E-commerce shines with logistics push

As India speedily takes the shape of a massive e-commerce marketplace, the numerous possibilities are bound to leave customers spoiled for choices. In such scenario, logistics will be widely regarded as a crucial piece of a successful retailer’s business plan.

Shreya Bhattacharya
A s two American giants Walmart and Amazon sweat it out to acquire a significant stake in Indian e-retail major Flipkart, the race underscores the fact that the world is well aware of the big role that the Indian e-commerce sector is going to take in near future. Internet is rapidly making inroads into India’s Tier 2 and Tier 3 cities, where people have limited access to brands but have high aspirations. Be it apparels, electronics or even groceries, all generations are eventually opting to transact online. According to investment bank Morgan Stanley’s report, India’s e-commerce market is expected to reach the gross merchandise value of $200 billion by 2026.

While, the e-commerce sector is all geared up for the cut throat competition ahead, the logistics sector would be a key source of competitive advantage and differentiation for them. A huge shift can, thus be seen in India’s logistics landscape. Unlike the pre-e-commerce era where logistics was largely a push-based system with suppliers pushing raw material to manufacturers, who in-turn distribute finished goods to end consumers via distributors and retailers, today e-commerce delivery gets triggered with the customer clicking on the order button. Deliveries are today more time sensitive with stricter SLAs. E-commerce focused logistics service providers have been certainly gaining traction in this backdrop.

“The enormous growth of online retail in the country has indeed altered the characteristics of logistics companies significantly as they now need to cater to consumers who demand more when it comes to speed of delivery. Simply put, e-commerce has altered the practice, timing, and technology of business-to-business (B2B) and business-to-consumer (B2C) commerce. Customer expectations continue to evolve and logistics companies are becoming agile, flexible and are trying to provide the experience that customers are seeking in the era of digitalisation, whether it is forward delivery or returns management,” says TA Krishnan, CEO, Ecom Express.

Technology- not an option but necessity

The logistics needs of e-commerce firms are evolving rapidly. While many of the major players are opting for automation, logistics and operational inefficiencies in the e-commerce supply chain remains a reality. With rising volumes, higher costs, larger infrastructure, and pricing pressures, the answer to achieving higher efficiencies while reducing costs could only come through technology and automation, note industry players.

“The e-commerce supply chain is facing issues on multiple fronts. On the suppliers’ side, companies are struggling with bad address qualities, lower first-time strike rate, inefficient on-ground operations, non-standard and subpar packaging, time-sensitive customers and excessive human dependency. On the other hand, customers are dealing with lack of quality check, incorrect deliveries, poor vendor behavior, damaged products and stringent delivery timings.

Expenses incurred in the last-mile delivery is another issue being faced by the e-commerce companies. With approx 28-30 percent of the total delivery costs coming from the last mile, the burden is often passed on to the customers. When it doesn’t, it can have a negative impact on the bottom line of the business,” explains Nishith Rastogi, CEO & Co-founder, Locus, a logistics management platform.

However, speaking on a positive note, Rastogi adds that the logistics industry is shifting gears from the traditional to modern options to meet these challenges.

“Automation today has gone beyond cutting costs and saving time. Organisations are using technology to gain end-to-end visibility of their shipments through route optimisation. Technology is also helping in more efficient pick-up and delivery schedules based on daily demand variability — customer preferred time slots, live traffic, product sensitivity, etc. Another way the digital solutions are making an impact is by enhancing customer service experience. Dispute resolution via e-proofs of deliveries and call masking are some of the techniques that are adding to customer delight. With products like Route Optimisation, Geo Coding, and Auto-sort, Locus is at the forefront of technological innovations in India’s e-commerce logistics sector,” adds Rastogi.

E-retail, a key growth driver of Indian express industry

According to an independent study led by Deloitte, e-retail has been attributed to be a major growth driver for the industry with over 13 lakh shipments from this sector shipped daily. Rs 5000 crore is the share of movement through e-commerce trade in the Rs 22,000 crore express industry.

The distinct nature of this sector has also led to several new trends in the industry thereby challenging traditional express operations.

Commenting on the same Vijay Kumar, Chief Operating Officer, Express Industry Council of India(EICI) says, "The end to end solutions around order fulfilment of the e-retail shipments has created a huge demand for express services. Rural areas expected to be significant contributors to e-retail. In efforts to expand in rural areas..."
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Vijay Kumar
Express Industry Council of India

while keeping in mind the last mile challenges, some etailers are launching offline shopping initiatives. Besides availing services of traditional and dedicated express players, they are partnering with kirana stores, medical outlets, mobile shopping outlets and assisted e-commerce platforms such as to assist customers in placing orders.

A suitable example would be Amazon India’s ‘I Have Space’ programme. A spokesperson from Amazon India explains, “Under the I Have Space programme, Amazon India partners with local store owners across different cities to deliver products to customers within a 2 – 4 kilometre radius of their store. These local entrepreneurs understand their area well and have immense goodwill in their neighbourhood to efficiently deliver and receive products. Amazon.in has successfully unlocked the potential of such storeowners, allowing them to supplement their regular income and generate more footfalls in their stores.”

On an average, Amazon India’s store partners deliver between 20 to 30 packages a day, earning a fixed amount per delivery. In 2016, Amazon had 12,500 stores in over 180 cities. In 2017, Amazon added an additional 5000 stores across the country, taking the total number of IHS stores to 17,500 in 225 cities across India. This is again a 40 percent growth in this network from 2016 to 2017.

Meanwhile, as part of the Service Partner program, Amazon India works with a plethora of entrepreneurs from all backgrounds, many of them with prior experience in logistics and transportation.

“The Service Partner program enables Amazon to penetrate further into tier 3 and tier 4 locations in India with its own delivery services, thus enabling Amazon India to seamlessly manage last-mile deliveries across the country. In 2016, Amazon had 250 Service Partner delivery stations across the country. Our Service Partner Network has swelled to cover close to 350 stations in 2017 enabling us to seamlessly manage last-mile deliveries across the country. This is a 40 percent growth from 2016 into 2017,” the spokesperson further adds.

While Amazon India has been actively making inroads into the logistics space with these initiatives, many still rely heavily on the skillset of the third party logistics players and therefore, opportunities lay in abundance.

“If I had to give a one word response on how we see the potential for India’s e-commerce sector, it would be: Great. We see enormous potential in the Indian e-commerce sector. There are 350 million Indians who are online today and by only 2020, this number will jump to 600 million. That is exceptional growth by any standard. According to a report I saw from WorldPay, by the year 2034, India’s e-commerce market will be overtaking that of the US to become the second largest in the world. In less than two decades, it will be laying some serious competition at the doorstep of the Chinese e-commerce market. So, yes, there is very strong growth potential for the industry,” says Rachid Fergati, MD Indian Sub-Continent, UPS.

Opportunities and Challenges
Clearly, the expectations and high energy can be felt amid the logistics players as India takes the digital leap. And while foreign players are all welcome, the Indian express industry also wants...
the domestic cargo airlines to offer operations in foreign countries. Recently, the EICI, favoured re-evaluation of a policy to allow domestic cargo airlines to offer operations in foreign countries to create a level playing field with international cargo operators.

The express industry, of which cargo airlines are key constituents, has also sought ease in regulations for air cargo infrastructure to flourish. “India is the fastest growing country in aviation. Many positive initiatives by Government of India like regional connectivity etc are slated to take the aviation industry into a high growth trajectory. Air cargo too if provided the right regulatory environment could grow substantially. For instance, the domestic cargo airlines are currently unable to offer international services which hampers their growth prospects and hence the policy for the same should be re-evaluated. We have rightly allowed free movement of international cargo airlines. This has led to healthy growth of air cargo and lowering of transaction costs. By allowing domestic airlines free movement into international sectors, the depth of the market could be expanded, including introduction of new domestic players,” stresses COO Vijay Kumar.

Similarly, another point highlighted by the industry players is the implementation of the E-Way Bills. While they appreciate the manner in which the government made certain amendments and relaxed few conditions, few challenges still remain to be solved.

“The express industry operates on a hub and spoke model and the hubs/processing/consolidation centres of logistics players are not necessarily located within the states but in places where it facilitates operational convenience, efficiency and condensed transit times. Various modes of transportation, such as air, road, rail, motorcycles, and other modes of carting are also used for transit and delivery of shipments. It is generally seen that hubs for Delhi-NCR locations are located in Haryana and intra-state movements of UP, Delhi and Punjab are routed through these hubs involving inter-state warranting of e-waybill when it should not be there in such situations. In addition, the defined validity of e-waybill based on travel distances also poses complications in its implementation given the complexities involved during transit. With these impending provisions the movement of goods will be subjected to inspections by the authority which may cause inconvenience and delays in distribution,” points out Krishnan.

Meanwhile, Rastogi says, “Ensuring that every transporter knows how to use the GSTN portal to address their grievances will be a headache for the government. E-commerce players who use multiple modes of transportation might end up having a large number of e-way bills under the current process.”

He, however, also points out, “The e-way bills support faster and uninterrupted logistics than the conventional billing system. If implemented correctly, the process has the potential to reduce the notorious long waiting hours for on-road logistics across borders. “

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Clearly, there are challenges that are supposed to be solved if full potential of the thriving e-commerce industry is to be met. The government, with initiatives like the introduction of GST, E-way Bills and regional connectivity scheme is trying to give a push to the logistics sector, but time to time amendments in such schemes would disentangle the supply chains and ensure ease of doing business.”