

# Supply chain resilience should be the primary driver of retail M&A activity in 2024, says industry expert

*Ed Bradley argues that retail executives need to prioritise fortifying supply chains in 2024 through strategic M&A activity, which focuses on onboarding vital technologies.*

Temps de lecture : minute

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*Ed Bradley*, founder and CEO of *Virtualstock*, Europe's leading dropshipping and curated marketplace SaaS platform, has argued that supply chain resilience should be the key factor driving M&A in the retail sector throughout 2024, as recent shock disruptions are unlikely to cease.

## An experience advisor

Bradley, who has over 25 years of experience in e-commerce and supply chains, founded Virtualstock in 2003. The company plugs retailers into a wide network of suppliers and provides supply chain and logistics expertise, as well as its SaaS platform.

Bradley believes that the recent surge in retail M&A activity will continue into 2024. He says retail consolidation has been largely driven by distressed balance sheets and strategic expansion into e-commerce, but, he argues, senior executives must also use M&A as a means of strengthening their supply chains in 2024 as it allows them to rapidly onboard emerging technologies.

"Strategic M&A can lead to diversification and economies of scale, both of which bolster supply chains, but crucially, it can also be used to onboard emerging tech. Instead of developing key technologies like tracking systems and prediction software in-house, which can be time-consuming and costly, retailers can gain immediate access to these through targeted acquisitions." says Bradley.

## The UK, a hotbed for M&A

This intervention follows a *report* from RPC detailing how UK retail became a hotbed of M&A activity in 2023. Last year saw a 23% increase in deals, from 31 to 38, marking the highest levels seen in five years. Since before the pandemic, the total number of deals targeting UK retailers has now risen by 30%.

The RPC report highlights how the stimulants behind this activity are fluctuating. While 50% of acquisitions in Q3 2022 were of distressed companies, in Q1 2023, this dropped to 33%. Instead, retailers with robust balance sheets are looking past high interest rates and are making long-term strategic acquisitions.

As consumer spending remains cautious, consolidation – which allows retailers to branch into adjacent markets and widen product offerings – opens up important new revenue streams. However, Ed believes that consolidation driven by a focus on supply chain strength will become a key trend in 2024 as retailers experience continued shocks, and look to quickly deploy tech to bolster supply chain resilience.

“The retail M&A activity that has defined the last few years will continue into 2024 as firms with strong foundations seek to strengthen their e-commerce offerings by snapping up retailers in the red. But looking beyond these motivations, I believe that 2024 will be characterised by retailers consolidating, primarily to strengthen their supply chains." says

Bradley

## An accumulation of challenges

The COVID-19 pandemic, Russia's invasion of Ukraine, and inflation have all disrupted global supply chains. This has led to increased costs, shortages of key goods, and macroeconomic instability, as well as distressed balance sheets and high-profile bankruptcies. In the UK, Arcadia Group, Debenhams, and Wilko have all fallen into administration during or since the pandemic.

There are also continued concerns around key chokepoints in the global supply chain. The Panama Canal's water levels have not recovered sufficiently in the country's rainy season, and the limits on daily transit and vessel draft will stay in place into 2024 (*Fortune*). We've also seen Houthi rebels threatening the viability of the Suez Canal. This added to delivery times, increased prices, and will potentially lead to product shortages (*The Guardian*).

"Retailers can't prevent these events, but they can prepare for them. M&A activity aimed at expanding into new markets, strengthening online presence, and expanding product offerings will, and should, remain key priorities for retailers in 2024. But I don't believe there has been enough of a focus on using M&A to fortify supply chains. Consolidation here can help to significantly mitigate supply chain disruption in a number of ways.

"This is an opportunity for executives. The sector is hot with activity, and the smell of private equity cash has finally returned to retail after leaving the industry out in the cold for a few years. This makes it the perfect time for executives to implement long-term measures to insulate their firms from the supply chain disruptions that have plagued operations in recent years. Strategic M&A should be the most important tool in their arsenal in order to do this." adds Bradley

Ed Bradley is the founder and CEO of *Virtualstock*.

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Article by Ed Bradley