Urban Freight Movement Challenges, Solutions and the ‘New Normal’

JANUARY 11, 2021

TRB URBAN FREIGHT TRANSPORTATION COMMITTEE (AT025) MEETING

CONSUMER BRANDS ASSOCIATION

Our Mission

The Consumer Brands Association unites the $2 trillion consumer packaged goods industry to shape the landscape for growth across three areas:

Supply Chain, Packaging, and Product Regulation.

PORTRAIT OF AN AMERICAN SUPPLY CHAIN

The coronavirus pandemic put supply chains front and center for Americans who never had to think about it before.

Though many high-demand items are back in stock, the pressure on the supply chain has not let up. Across the consumer packaged goods (CPG) industry, supply chain leaders continue to work overtime to ensure Americans have access to the essential goods they rely on to keep them safe and keep them home.

These efforts didn’t just keep products on the shelf – they renewed Americans’ trust in the industry.

COVID-19 CHALLENGES

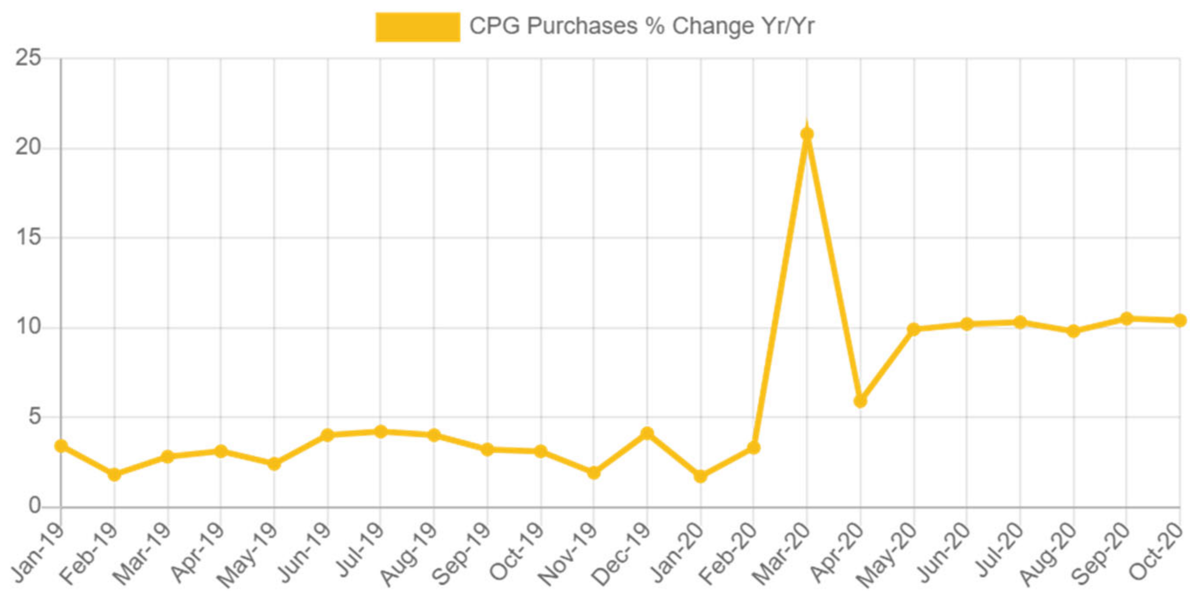
- Worker Health & Safety
- Absenteeism & Labor Availability
- PPE Scarcity & Sourcing
- Rising Transportation Costs & Capacity Crunch
- Essential Worker Definitions & Business Continuity
- Radical Demand Shifts & Elevated Purchasing Levels
- Retailer Collaboration & Shift to E-Commerce
- Global Pandemic = Global Supply Chain Disruptions

BY THE NUMBERS

Continued at-home consumption keeps demand high, with certain categories still at record levels.

CPG posted strong growth rates going into the holiday, with year-over-year growth of 10.4% in October, putting four of the last five months above 10% annual growth.

The trend suggests that, as people continue to stay at home, spending on food, beverage, household and personal care products will keep pace over the holidays. Consumer Brands anticipates that CPG purchases will be up between 9.5-11.5% for the 2020 holiday season.

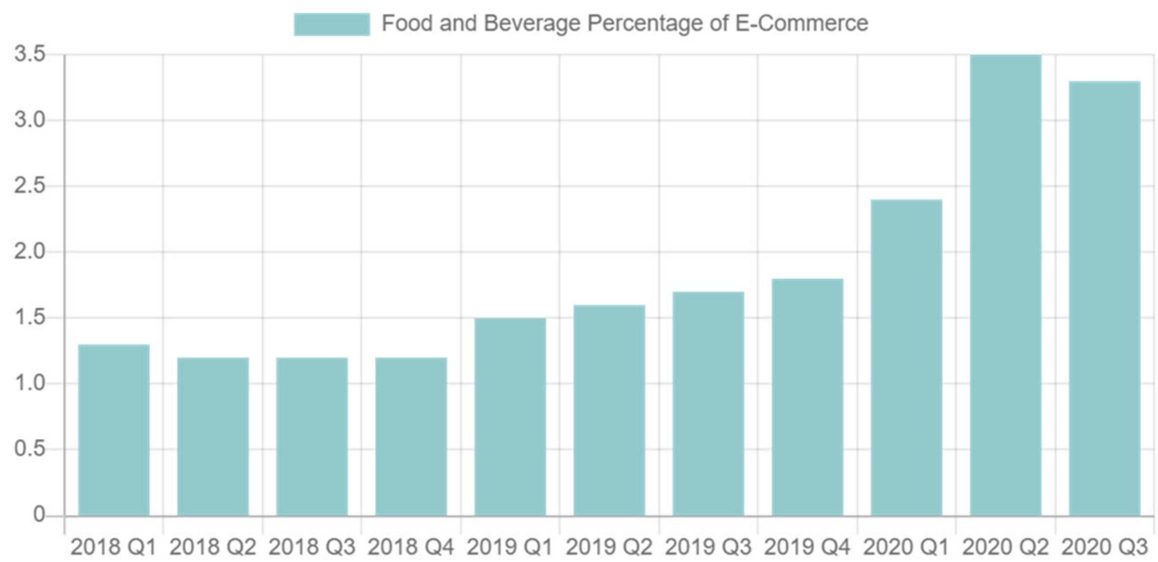


BY THE NUMBERS

E-commerce exploded for food and beverage products.

Changed circumstances have led to new habits, pushing more grocery shopping online.

The Census Bureau's e-commerce release in November showed third quarter online spending for food and beverages totaled $6.5 billion, an increase of 162% over the same quarter a year earlier.



In 2019, the food and beverage portion of e-commerce averaged a sleepy 1.6% share of all e-commerce purchases; in 2020, that share has doubled to 3.3% of all e-commerce measured in the third quarter.

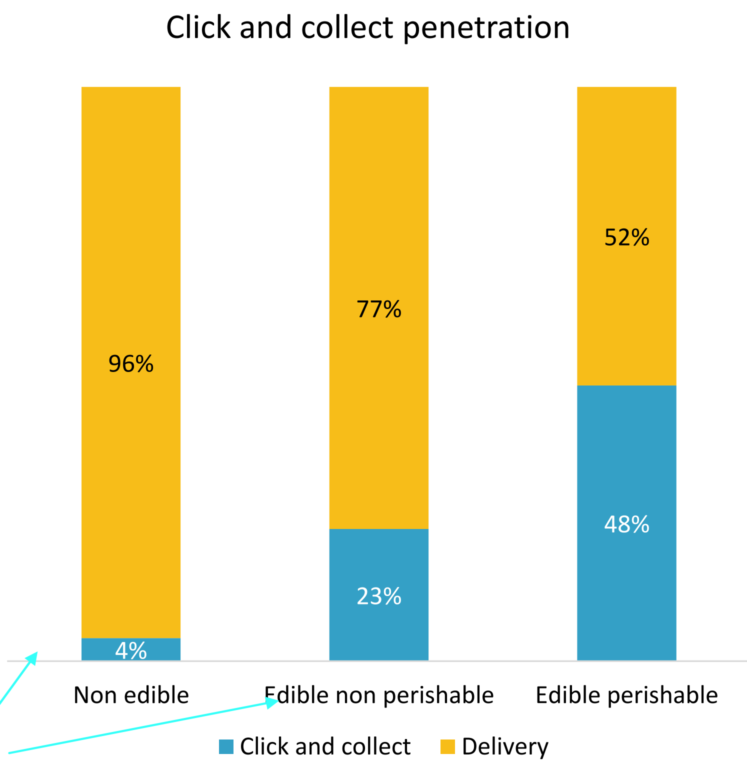
We think of digital grocery retail in 4 buckets

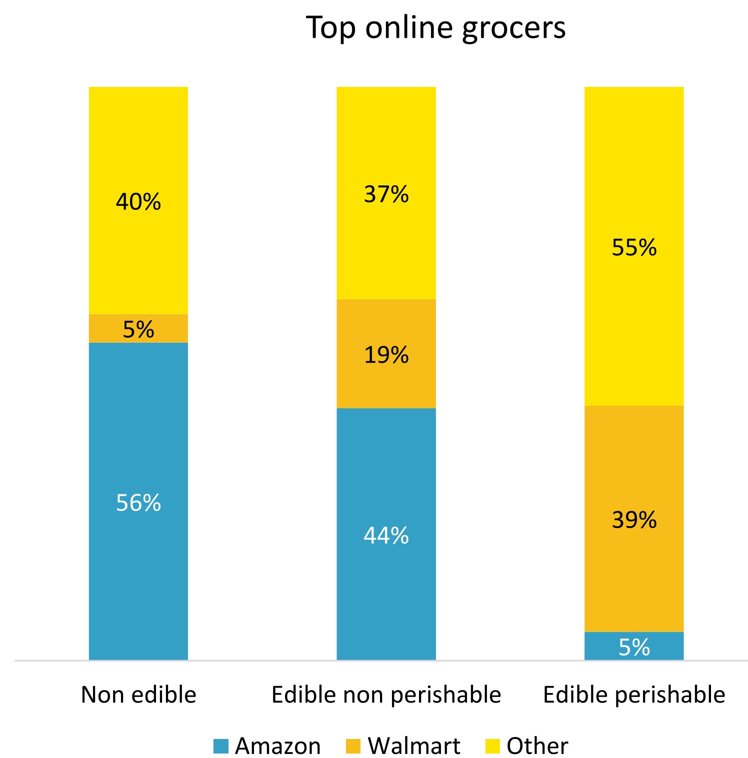
Biggest → Smallest

	Online marketplaces	Traditional bricks & mortar selling online	Pureplays	Direct-to-consumer brand sites
Examples	amazon instacart Shipt CROWD COW	Walmart Kroger target	amazonfresh goPuff chewy	Gillette SNACKS.COM *(Frito-Lay)* Neutrogena
Characteristics	3rd party inventory Can be shipped to customer Delivery is sometimes also available locally	Owned inventory by merchant Usually pickup (often curbside) Sometimes delivery to home	Owned inventory by merchant Delivery to consumers Sometimes local fulfillment centers	Owned inventory by brand Delivery to customers Long distance shipments

Certain players have captured the lion's share

Share of online total *73%* *20%* *6%*





CPG Strongholds

Source: Forrester IRI Sector Snapshot

BY THE NUMBERS

The dramatic rise reveals a growing confidence in shopping online for grocery products that is expected to develop into a lasting behavior for the majority of consumers.

Nearly 80 percent of consumers surveyed in a recent Consumer Brands poll indicated that they would continue to use online ordering for at least some grocery purchases.

Did you use online ordering before the COVID-19 pandemic hit?

	Total
Yes, frequently	16%
Yes, occasionally	45%
No, I started using it frequently after the pandemic hit	16%
No, I started using it occasionally after the pandemic hit	22%
Yes (net)	*61%*
No (net)	*38%*

Do you plan to use online ordering after the pandemic is over?

	Total
Yes, frequently	30%
Yes, occasionally	48%
No, probably not	15%
No, definitely not	3%
I don’t know	5%
Yes (net)	*77%*
No (net)	*17%*

BY THE NUMBERS

The rise of e-commerce stands to fundamentally reshape how consumers purchase products, with deep implications for supply chain management – not to mention policymaking.

Consumer decisions also do not occur in a vacuum – consider these statistics in conjunction with broader e-commerce expansion as well as declining personal automobile ownership, rideshare, alternative mobility options, etc.

The sum total is a permanently changed landscape, which will demand new approaches from both the private and public sectors.

Before the pandemic

	Total
Frequent small trips to the grocery store (more than once a week)	52%
Infrequent larger trips to the grocery store (a week or more's supply)	47%

During the pandemic

	Total
Frequent small trips to the grocery store (more than once a week)	27%
Infrequent larger trips to the grocery store (a week or more's supply)	72%

After the pandemic

	Total
Frequent small trips to the grocery store (more than once a week)	38%
Infrequent larger trips to the grocery store (a week or more's supply)	61%

IN PRACTICAL TERMS

- Demands Unprecedented CPG Response & Around-the-Clock Action
- Forces Conversation on Network Redesign and Corporate Transformation
- Accelerates E-Commerce Strategies by 5-10 Years
- Creates New Replenishment, Ordering and Inventory Dynamics
- Highlights Need for CPG-Retailer Collaboration
- Exposes Margin Issues for Click-and-Collect and Home Delivery
- Puts Onus on Retailers, Delivery Companies and Platform Providers to Figure Out the Last-Mile
- Poses New Questions About How to Manage Curbside, Facilitate Efficient Urban Deliveries and Take Holistic Approach to Improving Performance

THE START OF SOLUTIONS

- Unfortunately, No Single Solution
- Consumer Brands Contactless Delivery Task Force
- New Pick-Up and Delivery Concepts
- Product Design, SKU and Packaging Changes
- Differentiated Retail and Fulfillment Models
- Rise of Autonomy

LESSONS LEARNED

- **Take a Multifaceted Approach**
- **Consider Varying Delivery and Distribution Models**
- **Understand Supply Chain Complexity and Support Linkages**
- **Plan for Accelerated E-Commerce Growth**
- **Seize Upon 'Silver Linings'**
- **Encourage Government Focus on Supply Chain Competitiveness and Resiliency –** *forthcoming report from Consumer Brands, CSCMP and Iowa State University*

Q&A