The Voice of The UK Logistics Industry

1944-2019 75 YEARS

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People – Performance – Productivity – Profits

"Fantastic effort as always Team UKWA and already looking forward to next year!"
Ian Walker, MD 3P Logistics Ltd

"Brilliant United Kingdom Warehousing Association conference today with insights from Dr Walter Boettcher of Colliers International and Kevin Mofid of Savills."
Potter Space

"Very pleased to have been a sponsor at the event this year."
Patrick Mulhall, The Alternative Pallet Company

"It was a great conference United Kingdom Warehousing Association! Thanks for organising and having us!"
Dean Kahl, SEC Group

"Thank you United Kingdom Warehousing Association & Hallmark Hotels for having us at the 2019 National Conference. Lovely venue, very informative speakers & met some great contacts"
Mentor FLT Training Ltd

National Conference Review 2019

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Setting the scene for this year's conference, the opening minutes took delegates back to 1944 and the circumstances that led to the establishment of a national association for warehouse keepers. A fast-paced video showed the incredible pace of change over the 75 years since then for an industry always ready to embrace new technology and step forward to support customers, consumers and country, whatever the challenges.

But the theme of the event was looking forward, preparing for the digital world and engaging the audience in making real decisions about the future.

Expert Insights

Walter Boettcher, Director of Research & Forecasting at Colliers International and Kevin Mofid, Director Commercial Research at Savills kicked off respectively with a look at the global political and economic situation and a review of the commercial property market in the UK.

Walter told the conference that GDP growth was the slowest in 6 years due to Brexit uncertainty, but predicted a surge in investment should a deal be agreed. He said supply chain capabilities were increasingly stretched and that delivery times had lengthened for the 33rd consecutive month. While UK export is being impacted by weakness in global trade, in the retail sector online growth is continuing unabated. Could the high street end up being the last mile delivery point, he asked?

On Brexit, Walter suggested that postponement was the worst possible case for business. "Whatever deal is agreed, government must not take its eye off the ball and lose investment opportunities - otherwise it will take a generation to recover," he warned.

Kevin Mofid offered some positive news, telling delegates that 2018 had seen the third highest number of warehouse transactions and that warehouses are getting bigger – now an average size of 300,000 sq ft.

He noted that the Draft London Plan appeared to have taken onboard the fact that 100,000 new homes per year in London all represented new delivery addresses, so planning for building warehouses had been included as part of mixed-use 'industrial intensification' schemes.

"There is a real political drive to integrate warehousing with other uses in London," he said.

Kevin observed that UK factories are stockpiling at the fastest rate in the history of G7 PMIs, but this apparently hadn't impacted on property; he suggested this could be due to 'grey' space or space capacity.

He also mentioned the growth of online retailing, suggesting every extra billion euros of spend would require an additional 775,000 sq ft of warehouse space. He projected a requirement for at least 44m sq ft in the UK by 2021.

The market has doubled in the last ten years, Kevin said, with occupier demand up by 8m sq ft and records being set across the country for take up, apart from in the West Midlands. 6 months vacancy rates are trending upwards across the UK and development announcements are at their highest rate since 2007.

Research for Savills by Analytiqa showed that 56% of respondents will want more space within the next two years, with three quarters of those being logistics companies rather than manufacturers, retailers or others.

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As last year, delegates were able to respond to polls live at the conference, as well as posting their questions and comments.

72% of delegates said they would require extra warehousing space in the next 2 years.

Ready for the Digital World

Opening the second session of the day, **Gavin Masters,** Industry Principal for eCommerce at Maginus said that while online retail was growing apace, eCommerce was proving hard to make profitable due to consumer expectations for next day or same day delivery with free returns. He pointed out that the 'pain' of online retail was self-inflicted, with increasingly late cut off times for orders and easy processes for returning unwanted goods, adding complexity and cost to the supply chain.

IMRG research showed that 48.8% of all online revenue came from discounted goods, while 26% of those goods were returned.

"The eCommerce bubble is bursting. This is due to retailers' failure to evaluate cost on an order by order basis," he said, adding that for retailers it was difficult to measure costs due to external factors such as lack of visibility and multiple partners in the supply chain.

How can UKWA members help?
Gavin suggested that warehousing providers could support retail customers by providing variable costs for pick, pack and dispatch, giving commercial managers more visibility as well as driving responsiveness and agility in the supply chain. He said that this should be a two-way process, with retailers sharing their strategic road map with logistics service providers to help them plan for promotions and peaks.

KPIs
- Cost per order to pick
- Cost per order line
- Cost per consignment
- % revenue to fulfil orders

This information will highlight to retail customers what is profitable and what costs are involved in sending out products. Gavin's message was become responsive, see threats and opportunities, predict next impacts and maintain customer service levels and costs as expected.

Ask the Audience

How many companies have enough metrics in their fulfilment operations to identify costs?
- 14% Yes, full metrics
- 48% Only partial metrics
- 41% No metrics

How many service providers share metrics with retail clients?
- 36% Supply as standard
- 32% Supply on request
- 12% Unable to supply metrics

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Building a Digital Strategy

Natasha Tyrell, Retail & Digital Strategist at Bearing Point, moderated presentations and discussions on digital strategy for logistics. She introduced **Jeremy Hammant**, Senior Business Advisor, who outlined what makes a digital strategy and how to use digital tools to improve the efficiency of your operations, increase performance and margins, make more sales and reduce costs.

Jeremy identified twelve key technologies for the digital world, six of which are particularly relevant for logistics companies.

- **Internet of Things –** for example sensors, to track product in real time, generating data which is cheap to store
- **Autonomous vehicles –** particularly for last mile delivery
- **Machine alerting and AI –** algorithms and predictive tools to make use of intelligence gleaned – for example, to pick orders not yet placed
- **Automation –** already out there and working, with costs likely to come down
- **Mobile devices –** across the supply chain
- **Block chain –** the jury is still out on this, according to Jeremy, but could be useful in issues around fake products in the supply chain, food and pharmaceutical traceability

Technology provides opportunity to achieve genuine end to end visibility of supply chain – tracking what **is** happening, not what you **think** is happening - creating the chance to make improvements in real time and work together with customers.

"Doing nothing is not an option!" Jeremy declared. He said digital strategy should be aligned with customer expectations and business imperatives across the whole business; it should be piloted, monitored and reviewed – technology is moving at pace, so continual measurement and adjustment is required to ensure digital strategy is on point.

Jeremy pointed to the success of Uber as an adopter of digital strategy and market disrupter; technology in logistics now allows for real time matching of supply and demand.

Ask the Audience

- 64% of delegates said they had no digital strategy
- 43% said that digital was a priority for 2019

Numbers of delegates using or trialing new technology:

- Wearables – 47%
- Drones/driverless vehicles – 41%
- AI support for analytics – 25%
- Blockchain – 27%

A view from the retailers

Members of UKWA's Logistics Users Group joined a panel to share their views and take questions from the floor. On the panel were leading retailers Iain Bartholomew of **Urban Outfitters**, Chris Warn of **Pentland Group** (whose brands include Berghaus, Kickers, Red or Dead, Karen Millen and more), Rob Redmile **formerly of Dixons Carphone** and Ben Farrell of **John Lewis Partners.**

Ben Farrell: "We want to build on our relationships with our supply chain partners, making them an integral part of channel services, so that they can represent our brand to our customers. Digital strategy is central for John Lewis, we invested £350m in IT transformation last year. Customer data and analytics enables us to deliver better customer service with total transparency for both retailer and the customer. Assessing the ROI is a constant battle as technology evolves. "

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Rob Redmile: "It's important that we understand supply chain costs, otherwise we're creating sales based on product margins that are eroded or lost by cost of delivery. We've developed our offering to include installation services as well as delivery, so we're training our drivers accordingly. There's a lot of work to do, but we're committed to a digital strategy."

Chris Warn: "Between 20-30% of all orders are returned. We've created these challenges for ourselves and the problem is not going away for any of us. To make eCommerce work we have to be ruthlessly efficient, improve our costs and our customer communications to better manage their expectations. Digital is a huge growth opportunity and we don't have the legacy of stores, so new markets such as China are important. It's difficult to be profitable in eCommerce in the UK because of customer expectations, which don't exist elsewhere."

Iain Bartholomew: "We leverage our wider marketplace – utilising our fulfilment centres and stores for stocking product – on a global basis, in China and the Middle East, we try to minimise the number of touches before a product reaches the customer. For us, making eCommerce work is about multiple stocking locations."

The audience asked the retailers how logistics service providers could best add value to retailers' business. Here's what the retailers said:

- More partnership and collaboration
- Multi-user sites
- Shared delivery vehicles
- Provide cost to serve data from warehousing point of view
- Less of a transactional approach, more integration with the business
- Support compliance in vendor base

The 'B' word

The final session on day one was on Brexit, moderated by **Pierre Liguouri** of Tokema International, who called for businesses to prepare properly for challenges ahead.

Tony Thomas, Deputy Director of HMG Border Delivery Group, joined the conference to provide the latest update on Brexit. He explained that the government had been focusing on 'no deal' planning and preparing for worst case scenario.
He thanked CEO Peter Ward and UKWA for support over the last eighteen months in advising and providing member feedback, which he said had been invaluable in helping develop a strategy.

"The Government has prioritised flow of goods, so there will be no added checks on imports coming in immediately after Brexit, but a managed transition will take place thereafter," he said.

Impacts are expected at the border, with significant reductions in flow anticipated. However, Tony reminded delegates that advice on how to prepare for this is available at GOV.UK

Barbara Scott of Customs Associates listed points to be considered by EU traders and by ROW (Rest of World) traders. She said that the UK is already a member of WTO, so trade will continue with non-EU countries, but full duty will be payable after Brexit as the UK will no longer enjoy duty-free terms negotiated for EU members.

Pierre outlined preparations for Brexit being made across Europe and warned that major disruption was likely. He said the spike in warehousing demand in the UK due to Brexit contingency planning would be temporary and that companies should be planning for this.

"There are 300,000 businesses that only do business with EU countries – it is likely they won't be familiar with ROW requirements and procedures," he added.

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Ask the Audience

- 92% of delegates reported that they had received Brexit related enquiries.
- 76% had expanded space for existing customers for Brexit planning
- 52% had attracted new business due to stockpiling

Conference Dinner

After an excellent networking reception and conference dinner, John Lewis's Ben Farrell – former Commanding Officer of the Irish Guards at Basra - earned delegates' rapt attention and real respect during an inspiring speech in which he explained the importance of leadership and how skills learned in battle transfer to the boardroom.

Benefits of Benchmarking

Opening proceedings on day two, **Lynn Parnell** of Logistics Partners asked 'Are you a leader, or a follower?' She explained the benefits of benchmarking and provided examples of key metrics required to take part in this valuable exercise, offered annually by UKWA, to help businesses better understand their performance weaknesses and strengths. She said that by pinpointing areas for improvement, companies could increase efficiency and create competitive edge.

Benchmarking is not just about metrics, but also identifying trends. Lynn observed that ontime shipping had previously been the No. 1 measurement, now picking accuracy is seen as more important, she said.

Results for this year's survey will be shared on the UKWA Pavilion at Multimodal in June.

Improving industry image

During the debate that followed Lynn's presentation, the question of logistics as a low-cost, low-margin industry was raised. Responding, **UKWA CEO Peter Ward** pointed out that the industry is being asked to plough money into robotics and automation to improve services to customers and compete in the digital economy, however he said that this was simply not affordable while service providers were expected to operate on such low margins.

"The world must change," he said. "Customers need to stop squeezing us on price and the general public need to understand that next day delivery and free returns simply cannot be achieved at low cost. This is a key message from UKWA!"

Picking up on the issue of poor industry image, CEO of The Real Apprenticeship Company **Debbie Shandley** highlighted that in the digital world of new tech changing skills were required and attracting talent is a major challenge.

"Good employees are no longer a commodity, they are scarce resource," she said. "Think more than head count, think full time equivalent with an appropriate mix of skills."

Debbie called for action to change people's views about the sector, suggesting we stop calling people warehouse operatives or pickers and packers, but instead they should be 'logistics professionals'. To attract more young people into the industry we must change the 'dusty' image of industry and show it as the complex and challenging environment it is. She added that without investment in training and development the UK will not be competitive on world stage.

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Apprenticeship Levy 'Dating Agency'

One of the big ideas to come out of the conference was Debbie's Apprenticeship Levy 'Dating Agency'. Her message was that there is funding available for training. Many large employers are not using their Levy, but this can be passed to smaller organisations that are not eligible for the Levy - her suggestion is that delivery partners should operate in a cooperative model to make sure money is spent on training rather than disappearing into Revenue coffers.

UKWA could identify larger members with unspent Levy and 'match' these with those SME members with the infrastructure to take on apprentices, Debbie said. Levy payers can pass on 25% of unspent funds.

"By 2025, using apprenticeship levy underspend, we should set up a **Logistics Academy** in a cooperative model with UKWA," she added.

Ask the Audience

- Delegates were asked how to improve the industry's image. Here are some of their ideas:
- Flexibility and career development opportunities
- Promote digital logistics
- Apprenticeships with placements across a range of businesses
- More college and university courses
- UKWA presentation for schools
- Employees choose their pattern of working hours/ flexible working
- Digital marketing and computer skills part of training

New UKWA training courses

Peter Jones of Learning Logistics Alliance said that in a recent survey 8 out of 10 UK workers had rated personal development above salary and that e-learning was a growing trend.

In line with this, LLA has developed a new course for young people entering the industry. **Warehouse Basics** will be available from March 2019; it is an e-learning course which can be completed in just 90 minutes. A **Warehouse Operative CPC** course, which will provide six months distance learning, is coming soon and will complement the current UKWA Warehouse Manager and Warehouse Supervisor courses.

Peter said that next stages would be to develop degree level training for universities – offering an apprenticeship degree in logistics & supply chain management.

He agreed with audience suggestions that a 'train the trainer' course would be valuable for those with bigger workforces and will discuss this further with UKWA.

Ask the Audience

- 89% voted in favour of changing the UKWA Warehouse Manager course to Logistics Manager, with wider supply chain content added.

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Trading carefully

The UKWA Conditions of Contract cover a broad range of services such as freight forwarding, haulage and, of course, warehousing. This means that UKWA members do not have to prepare three different contracts to encompass these distinct areas of their business – using UKWA's Conditions of Contract, one document is sufficient.

Simon Edwards of UKWA's long term legal consultant, Aaron & Partners, explained that the Conditions document had just undergone its latest upgrade to ensure that it remains fit for purpose in light of the changing nature of the supply chain sector. UKWA's Conditions are, he said, "a well accepted safety net" that had "rarely – if ever" been challenged in court.

UKWA rolls out Cyber-crime protection

One unwanted side-effect of the digital explosion is the spectacular increase in cyber-crime and the final session of the Conference focused on 'managing cyber risk in the digital world.' That's why UKWA has partnered with specialist broker, Perry Appleton Risk Services, and Travelers Insurance to develop an exclusive cyber risk management and protection scheme, tailored to the needs of the logistics industry - another new member benefit for 2019!

Michelle Watson, president and CEO of Cyber Intelligence Partners, gave the audience some alarming statistics: she explained that a study published by internet security firm McAfee, put the annual global impact of cyber-crime at some $600 billion, while In the UK alone cyber-crime is estimated to cost companies £27 billion a year and now ranks as the number one cause of crime-related loss within the business community.

And, she stressed, it's not just the world's large corporations who fall prey to the cyber criminals: statistics issued by the UK government show that 43% of all UK businesses – including micro, small, and medium-sized firms - experienced some form of cyber security breach or attack in the last 12 months. Claire Russell from Perry Appleton not only described how the cyber risk insurance programme delivers coverage for many of the costs associated with cyber-crime, but also explained how the UKWA scheme can help firms minimise the risks of a cyber-attack and manage the uninsured consequences, whilst giving UKWA members additional services for fast breach response, data restoration and even reputation management.

Watch out for news of a Cyber-crime management workshop on May 22nd 2019

Conference close

CEO Peter Ward closed the conference with thanks to all sponsors, speakers and delegates for making a memorable conference with key take aways for UKWA and for members.