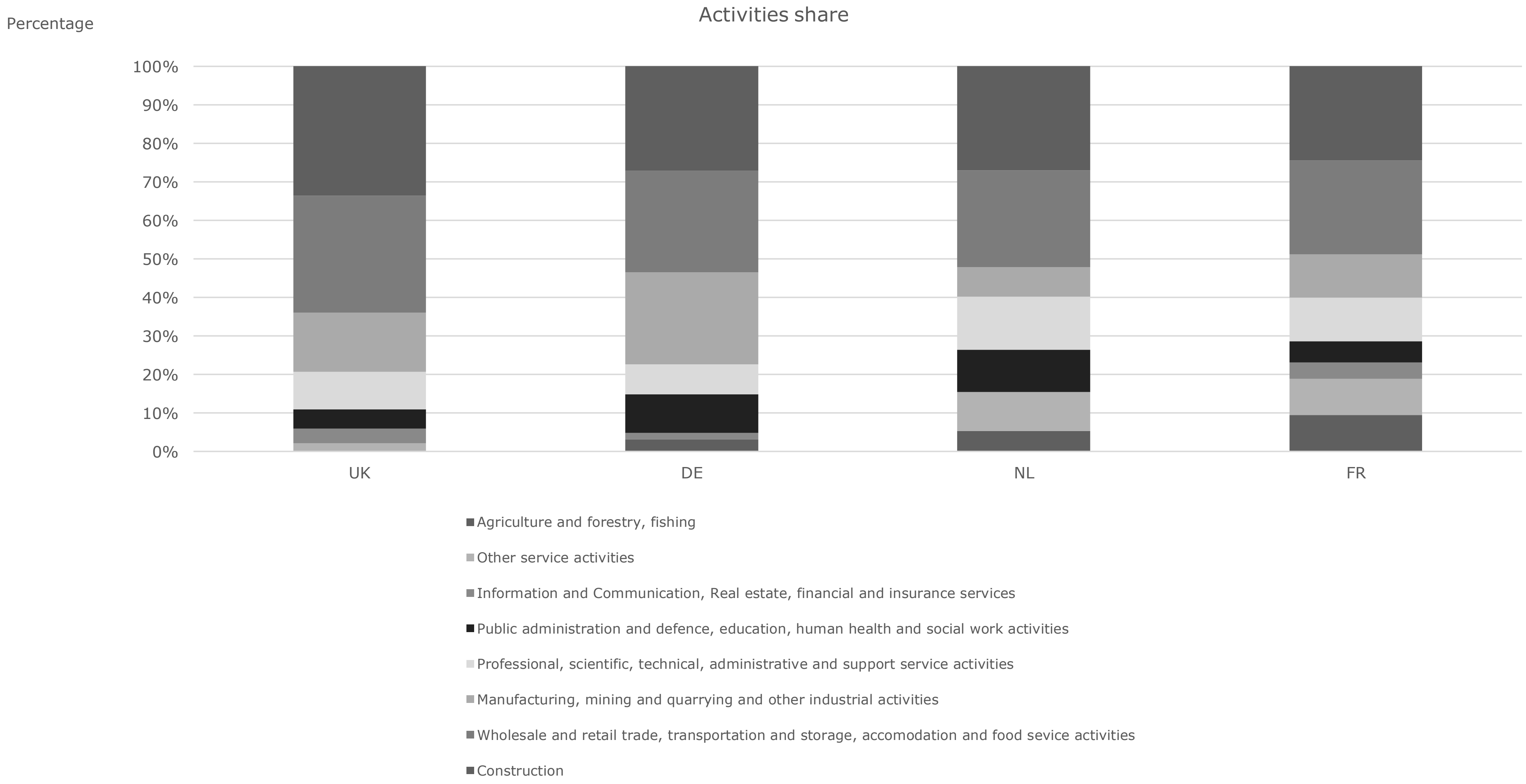
Urban vs rural



Urban distribution

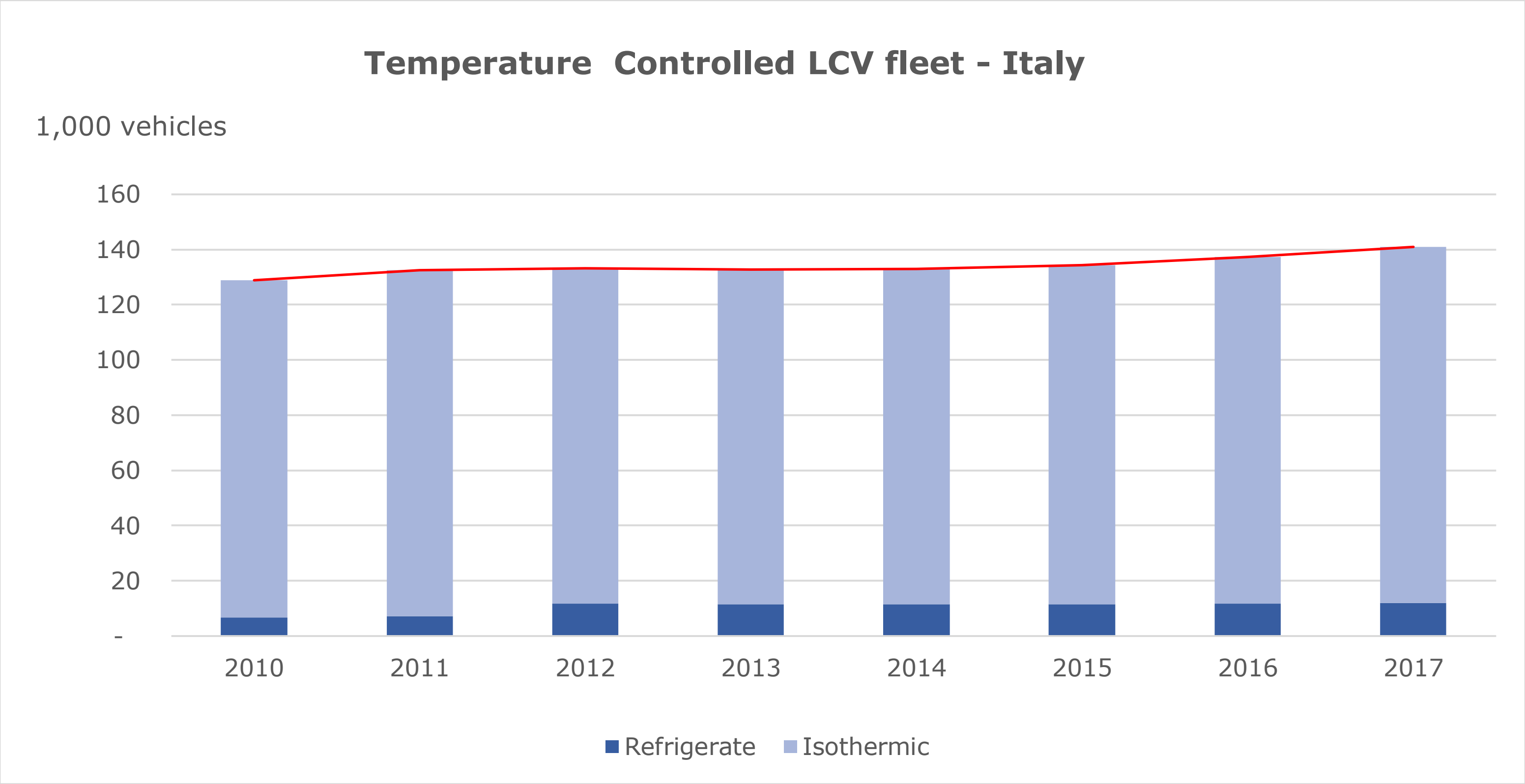
Category		Trends and impacts	
Retail & *e-commerce*		Increase of the sector, indirect deliveries, fragmentation of purchases and deliveries	**Temperature controlled**
Express services, couriers, parcels and post		Likely downturn for traditional post services, counterbalanced by strong e-commerce growth (B2C)	
HoReCa		Sector more unpredictable, but growing; interest in gaining economies of scale	**Temperature controlled**
Constructions		Tendency towards higher efficiency	
Waste		Better efficiency seeked	
Reverse logistics		Demand increasing, longer distances	
Pharma		High growth rates expected	**Temperature controlled**

Which are the activities performed by vehicles operating in urban areas? (LCV mainly)



Which are the activities performed by vehicles operating in urban areas? (LCV mainly)

Not steep but steady growth



Urban distribution

Urban freight distribution is the result of logistics decisions specific to the sectors of urban activity. Each sector relies on specific logistics chains meeting production or distribution requirements.

Two opposing forces are at play.

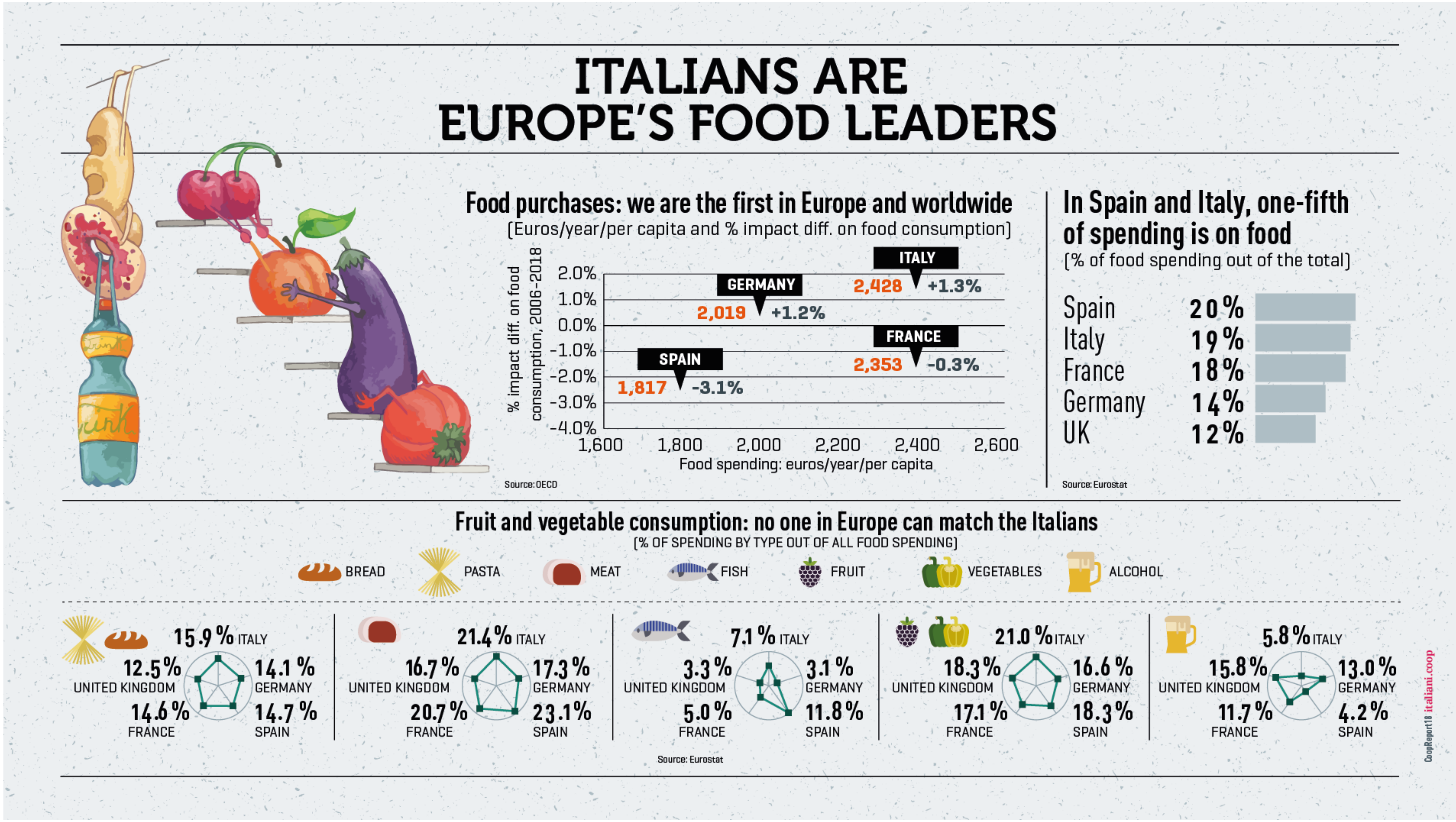
Massification

- Consolidated and less frequent deliveries to achieve economies of scale (grocery retail in dense urban areas)
- Decrease in independent stores and an increase in chain retail (in particular in large cities)

Atomisation

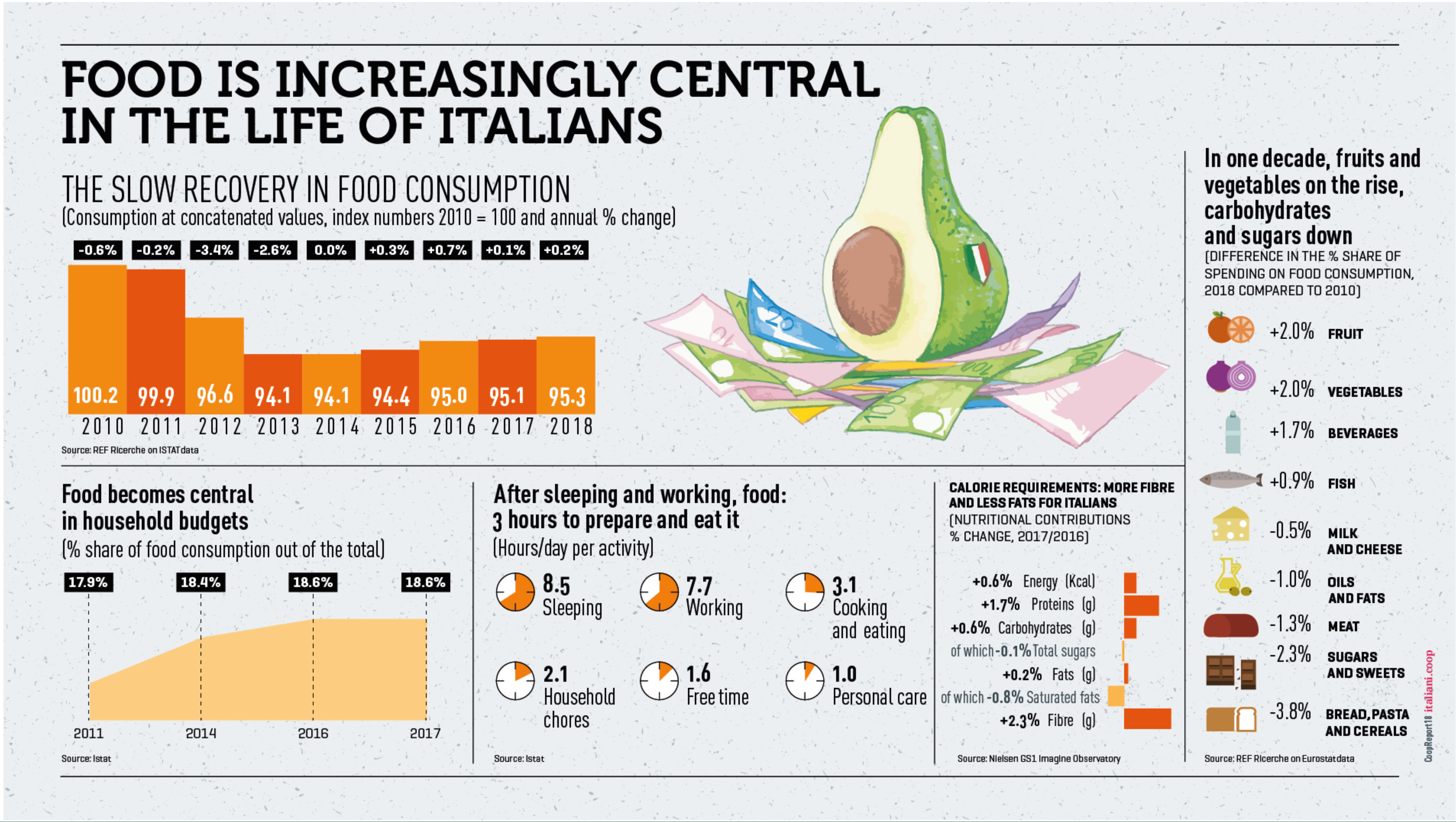
- Fragmentation and customisation of deliveries made on a case-by-case basis (greater frequency and smaller vehicles)
- E-commerce supply chains are the main forces towards fragmentation since it relies on individual parcel deliveries. This is particularly the case in the development of instant e-commerce deliveries able to fulfill an online order within 24 hours

The food habits



Source: Rapporto Coop 2018

The food habits



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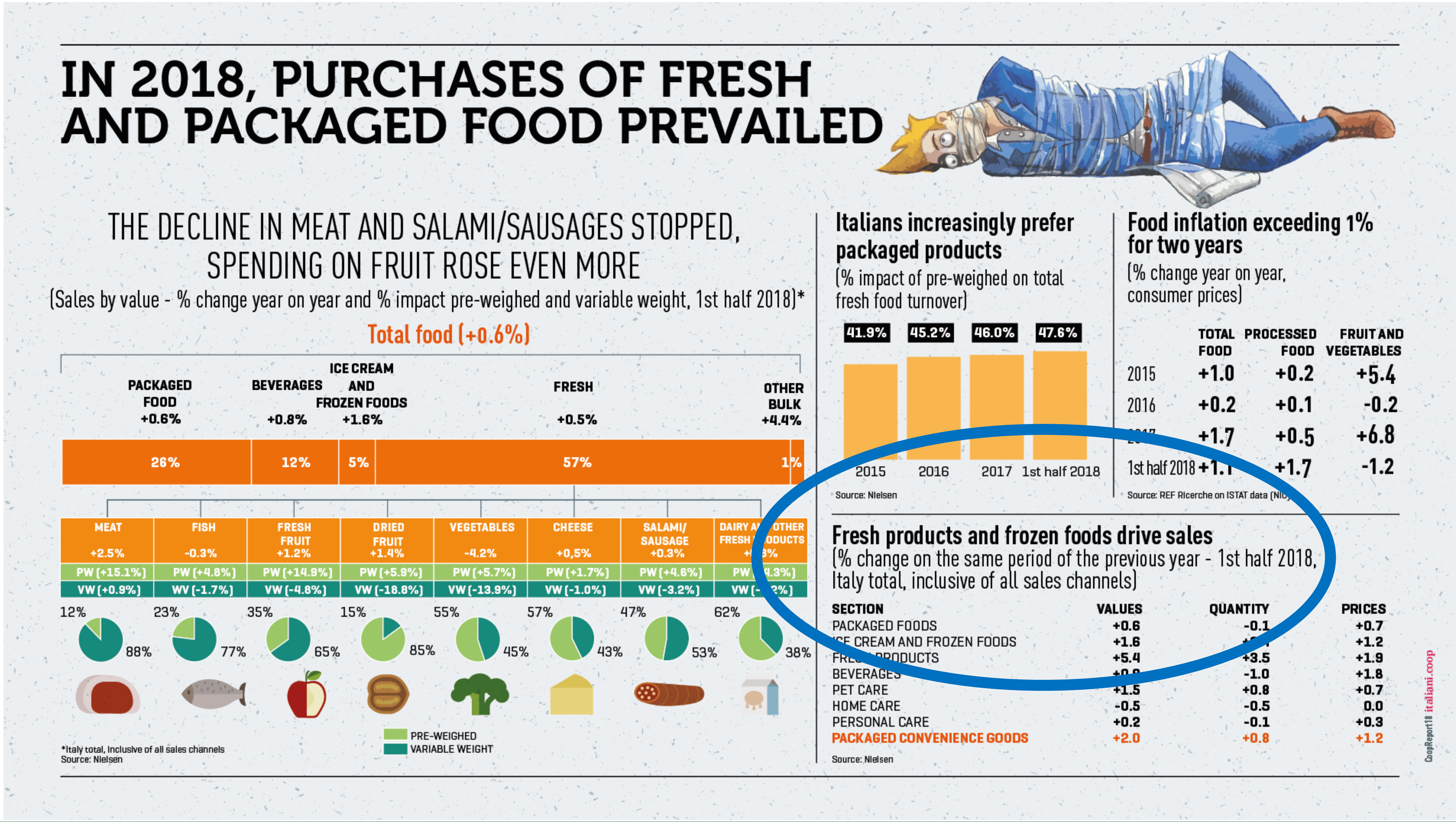
The food habits



Source: Rapporto Coop 2018

Food, retail and the city: the main trends

- Increase of food prepared and consumed away from home
- Increase of number of bar – restaurants – deli offering food

- Average size of grocery stores declining
- Proximity grocery formats are growing their share of retailers’ sales

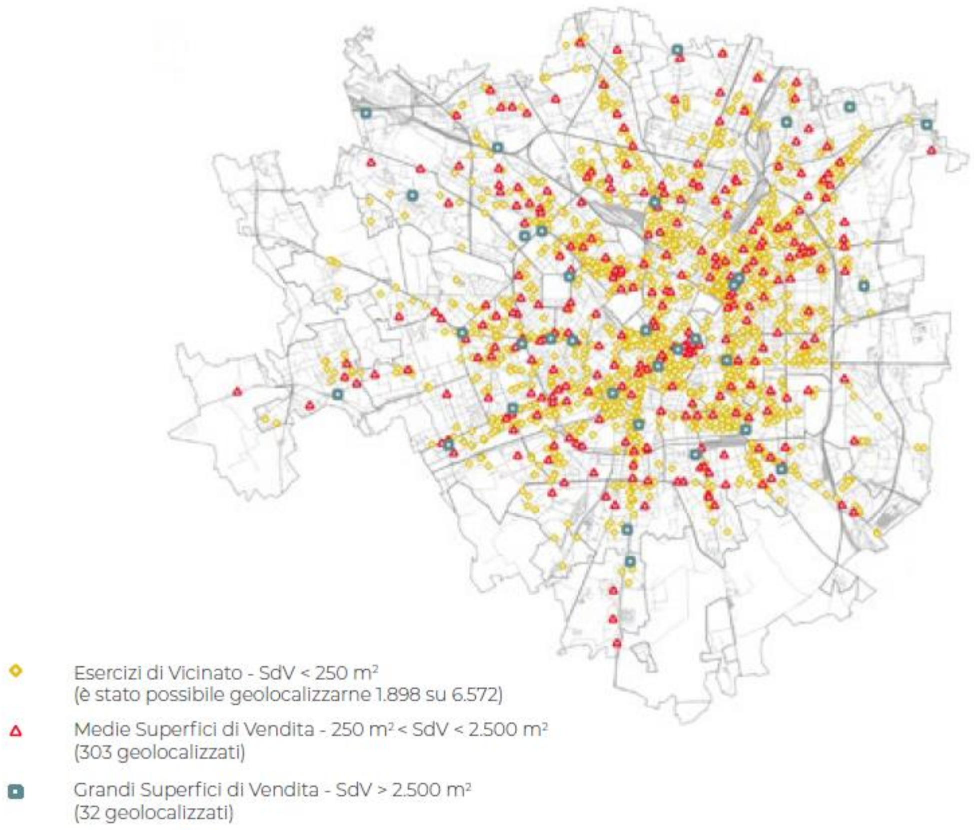
- Proximity formats meet the growing needs of consumers in terms of convenience and value and are less influenced by the transition to online
- Retailers are innovating with smaller urban formats

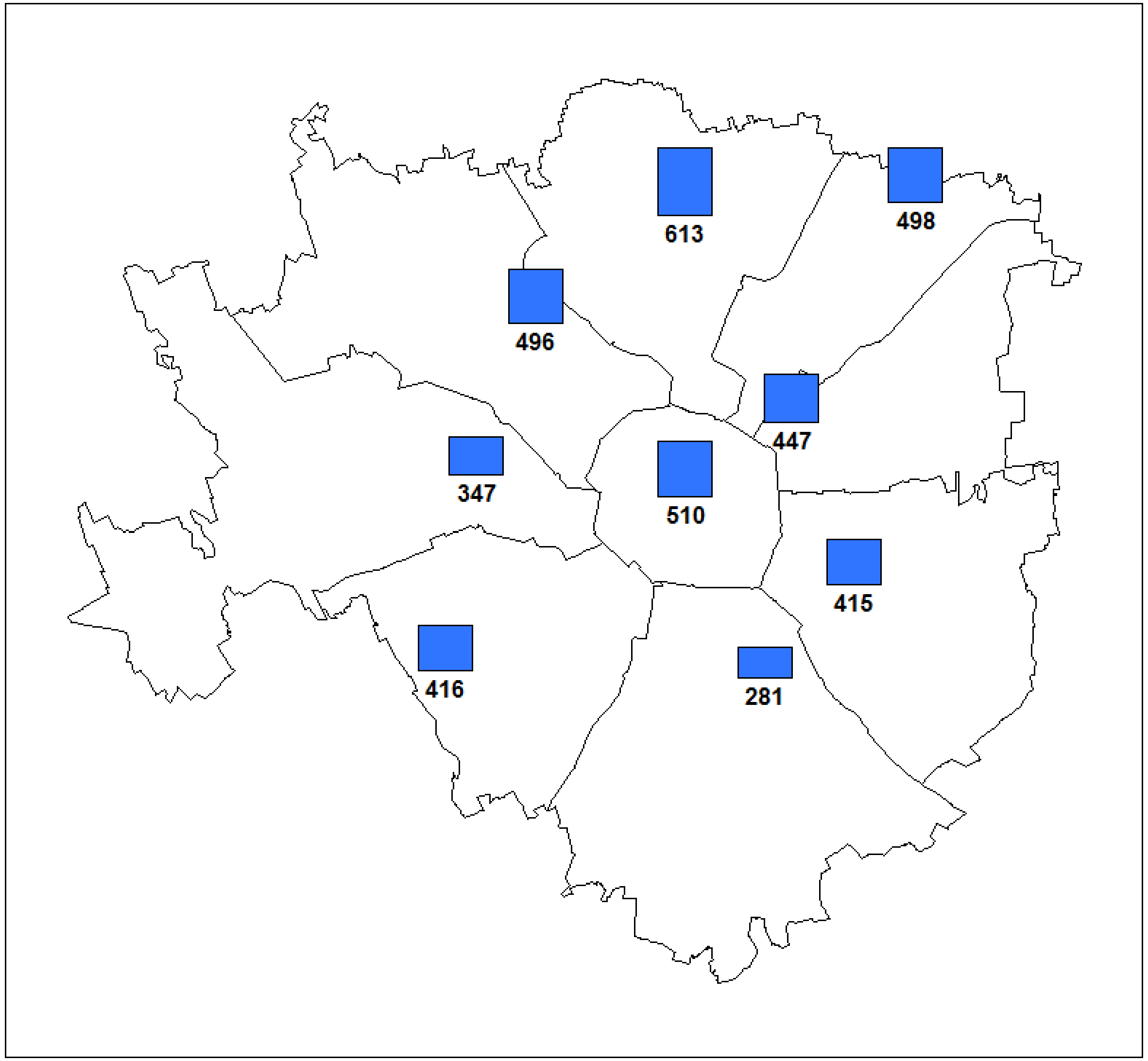
- Increase home delivery services (and time - quality)

Food and the city: the case of Milan

Territorial distribution

Food retail trade



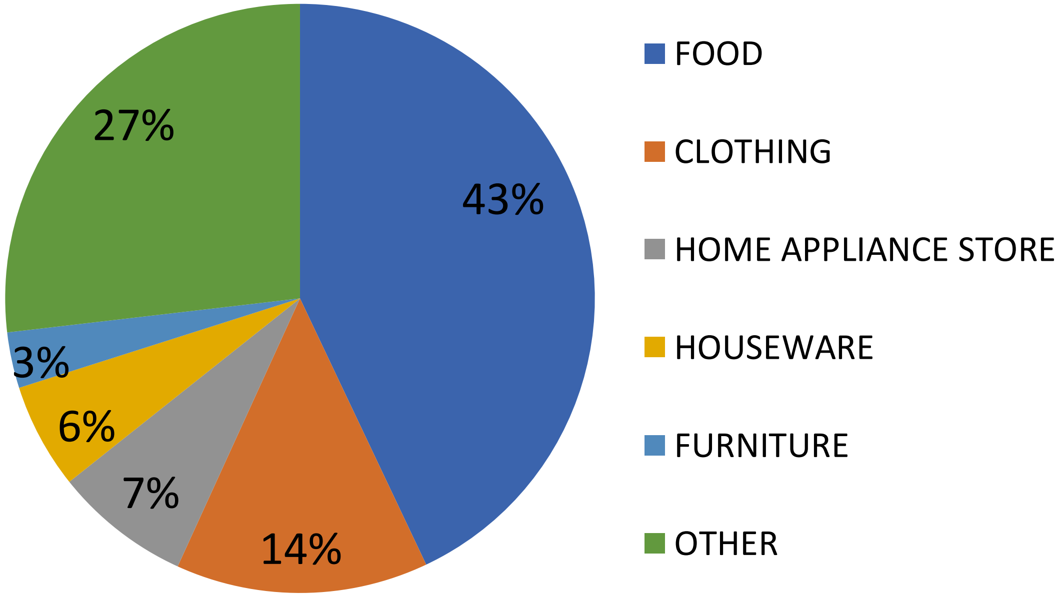


Source: AMAT, 2014

Food and the city: the case of Milan

Total freight movement (Goods received and delivered)

Breakdown by commercial category – Activities carried out by retailers, bar and restaurant.

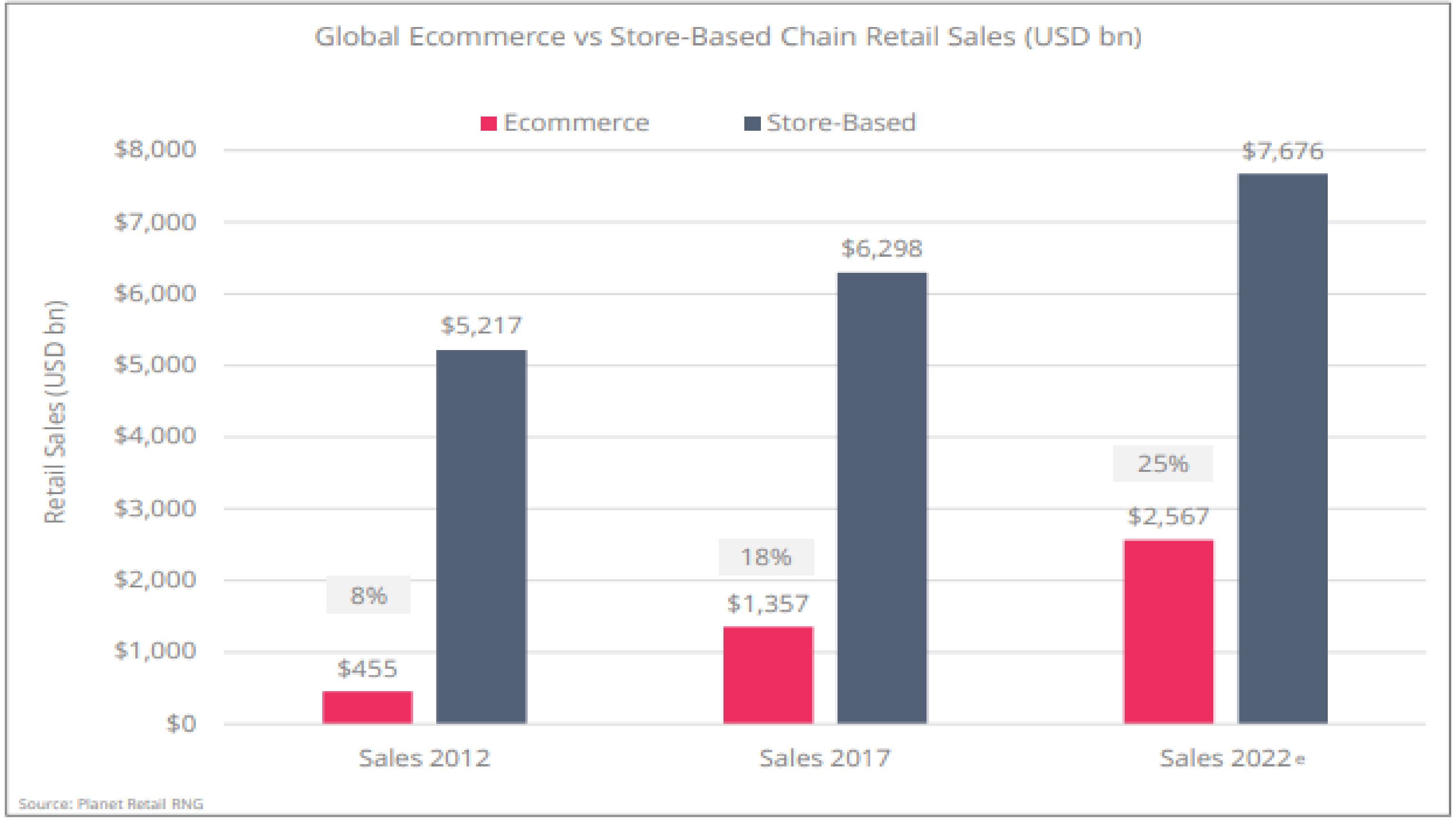


Food represents the 43% of freight movement activities

Source: AMAT, 2014

Food and the city: the e-commerce

Ecommerce will account for 25% of all chain retail sales by 2022

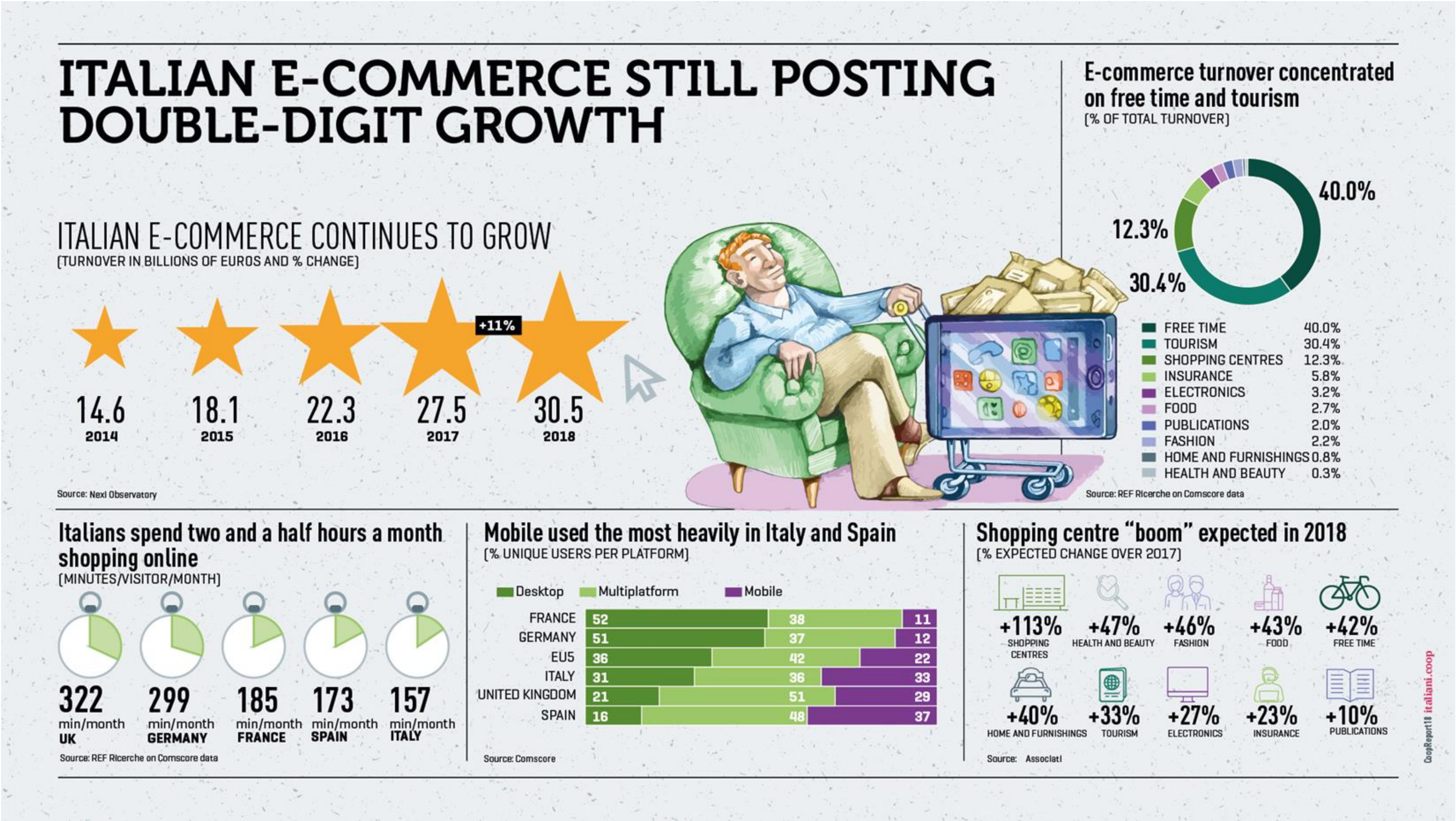


Note: Based on Planet Retail RNG modern chain retailer universe.

Food and the city: the e-commerce

- A number of non-food goods categories have already seen significant shifts online. In the US and EU at least 25% of sales in categories such as toys, entertainment, office supplies and consumer electronics have already shifted online.
- Grocery has so far been more insulated from the full force of e-commerce due to barriers to deliveries and consumer perception, particularly in fresh and frozen.
- Fresh in particular is still an area where physical stores hold a crucial advantage over e-commerce. Many consumers still value selecting the freshest produce themselves or are sceptical about the quality of products chosen and delivered.
- This is why fresh in particular is being emphasised by retailers in stores.

Food and the city: the e-commerce



Source: Rapporto Coop 2018

What businesses can do?

1. Vehicles

Increasing use of alternative vehicles, such as hybrid, electric, bykes/trikes in order to get competitive advantage in city centers.

Source: Rapporto Coop 2018

What businesses can do?

2. Organisation

Make use of UCC (closer to the market and more flexible)

FOODY
CITY LOGISTICS
MERCATO AGROALIMENTARE MILANO

What businesses can do?

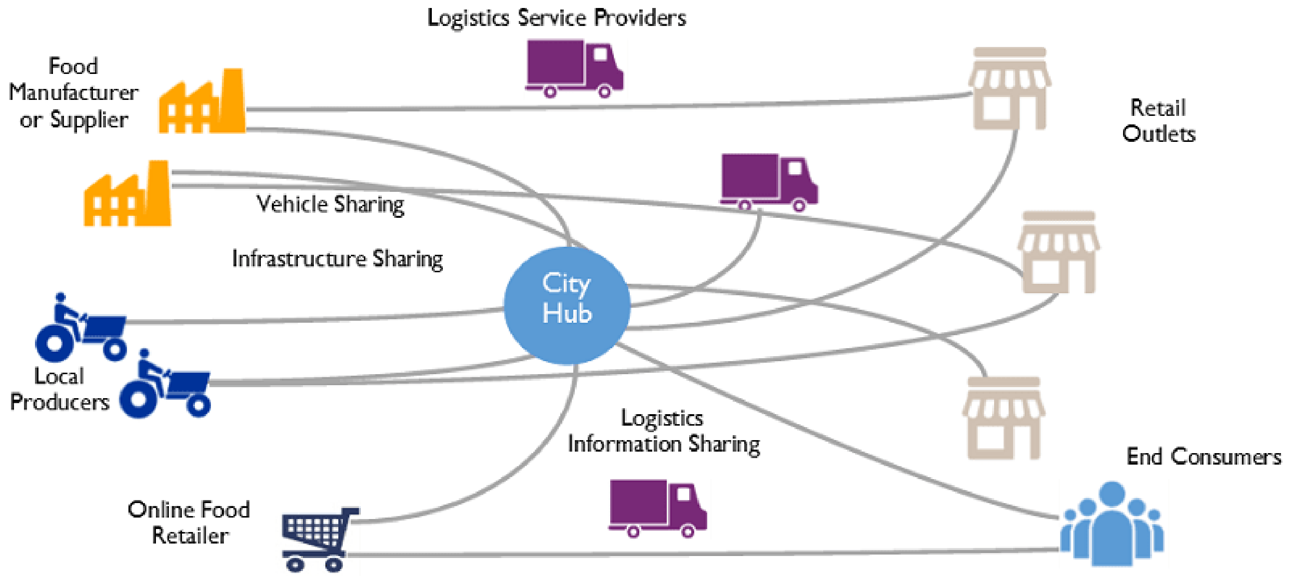
2. Organisation

Collaboration/sharing can help

FOOD SUPPLIER

LOCAL FARMERS

ONLINE RETAILERS



ATHENS

MILANO

LONDON

Source: U-TURN project

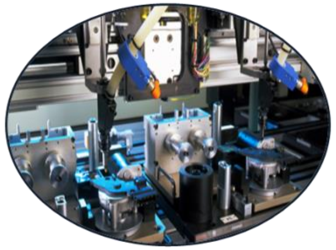
What businesses can do?

2. Organisation

Collaboration/sharing can help

Opportunities for horizontal collaboration

Among Suppliers	Among Retailers	Among 3PLs



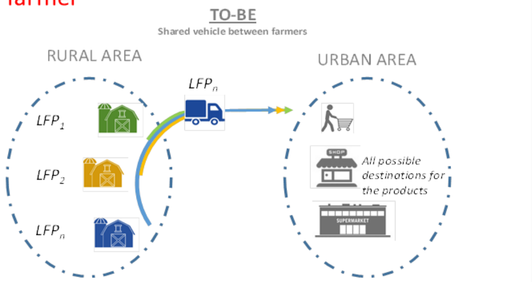
- Return trip deliveries
- In returns
- In particular areas eg. islands
- In urban distribution

- Urban consolidation center

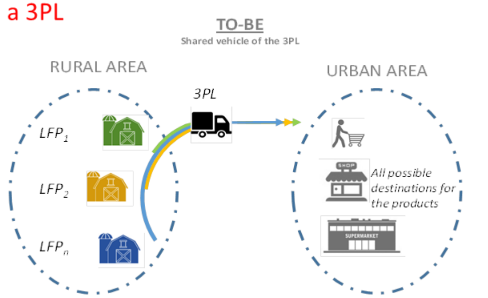
Source: U-TURN project

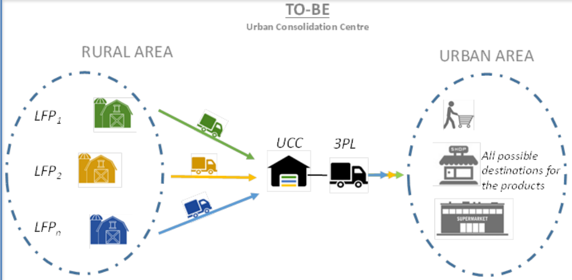
Proposed collaborative scenarios

Model 1: Collecting goods from different farmers and distributing with a vehicle of a farmer



Model 2: Collecting goods from different farmers and distributing with the vehicle of a 3PL





Model 3: Consolidating farmers' goods in a UCC by farmer's vehicle and distributing with the vehicle of a 3PL

What businesses can do?

3. ICT and new sales channels

Conclusion

- **The logistics of fresh food in the cities is expected to grow and to ask for flexible solutions and responses**
- **Demand is dynamic, evolving towards higher value added products and services**
- **The challenges to be faced provide big opportunities for the operators of the sector, although they require to rethink (part of) the business organisation**
- **Technology will drive the trends and logistics must increase its tech content as well by adopting solutions including: collaborative solutions, adaptive and cognitive processes**

Grazie!

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