



Using Automation to Future Proof Retail from Disruption

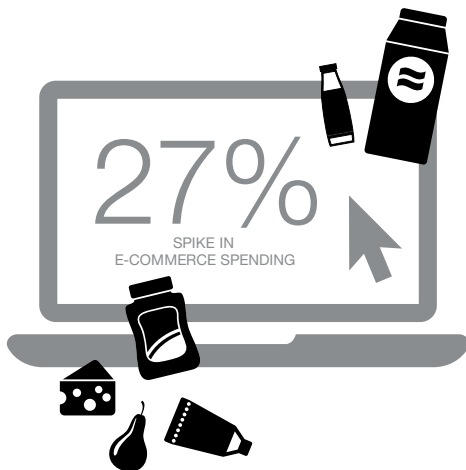
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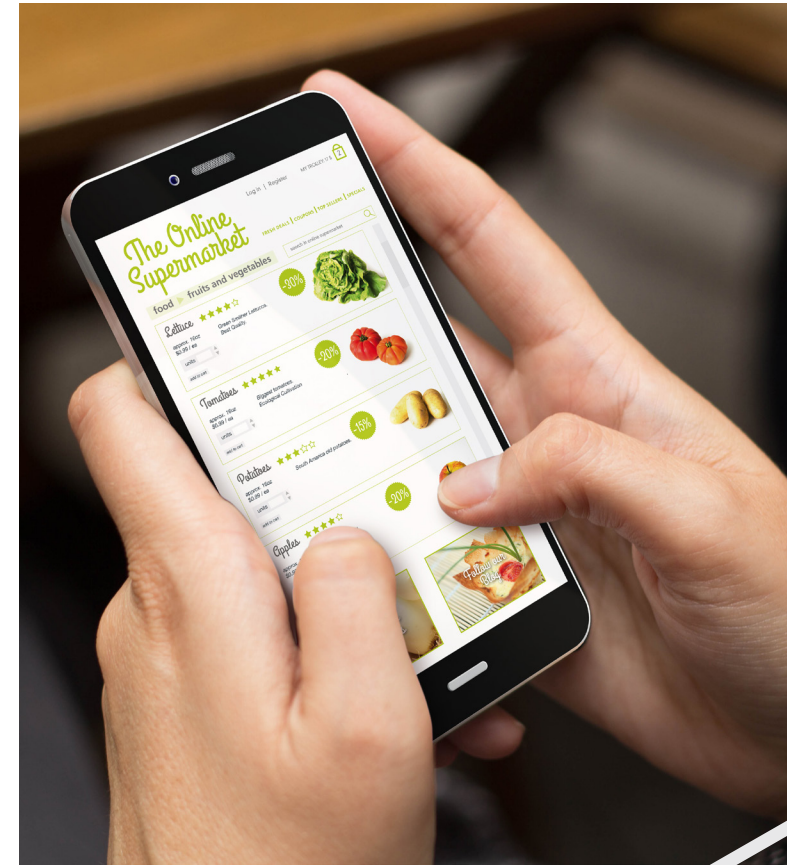
What Changing Consumer Behaviour Means for Retail

Within a matter of weeks, COVID-19 fundamentally changed how consumers interact with retailers. Checkout lines were replaced by home delivery and curbside pickup. Grocery lists required preempted replacement options. Questions once asked of workers shifted to chat boxes.

In the early days of the pandemic, shoppers, out of fear of the unknown, ransacked store shelves to stock up on essentials, such as toilet paper and paper towels. Such an unexpected rush on consumer goods left many store shelves barren, shining a bright spotlight on the major gaps and inefficiencies within the global supply chain. Simply put, nobody — not suppliers nor manufacturers nor retailers — was ready for the unprecedented spike in demand brought forth by COVID-19.



Retail and E-commerce sales in Europe grew by 27% in 2020 (Source: E-marketer December 2, 2020)



And by the end of 2020, statistics show the number of Europeans shopping online is set to reach 506 million this year, with a user penetration of almost 60%. By 2025, this figure is forecast to hit nearly 570 million. (Source: Internet Retailing)

While online shopping was on a growth trajectory well before the pandemic surfaced, the speed at which COVID-19 accelerated out-of-store purchasing left even the biggest retailers (the ones with actual omnichannel distribution strategies) challenged to effectively supply what was in demand.

The lesson to be learned: Investing in automation can empower retailers with the flexibility to sustain similar future spikes in consumer demand.

In this playbook, we'll explain:



Why most retailer fulfilment strategies don't offer the flexibility to meet unprecedented consumer demand



How retailers can future proof their businesses from unexpected disruptions by making strategic investments in automation



Critical factors for consideration when selecting an automation provider



The Top Three Challenges Retailers Are Facing to Meet Sustained Consumer Demand

For many retailers, online order fulfilment has been a challenge since consumer behaviour shifted from in-store purchases to internet buying. Even some of the largest retailers lack a fully optimized infrastructure to deliver goods in the timeframe that consumers demand, and COVID-19 has brought these challenges and several others to light:

1

Managing Online Delivery Through Third-Party Delivery Services

2

Relying on Traditional Distribution Strategies

3

Disruption to Fulfilment Operations



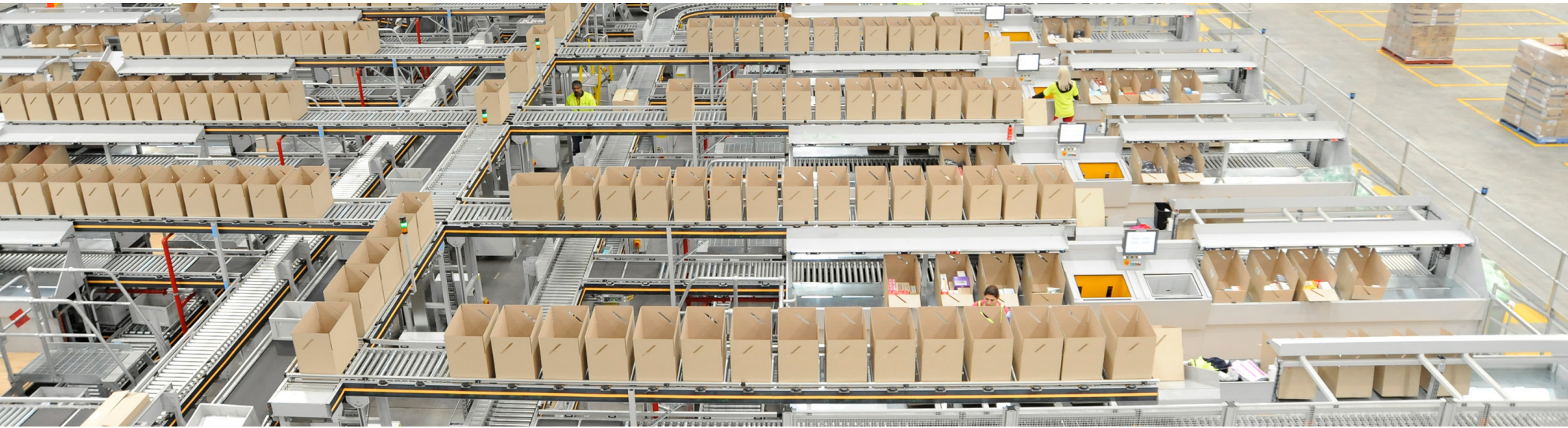
1 Managing Online Delivery Through Third-Party Delivery Services

As social distancing guidelines forced brick-and-mortar locations to limit hours or shut down completely, online shopping became the central channel for consumers to buy essential products. In fact, from February to March 2020, food delivery apps such as Uber Eats, Just Eat and Deliveroo saw around 550,826,378 new Google Play Store downloads from March 2020 to April 2021, a 33 per cent increase year-on-year according to App Radar. The UK's grocery leaders also saw a significant rise in the number of users, with Tesco and Asda seeing increases of 1.2 million and 964,000 respectively. (Source: App Radar). A recent Gartner survey on COVID-19-related workplace trends states that nearly one in three companies will be hiring more contingent workers as a way to reduce costs and achieve greater workforce management flexibility. (Source: Gartner)

Despite the fact that third-party services tout their flexibility and ability to meet demand surges, they often struggle. Many turn to temporary hires (up to 300,000 delivery gig workers were hired during COVID-19). Even so, consumers still had to regularly wait for delivery time slots to open, which ranged from days to weeks to even months.

As a result, many customers cancelled orders and jumped to competitors in search of a better experience, willingly forfeiting any loyalty that had previously connected them to the retail brand.





2 Relying on Traditional Distribution Strategies

Traditional fulfillment strategies, like housing large volumes of inventory in one central location, don't offer the flexibility to fulfil goods quickly. During the pandemic, in-store foot traffic and online orders increased, leaving store shelves empty. However, when non-essential retail stores were ordered to close, consumers shifted online to shop.

If the pandemic taught retailers anything, it's that they can't always predict demand. To ensure quick response in the future, retailers need a more flexible distribution model.

European Alternative- Statistics show that European eCommerce revenues hit \$425.2bn last year (2020), a \$71bn increase from 2019 figures. (Source: Internet Retailing)

3 Disruption to Fulfilment Operations

Retailers have historically relied on manual labour as a temporary solution to address peak demand in fulfilment centres. In fact, during the pandemic, companies deemed essential, such as grocery, delivery and retail hired thousands of positions to address peak online order fulfilment.

Take distribution centres as an example. Some distribution centres rely heavily on manual processes more than others. As employees fell ill to COVID-19, distribution centres had to close to provide deep cleaning and sanitation.

When distribution is halted, it means the availability of certain products may be limited. And while consumers understood delays during the crisis, the reality is that they did not hesitate to jump to another retailer once they found the same product.

The reality is that supply chains remain too rigid to handle unanticipated surges in orders. As retailers and their supply chains face increasing pressure from sustained consumer demand, implementing automation can no longer be thought of solely as a cost-saving investment. In addition, retailers need to consider how automation allows for flexibility to not only survive but to flourish during future spikes in consumer demand.



At Dematic, we believe that this is the tipping point for automation technology investment.

Automation Solutions to Address Unprecedented Consumer Demand

Automation in stores and distribution warehouses provide retailers with the flexibility to identify and adjust for swift shifts in customer traffic and buying patterns, both in-store and online. In addition, automation can keep fulfilment processes running in spite of other disruptions. Most importantly, automation helps minimize risks for employees working on the fulfilment front lines.

Now that you understand why traditional fulfilment strategies aren't working, here are some automated solutions that allow retailers to future-proof their business.

MICRO-FULFILMENT

To avoid a bad customer experience, retailers can take ownership of the speed at which customers receive their online orders by automating the fulfilment process near to their end customers. Micro-fulfilment solutions:



Can be implemented close to consumers in footprints as small as 10,000 sq. ft., such as in the back of a retail store or in a nearby dark store or urban fulfilment centre



Can be designated for e-commerce fulfilment so that retailers are no longer relying on in-store fulfilment for online orders



Can be configured to allow retailer to react to peak demand quickly by shifting between online and in-store fulfilment





AUTOMATED GUIDED VEHICLES (AGVs)

To ensure that goods and products are available when they're needed, AGVs can move and transport items in warehouses and distribution centres without manual intervention.

AGV systems:



Enhance workplace safety

by automating full processes, such as receiving and delivering product to ensure operation is always up and running.



Improve shipping speed

and accuracy with automated product movement from storage to shipping.



Can be added to existing delivery and storage systems in place.

WAREHOUSE MANAGEMENT SOFTWARE

As traffic shifts from in-store to online, software becomes even more critical for retailers to make intelligent, data-based decisions to improve their omnichannel distribution and fulfilment processes. Dematic warehouse management software:



Connects fulfilment, operations, maintenance, and analytics into one comprehensive ecosystem.



Manages all warehouse hardware across manufacturing sites, warehouses and distribution centres to optimize the end-to-end supply chain.



Helps retailers quickly and effectively respond to spikes in online orders while maintaining critical employee safety measures

The Dematic Micro-Fulfilment solution, AGV systems and warehouse management software are available to customers worldwide.



The Dematic Difference

While automation has the ability to help retailers remain competitive, what's even more important is choosing the right partner. With all that goes into automation implementation and management, due diligence is more important than ever before.

These are the three most important questions to ask when considering a partner:

Can they scale across regions?

Dematic is truly differentiated from competitors when it comes to the sheer breadth of our global footprint, with a workforce of over 10,000 employees helping companies install, commission, and operate Dematic solutions worldwide.

Can you contact customer service whenever you need it?

Unlike many of our competitors, we have a robust customer service network with local operations in over 25 countries, offering customers dedicated onsite service and support to ensure optimal efficiency and maximum performance.

Do they have a proven track record?

Dematic's 200-year legacy brings proven, reliable intelligent and automated technology that's set industry standards for decades. We've achieved more than 6,000 installations with several customer relationships approaching 50 years.



About Dematic

Dematic is an intralogistics innovator that designs, builds and supports intelligent, automated solutions for manufacturing, warehouse and distribution environments for customers that are powering the future of commerce. With engineering centres, manufacturing facilities and service centres located in more than 25 countries, the Dematic global network of 10,000 employees has helped achieve more than 6,000 worldwide customer installations for some of the world's leading brands.

Headquartered in Atlanta, Dematic is a member of KION Group, a global leader in industrial trucks, supply chain solutions and related services, and a leading provider of warehouse automation.

Power the Future of Commerce.

▶ The Dematic Micro-Fulfilment solution, AGV systems and warehouse management software are available to customers worldwide. For Dematic news and developments, visit:

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