Kale Logistics
Technology that Transforms

e-Commerce Logistics - a new paradigm

The e-commerce scenario

There is no e-commerce without delivery, which means that Logistics is one of the most crucial aspects of this business. e-Commerce boom has opened an entirely new perspective for movers in the Logistics businesses as Logistics Service Providers (LSPs) are realizing that manufacturers are seeking Logistics companies that are capable of offering end-to-end support and value addition to their distribution channel, in a cost effective way. This has placed the traditional Logistics industry in a competitive environment as they need to identify and implement effective Logistics strategies to be globally competitive. To achieve the necessary automation, scalability and profitability amidst the background of increased trade volumes, LSPs have adopted customized IT integrated solutions to streamline and control their operations. By infusing technology, Logistics players are gaining the much necessary visibility, profitability and control. Digitally driven businesses promise ease of scalability, reduction of paperwork, elimination of error and drive significant accountability in this sector. All these factors have encouraged LSPs to expand their operations, which in turn has enlarged the share of the Logistics industry in the global economy.

With such phenomenal potential ahead, the goal for Logistics players is now about being able to cater to customers' demands for satisfactory Logistics transaction.

e-Commerce industry players are looking for transformational solutions, both in technology and operational domains, to achieve a winning edge. For instance, e-tailors are forming partnerships with Third Party Logistics (3PL) firms to achieve an edge through effective last mile deliveries.

As per a recent report, the global Logistics market, in terms of revenue, is set to expand from US$8.1 trillion in 2015 to US$15.5 trillion by 2023, registering a CAGR of 7.5% from 2015 to 2024. By volume, this market is expected to clock in a 6.0% CAGR from 2016 to 2024. The market share of e-commerce has doubled to 1.3% in global GDP and is likely to hit 3.2% by 2019.

Amazon can be cited as an example to have singlehandedly harbingered transformation in the Logistics industry. The e-tailing giant has created a phenomenal transformation by placing a completely innovative and advanced perspective on major logistics decisions like, the locations of distribution centers and warehouses, direct fulfilment of customers' orders by the seller or drop off facilities for the customer to pick up or even a combination of all three. Going forward, the Logistics sector can draw inspiration from Amazon's operational model and drive alterations that will give the necessary edge to them in the industry.

While the adoption of e-commerce has not been a standard across markets, countries like UK, China and India are expected to lead due to their higher global market share. Little wonder then, that in addition to 3PL firms, many IT conglomerates too have also jumped on the bandwagon to expand the traditional Warehouse Management Systems (WMS), Transportation Management Systems (TMS) and other IT solutions with an aim of meeting the need for adjustability to the ever changing inventory management needs of retailers.

Customer expectations have shaped the strategies of e-tailers and distributors driving them to increase the speed of deliveries, and to innovate new methods to deliver perishables. With customers being aware of different delivery options available to them, delivering merchandise in urban spaces overnight, or in some cases, even in as little as under 3 hours is increasingly becoming the norm. Last mile delivery is challenging the supply chain industry, necessitating delivery nodes not only in densely populated urban areas, but also in smaller towns and villages.

Some of the key differentiators between e-commerce and traditional retail are cited below.

Traditional Retails Supply Chain		e-Commerce Supply Chain	
1 Multiple warehouses supplying to many stores	6 Limited SKUs	1 One or two DC supplying directly to customer through LSPs	6 Very large number of SKUs
2 Focus on store replenishment	7 No concept of vendor delivery to customer	2 Focus on Home Delivery	7 Drop shipment a major concept
3 Store-in-store format for leading brands	8 Cash collection not a major issue	3 Market place model on e-commerce site	8 Cash collection critical to operations
4 Limited returns - less than 5%	9 Transportation partner is important	4 Large number of returns - 20% plus	9 Transportation partner is CRITICAL to operations
5 Larger inventory due to store inventory		5 Smaller inventory but higher turns	

However, the capability of the transport partner remains to be the most critical and defining parameter in processing a successful and profitable e-commerce transaction. This is because the transport partner is responsible fully or in parts for the following competition differentiators:

- Fastest Delivery: Transport partner is paramount to this aspect
- Cash Management: Especially in collection of COD orders
- Reverse Logistics: Ability to process returns, exchanges and replacements

Technology reshaping trends in the e-commerce space

Just as role of Logistics in processing e-commerce transactions is undisputed, so is the role of technology in ensuring that e-commerce Logistics is carried out in a seamless and efficient manner. For this, adopting a futuristic IT system like AGENA from Kale Logistics Solutions, which is especially designed to handle the complexities and intricacies involved in e-commerce trade, is a way to go forward.
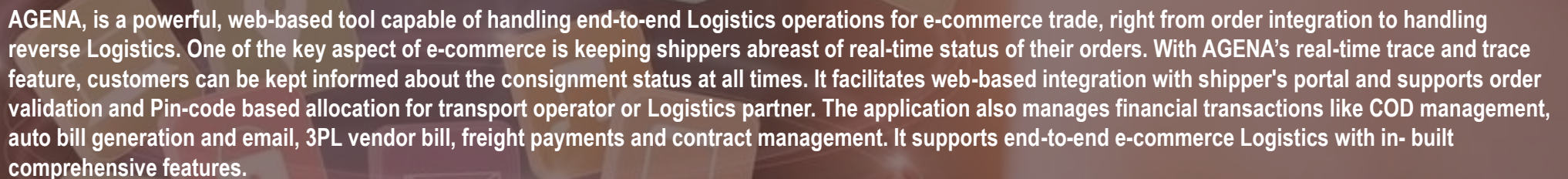
The demand driven by the e-commerce industry has produced a few trends that are likely to shape the next few years. Broadly, the trends are:

Last Mile: The existing networks are not fully developed when looked at from the perspective of last mile delivery. But, industry growth has made it a requirement for robust last mile delivery channels.

Customer Service: With customers willing to pay more for instant access to their merchandise, expedited shipping has become the competition driver. However, this also ties in to the last mile delivery. Digital platforms have been proven to escalate customer service levels by providing real time consignment information to the customers

Third Party Logistics Providers: Partnering with 3PL providers would be the way to go for mid-sized and smaller e-tailers who cannot afford the costs of operation on their own.

Scale of Operations: The question of scale of operations with respect to the retailer determines the Logistics providers' costs of operation from inventory warehousing to transportation and the expenditures incurred on everything in between. With e-commerce being considered the next boom, businesses that are able to predict turns in the industry and are able to act swiftly to have the best opportunities to capitalize on the opportunity. Building e-fulfilment capacities is the way to go.

AGENA, is a powerful, web-based tool capable of handling end-to-end Logistics operations for e-commerce trade, right from order integration to handling reverse Logistics. One of the key aspect of e-commerce is keeping shippers abreast of real-time status of their orders. With AGENA's real-time trace and trace feature, customers can be kept informed about the consignment status at all times. It facilitates web-based integration with shipper's portal and supports order validation and Pin-code based allocation for transport operator or Logistics partner. The application also manages financial transactions like COD management, auto bill generation and email, 3PL vendor bill, freight payments and contract management. It supports end-to-end e-commerce Logistics with in- built comprehensive features.

A way forward

The irreversible change is already here and has been observed in the way people interact, shop and search for products. Shopping patterns are undergoing transformation across the globe marketing analysts are researching and studying these changing trends to build strategies that would enable businesses to change with this context. Businesses are precisely targeting and designing their entire product lines, marketing strategies and operational strategies keeping a customer centric approach. Adding various technology driven experiences in-store and on-line for customers is one of the sure shot way to impact consumer behavior.

Drone Delivery: With Drones, the timeline of receiving ordered shipment is likely to become a matter of few hours or even minutes. Drones delivery is likely to minimize shipping costs, lessen lead time, and incentivize return shipments.

Artificial Intelligence: With the progress in artificial intelligence, unmanned/self-driven delivery vehicles has captured the interest of LSPs. Automated cars and mass adoption of contactless payment is likely to become a norm of tomorrow.

Geo mapping: Geo Mapping enables mapping of different geo-cultural contexts or specific geographic locations. Specific location mapping enables speedy and accurate delivery.

Data Analytics: Application for enabling infusion of Smart Data has already been found in domains like inventory management, forecasting, and transportation Logistics. Companies today can envisage the most profitable Logistics routes to choose for their last-mile operations from Smart Data.

The application of technology and IT in the e-commerce space will drive transformational changes in the e-commerce and Logistics marketplace. This application is likely to impact consumer purchase decisions. From automated cars to the mass adoption of contactless payment, the technology of today may become a norm of tomorrow. Some of these future technologies are already seeing the light of the day in some geographies. However, the scale of impact that they shall have on e-commerce and shopping trends in general remains to be seen.

About the Author
Vineet Malhotra, Director, Kale Logistics Solutions, brings to the table more than 25 years of experience across diverse verticals. He spearheads several industry initiatives surrounding Warehousing, Airports, Forwarding and Transportation, among others. He is a regular at authoring articles related to Logistics, and Technology and has driven IT adoption across supply chains worldwide