

Online shopping – are warehouses the future of retail?



Typically located on industrial estates in regional distribution hubs or on the borders of major cities, warehouses are now at the forefront of retailers' minds in an effort to keep up with consumers who have embraced the advantages of online shopping. Consumers now expect products to be rapidly and conveniently available, and with the advancement of digital technologies, retailers are being forced to improve their distribution networks and think differently about their locations and logistics operations. Those retailers who are unwilling to adapt to this ever-increasing level of demand and those who are solely reliant on physical stores, will undoubtedly struggle to survive.

Convenience has become a defining measure in customer service and a major challenge for retailers is to ensure that there is a smooth flow of goods from factory, through to distribution, through to delivery. We have already seen the larger online platforms, such as Amazon, successfully store and distribute products to the masses by their use of functional and effective industrial sized warehouses, but the biggest change seems to be the rise in the use of smaller urban logistics units, which are being used in an effort to slash delivery times even further.

Often larger warehouses are inconvenient due to their sometimes remote locations, which, to the smaller retailer or courier service, can cause problems with supplying a product to a consumer within the required 24 or 48 hour window. That being said, those larger distribution hubs usually benefit more from their close proximity to major transport links and the ability to accommodate huge volumes of stock at any one time.

So what should retailers consider when deciding what best suits their business needs?

- **Location** – being as close to the consumer as possible is becoming paramount, so using smaller units in town centres can be beneficial in reducing delivery times for those retailers who rely on more local trade,



as opposed to those who deliver nationally.

- **Technology and data** – understanding how much stock is stored and where it is located is key. It is therefore essential to invest in the appropriate technology to analyse data in order to guarantee availability. Remember, there is no limit on the number of consumers ordering from an online platform at any one time, and so warehouses need to be able to deal with this demand.
- **Social Media** – trends are now dictated by social media and therefore ensuring that this is connected to the chain of supply and demand is important as it impacts on how consumers buy or receive products.
- **Transport** – proximity to a variety of transport modes is vital as this allows quicker shipment across regions, but also bear in mind that lowering carbon emissions is on everyone's agenda.
- **Restrictions** – urban locations are usually subject to planning restrictions due to the capacity of local road networks and the impact on residents and other businesses. There may also be restrictions on operating hours.
- **Design** – newer warehouses are being built with robotics used for selecting and packaging stock and software to determine space availability. Urban units can be older buildings and may take time and money to be converted to the same standard.
- **Under one roof** – businesses should think about whether products can be made, prepared, packaged and sent out all under one roof to shorten the ordering and delivery process. Alternatively, would it be better for retailers to share the space and cost of a larger unit with others who are ultimately offering the same service?

It is evident that the surge in ordering goods and products online is the driving force behind how retailers use their new and existing spaces, and it is abundantly clear that in order to keep ahead of the curve, investing in the right technology to be able to help retailers determine where to place themselves physically is vitally important.