

The future of urban last mile deliveries – not a piece of cake

by Martina Kylebäck Wennerlöf & Hannah Renhed (May, 2023)

Being a supplier of goods to companies in the inner city of Stockholm today is not an easy task. High customer demands, rising costs and a wish to lower emissions are three aspects that are not simple to balance. How could inner city deliveries be developed in the coming 5–10 years to better accommodate both the customers, the supplying company, and society?

Urban last mile delivery has become an increasingly relevant topic in this day and age, where the urban population is growing at the same time as climate change forces nations to limit emissions. The demand for fast and flexible deliveries in urban areas accelerates, which further escalates the need to optimize these last mile deliveries since they are the most polluting part of the supply chain.

In collaboration with a company within the bakery ingredients industry, we have conducted a case study addressing the difficulties of urban last mile deliveries in Stockholm in a business-to-business context. Through interviews, observations, and a survey, we have identified how the case company should improve its distribution to better meet the customers' expectations and needs while considering costs and externalities.

The customers in Stockholm demand just-in-time deliveries as they have almost no safety stock. They demand frequent, flexible, and reliable deliveries, and also

value sustainability highly. We found that the case company could store products closer to the market to increase flexibility and create financial incentives to influence the customer's view on how often they need to get deliveries.

When it comes to sustainability, both the customers and the Swedish policy makers will increase their sustainability demands on the transport sector in the coming years. Customer willingness to pay for more sustainable choices is however very low, and it is therefore hard for companies to see such investments as financially viable. Although, we have found that such investments are necessary in order to stay relevant on the market in the future.

Lastly, we concluded that in order to best accommodate customer requirements while remaining economically profitable and limiting emissions, the best way forward for the case company was to outsource the urban last mile delivery operations in Stockholm to a 3PL provider with more knowledge and resources in the area. Future urban last mile deliveries will undoubtedly not be a piece of cake to manage, but there are a lot of promising new technologies within the area and their development is moving fast.

This popular scientific article is derived from the master thesis: *The Future of Urban Last Food Mile Deliveries - Not a Piece of Cake* by Martina Kylebäck Wennerlöf and Hannah Renhed (2023).