



BUILDING SUPPLY CHAIN RESILIENCE

Supply chains play an essential role in getting the goods we need when we need them.

As we navigate a more complex global environment, and one with continuing uncertainty, we've consolidated some of the best independent research and supply chain insight to see how businesses are responding to these challenges.

From a focus on longer-term strategies and adopting new technology to the impact of e-commerce and increasing consumer expectations, there are opportunities for businesses that want to drive efficiency, increase agility and maintain a competitive edge.

We hope it sparks ideas or confirms the great work you're doing within your business to build a more resilient supply chain.

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THE IMPORTANCE OF SUPPLY CHAIN RESILIENCE

The supply chain must be more agile, collaborative and predictive.

The supply chain is the complex network of individuals and businesses involved in the creation and distribution of a product. It begins with the supply of raw materials to the manufacturer and ends when the finished product is delivered to the end customer, with many stages in between.

Over the last few years, the focus on supply chains has increased as people understand the crucial role they play in everyday society, and how critical they are for people to get the goods they need when they need them. Global disruptions, such as the pandemic and geopolitical issues have highlighted the need for supply chains to be more flexible and adaptable so operations can react to unforeseen events.

Supply chain disruptions lasting one month or longer now occur every 3.7 years, on average¹, and cost an organisation 45% of one year's profits over the course of a decade². So how can businesses manage risk and plan for a more resilient future? Simply put, the supply chain must be more agile, collaborative and predictive.



WHAT HAVE WE LEARNT?

Management attention on supply chains has risen to an all-time high. Businesses have been forced to undertake in-depth analysis of their suppliers and assess their business continuity plans.

According to a survey of global supply chain leaders by McKinsey, several strategies are being used to bolster stability. Increasing inventory was the most common action, with 80% of respondents indicating they had built up safety stock due to the pandemic³. This has placed greater pressure on warehouses that are already at capacity, increasing demand for strategically located logistics networks that can support the efficient delivery of goods.

McKinsey's data also shows that companies are reporting significant progress in longer-term strategies designed to increase supply chain resilience. For example, 81% of respondents said they have implemented a dual-sourcing approach, relying on at least two suppliers for components and shifting the focus from global to regional networks. This has been echoed by Miya Knights, Retail Technology Magazine publisher, author and expert, who highlights the need for retailers to diversify their supply chains and reduce any single points of failure⁴.



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THE CHALLENGE IS FAR FROM OVER

Although lessons have been learnt following recent global disruptions, supply chains still face an uncertain environment with a range of internal and external factors affecting sourcing, production, procurement and logistics.





COST OF LIVING CRISIS

Global uncertainty, inflationary pressures and the possibility of a recession mean consumers are facing higher prices for goods and services. This results in people having less to spend in stores and online, avoiding non-essential purchases and putting greater strain on businesses in the long-term. Similarly, increasing fuel costs for transport and logistics coupled with rising energy prices affecting both consumers and businesses, show the supply chain is also feeling the pinch.



LABOUR SHORTAGES

The increasing pressure on workers in the supply chain has led to significant labour shortages in the industry, mainly in warehouse and transport functions. High staff turnover, plus the inability to plug the skills gap, highlight the need for businesses to evaluate warehouse capabilities, update existing equipment and implement new scalable automation systems to create a more efficient warehouse environment.



Other ways businesses are trying to mitigate disruptions and build structural resilience include:



TECHNOLOGICAL ADVANCEMENTS

Adoption of the latest technology is being driven by increasing data availability and a push for better visibility, efficiency and accuracy. The right technology solutions allow businesses to make data-driven decisions and provide a competitive advantage, particularly if competitors are slow to adopt similar technology advancements.

The manual supply chain of yesterday can no longer serve the customer of today on its own. Consumers' increasing expectations require greater agility and speed than ever before, which has encouraged industries to invest in automation where it can improve operational efficiency. According to McKinsey Global Institute research⁵, half of today's tasks are expected to be automated by 2055, resulting in process transformations and the need to reskill and upskill workers.



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FIRST MILE OPPORTUNITIES

While companies have focused on the last mile to increase efficiencies, the role of the first mile is just as key. First mile logistics is the transportation of goods across the first leg of the supply chain, which includes the movement of products from a manufacturing hub to a warehouse or distribution centre.

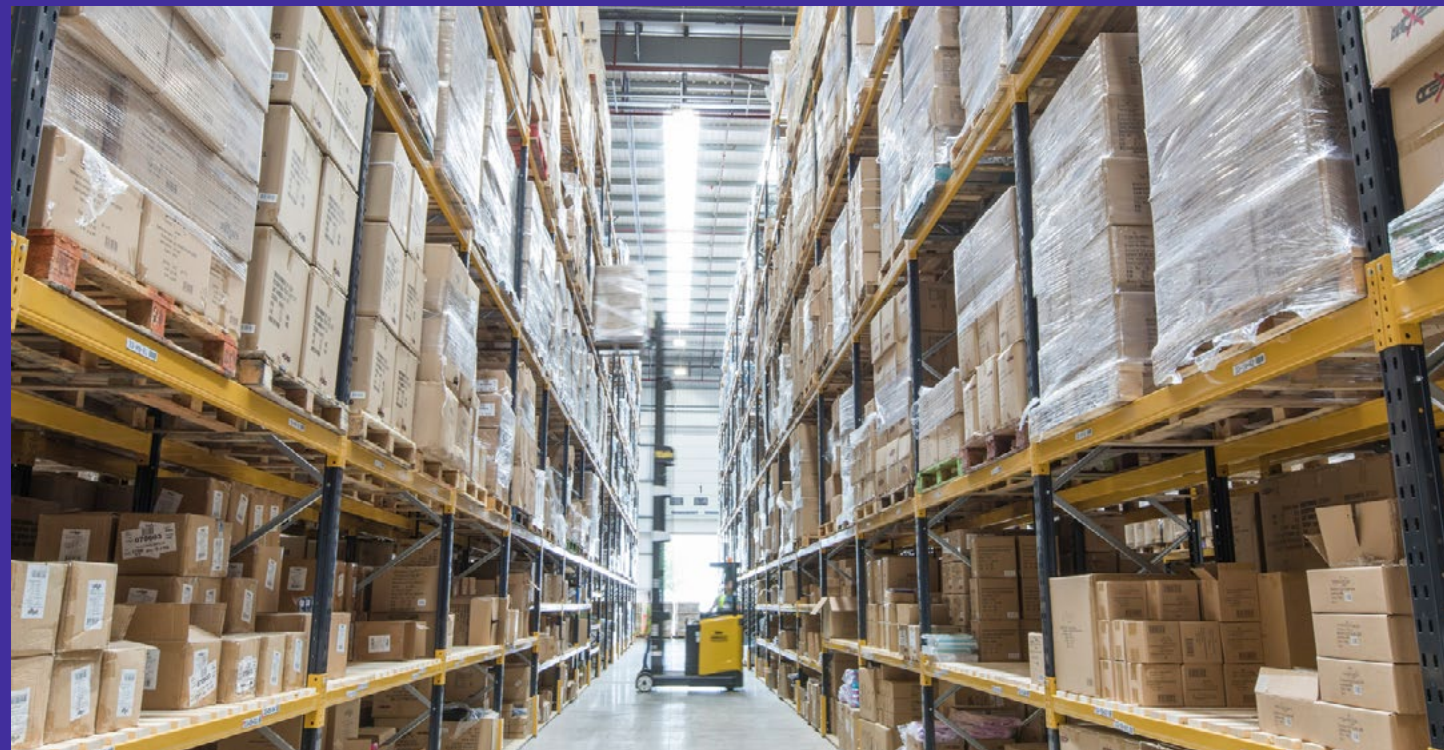
By increasing investment in first mile logistics, such as moving production bases back to the UK and locating facilities around ports, airports and rail freight terminals, warehouses can form an integral component of supply chain infrastructure and distribution.





While the pressure on supply chains isn't the same as the levels seen in 2021/2022, businesses are reconsidering their long-term strategies to address a global environment that is now much less predictable and is likely to face greater uncertainty in the future.

This includes moving away from 'just-in-time' – an inventory management method where goods are received from suppliers only as they are needed – to a 'just-in-case' model to guarantee minimum levels of supply and improve reliability.



E-COMMERCE AND CONSUMER TRENDS

The rapid growth of e-commerce has transformed the retail sector and how people shop and consume.

The UK market has reached nearly 60 million e-commerce users – one of the most advanced e-commerce markets in the world – leaving only a minority of the population as non-digital buyers⁶.



E-COMMERCE MARKET

- + E-commerce is expected to account for 30% of all retail sales in the UK by 2027. Globally, 23.5% of all retail sales will be e-commerce based by 2027⁷.
- + Today's consumers are shopping online for speed, price and convenience. With so much choice available at the click of a button, retailers can no longer count on customer loyalty, with almost two-thirds (62%) of shoppers in a recent OnePoll survey saying they would choose another brand if their first choice was not available⁸. As retailers look to meet consumers' growing expectations, the logistics sector has a vital role to play in supporting businesses to create, and maintain, a competitive edge.





SHOPPING HABITS

- + According to Euromonitor's latest data, 39% of consumers (including 47% of Millennials) are now buying an item or service online at least weekly⁹. The ability to order “at any time, from anywhere” is a major consideration for 35% of people using e-commerce
- + “Best price” is the most commonly cited reason for shopping online (by 41%, including 51% of Generation Z), followed by “free shipping” (39%)
- + 22% of Generation Z (as opposed to just 3% of Baby Boomers) make purchases from social media platforms
- + In 2023, almost eight in ten global shoppers would consider a more sustainable delivery option for their online orders
- + However, nearly one in three UK shoppers remained unwilling to pay a surcharge to retailers who guaranteed environmentally friendly shipping options.

LOCATION LOCATION LOCATION

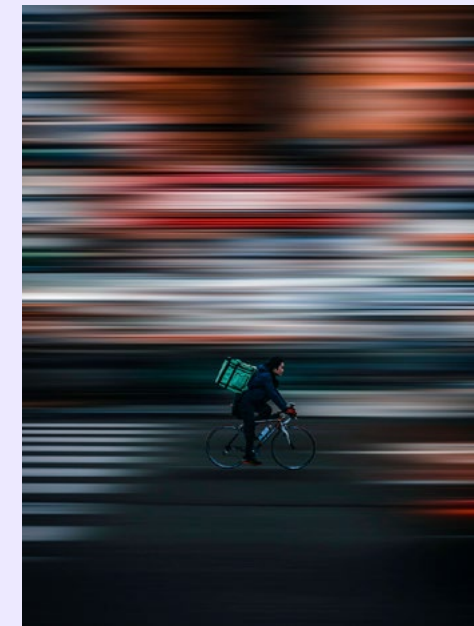
Consumer demand for fast, flexible and low-cost deliveries is creating challenges but also opportunities.

Logistics properties in urban locations that are located close to key infrastructure such as major arterial roads, ports, airports, distribution hubs and most importantly – a large pool of consumers – are key to achieving greater speed to market and ultimately improving consumer satisfaction.

Choosing locations close to large consumer populations also helps to reduce transport costs and meet rising delivery and service expectations. This provides greater resilience for supply chains and opportunities to be more sustainable.

Strategic locations also unlock additional labour benefits for businesses, as urban infill assets are often close to large available workforces.

Companies are looking to maximise supply chain efficiency. With a higher density of land use in these urban locations, brownfield sites with greater utilisation of automation and increased sustainability features can also help offset productivity costs and improve efficiency.



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SUSTAINABLE SUPPLY CHAINS RELY ON EFFICIENT PROCESSES

E-commerce was found to be more sustainable than traditional retail in more than 75% of the scenarios developed in a MIT study.



Given the complexity of supply chains, it's important for everyone to take responsibility during each stage of the process to create significant change.

From retailers educating consumers on the value of consolidating deliveries, to companies electrifying fleets with purpose-built, last-mile vehicles, there is something that everyone in the supply chain can do to help mitigate climate change and move towards more sustainable solutions.

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Heavy goods vehicles, including delivery vehicles, make up around 19% of the UK's domestic transport emissions so streamlining the last mile can have a positive impact on reducing costs and carbon emissions¹¹. From a consumer perspective, education around choosing the greenest delivery option, taking advantage of incentives to bundle deliveries and consolidating trips to pick up parcels can also make a big difference.



Another area that is gaining traction is the use of renewable energy. 25% of respondents of Citi's Global Supply Chains survey cited increasing the proportion of renewable energy used by their business as their top ESG initiative. Benchmarking sustainability credentials against the market and accessing government funding and tax relief related to ESG were also important to respondents¹².

Switching to renewables can help decrease long-term costs, provide price stability, mitigate future regulatory risk, enhance brand value, drive new revenue, and improve employee engagement. The right location combined with a commitment to green energy can assist supply chains to meet consumers' need for speed and sustainability.



PREPARING FOR THE FUTURE

Companies that embrace technology can gain a competitive advantage by improving the speed, quality, and cost-effectiveness of their supply chain operations. It's a rapidly evolving space with macro forces impacting the adoption of some technologies and leading to the irrelevance of others.



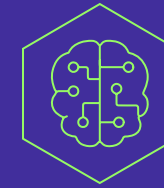
DIGITISATION

Two of the biggest benefits that supply chains can take from digitising their processes are speed and cost. Taking operations to the next level can significantly cut the time it takes to make strategic decisions, whilst also boosting operational efficiency. Greater visibility of pricing and operating costs can help manufacturers increase sales from more digital processes.



AUTOMATION

Both inside the warehouse and via delivery, automation can reduce manual labour and increase speed. It also allows for greater accuracy and consistency in processes, leading to improved quality control and reduced errors and waste. According to a 2023 survey by Retail Week, 52% of retailers cited robotics and warehouse automation as having the largest potential impact on positively transforming their supply chains. However, 38% of respondents felt they weren't currently using the technology to its full potential¹³.



ARTIFICIAL INTELLIGENCE (AI)

According to McKinsey, successfully implementing AI-enabled supply-chain management has enabled early adopters to improve logistics costs by 15%, inventory levels by 35%, and service levels by 65%, compared with slower-moving competitors¹⁴.

Some of the ways in which AI and machine learning are being used to make supply chain operations more sustainable and efficient include:

- + Demand forecasting
- + Inventory optimisation
- + Route optimisation
- + Improved customer service
- + Increased revenue
- + Quality control
- + Supplier management
- + Fraud detection

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The world is constantly changing and to be part of the future we must remain agile and open to new ways of working.

Goodman is a provider of essential infrastructure for the digital economy. We understand having sustainable warehouses located close to consumers is key to optimising supply chain efficiency and being able to deliver goods to consumers when and where they want them. That's why we aim to give our customers the space they need to succeed by providing sustainable solutions in strategic locations.



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