

CREDIBLE THINKING

# IT'S NOT ALL ABOUT AMAZON



WRITTEN BY

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Staying Safe. Staying Open for Business.

Already a huge growth area in retail, direct-to-consumer (DTC) sales were sent into overdrive over the past eighteen months when stores were forced to close around the world, and according to Rakuten Intelligence, DTC e-commerce sales jumped over 200% during the first week of lockdown last year (March 23 to 30), compared with a 14% uplift in e-commerce sales overall.

Shoppers were forced to rely on online retail like never before, and early indicators show that DTC operators were the big beneficiaries. DTC was already a big strategic play for many start-ups, consumer packaged goods heavyweights and established brands who were opting to cut out the retail middleman, chiefly Amazon and connect – and sell – direct to consumers. For example, did you know Nike and Adidas no longer sell their products on Amazon?

Some of the world's biggest brands, such as Adidas, aims to generate 60% of sales through DTC by the end of this year; whilst Nike believes DTC sales will hit \$16bn in sales this year and consumer goods group Unilever has snapped up 29 DTC companies since 2015. So whilst it is big retailers who have stolen the headlines, consumer products groups, such as Unilever, Mondelez and PepsiCo are also all looking to implement fulfillment for their DTC needs.

Other examples closer to home include recipe box market leader HelloFresh, who saw their sales soar by more than 100% in their 2020 second quarter and Gousto, who secured £33m of fresh funding to capitalise on new customer demand after first-half sales climbed 115% and both have been active in the UK logistics real estate market in the past 12 months acquiring over 500,000 sq ft of warehousing and the ripple effects of Covid-19 will likely have accelerated that DTC journey for many businesses.

So, what does all this mean for the UK logistics sector? Well, all these online parcels, whether clothes, food or personal hygiene need shifting somehow.

The rise of DTC means all these small companies need these fulfilment operators – and that's why we've seen them all grow in demand for logistics warehousing over last 18/24 months.

Amazon signed up for 11.6m sq ft of space in 2020, and don't show any signs of stopping yet, however logistics companies such as Super Smart Services, James & James Fulfillment as well as the traditional third-party logistics operators accounted for 17.5m sq ft of new leases in 2020.

From 2007 to 2013 there was between 16-27 deals on average per annum to the 3PL and fulfilment operators in units of 100,000 sq ft or greater. It's been steadily increasing since then and then in 2019 there was 59 deals and 2020 saw 67.

With big brands no longer needing retailers to access customers like they did in the past – and this is likely to have been exacerbated by the surge in online shopping during lockdown – the DTC sector will only grow, and it will need the supporting logistics real estate to go with it. It's not all about Amazon.

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