

Challenging times

Members of the newly established UKWA Logistics Users Group explored some of the key issues affecting the industry during a discussion forum held in the morning before UKWA's House of Lords Luncheon



Prior to UKWA's recent House of Lords Luncheon, the first Round Table to be attended by the newly established UKWA Logistics Users Group convened to explore key issues affecting the industry from the users' point of view, as well as from a 3PL perspective.

The Round Table was attended by leading retailers, including John Lewis, Argos, Debenhams and Claire's Accessories among others. In addition to UKWA board members, representatives from REC (Recruitment & Employment Confederation) were also in attendance, along with executives from event sponsors, DP World London Gateway. Peter Ward, CEO of UKWA, chaired the discussion.

Post-Brexit immigration policy potentially disastrous say retailers...

High on the agenda of all attendees was the critical shortage of labour, particularly around peak seasons. There was shared concern that the proposed government cap on immigration post-Brexit would severely exacerbate the crisis.

John Lewis, Debenhams and Argos all confirmed a dependence on agency staff, with Jayne Twaddle of

Mothercare stating that less than 50% of the company's supply chain staff are British, with a high percentage of European labour.

"We're experiencing similar growing pains to other retailers," John Munnely of John Lewis commented. "We are competing with those nearby for the same labour pool. Nobody wants to commit to saying there's a problem, but labour is an increasingly sparse commodity, linked to seasonality. At peak, our demand increases by a factor of 11 against our lowest period. Due to the number of people required we are forced to recruit and train well in advance of the peak events, like Black Friday which ultimately causes retention issues as we are not able to provide full time hours – the worry is the sustainability of this situation."

While Homebase experience their peak season at Easter rather than Christmas, Homebase's Chris Warne highlighted the rising costs of pay required to attract and retain staff, plus the additional cost of training those who will only be with the company for a matter of weeks.

He added, "Less labour availability from Eastern Europe is a concern; Eastern Europeans have high skills and

a good work ethic."

Mike Thomas of Import Services agreed, noting that twelve months ago, 80% of the company's fork lift drivers were Polish. Now, following the Brexit vote and subsequently devalued pound, many of these workers have returned to Poland, leaving Import Services with the headache of replacing them.

For Klaus Goldenbot of Nisbets, UK's largest supplier of catering equipment, future business growth plans together with the challenges of labour shortage post Brexit had raised questions about where best to expand the company's warehousing footprint – UK or Europe.

UKWA working with REC and CBI to advise Government on labour crisis

Peter Ward advised the group that UKWA – along with other trade associations – is teaming up with REC and CBI to raise awareness at Government level of the major labour & skills issues facing the industry – competing with other sectors, such as construction, health and hospitality, to recruit immigrant labour.

He introduced Mark Harrison and Richard Sagar of REC, who outlined the current position.

The group heard that there are labour and skills problems across many sectors, likely to be aggravated by Brexit, as the Government remains committed to reducing net immigration to below 100,000.

The leaked White Paper in September 2017 revealed a two-year transition period, permanently replacing freedom of movement for EU migrants with a new immigration system; it also suggested numbers of EU citizens able to come to the UK to undertake low-skilled work should be limited.



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Chris Warne,
Head of Supply Chain - Homebase



The CBI has expressed concern that a future immigration system, may be based on the existing Non-EEA migration system, which stipulates entry requirements of a minimum salary threshold of £30,000 and a minimum skill requirement for jobs of RQF level 6 (equivalent to a Bachelors degree). Clearly, Mark Harrison said, this will not solve the labour shortage problems of business sectors - like logistics - that depend on low and mid skilled migrant workers.

"Government is minded to deter lower paid migrants and take only those with skills looking for higher paid jobs, only the 'brightest and best' will be welcome," Mark stated.

Peter Ward acknowledged the role of UKWA in scoping the scale of the problem for the logistics industry and to table potential workable solutions for Government to consider.

Apprenticeships and making logistics an attractive career option to young people

Mothercare's Jayne Twaddle observed that part of the challenge for the sector is attracting young people into the industry as logistics isn't seen as aspirational. She highlighted a need to improve education about the opportunities on offer and to make logistics more exciting.

Beth Thomas of US based Change4Growth consultancy said that in America a baby boomer is retiring every eight seconds, so that it is vital to get the new generation up to speed. Beth suggested that the key was understanding what young people were looking for in a career – higher pay? Quicker career development? – and meet their aspirations accordingly. She underlined the importance of e-learning and onboarding strategies employed to achieve speed to competency, adding that in the US, there was a shift away from the high costs of university education towards apprenticeships.

Oliver Trenemen explained that DP World has run apprenticeship schemes for few years. "We found apprenticeship schemes work well; apprentices tend to be extremely loyal so staff turnover is low and people are more practical, so from our point of view it's a sound investment," he said.

Import Services has set up its own training centre, according to Mike Thomas. The company has taken a CPC approach, which is well audited

and is working well, he confirmed.

"If we want to attract people from a wider labour pool, we must position a career in logistics as more interesting and offer better incentives," Chris Warne of Homebase stated. "Good people aspire to develop careers, so lower skilled employees become trained then move on and up – possibly within the company to be merchandisers etc. They have become valuable in other areas, but the cost to replace them is high," he said. "Historically low unemployment rates in the UK, together with the squeeze on immigration post Brexit, is causing the perfect storm."

Mark Thornton of Maginus said that working for Amazon was not associated with a career in logistics, because Amazon talks in terms of drones, robotics, driverless vehicles and technology, not logistics. Their drive is to efficiency, investment in automation, robotics and better software – all of which is an attractive prospect to ambitious young people.

Technology – automation – robotics – a solution to the labour shortage?

Some organisations – including retailer John Lewis Partnership, port DP World London Gateway and 3PL Import Services – have invested in automation and seen it pay dividends. Others questioned the ROI, particularly for smaller companies, and all agreed that it was far from the 'silver bullet' solution to the labour and skills problem.

The move from High Street stores to online shopping continues, but the effect is counter-intuitive. Rather than saving overheads by changing from bricks and mortar to online, the cost to serve is high. John Munnely of John Lewis estimates the cost of ecommerce to be 4x that of traditional retailing.

While previously the customer picked their own products in store, paid for them at the till and then drove home, now the retailer picks, packs and transports to the customer's home. The costs reside in significantly higher labour and costs of delivery, he said.

From a 3PL perspective, UKWA board member Joanne Gumery of Paul Ponsonby confirmed that while jobs on the High Street had been replaced by jobs in ecommerce, fulfilment and edelivery was very much more labour intensive. She said Paul Ponsonby had at least doubled their workforce to deliver goods direct to retailers as well as to their online customers.

"Smaller companies cannot afford to invest in automation and robotics, it's too expensive," Joanne noted. "Our retailer customers all implement different working practices, which creates waste and inefficiencies in the supply chain and conspires against automation. If retailers could all standardise processes, automation might be more of a potential solution, allowing 3PLs to provide a more accurate, speedy and cost-effective service."

Beth Thomas of US based Change4Growth consultancy confirmed that the process should drive the system and not other way around. Process, she said is the enabler. She added that automation is growing in the US, "It's a huge investment, not just in the technology, but in adoption, implementation and change management. Training and onboarding programs are essential; new career opportunities will flow from automation and it may answer some of the labour problems – but at a cost," she warned.

While John Lewis has invested substantially in automation, others saw it as too costly and requiring more highly skilled labour.



"We have invested substantially in automation over the last 10 years," John Munnely commented. "Despite being a risk averse company, JLP took the risk and we have ended in a good place. However, despite the investment, we still need an additional c1200 people to support our peak trading period."

Mothercare too has changed practice due to the rise of online orders, said Jayne Twaddle, but she didn't foresee a move to automation anytime soon. "We have seen double digit growth in e-commerce," she commented. "It's very labour intensive, particularly during periods of high demand such as Cyber Monday. However, a decision to invest in automation or robotics at the necessary levels would be at least two years away for us."

Dan Curran said that Debenhams had starting major modernisation and mechanisation program and had experienced two years of pain in going through an upgrade. He added that JLP is an exception in terms of its scale, adding that smaller organisation would find it more difficult to automate.

Martin Brown of Claire's Accessories also felt that automation was not a wholesale solution. "Vendors offer attractive ROI, but the cost of investment is very high."

Tim Grist from The Wine Company agreed. Tim believes that investment in a more flexible WMS, better data and working on inventory management with suppliers would deliver savings in vendor management, reduce lead times and increase efficiencies, without

the need for automation. Tim called for more collaboration between systems users and IT developers. "Automation is not a magic bullet," he said. "More collaboration is required."

On the other hand, Oliver Treneman of DP World said London Gateway achieved twice the level of productivity of its UK sister port due to automation. "We are more automated, yet still labour intensive," he stated. "Different skills are required to operate robotics."

Mike Thomas said Import Services had committed to investment in automation to keep up with Amazon. "We identified two areas for low cost tactical robotics – you have to balance the price vs labour issues," he remarked, confirming that automation worked in a shared user environment.

Challenging the retailers, Mark Thornton of Maginus suggested that they had caused some of their own peak problems with the introduction of 'Black Friday' and 'Cyber Monday' and warned that shifting responsibility for fulfilment and delivery to 3PLs would not solve those problems. "Poor service and failed deliveries will not impact negatively on the carrier, but on the retail brand."

Network design and warehouse location set to change

Part of the labour issue, the group agreed, was the inconvenience of out of town locations as well as shared situation with competitors. Dan Curran of Debenhams said that the company found themselves paying for buses to get staff to their warehouses, which were 'in the middle of nowhere',

while Jayne Twaddle explained that Mothercare had encouraged car sharing and had worked with the local council to get buses re-routed to enable staff to get to work at their Golden Triangle based warehouse.

All confirmed that future network design would include locating close to population centres as a factor in the decision process.

As Tim Grist of The Wine Society observed, "Warehouses are all in same places – using a transient workforce, which means lower control over staff reliability and loyalty. Historically, people don't want warehouses where they live, but that is going to have to change. In future, location will be driven by access to labour."

He added that for his online customers, service was not all about speed, but reliability, while for both Mothercare and Claire's Accessories, the focus was on Click and Collect, driving customers to store in hopes of upselling.

"Using stores as stock piles enables customers to collect in store, or take advantage of free delivery on larger items. Stock holding at stores is ideal for customer service," Jayne Twaddle explained.

"The challenge is managing customer expectations for delivery on small commodities," said Claire's Accessories' Martin Brown. "Amazon has taught people how to buy online, but for Claire's 1% of our volume is ecommerce. It's profitable, but not setting our world on fire – we see it as congruent not separate from our core business."

Mike Thomas of Import Services identified a trend towards drop shipping for bigger items, so retailers still have control of stock, but don't need to move products across the country or hold them in the warehouse – according to Roy Roddy of RSPB, providing suppliers

operate to the same quality standards, there are huge savings to be made.

Debenhams is seeing growth of Click and Collect, according to Dan Curran. "We have the same model as John Lewis – we offer home delivery for orders over a certain price, we even offer a one hour delivery, but not for free. People mostly don't need a one hour delivery. They will take it if its offered, but we charge a premium. If customers don't need it, they don't select it and if they do, they pay. For us, we pick through the night to get products out to store quickly. We don't want lots of DCs, just one large NDC where online orders are picked and sent to store for collection."

According to John Munnely of John Lewis, retailers are guilty of trying to keep up with the behemoth Amazon in terms of customer proposition, we need to recognise that they have a huge advantage in terms of the critical mass they have accumulated to help manage same day and next day deliveries. No single retailer has the might to take on Amazon alone, he said. As such I think we'll see increasing levels of collaboration between retailers and carriers.

"We have added additional capacity into our network and our warehouse operatives are now closer to the consumer than ever before. Our focus is on making sure the John Lewis shopping experience is equally reflected in our on-line offer, so, for us, surety and consistency of delivery is as important, if not more important than speed of delivery."

A united voice for the industry on key issues

Summing up, CEO Peter Ward commented, "UKWA is delighted to have been able to bring together such a high powered and influential group,



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Tim Grist, Head of Operations at The Wine Society



including some of the best-known names in retail. I'd like to extend my personal thanks for their open and frank exchange of views, which has provided the vital evidence we need to present the real challenges facing the industry to Government.

We formed our new membership category of logistics users earlier this year to keep our logistics provider members abreast of the current perspectives and requirements of their customers, but also to ensure we were more fully equipped to speak as the Voice of the Industry.

While we recognise that any of the leading retailers, manufacturers or carriers are capable of speaking out on an individual basis, in forming the logistics users group UKWA has provided an independent forum and a platform for communicating an industry-wide view to Government, which ultimately is considerably more powerful." ■

UKWA's House of Lords luncheon and roundtable discussion forum was sponsored by DP World London Gateway. DP World London Gateway is the UK's most integrated logistics facility; a state-of-the-art, globally connected deep-sea port, international rail terminal, on the same site as an expansive land bank for flexible and fast development of logistics facilities and warehouses.

The semi-automated port is a highly reliable gateway to more than 100 ports in over 60 countries.

Flexibility is at the heart of the Logistics Park's offering, with the ability to obtain planning consent for bespoke warehouses in less than 28 days.

DP World London Gateway's in-house team of supply chain experts can collaborate to offer bespoke, flexible and sustainable logistics solutions which derive from the facility's full integration. ■