



Online Logistics After COVID-19

Q&A

» Will Treasure mentioned that fashion online sales hasn't increased in the UK/US. Any thoughts on why this exception?

A: I think that overall demand for clothing is down, as people are not going into work and are working from home. The cancellation of parties, weddings etc. is also reducing demand. Demand has switched from formal wear to leisure and casual wear, please see this detail from Marks and Spencer, one of the UK's leading fashion retailers, half year results below:

| M&S clothing and home performance by category | | |
|-----------------------------------------------|-------------------------------------|-------------------------------------|
| Category | % change to last year (Q2) - stores | % change to last year (Q2) - online |
| Formal | -54 | -16 |
| Holiday | -50 | -34 |
| Shoes and accessories | -55 | -20 |
| Outerwear | -46 | -5 |
| Casual | -37 | 40 |
| Kids | -31 | 83 |
| Lingerie and men's essentials | -37 | 87 |
| Home and beauty | -33 | 27 |

» Will Treasure's thoughts on insourcing/outsourcing of fulfillment / warehouse operations?

A: Online logistics are complex and require skilled management and good systems to set up well. The question of whether to insource or outsource is really about core competency and differentiation. If a business thinks that logistics is a core competency and can enable competitive advantage then it should in-source them, and if not then capital and skills are better deployed in other areas.

It's also worth noting that there are different levels of out-sourcing. For example Asos, the UK's leading online fashion retailer, lease their UK warehouse and own the technology, and outsource the people management to a third party.

In-house vs Outsource is a complex question and one well worth taking external advice about.

» How can logistics complement e-commerce companies in uncertain times as now where the markets are far from normal?

A: A good example of this is the rapid one-hour delivery solutions that are operating in many major cities. This replaces the instant purchase effect of visiting a store.

» How high to you see the demand of same-day-delivery in both B2B & B2C?

A: Speed of delivery is increasingly important, and some commentators think that same day delivery will become a large proportion of deliveries. But same day delivery is expensive for non-food as it's not possible to use the hub and spoke model that carriers use for next day. My personal view is that most of the time, next day delivery is an acceptable service and same day is only needed for distress purchases, and will remain a small part of the market. The exception to this is for food, where fast delivery is increasingly used and during the pandemic many restaurants started to offer this service.

» Could Will comment on his views to the sustainable & environmental driven logistics in e-commerce when stores are expected diminishing in numbers

A: As a logistics sector I think we need to focus on packaging reduction, reusability and recycling, and the increasing use of electric vans for delivery. Innovation is happening in both these areas and we need to adopt this innovation quickly.

» Has COVID-19 created more or less opportunities for logistics professionals to find employment in E-commerce? Are new roles, which didn't exist before, being created due to the pandemic?

A: The increase in online logistics is driving an increase in management needed to run this. And moving from B2B logistics to online logistics is a normal career route now. In Denmark I have seen ex-Army logistics managers run some of the best online operations I know.

» Will talked about downtown for customers in store. How can brands differentiate themselves in an online world?

A: Good marketing and brand management is critical. One of the small businesses I work with had previously sold only 5% of their business through their own website, 95% through Amazon. They took on their first online marketing manager and increased sales through their own website to 30% of their business withing 6 weeks.

»» What's your expectations to Black Friday this year? Last year we saw an all-time record and do you think that 2020 will show another record of online sale on Black Friday?

A: This is hard to predict as it does depend on competitor responses. But my sense is that retailers are keen to spread sales out across more of November and December, and some retailers are not participating in Black Friday. Their view is that on Black Friday you end up selling product at lower margin with some expensive logistics. Many warehouse operators have to be recruited to handle a very short demand peak.

I think Black Friday will be large and an increase on last year, but the increase will be less than the 40% increase we have seen in online across the rest of the year.

All answers are given by Will Treasure and are not associated with Scan Global logistics.