

# How FreshDirect Leveraged Its Fulfillment Centers to Meet Demand in Suburban Areas

## ARTICLE |

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**I**n addition to seeing a boost in new customers over the past few months, FreshDirect has also received a surge of orders from existing customers who had moved out of New York City, where the online grocery operates primarily. In response, the company expanded its delivery services in Connecticut and in New York's Westchester County and Long Island to meet demand.

We recently spoke with Tim Knoll, COO of FreshDirect, about how the company has managed to serve those areas without needing to build another store and by strategically shifting its resources and personnel instead.

**FreshDirect must have seen an influx of new customers since the pandemic started. What are you doing to retain them?**

We don't have a different strategy today than we did six months or even two years ago. For us, it's always been about providing fresh food and directing people toward what they should be buying.

We feel you don't have to sacrifice speed or convenience for great quality—you should be able to have all three. As we move forward, that speed and convenience becomes even more important.

### **Have you seen shopping habits change?**

Throughout the pandemic, we've seen a few different ... what I'll call phases of how people were buying. Early on—around late March, early April—consumers bought staples like rice and beans, paper towels, and cleaning supplies. But we also saw a tremendous push for fresh items.

People were buying bigger and bigger carts, too. They were stocking up. Consumers told us they were buying not only for themselves, but their neighbors in the same building or their friends and family.

What we're seeing today is people are still buying their full week's worth of food. They're not going out to restaurants, so they're buying items to prepare meals at home.

### **Are your stores based only in the Northeast?**

Yes, we service from Washington, DC, north through Connecticut.

### **Did you see more traffic in certain areas, especially as some consumers left big cities for the suburbs?**

We did see some migration. One of the benefits we have as a pure-play online grocer is tremendous flexibility. As we all know, Manhattan has lost some of its population over the past few months. People have moved either temporarily or permanently to places like the Hamptons and the suburbs up in Westchester and Long Island.

When our Manhattan-based customers left the city, they took us with them. Rather than sending a truck to Manhattan, we simply produced, picked, and packed the goods in our facility in the Bronx, from where we could still deliver to places like the Hamptons. We were able to shift resources around and reallocate our fleet and personnel to those areas without needing to build another store.

### **When you shift your resources around, what does that look like logistically on the back end?**

From a pure-profit standpoint, we have capacity in the hub-and-spoke network that we've built out. We have our main hub in the Bronx, where we're producing goods and manufacturing in our kitchens.

We've also built many spokes in DC, Philadelphia, and New Jersey. They're smaller buildings we send goods to that we've pre-picked and packed in the Bronx. Goods are picked up the same day and sent to those facilities, and then they go right out onto transfer and are dispatched to our customers.

What's more, we have express sites in Manhattan and Brooklyn, where customers can have their goods produced and delivered to their homes within an hour or two of placing their order. There's a lot of flexibility and capacity within the network, and we are able to shift that capacity around as the customers dictate.

The one key area for us is last mile delivery. We're building out our third automated microfulfillment center in Washington, DC. That'll be our third center with microfulfillment, and there's going to be a lot more automation.