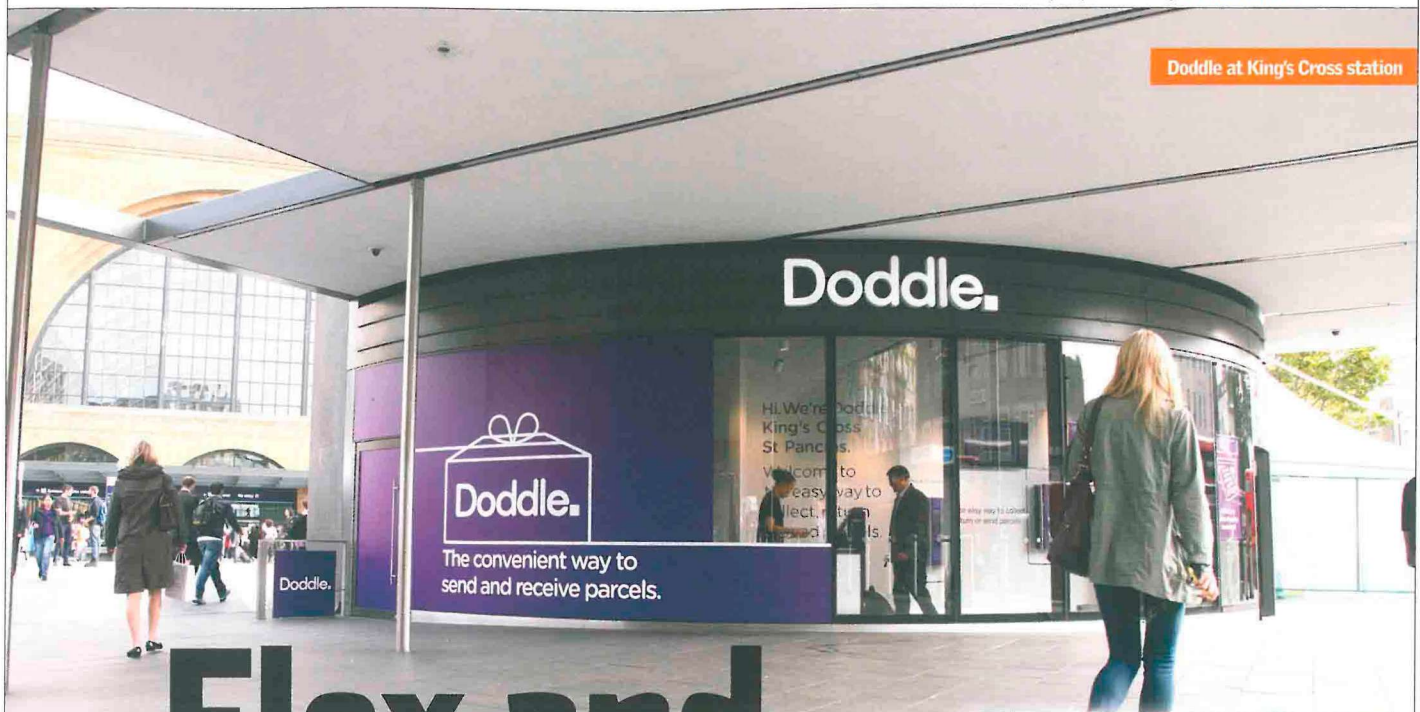


Doddle at King's Cross station



Flex and the city

The demand for local delivery and chronic lack of suitable space is making specialists rethink their strategies. **Mark Faithfull** reports

Where Amazon leads, many follow in today's fiercely competitive delivery battleground. The online behemoth's latest move is centred around the realisation that its urban distribution strategy cannot be effectively implemented through its existing hub buildings – leading to some very clever reimagining of where it fulfils orders from.

Raimund Paetzmann, director of real estate EMEA for Amazon Europe, explains the issue. Recalling a conversation with his locational teams about where to site new urban hubs, he says the catchment and buying teams often propose locations that simply won't work.

"So the analysis might say, our purchasing shows that Bond Street in London would be a good place to have an urban delivery hub," he reflects. "Then you have to say, 'guys that's really not going to work.'"

Faced with such challenges, notably in the sky-high real estate cost environment of London and Europe's major cities, Amazon has started to think radically differently. Office space is now being considered for repurposing where it offers Amazon the right locations, plus

height and the practicality that the structure is suitable for conversion, he says.

Put simply, there isn't enough light industrial property in the cities. Above all, it shows the huge appetite for urban distribution hubs or nodes and the rapidly dwindling supply of stock, meaning those reliant on finding quicker, easier and more flexible ways of achieving delivery to consumers are beginning to think laterally.

Residential and logistics a natural fit

At last month's MIPIM event in Cannes, property adviser Savills highlighted the investment prospects of urban industrial estates based on the continued growth of ecommerce, especially with the competing demand for brownfield residential use.

In London, the land value premium for residential over industrial currently ranges from 54% in the northwest of the city to 42% in the southwest. Across the capital, the supply of industrial land has fallen from 7.3 million sq ft in 2009 to 4.79 million sq ft in 2015, Savills estimates. Over the same period ecommerce sales have rocketed.

While Charles Binks, partner and head



The Uber of delivery

Uber could soon be more akin to a logistics company than a ride-hailing app, revealed Jo Bertram, Uber regional general manager for the UK, Ireland and Nordics, late last year when she revealed the company wants to move more than just people by connecting consumers with goods.

The company wants to provide partners (such as retailers, restaurants and various vendors) with real-time information on deliveries in a bid to make inner-city transport more efficient. Bertram said: "Our mission is to make getting anything in your city more convenient, affordable and reliable than picking it up yourself. We already provide the ability to get a car at the touch of a button. Now imagine if you could use that same network of drivers to allow you to also get other things."

Last year the company began to expand its Uber Rush services in the US, which allows local retailers to tap into a network of drivers for almost instantaneous pick-up and delivery of their products, at a relatively small cost. The service, which has existed in pilot stage in New York for the past year, has expanded to San Francisco and Chicago, with plans to extend to other US cities in the future.

of logistics and industrial agency Knight Frank, says he has seen little evidence of office-to-parcel hub conversion as yet, he does foresee logistics being incorporated into other real estate types, such as self-storage facilities or with residential built above ground-floor logistics.

"The self-storage sector is struggling a little and logistics for pick-up would make sense, while residential and logistics are a natural fit in many ways as increased urban living means an increased demand for deliveries," he points out. "Certainly I think we'll see more mixed usage."

He adds that with available industrial buildings largely exhausted within or close to major conurbations – a situation exacerbated by soaring residential demand in London – more imaginative interpretations are inevitable.

"The density of residential dwellers in the capital is compounding the issue," he points out. "It will also inevitably encourage more hybrid collection points, such as station car parks, lockers and so on."

Height is key for logistics conversion, agrees Mark Webster, head of UK logistics at Cushman & Wakefield. He says that omnichannel retailers are looking to value creation as they take up city-based hubs. "When you consider the players – Amazon, Whistl, DPD, the postal companies and the convenience stores – it's an aggressively competitive market," he says. "So if you look at a distribution hub now there will be far more parking for a range of vehicles from HGVs to transit-sized vans. The load density



Getting logistics right or wrong is a very big deal now

MARK WEBSTER, CUSHMAN & WAKEFIELD



DPD's hub in Hinckley, Leicestershire

To boldly go where no parcel has gone before...

Last month Starship Technologies, launched by the co-founders of Skype, revealed that the UK will be the first major country to host trials of its self-driving delivery robots, starting in Greenwich in London. For the next six months, the robots will be visiting towns and cities across the UK, culminating with the launch of pilot delivery services later this year.

The six-wheeled, intelligent robot first launched in November 2015. It is designed for local delivery of goods and groceries for under £1 per shipment, about one-tenth of the cost of using human drivers, Starship says.

The robots use pavements, travelling at slow speeds and with zero emissions, using their sensors to navigate, crossroads and avoid collisions. Human controllers track the 20kg robots



throughout the trip and can take control of a machine at any time.

Consumers awaiting deliveries can track their parcels through a smartphone app, then unlock the robot when it arrives by entering a secure code on their phones. Each battery-powered vehicle can carry a small parcel or grocery bag within a three-mile radius of Starship's parcel hubs, the company says, with delivery companies dropping off at this hub.

However, despite their impressive design, the robots have some restrictions. Although they are designed for grocery delivery, the vehicles do not yet have refrigeration and they are also restricted in the number of stops they can make, so each trip runs only between the distribution centre and a single drop-off point. However, the robot can perform reverse logistics, so it does not have to return to its hub empty-handed.

will be up. The means of loading will be more adaptable and heights are going up considerably, with multiple mezzanine levels, because it's much more cost effective."

Webster also sees retailers diversifying in the warehouse, with some taking a manual approach to picking across multiple levels and others, such as Marks & Spencer and John Lewis, making long-term investments in automation and technology. "Getting logistics right, or wrong, is a very big deal now," he says. "You are seeing logistics directors being promoted to the main board. It's as important as that."

The plethora of retailer or retail-based distribution networks is also increasing. Specialisms such as Collect+ and relative newcomer Doodle sit side by side with vendor tie-ups such

as Argos and eBay, Amazon Lockers and so on. The latest to join the fray is the Co-operative, which has teamed up with Hermes nationally following a pilot across 42 stores. Customers of the Co-operative can now pick up their online purchases from retailers such as H&M, JD Williams and River Island.

In addition, shoppers needing to send returns back to such retailers as Asos, Debenhams and John Lewis will be able to do so from 450 of Co-op's stores, which will offer the ParcelShop services based on a range of criteria including location, consumer demand and opening hours.

Ultimately, this innovative thinking amounts to a service that's far more convenient and quick for consumers, and that should be applauded.



Argos and eBay's tie-up has been a success