



bis henderson
space

NEW Strategy Insight

HOW GOING LOCAL CAN BOOST SERVICE AND **WIN RETAIL ADVANTAGE**

Same-day
delivery
proposition
explored

A **paper** by Bis Henderson Space

OPINION PIECE

How going local can boost service and win retail advantage

By Steve Purvis, Operations Director at Bis Henderson Space

As consumers, we all have a desire to receive our online purchase as quickly as possible. Essentially, we want it 'now!' Next-day delivery is no longer seen as fast enough and, for retailers, those who offer a same-day service are increasingly winning competitive advantage.

Research carried out last year by Censuswide for online delivery platform Stuart, suggests that 72% of online shoppers would shop more with a chosen high street retailer if it offered same-day delivery, spending an average of £168 extra each a year. The survey also found that 62% would pay a premium for same-day delivery, with 10% of online shoppers willing to pay £11 or more for one-hour delivery.

Retailers such as Amazon, Currys PC World, and Tesco are leading the way on offering a same-day service for online orders. By holding stock closer to the customer anyone ordering at lunchtime can receive their goods by early evening.

For Omnichannel retailers with high street stores, holding stock on a more local basis presents further opportunities, over and above speeding orders to online customers. Having the capability to replenish stores more rapidly allows each shop to carry less stock, which has a huge benefit in terms of being able to reduce the size of stock rooms, offering up more retail space for sales display. Inventory holdings within the chain can be reduced too, releasing cash to the business. And having stock close by that serves a number of shops in a region, shoppers in store will get a faster response to stock-outs, perhaps getting that top or shirt in their exact size later that day.

Additionally, fashion retailers may gain a further competitive edge by using the regional stock holding point for returns processing. This would facilitate a faster return of items to the retail shelf whilst helping to boost sales, trim costs and provide a better service to customers by returning their cash more quickly.

But what does this mean for retail organisations looking to compete on service? How can they offer the immediacy of a local presence at a reasonable cost?

The traditional model of distribution in the UK, run from a national distribution centre in the midlands, is well suited to replenishing high street stores and, in combination with express carriers, can provide efficient next-day delivery across the country. However, for a same-day service that

model breaks-down as stock needs to be held much closer to the customer – and for many retailers establishing that network may be a challenge.

Finding adequate warehouse space of the right size, in the right location, through an estate agent is difficult and normally requires a business to commit to a lengthy lease of 5 - 10 years. This is a significant and unnecessary risk for any business trying out an unproven strategy.

Likewise, choosing to work with a third-party logistics provider involves risk too. Contract length here is likely to be three years or more, includes their sizeable operating margin and the availability of warehouse space in the right area depends on their business commitments, and that may not suit your business' best interests.

Considering that the capacity of the stock holding point need not be vast, no doubt just providing for a limited SKU range of fast movers or items on special promotion, other simpler options must be available, where reward need not be outweighed by risk.

In fact, there is a third way – one that offers flexibility, proximity and capacity at minimum risk and cost.

Businesses across the country have underutilised warehouse capacity and a great many are searching for ways to put those resources to work. The opportunity for collaboration is far and wide. Many warehouse users have excellent facilities, cutting-edge IT, and a highly motivated workforce with a low ratio of full-time staff to agency operatives.

Working through Bis Henderson Space, with its wide portfolio of 'own account' properties and competitively priced 3PL spare capacity, there is a far higher likelihood of achieving a flexible deal – perhaps just for 6 - 12 or 18 months – at a well-suited location. What's more, the business works with clients to offer a whole solution, from helping to arrange transport and courier options, to linking with Bis Henderson Consulting for network planning and step-by-step change programmes for creating operational efficiency and faster fulfilment processes.

Retail businesses now have the opportunity to drive supply chain performance through being physically closer to their customers, creating competitive advantage, and critically, offering the customer the speed and quality of service they desire.

Steve Purvis is Operations Director at Bis Henderson Space www.bis-hendersonspace.com