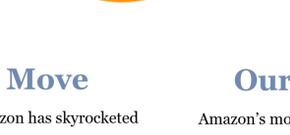


# Retailers Who Are Winning at Logistics

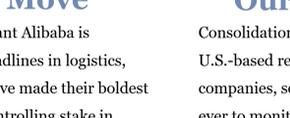


## Their Big Move

In just a few years, Amazon has skyrocketed to become the mother of all retailers, and their ambitions don't stop at the shopping cart. Nearly every week brings news of an acquisition or initiative that moves them closer to controlling the entire supply chain. They acquired Whole Foods, which will now serve as local distribution centers, and launched Amazon Key, which lets them deliver directly *into* consumers' homes. The Amazon Relay initiative helps truckers optimize warehouse operations and, most importantly for our industry, they registered with the Federal Maritime Commission as a Freight Forwarder.

## Our Take

Amazon's moves definitely create competitive threats in the freight forwarding and general logistics industries, but by focusing on specialized advantages and experience, independent players still have lots of room to grow.

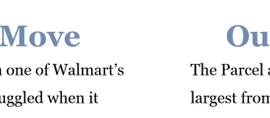


## Their Big Move

Chinese e-commerce giant Alibaba is increasingly making headlines in logistics, but in 2017 they may have made their boldest move yet by taking a controlling stake in Cainiao and pledging to invest \$15 billion in the "smart logistics network." The acquisition will have a variety of impacts, strengthening its domestic delivery and warehousing operations, while also making new international commerce opportunities more efficient. But a recent SEC investigation was tied to Cainiao's accounting practices, demonstrating the hazards of international regulatory compliance.

## Our Take

Consolidation fever is not limited to U.S.-based retailers and e-commerce companies, so it's more important than ever to monitor corporate developments in global markets, even if the companies seem unfamiliar.



## Their Big Move

Logistics has always been one of Walmart's strengths, but they've struggled when it comes to the last mile, especially in big urban centers like New York City, where they've failed to get a foothold. That might all change with their acquisition of Parcel, a Brooklyn-based startup that excels at doorstep delivery. Together with its acquisition of Amazon-like Jet.com, Walmart is now positioning itself as an end-to-end retailer, agnostic when it comes to bricks vs. clicks.

## Our Take

The Parcel acquisition wasn't the largest from a financial point of view, but leveraging the power of startups can yield outsized benefits. Watch and see whether Walmart can "digest" this forward-thinking startup to turbo-charge its own logistics capabilities.

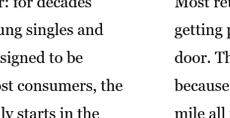


## Their Big Move

Like Walmart, Target is using startup acquisitions to enhance its logistics operations by acquiring same-day delivery service Shipt. In addition, they have committed to investing \$7 billion over the next three years in sales digitization. As part of this investment, they aim to create a smart internal network for their supply chain processes that links first- and last-mile operations, with physical stores acting as "hyperlocal distribution centers."

## Our Take

Innovation in logistics takes capital investment, and Target seems to be taking a smart approach by both acquiring young companies and spending to upgrade their sales infrastructure. Emphasizing the distribution capabilities of retail stores is a growing trend, and Target is right to jump on it.

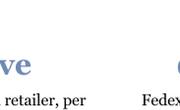


## Their Big Move

Ikea isn't the sexiest retailer: for decades they've sold furniture to young singles and newlyweds in flat-packs, designed to be assembled at home. For most consumers, the last-mile experience basically starts in the parking lot and ends with an Allen wrench and an extra screw. But they're trying to change all that with the acquisition of TaskRabbit, the marketplace for on-demand tasks like furniture assembly. As startups go, TaskRabbit is long-in-the-tooth, having been founded in 2008, but the Ikea acquisition might just give new life to two companies, each of whom found themselves with a retail-logistics missing piece.

## Our Take

Most retail-logistics tie-ups focus on getting products to a consumer's front door. The Ikea story is distinctive because it takes logistics past the last mile all the way to the last shelf. Providing value-added services in the purchaser's home is a unique approach, especially for a retailer that has not typically been known for innovation. Their retail locations were already set up like local warehouses. Now, they're service centers to boot.



## Their Big Move

You may not think of FedEx as a retailer, per se, but with thousands of storefront locations, the delivery giant has more face-to-face contact with consumers than ever. This year, FedEx decided to add consumer functionality with its Delivery Manager program, giving recipients the ability to customize delivery options in seemingly countless ways, with customized delivery instructions and enhanced mobile functionality. Plus, they struck a deal with Walgreens to allow customers to pick up packages at more than 7,500 locations in all 50 states.

## Our Take

Fedex has always been a logistics company. But while the examples above are all about retailers moving into logistics, this is a case of a logistics company extending its reach into retail. We expect to see more companies like FedEx to move into delivery and retail in innovative ways, either through partnerships or acquisitions.



## Their Big Move

Best Buy has been one of the retailers most vulnerable to the e-commerce revolution. After all, when you can buy a large-screen TV on Amazon, there's no need to go to a showroom and lug one home. The big-box store is trying to differentiate itself both by making many of its in-store offerings free to the consumer, but also by offering low or no-cost customer service initiatives like no delivery minimums, in-store pickup, and same-day delivery in 40 states.

## Our Take

The jury is out as to whether these initiatives will allow Best Buy to survive the big-box meltdown, but it's intriguing to see that enhanced last-mile services are key to their efforts. In some ways, this converges with the Target-Amazon-Whole Foods strategy of using retail locations as showrooms and distribution centers, while the consumer value is really delivered to the doorstep.



## Their Big Move

Ace is not a typical company, but rather a hardware cooperative founded in 1924 and known for its helpful hometown service. In an unusual and very creative move, they recently acquired a controlling stake in The Grommet, a marketplace that helps launch inventions from independent "makers." Their success stories include the launches of FitBit and SodaStream. Ace aims to turbo-charge The Grommet's growth by giving it access to its logistics chain and its more than 5,000 retail locations. And Ace will surely benefit by leveraging the vast ingenuity of the thousands of makers on The Grommet's platform.

## Our Take

We think this is one of the most creative retail-logistics deals of 2017. In this case, Ace is leveraging its logistics and retail strengths to crowdsource new product ideas via a next-generation marketplace. This is the natural maturation of first-wave crowdsourcing models like Kickstarter, and Ace Hardware is particularly farsighted in integrating this approach into its existing strengths.



## What To Do Next

All of the developments above reinforce one key point for freight forwarders: the "cast of characters" in the supply chain is changing rapidly. Whereas a few years ago, most retailers were marginal players, many have now made bold moves to take the lead in logistics innovation. So where does that leave freight forwarders?

Freight forwarders have a rare opportunity to adapt, thrive, and grow in this environment. There are multiple paths to success, and they all lead through the adoption of new technology. Freight forwarders, NVOCC's, and others in the ocean freight industry should be looking for high-value, low-risk solutions like those found on cloud-based platforms.

In offering such a platform, we've made it easy for you to start today. We at CoLoadX have put ourselves in your shoes and developed technology that allows any freight forwarder or NVOCC to participate in an efficient marketplace to search, discover, and book the optimal rates for any shipment. We invite you to visit us, create a free account, and explore one of the easiest ways to leverage technology just like the retail giants.

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