LAST MILE URBAN DELIVERIES IN ITALY: POST COVID-19 SCENARIOS

What we did see with COVID-19

At the moment we do not have complete knowledge of the economic and social impacts that we will face post COVID-19 but only the certainty that this global crisis has already shown that associated economic, social and environmental costs will be very significant. The immediate and almost simultaneous worldwide interruption of trade, travel, production of goods and services, brings several undesirable and highly complex consequences inevitably.

It is very likely this emergency will radically change some approaches and behaviours. It will no longer be possible to return to the life we knew before COVID-19 but it will be necessary to rewrite the rules of the game and build a new model of resilient development that will undoubtedly have to be able to deal with other emergency situations such as this and others the future could present to us.

In these months, the way we shop has changed, with endless deliveries in the city, with the increase in home deliveries as many people discovered e-commerce due to social distancing and lockdown. It was not a choice at that time but a need. But on the other side the emergency has also returned space and role to neighbourhood and proximity stores, where these have been able to innovate the service, with APP, with a remote dialogue with its actual and prospect clients, with the ability to create safe collection points and home deliveries.

Picture 1 – Fulfilment of a food market in Rome

The difference will no longer based on quality of the product but also the service provided to customers (i.e. purchase, delivery, after-sales, assistance, etc.) played a crucial role in this challenging scenario. The sector of home services, home delivery as well as instant delivery is the one that is growing the most at the moment – even after the emergency phase and now that it is not anymore a need but rather a choice - with an excess of demand currently unmatched due to the lack of workforce in this specific sector. Italy and Italian people in these days are testing a new model of society founded on flexibility, adaptation and resilience, essential for our daily life. Qualities that are not simple to teach or learn and which, precisely because of their scarcity, will be the new priorities for research and selection of human resources for the next few years.

On a social level, we stand to witness a massive turn of workers from one sector to another. There are sectors currently more exposed to the harmful effects of the crisis such as the tourism sector, the traditional retail sector and the entertainment sector which will inevitably lose jobs. Italy is actually investigating mechanisms that can allow a large number of workers to retrain and get back on track in other sectors that have wide margins for growth such as information technology, the agri-food and medical industry.

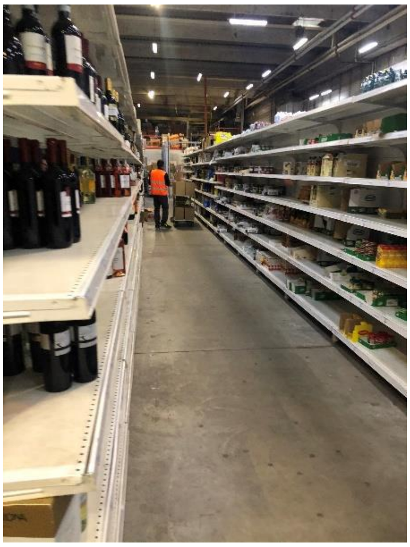
The first and most evident consequence of this pandemic is the digitalization of our daily lives. Within a few weeks we all had to learn, also, to use the home delivery APPs for ordering food and goods and to use social platforms and video calls with friends and relatives. This experience is remaining as a consolidated habit across citizens (i.e. wider use of smart working especially), changing our behaviour and shopping patterns permanently and definitively.

The emergency period has been a stress-test for the governance model as well impacting on the health and life of people both as relationship between the State, Regions and Municipalities and as the role of each EU country, including Italy, within the European Union which is called to give timely, unitary and systemic responses or risk disappearing.

Last mile (r)evolution

The COVID-19 pandemic forced logistics chain to implement social distancing by limiting, if not actually preventing, any direct interaction between workers in the sector. The lockdown thus consolidated the exponential trend of online commerce. In the first three months of the year, fulfilled home delivery grew by 162.1% while global demand booster to + 400% accelerating sharply in the lockdown period and big online sales platforms have at least doubled delivery times to meet increased demand.

E-commerce had an explosion in Europe before COVID-19 having significant shares in Italy also. According to Eurostat, by 2018 69% of individual internet users in EU countries and 47% in Italy had made at least one order for goods or services online. The percentage of Internet users in Italy is 77% of the population, so the percentage of citizens who have made at least one purchase on the net is 36%. This entails an explosion of movements in urban and metropolitan areas and therefore an increase in congestion and emissions that are currently difficult to calculate.



Picture 2 – Operations in a dark store near Rome

From the first to the second week of emergency, home delivery of food doubled in some cities such as Genoa and increased by 23% in Milan and by 35% in Rome and Turin. These are volumes that are usually recorded only on certain days of the year, such as Cyber Monday or Black Friday, and which the companies in the sector have found themselves managing suddenly, at a critical and delicate moment for the whole country. Today it appears as an essential service, also with a social function (especially to reach elderly, sick or at-risk persons who cannot leave the apartment), which adds to the three functions traditionally associated with ecommerce by consumers: saving time, price discounts and wider choice.

Just in time and/or scheduled deliveries to retail stores have decreased, but home delivery has increased more than proportionally. Obviously if you only need one point of sale, this will receive in a single delivery from the logistics platform all the consolidated goods that are able to sell to n customers who will then take them with their own vehicles to their homes. If the shop is not open, the same goods will move directly from the logistics platform to the n homes of the n customers who will buy the goods, thereby increasing the number of movements per loading unit.

At the same time, home deliveries increased, with features that, before COVID-19, looked impossible to achieve: shorter delivery times (due to the lack of traffic in our cities), certainty of finding the receiver at home always (due to the Government's provisions for the lockdown) and speed of delivery (no longer providing signature of the delivery documents).

To home deliveries already known to all, an additional service become even more and more popular, especially for the sector of catering and fresh food products from neighbourhood shops, or instant delivery (delivery that takes place immediately, generally in a few hours).

The last mile urban environment is therefore becoming even more unlike due to the services offered such as instant delivery mainly for proximity agri-food deliveries which is the prerogative of the riders (with specific needs and working features) or the home delivery relating to "traditional" e-commerce platforms under the responsibility of couriers and structured carriers. For this reason, it is necessary to provide governance models that can manage the different dynamics of emerging services in a sustainable way for the urban community.

The growing weight of online purchases has impacts on the supply chain; goods such as clothing, household products, and furniture require dedicated spaces for the storage, packaging, and customized transport. And this will increase the demand for warehouses near the consumption areas (our cities) also because of the need to secure the supplies thus exposed to the effects of the health crisis through the recovery of stocks, especially as regards the agri-food sector.

From a technological point of view, this phenomenon inevitably leads to a greater digitalisation of the sector through the use of new software for optimizing information flows and automated systems for warehouse and inventory management, to speed up management activities of orders, loading and shipping of goods and for reverse logistics (return management). With the pandemic there has been an acceleration of dematerialization and the progressive absence of intermediation.

Regarding specifically the last mile, the so-called POD (proof of delivery) without contact between the parties is becoming a standard since customers no longer physically interact with the drivers who deliver the goods. Only basic products such as food and medicals continue to provide this type of physical contact while all other products are in fact delivered to the gate or at most the entrance hall of our buildings.

Urban logistics is like public transport?

The choice of the most appropriate solution to achieve a model of urban logistics governance rely substantially on the ability to identify the drivers and the nature of the problems and challenges we face, the objectives we want to pursue, the physical structure of the city and also the nature of logistics and related supply chains. Urban areas and cities often have distinctive and unique characteristics, and therefore the governance model must be identified considering these different and unique characteristics.

It is essential to remember that urban logistics has the distinctive feature of being not only a derivative activity but a real ecosystem that includes producers, wholesalers, logistics and freight operators, merchants, citizens, and the Local Authorities. Each has different characteristics, perspectives, objectives and/or strategies that are often legitimately conflicting and therefore, for any measure that you want to activate, it is essential to involve and listen to the interested parties whose active commitment (e.g. of residents, proximity shopkeepers and local logistics operators) is the key to obtaining acceptance of the individual measure. Consensus building is a long process and the necessary activities may take a long time because urban logistics is a complex business, with many stakeholders and many activities involved.

Picture 3 – The "new normal" in Rome

During this period, all the stakeholders had the opportunity to appreciate the service provided by logistics operators (including the one providing last mile services) as an essential public service like the supply of electricity, gas, water, connectivity and health services. This public service concept is also based on the fact that people have mobility alternatives linked both to the needs of services or work, and to the means to be used while goods do not have all this flexibility. Therefore, is quite urgent to undertake integrated planning at urban level managing to achieve less congestion at peak times also deriving from a spread of smart working. In this way we could also reduce overall pollution and speeds up the distribution of goods in our cities.

Last but not least, it should not be forgotten that such measures, directly or indirectly, have impacts not only on issues such as harmful emissions and congestion, but also on the attractiveness of the area for businesses and citizens. In Italy Government along with Municipalities are working together to undertake monitoring and evaluation campaigns to compare goals as much as possible with the results achieved in a continuous and continuous process leading to a brand "new model" of integrated mobility governance for the "new normal".

Massimo Marciani, FIT Consulting