March 7, 2018

The Honorable Bob Latta
Chairman
Subcommittee on Digital Commerce and
Consumer Protection
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Jan Schakowsky
Ranking Member
Subcommittee on Digital Commerce and
Consumer Protection
2322A Rayburn House Office Building
Washington, DC 20515

Dear Chairman Latta and Ranking Member Schakowsky:

On behalf of the Retail Industry Leaders Association (RILA), I write to commend you for hosting today's House Energy & Commerce Subcommittee on Digital Commerce and Consumer Protection hearing entitled, "Review of Emerging Tech's Impact on Retail Operations and Logistics." Retailers are dynamic businesses rapidly deploying new innovations and technology and RILA welcomes this and future conversations about the transformations occurring in retail.

RILA is the trade association of the world's largest and most innovative retail companies. RILA members include more than 200 retailers, product manufacturers, and service suppliers, which together account for more than $1.5 trillion in annual sales, millions of American jobs, and more than 100,000 stores, manufacturing facilities, and distribution centers domestically and abroad.

Expanding internet access and changing U.S. and global consumer values, preferences, and lifestyles, have led to unprecedented disruption in virtually every industry. The digital revolution continues to transform the way customers buy and interact with retailers and products. For retailers, the pace and depth of change is unprecedented and accelerating. As the retail industry aggressively transforms and innovates to meet customer expectations, retailers see two major consumer trends: toward "ubiquitous and ultra-personal shopping" and toward a circular economy. Retailers seek new ways to meet these expectations and enable shopping anytime, anywhere. Often consumer-facing service upgrades are the visible element of deep investment in back-end supply chain enhancements. As such, RILA members are leading the way in adopting new technology and innovation to improve operations and efficiency in the flow of our goods in every aspect of the supply chain. RILA sees three technologies and accelerating the supply of Americans with key skills as enabling supply chain innovations. Some of these technologies are in their infancy and others are already growing more advanced. Those are detailed below.

Enable Blockchain

Blockchain has emerged as a revolutionary technology with the potential to bring transformational change to retail supply chains, payment systems, and other operations. Originally constructed to safely and securely record, store, and track digital currency transactions, blockchain technology has the capacity to reduce fraud, enable smart contracts,

create a more transparent and secure retail supply chain, and ensure that shopping experiences are consistent and transparent.

Last year, Walmart and a coalition of food suppliers, including Unilever, Nestle, and Dole, announced a partnership with IBM to test the use of blockchain for addressing food safety. By implementing this technology, they hope to bolster their data management processes across a complex supply network that includes farmers, brokers, distributors, processors, retailers, regulators, and consumers. Walmart and IBM have already completed two successful pilots using blockchain to trace pork and mangoes as they move through the supply chain and onto store shelves. Walmart was able to reduce the time it took to trace a package of mangoes from the farm to the store from days or weeks to two seconds. Perhaps more importantly, these trials also demonstrated that stakeholders throughout the global food supply chain view food safety as a collaborative issue, rather than a competitive one, and are willing to work together to improve the food system to benefit American consumers.

Support Last Mile Innovation

As consumers increasingly expect on-demand services, last mile —the final and often most expensive leg of delivery to a consumer—has become a leading priority among retailers. In fact, many in the industry have begun to experiment with a variety of last mile solutions, including "buy online, pick up in store" or BOPUS, street level delivery drones, and rideshare delivery. BOPUS alleviates some of the high shipping costs associated with last mile by having the physical store become the distribution center. In 2016, CVS partnered with Curbside, a startup mobile application where customers place their order, allowing consumers to receive a notification when their order is ready and enjoy prompt delivery directly to their car upon arrival at the store. Retailers are also keenly interested in developments in both autonomous cars as well as autonomous trucks. RILA members believe technology will be a crucial element in unlocking last mile delivery services that improve overall supply chain effectiveness and exceed customer expectations.

Invest in Port Technology

Retailers meet the needs of U.S. consumers, and in doing so are essential drivers of the U.S. economy and leaders in international trade. Retailers also serve the global market for consumer goods and bring U.S. products to the foreign markets where they operate. The efficiency and productivity of United States seaports and their connecting infrastructure is crucial to our nation's ability to successfully compete in the global marketplace and to promote our domestic economy. Approximately seventy-five percent of America's merchandise imports and exports by volume flow through our seaports, linking our producers and retailers with their suppliers and customers and our supply chains with the global economy. Retailers strongly support utilizing innovation and technology to increase the speed of processing, expand the capacity, and enhance the capabilities of our nations seaports.

Congestion at America's seaports and inland infrastructure is an increasingly severe threat to the reliability and efficiency of U.S. industries and supply chains. Over the past decade, the operational systems and infrastructure at our seaports and inland links are not being improved

comprehensively and rapidly enough to handle the growth of U.S. trade and quickly-changing maritime industry and shipping trends. A few U.S. ports have begun experimenting with advanced robotics, artificial intelligence, and other digital tools to facilitate goods flowing into and out of major U.S. ports. By digitizing and automating activities once handled by human crane operators and cargo haulers, seaports can reduce the amount of time ships sit in port and otherwise boost port productivity by up to 30% by some estimates. RILA encourages policymakers to invest in upgrading port infrastructure utilizing these cutting-edge tools.

Accelerate the Retail Talent Pipeline

Now more than ever, retailers are dependent upon their logistics teams to predict which products will be in demand and in which markets, to implement delivery innovations, and even contribute to their marketing campaigns. And today, supply chain jobs are growing — a direct reflection of the increasing strategic importance and complexity of the domain. In fact, there is a shortage of talent as the logistics field expands into data science and information technology. Retailers are looking to hire data and behavioral scientists, engineers, and other tech strategists to fill these voids; this is an area where public-private partnerships backed by policymaker support would be incredibly valuable.

Retailers recognize that the adoption of new, innovative technologies that enhance efficiency and productivity in the supply chain is the key to meeting growing consumer demands. We appreciate the Subcommittee holding today's hearing and welcome any opportunities to work together to continue the conversation.

Sincerely,

Nicholas R. Ahrens

Nicholas R. Ahrens
Vice President, Privacy & Cybersecurity