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Operators assess the state of the UK market for temperature-controlled logistics and transport in 2014

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"Retailers and manufacturers need to provide smaller volumes across a broader spectrum of products" Mike Rice, business development director, ACS&T

Leading UK temperature-controlled operators predict that shorter lead times and more frequent deliveries will take centre-stage in 2014.

Mike Rice, business development director at ACS&T, says: "Consumers want choice, and retailers and manufacturers need to provide smaller volumes across a broader spectrum of products. This requirement, coupled with the pressure to reduce lead times, means adapting services to provide a just-in-time distribution facility for customers. Collecting smaller quantities across a wider range of products more frequently, and providing flexible warehouse space to meet suppliers' more complex demands, is absolutely key."

Alistair Brown, commercial development manager at Culina, echoes Rice's cry: "The trend is certainly for shorter lead times, as retailers and wholesalers look to get closer to customer demand."

Tim Moran, Yearsley logistics director, agrees: "I think that the sector will only see marginal growth this year. Warehouse rates are still under pressure and overcapacity in the industry facilitates this. Transportation is a key issue with retailers calling for shorter lead times and more frequent deliveries delivered just in time, in full loads to reduce inventory and labour costs."

Reed Boardall says that despite the continuing challenging times, the current climate is favourable for larger operators "who use scale to capitalise on the flexibility, agility and customer service opportunities it can offer".

Industry leaders forecast challenges and growth

UK temperature-controlled operators express mixed views on growth potential in the sector during 2014. Reed Boardall believes that times continue to be challenging, as some of the Christmas-period figures from retailers demonstrate. "For the UK and the rest of Europe, there is still an economic hill or two to climb yet but we believe we are exceptionally well-placed to meet the challenges," says Keith Boardall, chief executive, Reed Boardall.

Yearsley believes that the biggest challenge for the temperature-controlled industry in 2014 is increasing costs and downward pressure on rates. However, Culina is optimistic of growth within the chilled sector. Alistair Brown, commercial development manager, says: "Several retailers (specifically Aldi and Lidl) have publicly announced their 2014 store investment programmes, with chill at the top of their agenda. We provide warehousing and transport solutions for most of the chilled sector and our clients are optimistic of modest growth, which will hopefully be reflected in our global volumes. Clearly our job is to translate any growth into margin, but this is largely dependent on how the volumes arrives."

Richard Slater, sales and marketing director, Fowler Welch, says: "For 2014 we're predicting good growth and we anticipate that, as the economy continues to improve and consumer confidence picks up, volumes will increase across the whole industry.

Hugh Jones, commercial director, Grocontinental, says the company is optimistic about future growth in the sector. "The business climate is much more positive and, following the horse meat

PAGE 2:
- Reed Boardall says the current climate favours larger operators

PAGE 3:
- Yearsley says the sector will see only marginal growth this year

PAGE 5:
- Fowler Welch predicts growth as consumer confidence improves

scandal of last year, there appears to be a shift towards British produce which has helped the temperature-controlled sector. There appears to be more confidence in the marketplace. Following a number of consolidations and mergers last year, many of our customers are now investing in their businesses and there seems to be a growth agenda."

Dale Fiddy, sales & marketing director at NFT, believes that 2014 will bring more of the same in terms of projected growth in the sector. "The increasing demand of online and 'click and collect' will also impact our category. The polarisation of consumers desiring more temperature-controlled food seen over the last few years will continue. Although we may see a shift in volumes across the market, growth will continue along with interesting opportunities."

Most operators say that they will be investing in their businesses this year. Fowler Welch is planning to roll out a new transport management system and says that 40% of the company's fleet will be of Euro 6 standard by the end of the year.

Yearsley says it has recently received detailed planning permission to build a 150,000-pallet cold store in Peterborough. This will give it a third superhub.

Grocontinental is planning to renew its entire fleet of vehicles during 2014, build a 22,000 pallet capacity warehouse, and invest in IT infrastructure. Meanwhile Culina is also continuing to invest in its infrastructure "to make efficiency gains easier to come by", as well as evaluating strategic opportunities that will benefit customers and employees.

NFT, after launching a new livery, is also looking to invest in 100 new and replacement vehicles. "As a business we will continue to drive growth and margin, a trend that we have achieved over the last few years of difficult trading," says NFT sales and marketing director Dale Fiddy." This will be achieved through innovation for clients. "Whilst clients understand underlying costs continue to increase and these have to be met throughout the supply chain, they look to us to review where value creation can occur."

Predicted changes

- Rising operating costs (energy, employment legislation)
- Managing customer expectations on pricing
- Demand for greater accuracy and efficiency in cool supply chain
- Tighter controls on food safety and accountability
- Shorter lead times
- More frequent deliveries
- Euro 6
- IT infrastructure development
- Better environmental performance

What the companies say...

ACS&T

Mike Rice, business development director, ACS&T

"A significant challenge for the industry is, as always, to keep up with a changing, consumer-driven market. Consumers want choice, and retailers and manufacturers need to provide smaller volumes across a broader spectrum of products. This requirement, coupled with the pressure to reduce lead times, means adapting services to provide a just-in-time distribution facility for customers.

Collecting smaller quantities across a wider range of products more frequently, and providing flexible warehouse space to meet suppliers' more complex demands, is absolutely key. This is certainly a growing requirement amongst our customers that we are really focusing on at ACS&T. In response we have developed a number of new services that will be announced in the first part of the year."

Reed Boardall

Keith Boardall, group chief executive, Reed Boardall

"In general the current climate is favourable for those larger operators, like ourselves, who use scale to capitalise on the flexibility, agility and customer service opportunities it can offer. That's still the key – putting customers first every time.

The UK economy is growing and we would expect to grow with it. We have once again expanded our storage capacity at Boroughbridge to meet demand and continue to replenish our fleet with state-of-the-art vehicles. For the UK and the rest of Europe, there is still an economic hill or two to climb yet but we believe we are exceptionally well-placed to meet the challenges."

Culina

Alistair Brown, commercial development manager, Culina

"We provide warehousing and transport solutions for most of the chilled sector, and this is broadly in line with what our clients are telling us.

We can send in up to 20 loads a day into a retailer RDC, across approximately 70 chilled suppliers and have agreed booking schedules across the retail and wholesale sector. The trend is certainly for shorter lead times, as retailers and wholesalers look to get closer to customer demand. This places increased pressure on inventory management, at a time when potential food waste has never been more in the public eye and company accountants never more focused on working capital, should the manufacturer get it wrong – one way or the other.

This in turn places, pressure on warehouse operations and distribution networks as logistics providers look to accommodate last minute fulfilment requests. Thankfully, Culina service levels are standing up to the test and we had a very busy and successful Christmas, in both ambient and chilled divisions.

Our clients are optimistic of modest growth, which will hopefully be reflected in our global volumes. Clearly our job is to translate any growth into margin, but this is largely dependent on how the volumes arrives – it is well forecast and fairly flat, the job is somewhat easier but experience tells us, it will come, when the customer wants it to come - but that's all part of the challenge.

We will continue to invest heavily in our infrastructure to make efficiency gains easier to come by, as well as evaluating strategic opportunities that will benefit our customers and employees. In 2013 we opened a brand new 210,000sq ft facility in the South West, as well as investing in over 80 new vehicles – We have not announced any major new investments for 2014 but quite simply, as our history shows, we are not the type of organisation to stand still, although we'll never take our eye off the day job in the process."

"The trend is for shorter lead times" Alistair Brown, commercial development manager, Culina

Yearsley

Tim Moran, logistics director, Yearsley

"I think that the sector will only see marginal growth this year. Warehouse rates are still under pressure and overcapacity in the industry facilitates this. "

Transportation is a key issue with retailers calling for shorter lead times and more frequent deliveries delivered just in time, in full loads to reduce inventory and labour costs. Yearsley Logistics are uniquely placed to capitalise on these opportunities, as well as having a 24/7 operational capability, we provide the full complement of services, 7 days per week, including planning and customer services.
Yearsley Logistics has invested heavily in both infrastructure and automation during 2013 as our second superhub at Heywood was opened. This followed our first superhub at Hams Hall in the Midlands which we purchased in 2012. Looking to the future we have recently received detailed planning permission to build a 150,000 pallet cold store in Peterborough. The 3 superhubs together will service the whole of the UK with a consolidation service for manufacturers into retailers.
Our network and systems offer the ability to service an ever changing market. This, along with our investment strategy, allows us to ensure that we lead the industry in building cost effective, sustainable solutions for the future."

Grocontinental

Hugh Jones, commercial director, Grocontinental

"We are optimistic about future growth in the sector. The business climate is much more positive and, following the horsemeat scandal of last year, there does appear to be a shift towards British produce which in turn has helped the temperature-controlled sector.
There appears to be more confidence in the marketplace. Following a number of consolidations and mergers last year, many of our customers are now investing in their businesses and there seems to be a growth agenda.
On the back of this confidence, we have continued to invest in our business.
An area of real focus has been the integration of our IT systems with customers' systems which has helped to cement and encourage long-term relationships.
A key challenge will be to manage customer expectations on pricing. With escalating energy costs, the increasing demand for operating standards and the need to comply with new employment legislation, the correct pricing for contracts is critical. These increasing costs need to be balanced with customers' understandable desire to drive down prices.
As our business expands, we are anticipating good growth this year. We continue with an ambitious investment programme and during 2014 we will be renewing our entire fleet of vehicles, constructing a new 22,000 pallet capacity warehouse and investing in IT infrastructure.

We have also recruited a director of operations - a newly-created position to strengthen and develop our management team for the next stage of growth."

NFT

Dale Fiddy, sales and marketing director, NFT
"The polarisation of consumers desiring more temperature-controlled food seen over the last few years will continue. Although we may see a shift in volumes across the market, growth will continue along with interesting opportunities, which NFT is well placed to capitalise on.
Remaining agile and responding to changing markets will be key. Increasingly, we will need to balance the demand for greater accuracy and efficiency across the temperature-controlled supply chain, together with tighter controls on food safety and accountability. The challenge will be meeting all these factors alongside rising operating costs and ever more important environmental credibility.
We must continue improving our environmental performance as an industry and achieve this without negatively impacting on business performance and integrity.
As a business we will continue to drive growth and margin, a trend that we have achieved over the last few years of difficult trading. This will be achieved through innovation for clients.
Whilst clients understand underlying costs continue to increase and these have to be met throughout the supply chain, they look to us to review where value creation can occur to minimise any impact.
We recently introduced a contemporary livery design that demonstrates our dynamic and progressive outlook. We are also looking to invest in 100 new and replacement vehicles, which coupled with the new design, reflects the high tech, complex and innovative solutions that we deliver for our customers today."

"Demand of online and 'click and collect' will impact our category" Dale Fiddy, sales & marketing director, NFT

Fowler Welch

Richard Slater, sales and marketing director, Fowler Welch

"For 2014 we're predicting good growth and we anticipate that as the economy continues to improve and consumer confidence picks up, volumes will increase across the whole industry."

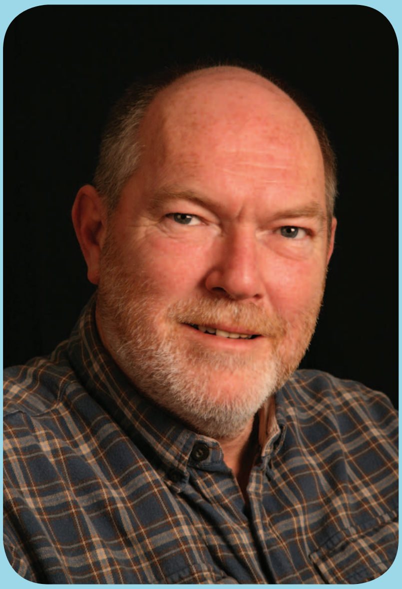
We see great opportunities for companies able to respond to the continuing demand for high quality, fresh products that look their best on the supermarket shelf. But this is not something that is new for 2014, it's a demand that has faced the industry year on year as every element of the supply chain is pushed for continuous improvement."

We expect margins to be as competitive as ever to achieve – but it's exactly this challenge that we relish at Fowler Welch. We will further improve our service and offering. As part of this we continue to invest in the best technology to improve efficiency and to develop our environmental performance – for 2014 this means a roll out of a new transport management system and a commitment that 40% of the fleet will be of Euro 6 standard by the end of the year. These developments mean we will continue to help small and medium sized businesses competitively supply their products to retailers. Ultimately, we believe that a willingness to listen to customer demands, respond to these and deliver the services they need is the best way to succeed in the industry."

"Volumes will increase across the whole industry" Richard Slater, sales and marketing director, Fowler Welch.

2014 - the top five challenges

The challenges in 2014 for the temperature-controlled logistics sector are the economy, changing distribution patterns, information technology, the green agenda, and Euro 6, says Cold Chain News editor, Dean Stiles



There is a whiff of optimism about 2014. It may well be that after seven years of grim trading and economic crisis, small lifts in performance seem like booms but there are still some formidable challenges to face.

The economy: The recession is over but growth has not returned in any meaningful way. Despite an increase in retail sales there is little evidence of sustained recovery in the offing and cost pressures on the supply chain will remain while customers demand ever more competitive prices. Whether the government will succeed in boosting the economy – the tried and tested means of gaining electoral advantage – remains to be seen and, more crucially, the same applies to the likelihood of any uplift continuing past spring 2015.

Distribution patterns: There has been a resurgence in the local convenience store, now typically under 280sq metres, driven by the big chains that flourished with out-of-town hypermarkets. Tesco, which has more than 3,000 stores, already has more convenience stores than supermarkets, and more than 1,600 Tesco Express' alone. Morrisons has opened 85 of its M Local stores since launching them in 2011 and expects a further 100 in its next financial year. Industry body IGD says the value of the convenience sector will grow from £35.6bn in 2013 to £46.2bn by 2018. Supplying smaller stores in urban areas without incurring more cost is a logistics challenge that will demand some imaginative technical solutions.

IT and telematics: The ability and demand to capture and analyse huge amounts of data as goods travel through supply chains will continue. Big data allows predictive analytics, now essential in developing supply chain strategies, to improve the effectiveness and efficiency of processes. It is how supply chain networks will meet the need to become more resilient and reliable in the coming year in order to better manage more volatile demand as well as pressures on margins.

The green agenda: The green movement will continue to challenge the road transport industry. The UK government is committed to reducing carbon emisions and the pressure on business to deliver will only intensify. While low-carbon initiatives have been, for many transport providers, nothing but a box-ticking exercise this 'business as usual' approach is set to change. Reducing carbon reduces cost, which stands to reason: you use less resource and less energy. Innovation and the use of new technologies will become more commonplace as temperature-controlled transport operators strive to deliver low-carbon solutions.

Euro 6: The drive to reduce harmful exhaust emissions that started in 1993 with Euro 1 continues. Since January all new trucks have to comply. However, to meet the demands of Euro 6 manufacturers have spent large amounts in new technology and that spend is reflected in higher chassis prices. There is also a potential fuel consumption penalty and other maintenance cost issues. All this will only emerge in detail in the coming months as more trucks enter service.