



Transfrigoroute International Annual General Meeting 2019

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

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*Limitatamente
alla sede di Milano

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Content

1. Urban distribution
2. E-commerce
3. Focus on food / refrigerated cargo
4. Challenges ahead
5. Conclusions

Urban distribution

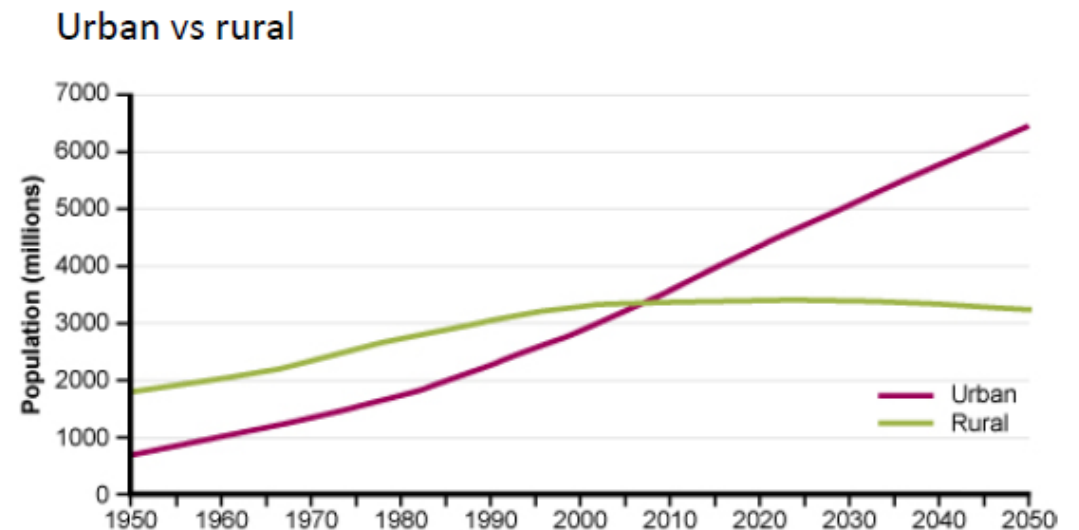
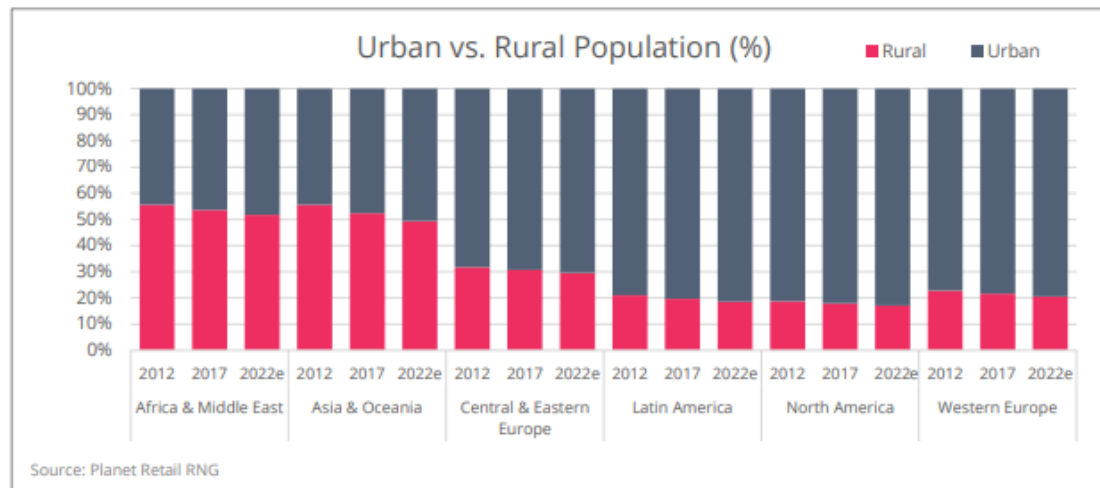
Why we focus on Urban freight distribution?

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 distribution

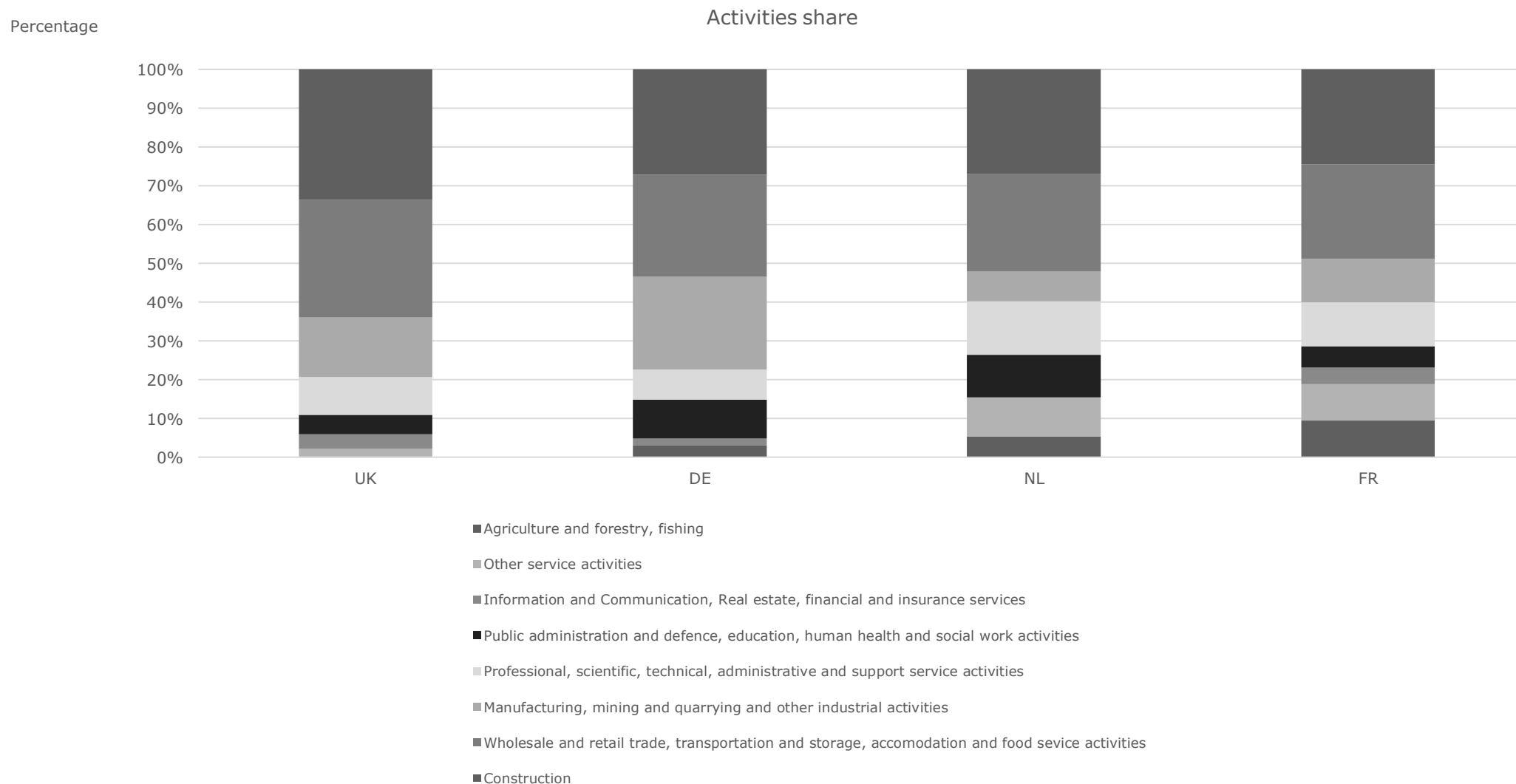
Category		Trends and impacts
Retail & e-commerce		Increase of the sector, indirect deliveries, fragmentation of purchases and deliveries
Express services, couriers, parcels and post		Likely downturn for traditional post services, counterbalanced by strong e-commerce growth (B2C)
HoReCa		Sector more unpredictable,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

Temperature controlled

Temperature controlled

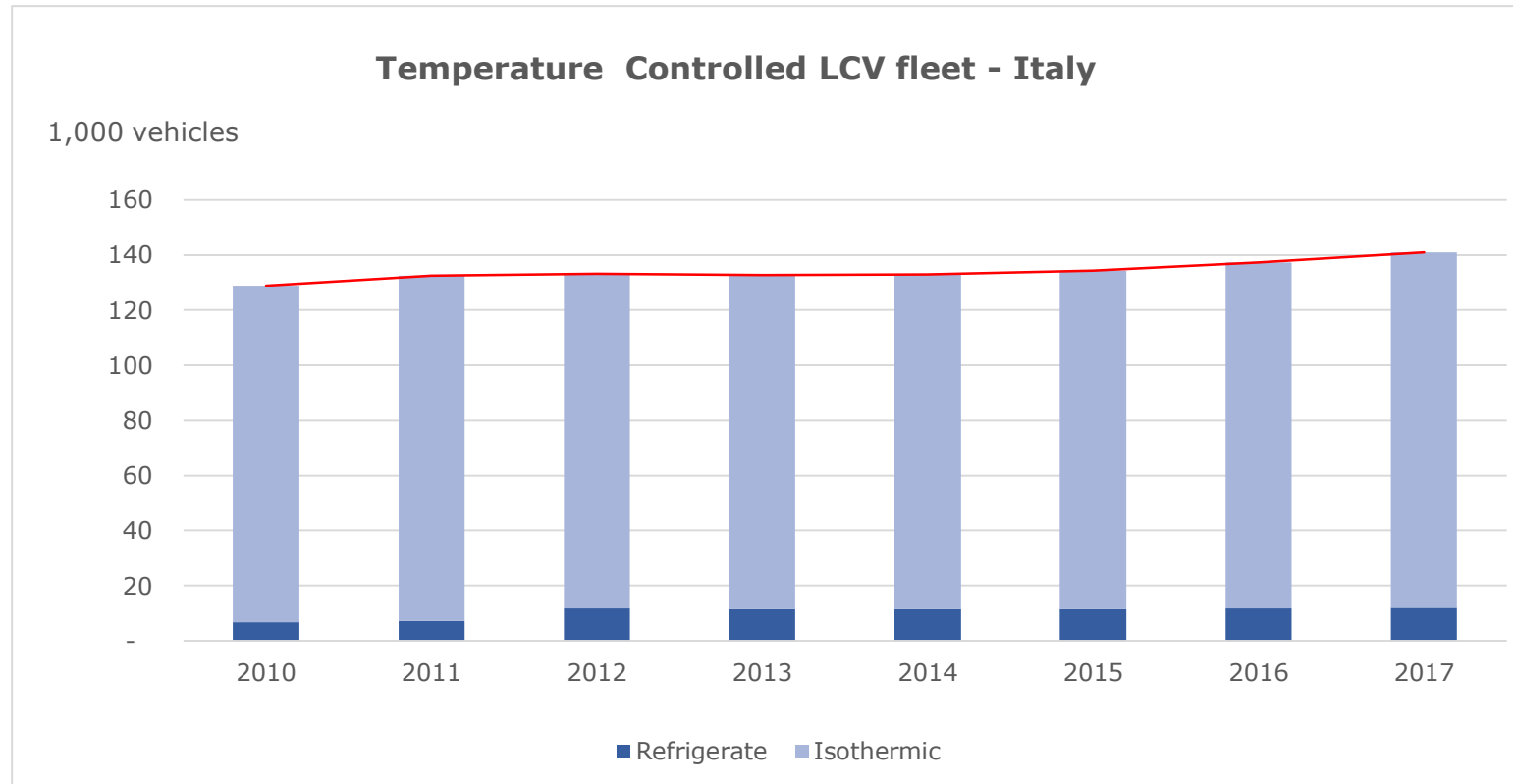
Temperature controlled

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

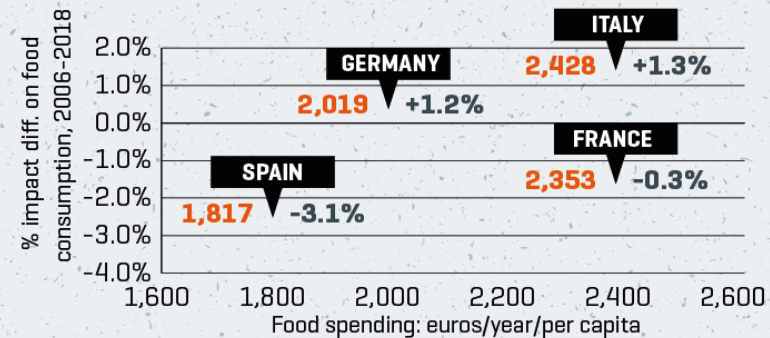
- Fragmentation and customisation of deliveries made on a case-by-case basis (greater frequency and smaller vehicles)
- E-commerce supply chains are the main forces towards fragmentation since it relies on individual parcel deliveries. This is particularly the case in the development of instant e-commerce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

The food habits

ITALIANS ARE EUROPE'S FOOD LEADERS

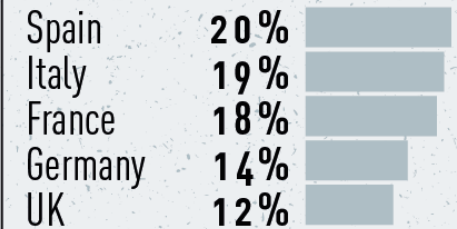


Food purchases: we are the first in Europe and worldwide
[Euros/year/per capita and % impact diff. on food consumption]



Source: OECD

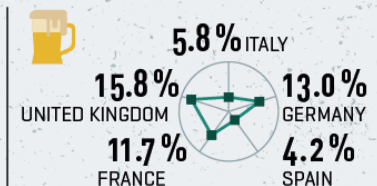
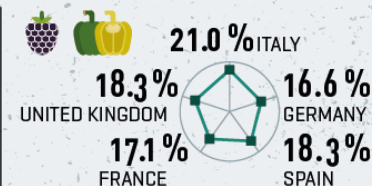
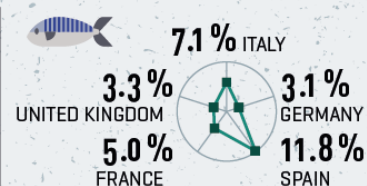
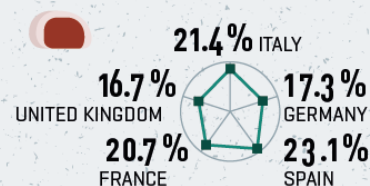
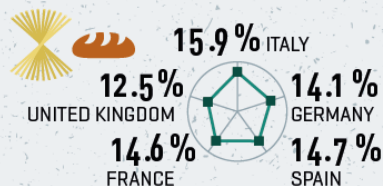
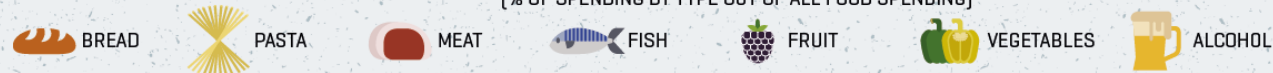
In Spain and Italy, one-fifth of spending is on food
[% of food spending out of the total]



Source: Eurostat

Fruit and vegetable consumption: no one in Europe can match the Italians

[% OF SPENDING BY TYPE OUT OF ALL FOOD SPENDING]



Source: Eurostat

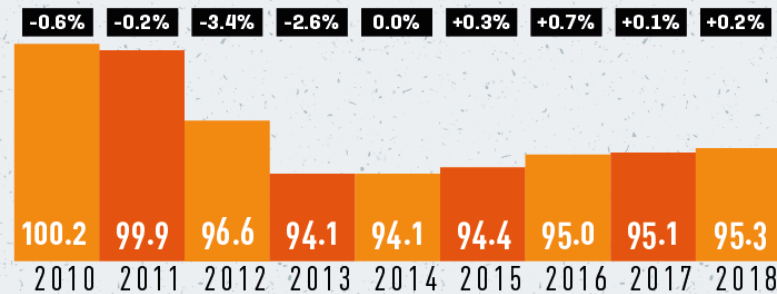
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The food habits

FOOD IS INCREASINGLY CENTRAL IN THE LIFE OF ITALIANS

THE SLOW RECOVERY IN FOOD CONSUMPTION

(Consumption at concatenated values, index numbers 2010 = 100 and annual % change)

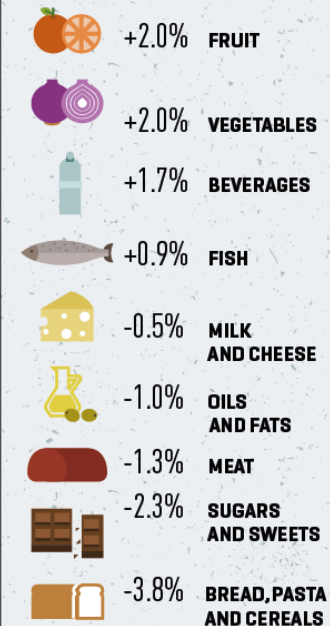


Source: REF Ricerche on ISTAT data



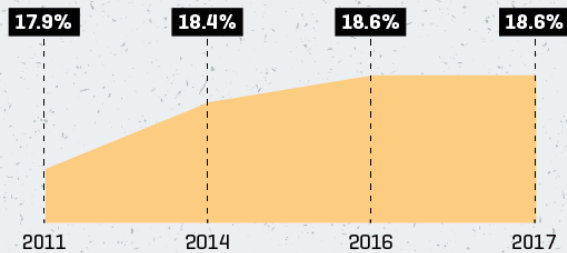
In one decade, fruits and vegetables on the rise, carbohydrates and sugars down

(DIFFERENCE IN THE % SHARE OF SPENDING ON FOOD CONSUMPTION, 2018 COMPARED TO 2010)



Food becomes central in household budgets

(% share of food consumption out of the total)



Source: Istat

After sleeping and working, food: 3 hours to prepare and eat it

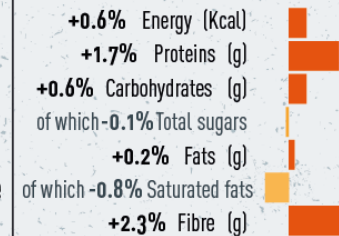
(Hours/day per activity)



Source: Istat

CALORIE REQUIREMENTS: MORE FIBRE AND LESS FATS FOR ITALIANS

(NUTRITIONAL CONTRIBUTIONS % CHANGE, 2017/2016)



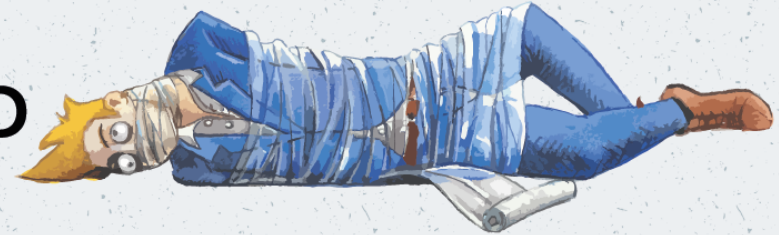
Source: Nielsen GS1 Imagine Observatory

Source: REF Ricerche on Eurostat data

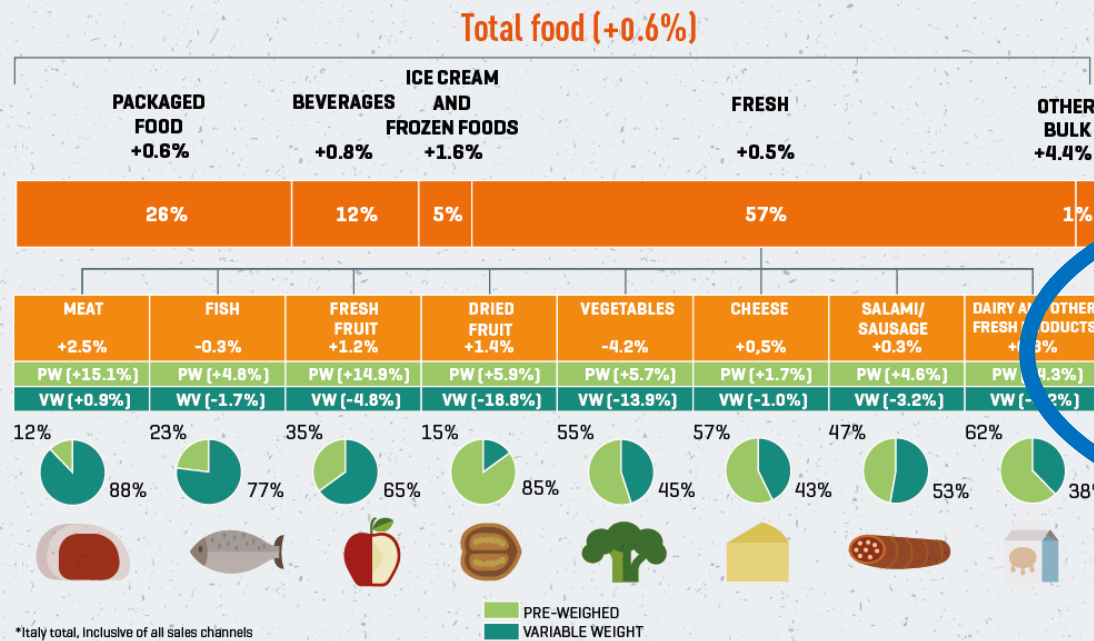
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The food habits

IN 2018, PURCHASES OF FRESH AND PACKAGED FOOD PREVAILED

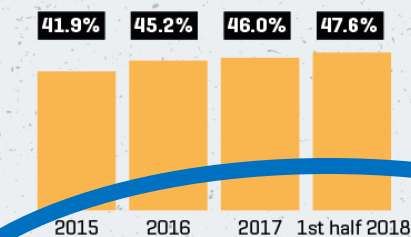


THE DECLINE IN MEAT AND SALAMI/SAUSAGES STOPPED,
SPENDING ON FRUIT ROSE EVEN MORE
(Sales by value - % change year on year and % impact pre-weighed and variable weight, 1st half 2018)*



Italians increasingly prefer packaged products

(% impact of pre-weighed on total fresh food turnover)



Food inflation exceeding 1% for two years

(% change year on year, consumer prices)

	TOTAL FOOD	PROCESSED FOOD	FRUIT AND VEGETABLES
2015	+1.0	+0.2	+5.4
2016	+0.2	+0.1	-0.2
2017	+1.7	+0.5	+6.8
1st half 2018	+1.1	+1.7	-1.2

Source: REF Ricerche on ISTAT data (NOV)

Fresh products and frozen foods drive sales

(% change on the same period of the previous year - 1st half 2018, Italy total, inclusive of all sales channels)

SECTION	VALUES	QUANTITY	PRICES
PACKAGED FOODS	+0.6	-0.1	+0.7
ICE CREAM AND FROZEN FOODS	+1.6	+1.1	+1.2
FRESH PRODUCTS	+5.4	+3.5	+1.9
BEVERAGES	+0.8	-1.0	+1.8
PET CARE	+1.5	+0.8	+0.7
HOME CARE	-0.5	-0.5	0.0
PERSONAL CARE	+0.2	-0.1	+0.3
PACKAGED CONVENIENCE GOODS	+2.0	+0.8	+1.2

Source: Nielsen

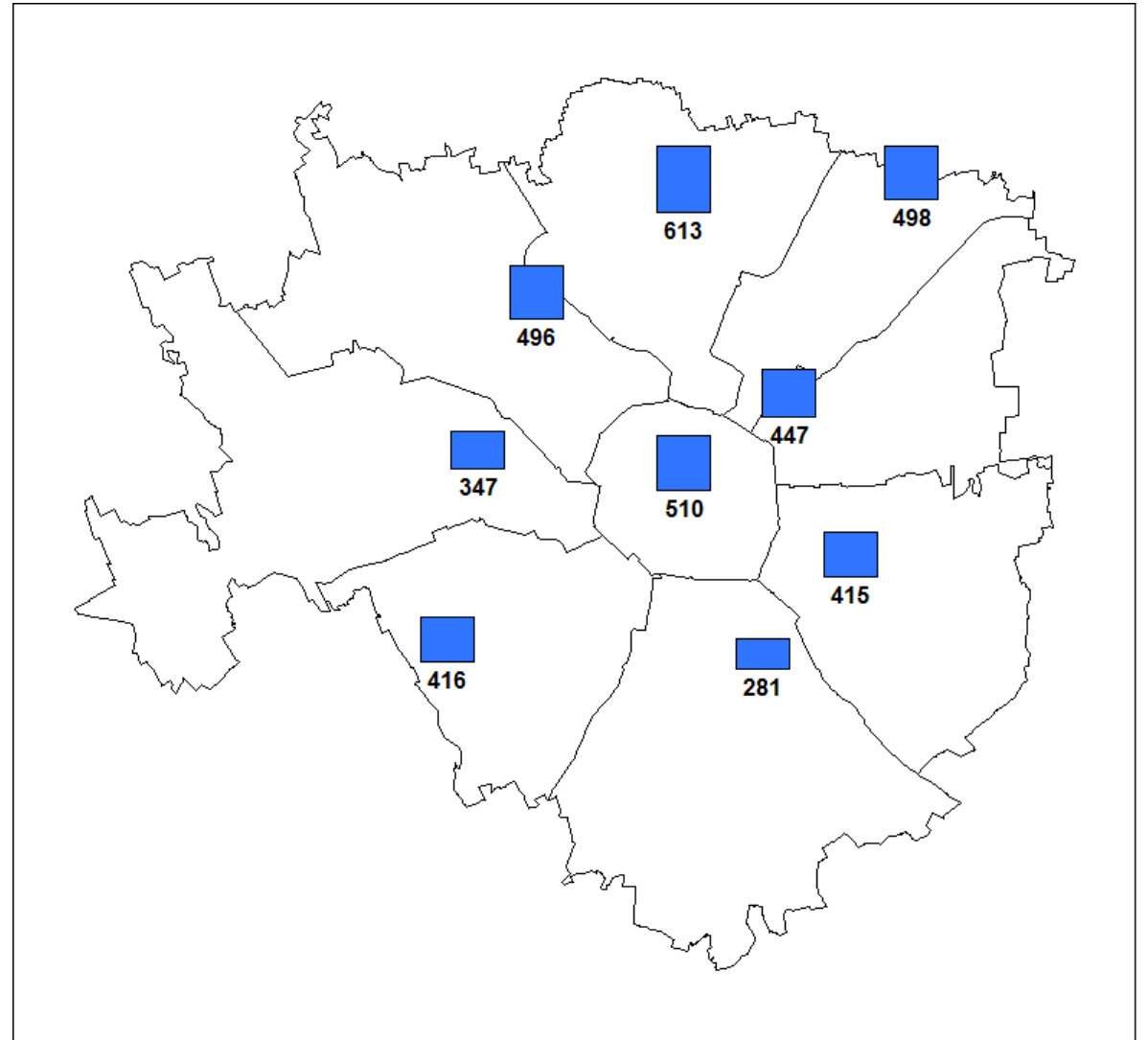
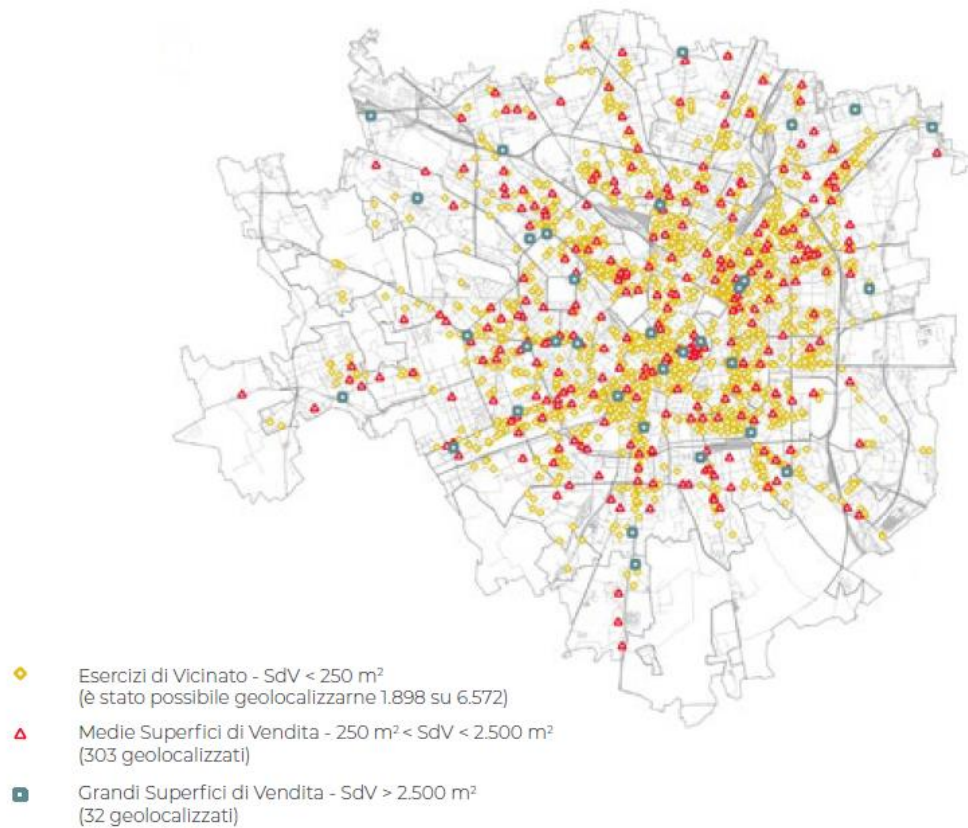
Food, retail and the city: the main trends

- 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

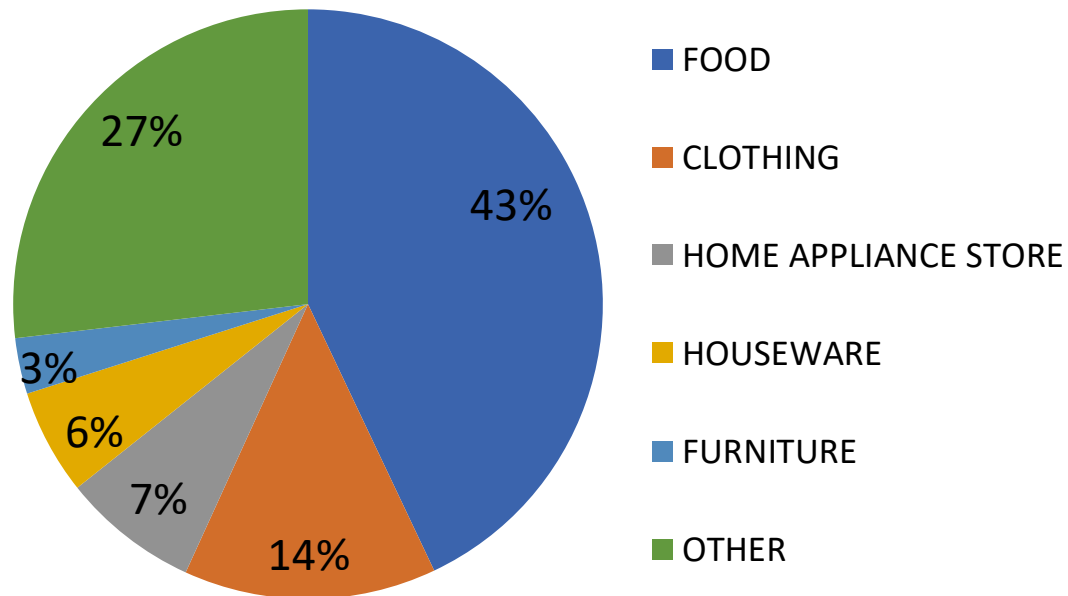


Source: AMAT, 2014

Food and the city: the case of Milan

Total freight movement (Goods received and delivered)

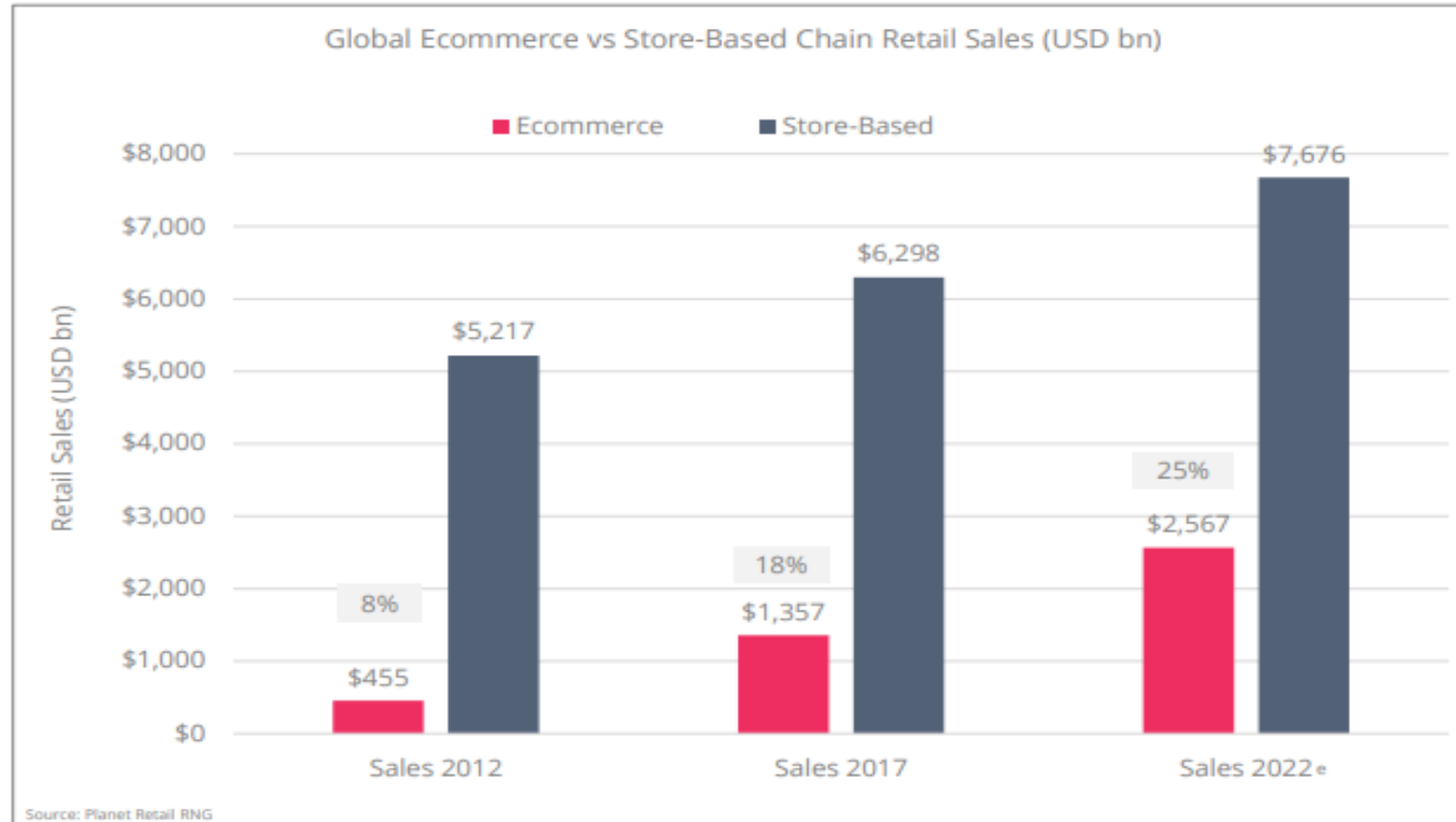
Breakdown by commercial category – Activities carried out by retailers, bar and restaurant.



Food represents the 43% of freight movement activities

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

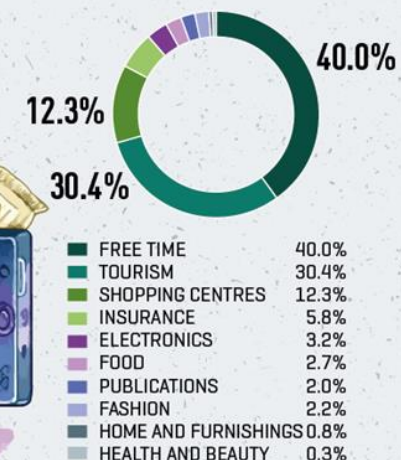
ITALIAN E-COMMERCE STILL POSTING DOUBLE-DIGIT GROWTH

ITALIAN E-COMMERCE CONTINUES TO GROW
[TURNOVER IN BILLIONS OF EUROS AND % CHANGE]



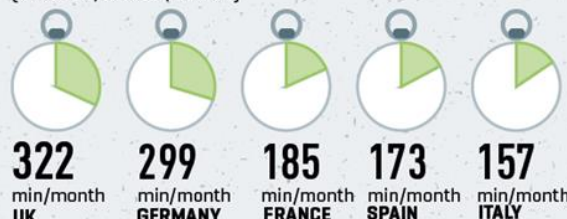
Source: Nexi Observatory

E-commerce turnover concentrated on free time and tourism
[% OF TOTAL TURNOVER]



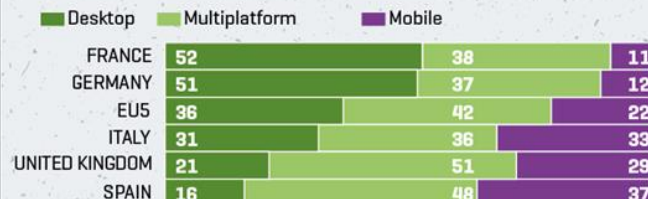
Source: REF Ricerche on Comscore data

Italians spend two and a half hours a month shopping online
[MINUTES/VISITOR/MONTH]



Source: REF Ricerche on Comscore data

Mobile used the most heavily in Italy and Spain
[% UNIQUE USERS PER PLATFORM]



Source: Comscore

Shopping centre "boom" expected in 2018
[% EXPECTED CHANGE OVER 2017]



Source: Assolati

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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.



What businesses can do?

2. Organisation

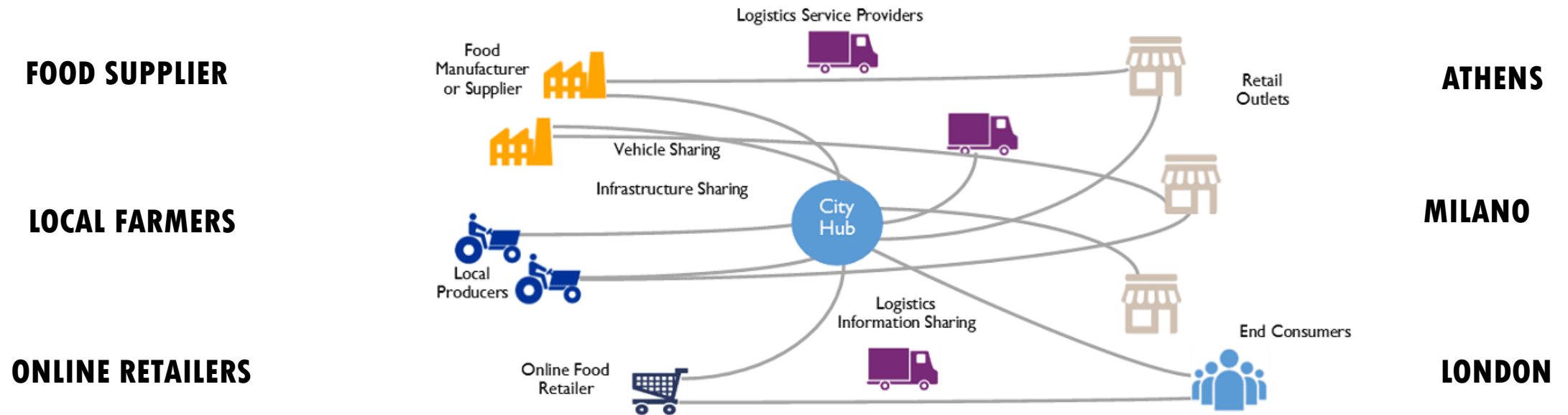
Make use of UCC (closer to the market and more flexible)



What businesses can do?

2. Organisation

Collaboration/sharing can help



Source: U-TURN project

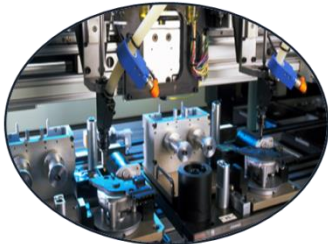
What businesses can do?

2. Organisation

Collaboration/sharing can help

Opportunities for horizontal collaboration

Among Suppliers



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

Among Retailers



- Urban consolidation center

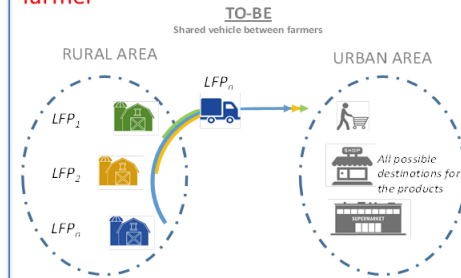
Among 3PLs



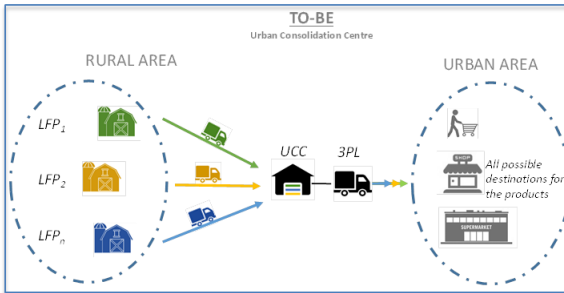
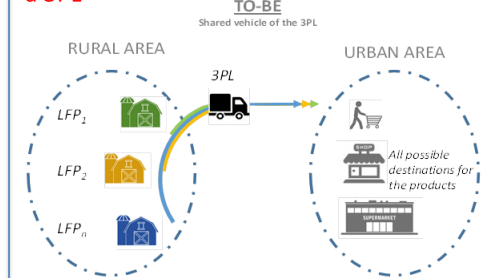
Source: U-TURN project

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!

Enrico Pastori

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