

## **SUSMILE Synthesis note**

### **Capsule 2.2.3 - Source 1**

#### **An operational focus**

The various players in the logistics and transport sector are determined to work on last mile delivery and to satisfy the needs of their customers. But what used to be a "support function" (organising the delivery of a product to their client's end customers) has become, thanks to the evolution of our society and the important access to digital services, a strategic axis. Indeed, most players, regardless of the sector of activity in which they work, are concerned about the perception of service by their customers, and in this respect, last mile delivery occupies an important place.

It is therefore important to better understand customer expectations, whether it is about greener deliveries, on-time delivery, traceability, etc. To achieve this, investment in data collection, analysis and sharing between players has become a natural part of traditional delivery services.

Thus, first and foremost, the organisation and adjustment of the last mile delivery model is linked to a better service for end customers, regardless of the product. It reinforces the competitive differences between operators and is, for a growing part of the market, a determining factor in selling a brand's image. Several studies indicate that a high rate of customers dissatisfied with delivery conditions is unlikely to order from the company again.

#### **Impact of digital information on the distribution model**

In a growing digital environment for modern society, and in particular the urban environment, where density and access to these technologies are everywhere, data collection is now at the heart of the strategy of distributors and vendors. Customer feedback is available everywhere, to rate and comment on both the product and the way it was delivered.

Knowing more about your customers, even before you launch a new product or service, helps to determine whether it is likely to be successful and meet potential demand, and therefore the market. In the first instance, this is a major improvement in targeting the market, producing less but better, while customising the products or services delivered.

By extension, the use of this same data will make it possible to refine the quality of information when it comes to organising delivery rounds, distribution circuits, production rates or estimating the right quantity to produce for each product range. It is therefore also an opportunity to optimise delivery conditions and operational costs.

#### **Technology only is not the solution**

To get products to customers, technology is only a means of precise information and organisation. However, there are many constraints to enter the city and not all vehicles are welcome, while the quantities and frequency of delivery rounds are increasing due to new consumer habits. A dedicated organisation is therefore needed that takes into account the customer's perception of the delivery service:



- A more ecological mode of transport
- Delivery time
- Packaging and options
- Contact details for delivery
- Etc.

In parallel, each of the product categories that need to enter the city will think about innovative ways to reach customers while saving money. As you can see in the sources attached to this capsule, the studies are not focused on the mode of transport but on the organisational model. The importance is to link two key concepts:

Customer service	&	Costs optimisation
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The frequency of rotations, the capacity of the mode of transport, the organisation before (to reach the delivery point), during (to secure the delivery in the best possible conditions) and after (to collect the customer's satisfaction with the delivery) are all key concerns to improve services as well as to optimise future operations. The feedback collected will provide data to better understand consumer habits, the type of products or services most in demand, and the organisation of production and distribution accordingly.

## There is no single logistics for the urban environment

While all sectors want to reduce their environmental impact, better satisfy their customers while complying with regulations, and be profitable, unfortunately there is no perfect model for converting all their current operations into a new efficient model that meets these objectives at once.

The objective of bringing the product closer to the point of delivery is as complex as there are product types, business strategies and customer types in the city. Among the selection of documents attached as sources for this Capsule, you have only seen the approach of some actors, and their concerns to build the right case study.

Knowing all the constraints is a major step in setting up the distribution model. And new players, not bound by a historical presence in the city, or traditional and heavy transport modes, more difficult to replace, bring new ideas and concepts of mobility and delivery.

For example: drive-in, click & collect, etc. are new delivery modes that retailers and logisticians have thought of so that end customers can reach the product by themselves and reduce the pressure on last mile delivery from a business point of view. Of course, this is not always possible in city centres, but it shows that all actors in the supply chain are mobilised towards the last mile segment.

Some start-up models now use customers themselves to deliver an item from one place they are passing to another, in order to move goods without using additional modes of transport, reusing an existing route, which will be done by someone anyway. This very concept is based on the ecological motto: Reduce, **Reuse**, Recycle.

## Consolidation magic formula ?

The Urban Consolidation Centres (UCC) are one among many solutions that many stakeholders are advocating for. But while most logisticians and transporters do not the benefits from consolidating freight and operations over the maximum of their supply chain, it is not always convenient nor easy to



implement. As for any other segment of the supply routes, they need to find the right balance between the volume being transported and the final routing operation. If the operation volumes are large enough, main operators are capable implementing their own premises and organisation, but as soon as the last mile distribution implies a limited volume and a load break for another transport mode, then operators will require to coordinate their operations with other stakeholders. The management of a UCC must generate profits of its own, provide fair access and pricing to the concerned last mile operators, while those respective actors may not have a regular or constant volume of activity.

It is therefore very interesting to analyse, based on different factors, how and when a UCC setup becomes most adapted to operations and the conditions for success. Even for such approach, there is no “one size fits all” and the implementation of UCC will generate new implications for the logistics processes, as well as it will require the attention of several new stakeholders over a third-party logistics distribution network such as final customers (B2B or B2C), public administrations, etc.

### Capsule focus

The different sources of information provided in this "Bringing products to the point of delivery" Capsule aim to give a variety of information and examples of scenarios where logistics operators have thought about the most suitable organisation and means for efficient and sustainable distribution. Several key trends need to be understood in order to build the next generation of distribution networks for the last mile, reaching the heart of cities while ensuring a profitable business and improving as much as possible the efficiency with regard to the environment but also the level of customer service.

New technologies clearly contribute to the efficiency of operations, but they depend on a specific organisation, the nature of the products transported and customer expectations, for which logistics operators must constantly adapt their model and work on a continuous improvement of their organisation.

The following list of questions is intended to support reflections on existing strategies for delivering products to end customers in any urban supply chain. This should lay the foundation for a prior understanding of existing models, before looking at other models and regulations that may hinder or facilitate the development of last mile operations.



## Capsule questions

Suggested questions to check the acquisition of knowledge provided by the content of this capsule:

### EQF level 4

1. Which documents are compulsory on board of delivery vehicles, to allow the operations for a transport company in urban environment?
2. What kind of challenges will cargo bike delivery staff face in urban environment?
3. What key indicator is targeted by major actors of last mile distribution to reduce the operating costs of delivery?
4. Why is last mile organisation important to distributors?

*NB: no question asked on Source n°6 document for EQF level 4.*

### EQF level 5

1. Is it compulsory to register your company in the “Registry of Transport” when operating non-motorised vehicles for your operations?
2. What factors will determine the implementation of transshipment hubs in the city?
3. What is the critical factor that affects logistics elasticity model to ensure the flexibility and capacity of enterprises to deliver when volumes are increasing significantly?
4. What distinguishes the best “pure players” of last mile delivery from their competition?
5. What are the four key effects to consider when implementing an Urban Consolidation Centre?

### EQF level 6

1. Why are logistics association important for companies who operate in the urban environment, (not specifically cargo bikes)?
2. Why does collaborative supply chain practices help improve operations in the environment?
3. How can CEP operators for retail last mile distribution optimise their operating costs in limiting return operations?
4. What are the main obstacles to the establishment of Urban Distribution Centres?

