



### **The urban food logistics challenges faced by Athens, Milan and London and the role of Project U-TURN in addressing these**

The requirement for urban food logistics is evolving at pace, with major European cities dealing with population growth, congestion and environmental damage on top of changing customer requirements.

In the first of a series of articles, three of our partners from across Europe describe the challenges faced in their city, as well as some of the potential solutions that they see resulting from U-TURN.

#### **Athens, Greece**

The Greek food market has been highly pressured during the last years. The worldwide economic crisis has added extra pressure to the sector, which was already operating with very low profit margins. The majority of the firms in the Fast-Moving Consumer Goods sector are currently facing economic problems, while turnover has been significantly decreased. Within this context, food distribution has been forced to change and the major challenges of the sector are creating additional pressure.

Currently, food distribution is done in two ways: big retailers tend to use their own means, while local smaller supermarkets use the means of their suppliers or 3PLs. Major retailers usually have one big warehouse in the central Greece, where they consolidate all the products, either themselves or with the assistance of their suppliers, and then they distribute bundles of products to their retail shops with their own means, which usually include owned or leased trucks. In the context of smaller retailers, though, the situation is extremely different, as suppliers are required to distribute all the products with their own means (or with the use of 3PLs) to each individual store across Greece.

Within this context, the U-TURN project is aiming to test alternative scenarios and provide the market with relevant insights in order to adapt adequately. The most predominant scenario seems to refer to the use of an Urban Consolidation Center located in the centre of Athens, where all the order distributed to retailers could be consolidated and then distributed with one truck per shop. However, even without set-up of a physical UCC, the use of a platform which transforms the current situation in a 'virtual' UCC could diminish all relevant constraints.

*Theodora Trachana – Athens University of Economics and Business*

## **Milan, Italy**

In Italy, and in Milan in particular, food retail is in the middle of a big cultural change: quality of food (e.g. organic food) and production origins are becoming more relevant elements for consumers with a rising demand of such products despite higher prices. The focus is also on the valorisation of a vast network of independent local producers preserving their specialties and traditions, including production processes.

A number of factors may affect the development of efficient short supply chains in urban markets:

- Local producers have limited resources for organising an efficient and effective distribution chain. This implies a higher than needed number of daily trips of partly loaded vans from every production site to different locations in the city centre
- Consolidation and/or sharing of warehouse capacity is not a common practice
- Delivery is often carried out with own-account diesel vans with small investments in zero emission vehicles

Referring to U-TURN project, the scenario for the pilot in Milan includes collaborative transfers of fresh goods from the farmers to different receivers in the city centre (open markets, private consumers, retailers, restaurants).

This scenario can be realised either by utilising the farmers' vehicles (i.e., given already routed farmers' vehicles with available capacity, the demand for collaborative transfers could be covered by those vehicles) or by utilising 3PL companies that are already routing vehicles (with available capacity) in those areas. Another option could be a UCC that may be created to aggregate and optimise all the goods flows by local farmers to Milan.

*Giuseppe Galli – TRT*

## **London, UK**

The UK grocery market was worth £174.5bn in 2014, and competition is fierce. The major retailers including Tesco and Asda are struggling to maintain market share as discount rivals Lidl and Aldi continue to grow at pace. On top of this, the way customers interact and buy from grocers is changing, as evidenced by the 15% year-on-year growth in the online grocery market.

The UK retailers' fulfil online customer orders either through their stores or dedicated fulfilment centres routing their own fleet within the city. The retailers face a high cost per delivery, estimated to be around £20 per delivery, of which they typically recover a maximum ~£5 from their customers.

U-TURN is proposing a new logistics operating model for the home delivery of groceries. Opportunities include:

- Unbranded micro local service providers to reduce travel distance and deploy electric vehicles
- Local authority sponsored or privately operated collection points, that may incorporate automation
- Direct peer-to-peer retailer collaboration

The potential benefits are significant; not only in reducing the cost, but also in providing better service to customers through:

- Lower waiting time
- Higher reliability of service
- Reducing the carbon emissions and the traffic conjunction in the cities

*Dimitris Zissis – Cranfield University*

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