

Distribution: The digital race for the final mile

How does food find its way to distribution centres, supermarkets, restaurants and consumers after production? Digitalisation is responsible for fundamental changes in this area too. However, digitalisation is not the only trigger for change. Our lifestyle is also changing continuously. As a result of individualisation and flexible working-time models, fixed mealtimes are no longer the rule. Consumers want instead to be able to eat anytime and anywhere. Moreover, traditional fast food such as burgers, pizzas and the like are no longer in tune with the spirit of the times. Today, fast alone is not enough – food must also be healthy and good. Since people are often short of time for shopping, or even cooking, new ways of bringing healthy food to consumers are required.

NEW TECHNOLOGY: FOOD DELIVERIES BY R2-D2

What is it all about?

Technological advances open up completely new logistical possibilities. The distribution of goods from A to B without direct human involvement has already become reality due to automation. Drones move deliveries from ground-based to air-borne transport, significantly reducing transport times – both in high-traffic cities as well as in rural areas with difficult terrain. However, progress is not limited to airspace. Plenty is happening on the ground as well. For instance we already have delivery robots which autonomously move through streets and skilfully evade obstructions such as pedestrians or street lights. It appears to be only a matter of time before auto-

nomously moving cars, trucks and trains become part of regular traffic.

Assessment of opportunities and risks

With the assistance of transport robots, drones and autonomously moving vehicles, transport routes and times can be shortened, facilitating faster delivery of products to the customer.

Opportunities: This allows difficult terrain and traffic jams to be avoided in urban and rural areas. Moreover, autonomous transport possibilities reduce the need for delivery staff, freeing up these employees for other activities.

Risks: An adjustment period will be required before robots and drones are fully integrated into our everyday life to ensure smooth operation. Traditional transport users still need to get used to the newcomers in road traffic. New legislation may also be required to regulate the interaction between existing and new transport users on the roads and in the air.

Examples:

www.starship.xyz

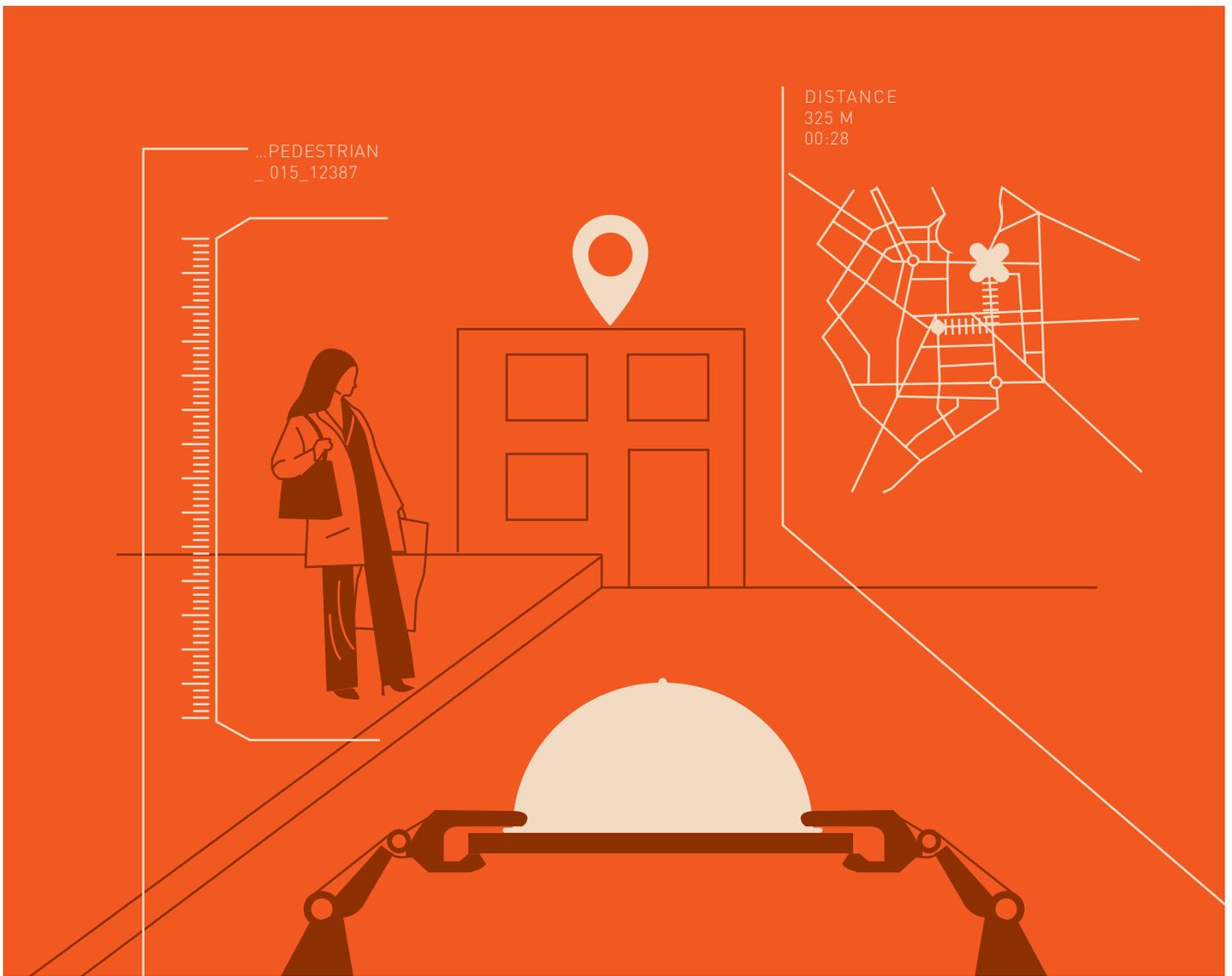
The Estonian start-up Starship has developed a robot which claims it will revolutionise local delivery services.

millhousemaui.com/drone-to-table

With Farm to Table, fresh produce is delivered directly to the restaurant several times a day, where it is served only a short time later.

goo.gl/8nxLvo

According to DHL, it is not a question of “if” but a question of “when” logistics will undergo a radical transformation caused by driverless vehicles.



HEALTHY DELIVERY: MORE THAN JUST FAST FOOD

What is it all about?

Until a few years ago, delivery services were still associated with pizza, burgers and Asian food. However, the food delivery sector is trying to lose this unhealthy image with balanced alternatives. In cooperation with restaurants, delivery services now also offer fresh menus prepared by a cook with star ratings. People who prefer to cook themselves but shy away from the effort involved in shopping and menu planning are also catered for. DIY delivery services allow customers to make a selection from a variety of fixed menus, and then deliver the right quantities of the ingredients – including the recipe – to the door.

Assessment of opportunities and risks

Consumers want to be fit and healthy. Achieving

this objective requires exercise as well as a balanced and healthy diet. However, customers often lack the time to go shopping due to the flexibilisation of society and increasing job demands.

Opportunities: The new healthy delivery services cater to an existing – yet previously unsatisfied – desire for fresh fruit and vegetables. Thanks to these services even very busy people can have a supply of fresh food at home, or at least the possibility to have a balanced menu delivered instead of traditional fatty foods. Moreover DIY delivery services motivate their customers to try new recipes, and provide keen hobby cooks with a continuous supply of new ideas and inputs.

Risks: If these types of delivery service want to keep up with the times, they must be flexible in their offer. For instance, a supplier selling superfoods who continuously lists new exotic fruits



must keep up with the increasing complexity of orders, storage and expertise.

Examples:
[deliveroo.de](https://www.deliveroo.de)

Deliveroo brings restaurants and customers together. The customer selects food via the platform which is delivered straight from the restaurant to the door by Deliveroo drivers.

www.hellofresh.de

Hello Fresh compiles various recipes on a weekly basis and delivers the matching ingredients in the right quantities to the customer's home.

www.tonysfarm.com

Growing concerns about food safety in China have sparked the popularity of organic foods amongst locals and expats in Shanghai, for which

the customers are prepared to pay a significant premium. Tony's Farm offers various subscriptions for weekly deliveries of seasonal and organic products.

www.everytable.com

While Everytable does not deliver to the door, it brings food into the neighbourhood. What makes it special? The menus are priced in accordance with each area's economic situation, making healthy food affordable to everyone.



NEW PLAYERS IN THE DISTRIBUTION GAME

What is it all about?

Various companies which have never been involved with food before are now entering the delivery sector. These are often companies which already have a logistics network due to their core business, such as Amazon or Uber. These new players often offer a delivery service without producing the food themselves. For instance Uber does not own any taxis but links supply and demand for taxi services via its platform. UberEATS follows the same principle: restaurants and rumbling stomachs are connected via an app.

Assessment of opportunities and risks

More competitors means more competition, and ultimately lower prices or innovative new offers. Both benefit the consumer.

Opportunities: Thanks to the new platforms, restaurants are now also able to enter the delivery business. Previously logistical problems prevented their market entry. This opens up the market and helps to diversify the offer.

Risks: New players in the delivery sector could squeeze even established businesses out of the market if the latter fail to adjust or do not do so fast enough.

Examples:

[fresh.amazon.com](https://www.fresh.amazon.com)

With Amazon Fresh the US internet corporation Amazon is stirring up the food trade.

[ubereats.com](https://www.ubereats.com)

Uber has already managed to cause problems for taxi and other transport firms. The company is

now turning the food delivery sector on its head with UberEATS.

www.google.com/express

Google Express delivers products from various companies such as Costco, Target or Whole Foods directly to the door.

Consumer behaviour: The customer is king? Or dictator? Or slave?

On the one hand innovations are created because technological advances open up new possibilities. This is called 'technology push'. On the other hand, innovations are based on changes in customer requirements which suppliers are forced to respond to. This is called a 'market pull' or 'demand pull'. A shift in customer requirements is particularly evident in the areas of health and sustainability. This creates challenges for companies. Consumers are not satisfied with a healthy diet alone. They also want to know where their food comes from, and the conditions in which the products were produced and processed.

TRANSPARENCY: THE GLASS SUPPLY CHAIN

What is it all about?

Consumers no longer want to be left in the dark. Greater health awareness also creates a need for information and transparency. What exactly am I eating? Which ingredients does it contain? Where was it produced, and under which conditions? Enterprises from many different sectors have already recognised this requirement. In order to ensure long-term customer loyalty, they try to satisfy this desire by various means.

Assessment of opportunities and risks

The demand for organic and fair-trade products continues, and consumers are willing to put their hand in their pockets to pay for them. However it is virtually impossible to differentiate between organic or fair-trade fruit and vegetable products on the basis of appearance or taste alone. As a result, official certification has to be supplemented by transparency in the value chain in order to provide assurance to the consumer and justify the higher price.

Opportunities: Not only do consumers benefit from this transparency. Producers and the environment are also winners if production is actually as fair and sustainable as claimed.

Risks: Anyone claiming transparency is sitting in a glass house and must be able to cope with very close and critical observation.

Examples

corporate.marksandspencer.com/plan-a
Plan A is a Marks & Spencer initiative for protecting the planet. The ultimate goal is to become the largest sustainable retailer in the world. An interactive supply chain map shows which products are manufactured by whom in which location.

www.farmcation.us

Farmcation combines 'farm' with 'vacation'. The company runs various courses and events to connect consumers with producers, and generally deepen understanding of the food supply system.

www.consumerphysics.com/myscio/scio

How many calories does this drink contain? Which melon is sweeter? Is my avocado ripe yet? The SCiO molecular scanner knows the answer to these and other questions. It scans the chemi-