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The Grocer Guide to...

The
Grocer

Supply chain




Analysis

Festive concerns

The ongoing and varied complications hitting the UK's food and drink supply chain are putting question marks over whether this year's Christmas will be one of festive cheer or a case of making do. However, logistics suppliers are adapting to tackle the challenges head-on



 A recent report by Forbes¹ has revealed that 73% of freight forwarders, traders and shippers are expecting this year's fourth quarter to be "just as much of a logistical nightmare, if not more so, than the two years that came before".

This might seem a gloomy outlook, yet despite efforts by the industry over the year to mitigate the effects of the Covid-19 pandemic, alongside other factors, there is still considerable turbulence in the market, exacerbated by both global and local supply chain issues, creating yet another perfect storm for the logistics industry.

As an article in The Grocer's sister title, Food Manufacture, last month² illustrated, numerous challenges continue to plague the UK's food and drink supply chain. "Major global events, such as Covid-19, the

war in Ukraine and Brexit" have all contributed to creating uncertainty and shortages in a wide range of products, including sunflower oil and wheat. Meanwhile, extreme weather over the summer in Europe has taken its toll on products such as olive oil and Dijon mustard, while hot temperatures during the UK's summer and, now, avian bird flu are resulting in a shortage of egg supplies and, more importantly at this time of year, a potential shortage of turkeys³ for those seeking to host a traditional Christmas dinner.

In the meantime, there are plenty of other factors contributing to a veritable maelstrom in the industry. The perception of long hours and hard work, coupled with a migration of European workers returning home post-Brexit, has served to create some severe labour shortages. As an Institute

for Government report⁴ noted recently, haulage and food and drink are among the industries particularly badly hit, with the report noting: "In September 2021, the chief executive of the Food and Drink Federation told an Institute for Government event that there were about half a million staff shortages across the whole of the UK food supply chain, representing 12.5% of the total workforce required."

The same report noted that, in the haulage sector – "essential for the transport of both components and finished goods" – industry bodies such as Logistics UK and the Road Haulage Association (RHA) were pointing so a shortage of 90,000⁵-100,000⁶ drivers towards the end of last year. And even the mighty Amazon had reported problems in retaining and hiring staff in warehouses and to deliver goods.



Contents

Feature analysis 2

The UK supply chain still faces a veritable maelstrom of challenges as the festive season approaches. Growing e-commerce has put pressure on last-mile deliveries and a variety of global and local factors have caused supply shortages in a number of food and drink categories. Yet logistics suppliers remain confident that growing use of intelligent data and automation will help them deliver the goods.

Culina Group 6

Focusing on growth and expansion in the e-commerce market following recent acquisitions

Peak 8

Offering a library of AI applications to support consumer goods brands on inventory and distribution planning

Prologis UK 10

Helping to create supply chain resilience with new logistics hubs and recruitment techniques

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In addition, soaring fuel costs have driven up transport prices, prompting a greater desire for manufacturers to source closer to home and 'nearshore' suppliers where possible.

Earlier this month, the RHA called on the Chancellor to introduce a fuel rebate for HGVs of at least 15p per litre to help bring down prices and help stimulate the economy, noting that the current HGV driver shortage still stands at around 50,000.

Richard Smith, RHA managing director, said: "We're ready to work with the Government on a number of solutions which could reap economic benefits and help ease the cost-of-living crisis. A fuel duty rebate for transport firms – similar to schemes abroad – would reduce cost and make the UK more competitive. We also believe that opening up access to training funding

and improving driver facilities will relieve recruitment challenges and better protect our supply chains."

As if all of that were not enough, packaging problems exacerbated by the pressure to move away from plastics and towards increasingly costly cardboard options have presented other worries for shippers in terms of transport stability and product safety, while the increase in gas prices has also contributed to associated shortages and price rises of carbon dioxide used for packaged foods.

"Industry-wide we have seen a significant shift from a 'just-in-time' to a 'just-in-case' model of operation, with many customers looking to increase stock levels and nearshore their operations to ensure supply chain resiliency," says Paul Weston, regional head of Prologis UK.

"With many market fundamentals remaining true – low vacancy rates, growth in rental rates and demand for space outstripping supply – Prologis has performed strongly over the last 12 months," he notes.

Recent studies on inventory management strategies concur with the view that the 'just-in-case' model has become more popular over the past year as it gives more assurance of supply than the more reactive 'just-in-time' model. Each method has its advantages and disadvantages with 'just-in-time' providing a lean and agile format with reduced costs, but courting the danger of running out of stock if there is a spike in demand, such as during the busy run-up to Christmas. Meanwhile the 'just-in-case' model, while enabling a supplier to keep up with demand and thus potentially

Analysis

maintain a competitive edge, can incur additional warehousing costs and runs the risk of wasted stock if items don't sell.

Overcoming labour challenges

When it comes to tackling labour challenges, the industry has taken a proactive stance. Prologis and Stobart (part of Culina Group) are among a number of sponsors – including the Department for Transport, Amazon, Asda and Tesco, as well as other logistics suppliers – involved in Generation Logistics, which is tackling the problem head-on to ensure that potential new recruits understand the breadth and depth of opportunity in the logistics sector. The organisation is committed to finding the next generation of logistics talent, “where innovation, international travel and cutting-edge technology are all part of the day job”, according to its website.

“Our customers are facing an important challenge; how to secure the skilled workers they need to keep up with demand,” says Prologis’ Weston. “We are helping to be part of the solution.” In addition to its involvement in Generation Logistics, Prologis runs a Warehousing & Logistics Training Programme, a free course at The Hub in its Daventry International Rail Freight Terminal (DIRFT), “designed to help people gain the skills and knowledge they need to embark on a career within this vibrant, growing industry”, says Weston. “It’s in response to customer feedback that talent attraction and retention is one of their biggest pain points, and is an industry-first,” he says. “We have already seen this course prove to be a massive success in the Northamptonshire area, and we hope to be able to roll it out further afield in the future.”

Meanwhile, automation, powered by artificial intelligence (AI), plays a key role in maximising the efficiency of teams and their processes, says Ira Dubinsky, director go-to-market strategy at AI specialist Peak. “Logistics teams, for example, can combat current labour shortages by drawing on data to optimise route planning, making fewer unnecessary trips and maximising cargo space.”

Indeed, there is now widespread agreement for the need to automate as many processes in the supply chain as



possible, not just to save on labour but to ensure efficiency and reduce overall costs.

Culina Group has expanded its expertise in the e-commerce market recently, with the acquisition of e-fulfilment specialist iForce. The company services clients such as Aldi, developing new ways to satisfy the growing demands of multichannel shoppers. “Online and digital are so important to consumers today that every brand needs to find a winning formula,” says the company on its website. The iForce Gateway software provides multichannel order fulfilment and warehouse management, encompassing product receipt, storage and order pick and pack.

Culina Group CEO Thomas van Mourik reveals in this supplement that the iForce business is “growing like a mushroom”, adding: “The sky is the limit in the e-commerce market.”

Alongside this, Culina Group is

developing a new IT-driven 3PL culture and environment, including a new innovation and technology hub.

At Peak, Dubinsky says: “With changing customer buying behaviours, macroeconomic factors, supply pressures and complex global omnichannel networks, there are so many moving cogs that make accurately predicting and fulfilling demand impossible without automation. Our customers are focused on connecting and centralising their data to increase efficiency. Supply chains traditionally run on aggregated data, while consumer data is often more granular. The latter is rarely considered in supply chain decision-making, but by linking this data, you can drive more interconnected decision-making across the value chain.

“For example, linking location, fulfilment and customer data can help you better know where to place stock, managed customer expectations in

The challenge of last-mile deliveries

With the explosion in online shopping in recent years, the pressure to deliver goods swiftly, often the next day, has amplified existing – and created new – inefficiencies and problems in local transport, all of which can affect the food and drink supply chain.

Earlier this year, the government released the findings of a report, commissioned by the LGA to Dr Daniela Paddeu of the Centre for Transport and Society at the University of the West of England. Its aim was to help inform future LGA discussions with the Department for Transport and other stakeholders

in working towards the UK Transport Decarbonisation Plan, with its net zero target of 2050.

According to the report¹, the UK is the number one market in Europe and third in the world for online shopping, with 25% of products bought and returned online. While this has brought advantages to shoppers during the Covid lockdowns and beyond, it has exacerbated transport problems, with the number of vehicles on the roads creating added congestion and pollution in built-up areas, not to mention the pressure on companies to find warehouse storage

space to enable that last-mile promise, and the different needs of consumers in rural and urban areas.

Some of the solutions proposed, which will likely affect the UK food and drink supply chain in the future, include compulsory consolidation centres, to be implemented in different locations in England with the support of central government; road pricing for last-mile deliveries – charging delivery vehicles for the use of the road infrastructure dependent on time, place or day of the week to reduce congestion; and pricing to disincentivise rapid

delivery, encouraging end-consumers to opt for more sustainable options, including slower delivery times to enable consolidation of goods and vehicles to circulate in full load.

Yet, consumers' already heightened expectations on delivery mean that businesses are under pressure to fulfil orders faster and therefore need to find ways of optimising their service and manage consumers' expectations via tools such as GPS tracking, immediate transparency on any delays, and varied pricing strategies according to delivery options and timings.

terms of delivery times and anticipate promotions or disparities in final order quantities by analysing customer behaviour.”

Meanwhile warehouse automation is one of the most effective ways of addressing a variety of problems, notes Prologis' Weston. “A warehouse is a challenging environment because there is always a driving need to maximise productivity and reduce costs simultaneously,” he notes.

“Making these objectives even harder are common warehouse issues, such as faulty inventory numbers; picking errors and mislabelling of inventory; new growth targets; and maintaining or upgrading old equipment and technology. Warehouse automation can also help improve the overall accuracy and performance of a warehouse.”

So, what of the future?

According to Prologis' Weston, supply chain resiliency remains a top priority,

while many retailers continue to feel the impact of war in Ukraine, Brexit and the economic outlook creating uncertainty. “Against this backdrop, many are continuing to transition from a just-in-time to a just-in-case model. “Additionally, the resourcing constraints many operators continue to experience is accelerating the growth in automation solutions, providing a wealth of new opportunities for those building a career in the sector.”

Peak's Dubinsky reckons that as the UK moves further into the recession, businesses of all sizes will be fighting for survival. “Tactics like price hikes and ‘shrinkflation’ are already in full force, so there's not many avenues left to turn,” he says. “Those that already have the tech they need to combat challenges around operational efficiency and protect their margins will be best placed to weather the storm.

“For example, berry and cherry cooperative Berry Gardens is

deploying AI applications to optimise business-critical decisions around stock allocation. This enables them to maximise customer service, minimise waste, and reduce food miles – ensuring the right stock is in the right place at the right time – and conserve margins.”

Whichever inventory philosophy and model businesses choose – with a hybrid between just-in-time and just-in-case widely advocated – it seems clear that automation and intelligent data will become increasingly critical in maintaining a competitive advantage across the supply chain industry.

Sources

¹ <https://tinyurl.com/hrxyvstn>

² <https://tinyurl.com/4k6uyc6d>

³ <https://www.independent.co.uk/news/uk/home-news/bird-flu-2022-christmas-turkey-shortage-b2214098.html>

⁴ <https://tinyurl.com/4m56ukex>

⁵ Logistics UK, Driver shortage crisis: UK business groups demand action, 22 August 2021, <https://tinyurl.com/2p8mt98k>

⁶ Road Haulage Association, Critical supply chains failing due to the significant shortage of HGV drivers, Letter to the Prime Minister, 23 June 2021, <https://tinyurl.com/yc28v4zp>

⁷ Last Mile Delivery

⁸ <https://tinyurl.com/4xpz98h2>

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Clear focus on growth

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 E-Commerce Fulfilment
 Contract Packing

These are exciting times for Culina Group. Founded in 1994, the company has seen many positive developments over the years, with recent growth quite startling, it reveals.

With a turnover of £2.2bn, a combined workforce of over 22,000 employees at peak, over 20m sq ft of warehousing, more than 5,500 vehicles and 12,000 trailers, Culina Group is the UK’s largest privately owned logistics provider.

In 2021, the company announced the highly publicised landmark takeover of GreenWhiteStar Acquisitions (GWSA) – a substantial organisation in its own right and the parent company of leading businesses Eddie Stobart, Eddie Stobart Europe, iForce, The Pallet Network and The Logistics People.

Via this acquisition, Culina Group significantly strengthened its market-leading position in FMCG logistics, and now has more than 100 strategically located distribution centres across the UK, Ireland and, indeed, into Europe.

While ensuring the continuation of a smooth service for its customers, the last year has seen further evolution of the overall business. Opportunities to build synergy between business elements are now being maximised as the Culina Group structure continues to evolve, with a clear focus on the next chapter of its growth.

In February, Culina Group established a new division, Stobart Intermodal Solutions, designed to address the pressure exerted on customer supply chains and limit disruption. “More than 100,000 loads a year come from Europe and end up in our warehouses,” says Thomas van Mourik, Culina Group CEO.



“Via acquisition, Culina Group has significantly strengthened its market-leading position in FMCG logistics”

“Our new intermodal business is solely there to make the connection between what is produced on the continent and what ends up in our warehousing. It could be accompanied, unaccompanied or containers.”

Expansion in the e-commerce market is a particular area of focus via B2C e-fulfilment specialist iForce, which services important clients such as John Lewis and Aldi. “iForce is growing like a mushroom,” says van Mourik. “It now boasts over 2m sq ft of warehousing. The sky is the limit in the e-commerce market. What we haven’t got is a home delivery service – yet.”

This summer, Culina Group company Fowler Welch acquired Scottish haulier Robert Burns Ltd, giving the business a presence in the north.

And, going forward, a new IT-driven 3PL culture and environment is being created within Culina Group, including a new innovation and technology hub where logistics support technologies will build towards Web 3.0 and make a meaningful contribution to further growth of all the Group’s businesses.

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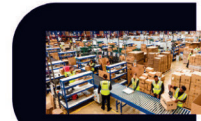






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With all the headwinds they face, it's no surprise that fast-moving consumer packaged goods (CPG or FMCG) businesses are having a bit of a moment, says Ira Dubinsky, go-to-market strategy director at Peak.

“It’s a time of uncertainty that some are weathering, while for others it means an existential crisis,” he says. “Rising costs, volatile supply, unpredictable demand, new competition, outdated technology... the list goes on. Faced with this affront, CPGs are at a crossroads. They can become primarily makers and movers of stuff, or they can reaffirm their place at the heart of consumers’ lives.”

If they choose makers and movers of stuff, CPGs should focus on optimising manufacturing output, consolidating distribution and reducing waste and energy use, says Dubinsky. “This path might mean increasing revenues from private-label products, or manufacturing fewer products at higher volumes,” he notes.

For the CPGs that choose to reaffirm their place as staples in consumers’ lives, this means doubling down on responding to consumer demand – building capabilities to reimagine, reinvent and reengineer product lines, marketing and entire business models quickly and profitably, he adds.

“In either scenario, there is an opportunity for data to help define and fuel that competitive advantage,” he says. “AI company Peak has a library of proven AI applications that support leading consumer goods brands like Pepsico, Molson Coors and The Modern Milkman to bring together their data to make great decisions in inventory and distribution planning, as well as enhancing direct-to-consumer channels with improved engagement and acquisition.”

Optimising stock allocation

Berry and cherry cooperative Berry Gardens is using Peak’s AI applications to optimise business-critical decisions on customer stock allocation. Commercial director at Berry Gardens, Robert Harrison, says: “As a business



“Rising costs, volatile supply, unpredictable demand, new competition, outdated technology... the list goes on. Faced with this affront, CPGs are at a crossroads”

we have myriad different systems which we use to hold valuable data and make critical decisions on a day-to-day basis.” Peak is helping Berry Gardens’ teams to maximise customer service, minimise waste, reduce food miles and cut out hours of manual data manipulation, says Dubinsky.

Building a competitive advantage

As the tides of uncertainty and volatility continue to wash over CPGs, it’s important they think about where to build competitive advantage, says Dubinsky. “For some it may be more about manufacturing efficiencies and for others more about customer-centricity, and for others some combination of both.

“However, without fundamentally improving efficiency through the use of data and AI, CPGs will fail. Whichever way they turn, there is an unprecedented opportunity to use data and AI to lean in.”

Using AI to reduce waste and increase efficiency



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**John Hughes, CIO,
The Modern Milkman**



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Prologis UK

Fortifying the supply chain

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Prologis is the world's leading investor and developer of logistics property

For many retailers and grocers, Black Friday and Cyber Monday signal the start of the peak trading season. As consumers stock up for the upcoming festive period, supply chains feel the pressure. Lessons have been learned following a series of global events impacting the industry, but there are still issues that must be tackled to ensure resilience across supply chains during the busiest commercial periods.

“Covid-19, material shortages and the Ukraine war pushed the industry to its limits in recent years,” explains Paul Weston, regional head of Prologis UK. “Furthermore, the rise in e-commerce has considerably heightened the need for logistics hubs in prime locations, often where space is a luxury.”

With the speed at which goods can be supplied to consumers dependent on how far away they are, last-mile logistics facilities need to be in or close to densely populated urban areas, he says. “Successful last-mile delivery requires dynamic, collaborative, and bespoke warehousing solutions, which offer sustainable logistics spaces that allow businesses to tackle supply chain challenges in the best way possible. This is exemplified by Prologis’ recent strategic developments in Birmingham, west London and Weybridge, adding an extra 2.4m sq ft of prime logistics space to in-demand last-mile locations.”

Attraction and retention of talent also continues to be an industry-wide struggle, as the sector has long grappled with negative connotations around low pay, monotonous work, and progression limitations, adds



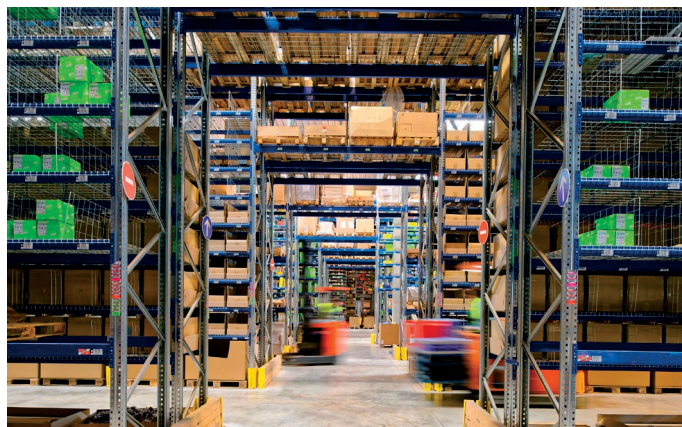
“The rise in e-commerce has driven the need for logistics hubs in prime locations, often where space is a luxury”

Weston. “Prologis is raising awareness of the breadth and diversity of career opportunities in the sector,” he says. “Challenging stereotypes around logistics parks being big boxes creating negative impacts on traffic and emissions will undoubtedly help to tackle long-established perceptions.

“More work is needed to highlight the modern logistics hubs being built countrywide,” he continues. “The sector is constantly evolving and provides more STEM opportunities than people imagine. Modern warehouses rely on data, automation and robotics, so technical skills are in high demand.”

Raising awareness of the training and employment opportunities in the sector is also key to ensuring supply chain resilience. Prologis is helping with this via its innovative Prologis Warehouse and Logistics Training Programme (PWLTP) at Prologis RFI DIRFT, the UK’s most successful road-rail intermodal freight terminal, explains Weston. Meanwhile, Generation Logistics, a newly launched campaign sponsored by Prologis UK and other industry front-runners, works towards informing potential talent about the far-reaching opportunities within the sector.

“Building supply chain resilience goes far further than bricks and mortar,” he says. “Locating logistics facilities in the right places is crucial, but it’s the people that are the heart of every operation. That’s why I’m pleased we’re promoting the career opportunities logistics has to offer.”



Futures

Our customers need skilled people to work within their buildings. That's why we launched the Prologis Warehouse and Logistics Training Programme – a free training programme to help school leavers and those furthest from employment develop the skills they need to work within our customer's buildings. Based at The Hub – our award-winning centre for logistics training and education at our DIRFT development in the East Midlands, this initiative aims to train thousands nationwide by 2025.

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