

How will new (e)consumers reshape last mile delivery?

There is much talk of 'last mile delivery' these days, and most of it centres around being environmentally-friendly. A utopian picture is evoked which would see all the nasty polluting trucks arrive at the edge of town, unload their goods and go away again. The goods are then delivered into the city by electric van/scooter/bike... and we can all breathe more easily (literally).

At the Mipim exhibition this year, however, a conference looked at the effect all of this might have on real estate, and particularly on traditional distribution centres. A 'front-line' panel consisting of Jérôme Delauney, Head of Asset Management France, Axa-I.M., Ben Bannatyne, President, Prologis Europe and Logan Smith, head of Logistics Real Estate – International Investment Group, BNP Paribas Real Estate, was moderated by e-commerce consultant Raimund Paetzmann, who himself has many years of experience with one of the biggest distributors of them all – Amazon.

Reversed flows

Looking at the way people think, it was made clear that just thinking about today is not the way forward. Companies are looking at the use of robots, and at the situation where these (and increased digitalization) would lead to the supply chain being turned upside down. It would no longer be a 'push' system where goods are delivered to a store which then tries to sell them, but a 'pull' system where the customer dictates what he or she wants, when and where. This is what was described as the era of 'instant gratification', one click and I get what I want. In this world, two day delivery is no longer good enough – today or tomorrow is what is required.

In an Amazon trial in the USA, robots bring the shelves of the distribution centre to the order pickers, rather than the pickers going to the shelves. And because the robots know exactly where everything is, goods no longer necessarily need to be stored by category.

Other methods of distribution are also being trialled. In a USA project, trucks full of food go to a neighbourhood, in the sure knowledge

(thanks to big data) that it is carrying exactly what that neighbourhood wants. Retailers in the area thus use their shelf-space more effectively and do not get left with large quantities of unsold goods. Another potential change to last mile delivery is, it was stated, being considered in London: banning personal deliveries to offices in order to get the masses of white vans off of the city's roads.

Does this mean the end of the distribution centre as we know it? Not really, because as the experts pointed out, the new digital operating mode does not replace either buildings or people. The technology helps the people to do their work, and the goods clearly have to be held in buildings before they are delivered. As it was said, and with regard to other major disrupters in our lives 'Uber still needs cars and Airbnb still needs rooms...'

Evolution towards more urban distribution centres

What may change, however, is the type of building. More flexibility is quite obvious, and large distribution centres may even need trading zones so that people can come and pick up their goods if they so wish. This eventuality will have to be considered when building permits are requested. The real impact may come in the fact that the new technology can be integrated into any type of building. In cities such as Brussels, which has a structural level of obsolete office stock, conversion to residential use is now part of the real estate market. But conversion to smaller, more local distribution centres is also possible. In other words, the changing face of distribution could impact on real estate sectors other than just its own. And while the transparent distribution process known as blockchain makes the new distribution concept possible, it will not fundamentally



change the requirement for buildings. Purpose-built distribution centres may possibly be higher, and they may be rented for shorter periods than is currently the case, but this is not game-changing.

There will probably be a need for more distribution centres close to city centres, and then for more storage in the city centres themselves. But as has been stated, these could be almost any type of building, and even someone's garage... It is also believed possible that last mile delivery could become a sort of utility, provided to districts just as all the other utilities are. A last delivery point in a shopping mall may become the norm (nobody is suggesting that shopping malls are on the point of extinction, despite the digital on-line world we are living in).

A rapid and very broad brush summary would perhaps be that the entire delivery system may be undergoing substantial change, but merchandise still has to be stored in a building of some sort before it gets to the customer.

Tim HARRUP

“The supply chain is being turned upside down : no longer will it be a ‘push’ system where goods are delivered to a store which then tries to sell them, but a ‘pull’ system where the customer dictates what he or she wants, when and where...”