



PROCUREMENT BULLETIN

Issue 12 Volume 5

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[Case Study] Costco Gets Dinner on the Table Faster With Same-Day Grocery Delivery

Warehouse retailer Costco announced its new CostcoGrocery initiative and expanded partnership with Instacart in October 2017, giving members convenient new options for grocery deliveries. Learn how Costco's partnership with Instacart could impact the industry and the supply chain challenges that may arise.

Situation: Costco Seeks to Compete With Amazon and Whole Foods



Image via [Flickr](#) by JeepersMedia

Although many grocery retailers have pursued e-commerce portals and rapid delivery services, Costco continued to rely on its brick-and-mortar warehouse model until late 2017. After Amazon's mid-2017 acquisition of Whole Foods, however, Costco began to seek out an effective way to compete with Amazon.

As [Samantha Masunaga reports](#) in the *Los Angeles Times*, both Amazon and Costco require customers to purchase annual memberships. As Amazon begins to offer more extensive grocery delivery options via Whole Foods, households may place the value of their Amazon Prime membership increasingly higher. For Costco as well, online grocery sales and fast delivery could boost the warehouse retailer's value.



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Approach: Costco Launches Fast, Affordable Grocery Delivery

In its October 2017 announcement, Costco indicated that the company intends to launch two tiers for its online grocery sales and delivery initiative. The warehouse retailer's two-day delivery service enables members to order items designated "CostcoGrocery" and receive free delivery when spending \$75 or more. CostcoGrocery items include nonperishable food and toiletries as well as fresh and perishable items.

For the warehouse retailer's same-day delivery service, Costco opted to expand its partnership with Instacart, a delivery startup. While the two-day CostcoGrocery service requires customers to be Costco members, Instacart allows non-members to make purchases. Customers can order from a list of nearly 2,000 grocery products and receive free delivery when spending \$35 or more. Orders include Instacart's 10 percent service fee, and the startup can deliver orders in as little as one hour.

Impact and Advantage

Costco's strategic move into online grocery sales and fast delivery services could have a substantial impact on the warehouse retailer and on the industry in general. While Costco executives don't anticipate moving exclusively to an e-commerce platform, they do expect to expand the warehouse retailer's customer base by giving customers additional options.

Prior to CostcoGrocery, Costco had long avoided launching an online grocery sales portal because the company determined that members have a pattern of [spending more in brick-and-mortar stores](#). To address this issue, the retailer encourages all CostcoGrocery customers to visit warehouse locations, informing customers that in-store prices tend to be noticeably lower than those found online.

By outsourcing delivery to Instacart, Costco has effectively tapped into an established delivery network that specializes in groceries and perishable products, likely alleviating significant logistical issues. Other supply chain issues still have the potential to occur, though. As CostcoGrocery gains traction, the warehouse retailer may experience concerns with procuring and stocking products, especially if the items that customers tend to purchase online are markedly different from those that members tend to purchase in the warehouse. If the retailer's CostcoGrocery initiative is successful, Costco may need to make additional modifications to its supply chain to ensure that the retailer maintains high quality standards and timely delivery guarantees.



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Clean Cargo Working Group Announces Improvements in Global Emissions

The Clean Cargo Working Group (CCWG) issued its 2016 Global Maritime Trade Lane Emissions Factors report in fall 2017, and though it reflects ample emissions-related improvements, the report also includes some disappointing developments. Discover the highlights of this important report and learn how the ocean freight industry can continue to strive toward sustainability.

Why the CCWG Annual Report Is so Important



Image via [Flickr](#) by tvdflickr

Each year, the CCWG's report helps the global ocean freight industry gauge its impact on the environment and the extent to which it accomplishes worldwide sustainability initiatives. The group's 2016 report is particularly comprehensive, with nearly two dozen leading ocean freight carriers providing data from over 3,200 ships.

While each annual report has much to say, the 2016 report is especially telling. The ocean freight industry experienced substantial upheaval in 2016, as Hanjin, one of the world's largest ocean freight carriers, went out of business and prompted numerous consolidations throughout the industry.

What the 2016 Report Reveals About Reduced Emissions

One of the 2016 report's most significant revelations is the improvement in greenhouse gas emissions from 2015 to 2016. During this 12-month timeframe, the ocean freight industry reduced emissions by 2.4 percent. While this is a substantial reduction, the rate of improvement between 2015 and 2016 is lower than in the preceding years, which could be cause for concern.



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Ultimately, as [Patrick Burnson writes](#) for Logistics Management, the key takeaway from the CCWG's 2016 report is that the ocean freight industry still has a long way to go to increase sustainability and reduce emissions. Rather than tackling these issues independently, CCWG members must work together to enact global changes.

How the Ocean Freight Industry Can Continue to Improve Sustainability

As a major figure in the ocean freight industry, the CCWG has the power to compile data and introduce sustainability-focused initiatives that continue to move the industry forward. In fact, while nearly half of the CCWG's 50 corporate members are major ocean freight carriers, more than half are the largest customers in the industry. Through the CCWG, both carriers and their customers can collaborate as they strive to improve their supply chains' efficiency and sustainability.

As [John Hodges writes](#) for GreenBiz, both technological innovations and partnerships with other key transportation players may be necessary for the ocean freight industry to advance. For example, autonomous container ships, the first of which are currently in the testing phase, could transform the industry. Since they produce zero emissions and require fewer resources, these innovative vessels could help the industry substantially improve sustainability. Partnerships with even more efficient transportation networks, such as rail systems, could also help the ocean freight industry improve its outlook.

As the industry pursues groundbreaking new ways to reduce emissions and increase sustainability, ocean freight carriers could become more attractive options than ever before for the world's biggest shippers. This could bode well for both members of the CCWG and the transportation industry in general, as sustainability becomes increasingly important for growth around the globe.



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Related Procurement Events

Certified Procurement & Purchasing Specialists (CPPS)

- 2nd April-31st May 2018 - Online Distance Learning
- 2nd July-31st August 2018 - Online Distance Learning
- 8th October-30th November 2018 - Online Distance Learning
- 23-26 October 2018 - London, UK
- 13-16 November 2018 - Hong Kong
- 4-7 December 2018 - Singapore
- 9-12 December 2018 - Dubai, UAE

Download the full details: <https://www.ethanhathaway.com/training/certified-procurement-purchasing-professional-specialist-cpps/>

Certified Master Procurement & Purchasing Specialist (CMPPS)™ [formerly CCPO] Training Course

- 26-28 November 2018 - London, UK

Download the full details: <https://www.ethanhathaway.com/training/certified-chief-procurement-officer-ccpo/>

Certified Supply Chain Management Professional (CSCMP)™ Training Course

- 29-31 October 2018 - London, UK
- 19-21 November 2018 - Hong Kong
- 10-12 December 2018 - Singapore
- 16-18 December 2018 – Dubai, UAE

Download the full details: <https://www.ethanhathaway.com/training/certified-supply-chain-management-professional-cscmp/>

Certified Digital Marketing Specialist (CDMS)™

- Online Distance Learning Self-Study

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