



The logistics sector is pulling out the stops to offer as service that ticks all the boxes while still driving down the costs, says **Nick Hughes**

MOVING IN THE RIGHT DIRECTION



With inflation running at over 5%, unemployment at a 17-year high and consumer confidence nearing rock bottom, the current trading environment could barely be less favourable to retailers.

Now, more so than ever, the grocery supply chain has to be robust, efficient and responsive to the demands of customers. Ensuring good on-shelf availability remains of paramount importance - after all if products aren't on the shelf, people can't buy them - but, at the same time, holding huge amounts of inventory is neither productive nor profitable and as such retailers are increasingly seeking to have a continuous flow of products going in and out of store thus enabling them to hold little or no stock.

"Logistics is now conforming to the 24/7 lifestyle that consumers ultimately demand and it has manifested itself in the demands placed by customers for shorter lead times resulting in a seven day order - seven day delivery **4** **20**

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3 schedule,” explains Peter Butler, managing director, SHS Sales and Marketing. “We see this trend to shorten the lifecycle of the order and delivery process only accelerating over the next two to three years.”

Finding the right balance between strong on-shelf availability and minimal stockholding is a challenge and it’s a challenge that retailers can often best meet in partnership with third party logistics professionals.

DRIVING DOWN COSTS

Despite the rapid pace of change that characterises the modern grocery industry, the template for a successful logistics solution remains broadly the same. “The right logistics solution is scalable and flexible enough to respond quickly to changes in demand, driven by a variety of factors such as the weather, public and seasonal holidays or limited disposable income,” says Matthew Carroll, regional director, consumer, retail and media at CEVA Logistics.

What the recession has done, however, is promulgated an interesting divide in the approach taken by companies towards the management of their supply chains, according to Nick Hay, managing director of Fowler Welch says: “While part of the consumer base remains purely focused on price, there is a growing number who see collaboration as the way forward. More customers are now working with Fowler Welch to save costs and improve service through considering different routes to market.”

One of the ways in which collaboration is helping to drive down costs and improve service is through shared user transporting and warehousing. Says CEVA Logistics’ Carroll: “Scalable shared deliveries lower carbon emissions and reduce congestion and shared warehousing reduces cost through the use of shared assets, site management and access to a flexible labour pool.”

The shared user approach means that vehicles carry products for multiple customers. Individual pallets might also contain products from different suppliers but with a common, shared destination, explains Paul Steele, operations director

of Culina Logistics. “This means Culina Logistics can optimise the resources utilised in each depot and throughout the network but ensure every vehicle is filled as fully as possible for effective and economical transportation. The impact on the food miles and costs associated with an individual producer, brand product or customer can be significant,” says Steele.

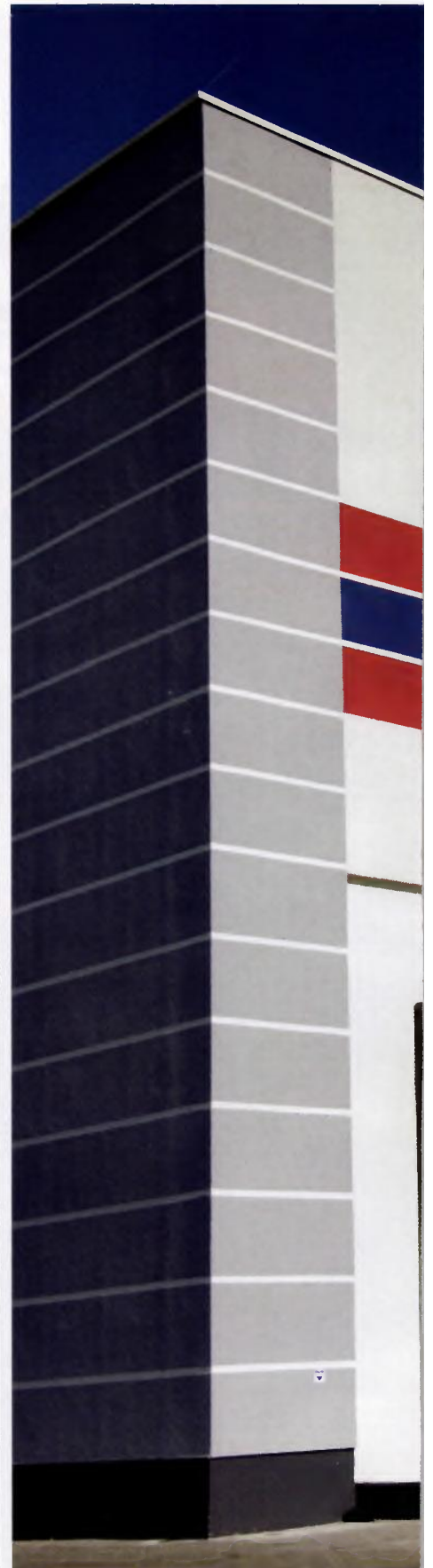
INNOVATION IS KEY

Of course, driving cost out of the supply chain isn’t the only strategic imperative for businesses. Innovation remains as important as ever. “Cost reduction is clear, but increasingly creating or unlocking value and driving innovation are at the forefront of supply chain profession-

“ There is a growing number of customers who see collaboration as the way forward ”

als’ thoughts,” says Jez Tongue, partner at @logistics Reply.

There is plenty of evidence to suggest that innovation has not been placed on the backburner during the economic downturn. In September, Culina Logistics launched a new door-to-door freight management service called Culina Fresh, which offers high quality, multi-modal supply chain capability incorporating road, rail, sea and air transportation for fresh produce, horticulture and other perishable goods. It has been launched to meet demand from producers, importers and retailers for an integrated solution to manage the complete supply chain from source to final delivery. “Producers and importers told us their existing supply chains were too disjointed and inefficient, and to date no-one has been prepared to take ownership and responsibility for door-to-door freight management,” says Steele.





Another company aiming to bring greater efficiency to the supply chain is Aisle-Master, whose Aisle-Master range of very narrow articulated forklifts allows for increased storage capacity and enables users to speed up the handling process, improve productivity and cut costs.


Aisle-Master recently redesigned its range of articulated forklifts to incorporate a host of new features for a more comfortable and safer operating environment such as a restyled cab and control layout.

Innovations in packaging are also helping to achieve significant improvements in efficiency and sustainability. DS Smith Packaging, experts in retail ready corrugated packaging, recently developed a new type of fluting called R-Flute, in which the flutes are smaller and closer together, optimising board strength and delivering better printing, better appearance, machine line efficiencies and dramatic savings in logistics, whilst continuing to offer the necessary protection. R-Flute has been well received by leading fmcg companies such as Kellogg's and Accolade Wines, according to Tony Foster, sector director of DS Smith Packaging. "Our innovation programme has led to a large number of outstanding achievements in reducing costs and carbon in our customers' supply chains," he adds.

ENVIRONMENTAL SOLUTIONS

Within the logistics arena, reducing the carbon footprint remains a key challenge to businesses, says SHS Sales and Marketing's Butler. SHS is reducing its carbon footprint through a number of routes including the introduction of multi modal-rail services across Europe to decrease the number of vehicles that deliver on its behalf and backhauling and consolidating deliveries, which means SHS has "made every mile count by maximising the loads while minimising the road time", according to Butler.

Of course, financial and environmental costs are inextricably linked in the supply chain. Reducing your carbon footprint invariably brings with it the added bonus of cost reduction.

Howard Tenens is one company for which the two go hand-in-hand. 



5 Dual fuel (gas and diesel) has recently been rolled out across the HGV fleet and trials are underway for stage two replacing compressed natural gas with biomethane, the most sustainable road transport fuel for the haulage industry. The duty differential between gas and diesel makes this commercially viable and many of the supermarkets and other customers are following Howard Tenens' lead.

Other eco-friendly initiatives include environmentally-friendly lighting across Howard Tenens' freehold warehousing portfolio, ground source heat pumps and wind and solar power all aimed at reducing the running costs of its warehouses.

TECHNOLOGICAL ADVANCES

Going forward, technology will play an increasingly important role in the supply chains of the future as logistics businesses seek to become more efficient and better able to respond to shorter lead times. Howard Tenens has developed an in-house bespoke warehouse management system that offers multi-site and multi-client visibility of stock across the group which also interfaces with the transport management system.

Fowler Welch's operations integrate with customer systems to transfer order and stock information on a real time basis. The key role of technology in the sector has to be to speed up the analysis and transparency of data, both internally and with customers, says Hay. "Technology cannot replace the value of skilled operators; however it can certainly enhance the flow and accuracy of available information," he says.

Key features that make ideal warehousing and distribution centres in today's business environment, according to @logistics Reply's Tongue, are judicious use of automation; employee contracts which allow flexing of workforce across shift patterns and days; radio frequency and voice support for processes, especially picking; flexible software solutions, which allow for rapid support of process changes, for example from static to dynamic location management, and can easily accommodate new customer requirements; and collaborative integra-



tion of information systems.

Today's warehousing and distribution centres also have to be able to offer consolidation, pick-to-order solutions, services such as inbound transport, storage, reworking, order and stock management and bespoke management information, according to Fowler Welch.

Methods of distribution in the grocery space have reached a pretty sophisticated level of development, believes Tongue. But there is still more that can be done to improve the processes that together

allow the grocery retail supply chain to function effectively. Tongue offers as examples: "using real time warehouse execution data to drive production departments to produce what is required by the customer rather than what is on the plan - thereby eliminating scrappage and costly special transportations; creating pallet loads in line with the retailer's booking in processes, so grouping all like items together rather than spread across several pallets, eliminating shortage reporting and claims; and using crushability factors to avoid damages and hold-ups in unloading."

Each of these examples offers an insight into how logistics professionals are continuously searching for those improvements in process that will give them a competitive advantage in the marketplace. Indeed, at a time when growth in the UK economy has ground to a virtual halt, companies involved in logistics, warehousing and transportation realise that, more so than ever, now is not the time to be standing still. ■

“ Distribution methods have reached pretty sophisticated levels but there is still more to be done ”