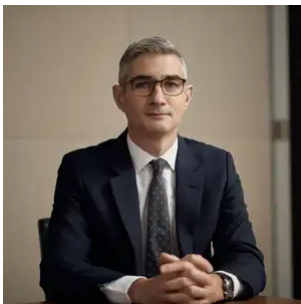


Life in the fast lane: what 'real time retail' means for real estate

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A shift has happened that's changing the shape of the retail supply chain



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The advent of the smartphone has given us many vices and addictions. Whilst watching TikTok until 3am in the morning is one of the more obvious manifestations of this, it is the expectation of instant gratification of our needs that is causing structural change across commercial real estate.

Nowhere is this more evident than the world of retail where businesses such as Amazon Prime, Deliveroo and Klarna give us what we want, when we want it. We live in the age of the impatient shopper.

Prior to last March, the 'want-it-now' movement was already in full flow but since then it's gone into hyperdrive as millions of us became hooked on shopping from home – and the speed with which we could get our hands on the 'merch'.



The 'want it now' movement is in full flow

The phrase "real time retail" neatly describes this trend and the consumer's requirement for instant access to goods. Whether this is achieved online or offline is often the focus for investors, however there is an increasing acceptance from retailers that

the two are inter-dependent and that their existing store portfolios have a significant role to play in digital commerce.

Customer fulfilment centre vs ship-from-store

We need look no further than the grocery sector for evidence of this. According to data from NielsenIQ, by the end of January this year, the online share of grocery sales across British supermarkets had risen to 16% – double the level at the same time in 2020.

In light of this, it would be reasonable to expect a move by the 'Big Four' grocers towards the automated CFC – or 'dark store' – model to meet increased demand.

However, the opposite has happened. Asda has announced the closure of its e-commerce CFCs in Dartford and Heston and Sainsbury's has followed suit by scrapping its sole dark store in Bromley-by-Bow. Both are now concentrating on picking orders and shipping them direct from their store as their preferred medium for online fulfilment. Meanwhile, Tesco are rolling out a hybrid model of automated Urban Fulfilment Centres (UFCs) across 25 existing stores with the first of these in West Bromwich scheduled to start processing online orders later this month.



Tesco is increasingly using its stores to distribute from

So what's driving this? In a nutshell, costs. The number of deliveries has increased significantly and the savings made by automated picking from a centralised CFC have been wiped out by increasing onward delivery costs. Put simply, stores close to catchments are now better placed to deal with online demand.

In essence, the strategy has turned full circle. Ship-from-store is now the way forward.

What it means for retail real estate

Whilst the role of the Big Box Distribution Centre at the back end of the supply chain remains unchanged, the area of property that 'real time retailing' will very much impact are the assets that can now serve that 'last mile' – retail warehousing.

Mainstream retail also saw a significant uptick in the volume of online sales rising from 20% in 2019 to around 30% by the end of 2020. As part of their response, retailers are focusing on their units on retail parks that are essentially highly flexible warehouses perfectly suited to omni-channel physical and digital sales. It's commonplace for these stores to be selling to shoppers in-person; facilitating click-and-collect and also having vans pull up at their loading bays to collect 'last mile' deliveries. This flexibility allows retail parks occupy a unique position in the supply chain.



Dixons is currently trialling a partnership with Uber to speed up delivery times

B&Q owner, Kingfisher, has stated in its year-end results that they are shifting to store-based picking and fulfilment as a priority, and others are following suit. Dixons is trialling a partnership with Uber to offer “better than same day” delivery, using its network of stores as distribution hubs.

A last-mile logistics network powered by stores could also be good news for retailers that have representation across many UK locations and can serve a wider geography. This would, in some respects, rebalance the perception that a high number of stores is necessarily a ‘bad thing’. In reality, it may become a competitive advantage in the process of providing the immediacy for ‘real time retail’ that the impatient shopper wants