



LOGISTICS - THE DELIVERY BACKBONE BEHIND E-COMMERCE CLICK & COLLECT

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ABSTRACT

With the rapid development of e-commerce in India, customer demand for diversity and timeliness has also increased. The driving force behind the efficiency of e-commerce industry is the express logistics sector. The demand for e-commerce has given a great boost to the logistics sector in India.

This paper explores the express logistics industry with respect to e-commerce and outlines the problems and defines key challenges in express logistics sector. The focus is also on various transformations and innovations in logistics sector with the advent of time leading to hedgehog-free life of a common man.

This research report in this paper covers perspective of not only from consumer's point of view but also people from the point of view of industry and hence the importance as well as challenges in logistics industry are analyzed weighing it on both scales.

The paper affirms that logistics has a profound influence on the Indian economy and in easing the life of Indian consumers. Logistics has same value to e-commerce what queues are to retail stores! The longer the wait, the more frustrated a customer is!

The result shows that reliability, economy, time, service flexibility and information are five key factors that will influence the logistics performance.

KEYWORDS - Customers, Delivery, E-commerce, Logistics, Online

INTRODUCTION

“Logistics” is derived from French word “*logistique*” meaning “*tolodge*” which originally means an art of war pertaining to movement and supply of armies. Basically a military concept, it now commonly pertains to marketing management.

[1] “Logistics is the process of planning, implementing and controlling the efficient, effective flow and storage of goods, services and related information from point of origin to point of consumption for the purpose of conforming the customer requirement”.

This definition, au fond, implies that logistics never stops. It keeps moving around the globe seven days week and 24 hours a day.

Logistics, though not new, but is definitely the next big thing to look for. Logistics has become the backbone of rising Indian economy. In times when we are heading towards cashless economy, we cannot ignore the fact of also heading towards travel LESS economy too. The logistics industry in India is reciprocity of infrastructure & technology with service providers. The logistics industry focus towards reducing cycle time thus helping e-commerce proffer efficient services.

1. Literature Survey

[2] Online Shopping Customer Experience Study (commissioned by UPS) was conducted by thenewlogistics.com on “What factors influence the online shopping experience?”

Some of the highlights of the survey are:

Based on Delivery

- Knowing the delivery time estimate ranked among the top factors influencing online shopping.
- 42% of online shoppers have abandoned their shopping carts because of delivery date.
- 1/3 of shoppers most often choose to pay a fee for faster delivery.
- 2/3 of people choose the most economical shipping option most of the time.
- But 43% expect to see the availability of 2-3 day delivery.
- And 30% expect to see the availability of overnight shipping.

Based on Returns

- Shoppers appreciate the availability of an easy-to-understand returns process.
- 63% of online buyers look at the retailer's return policy before making a purchase.
- Almost half would shop more often with a retailer and would be more likely to recommend to a friend if the retailer had a lenient and easy-to-understand return policy.

Based on shipping services

- 46% said that receiving their product when expected led them to recommend the online retailer.
- 75% of shoppers believe every retailer would offer tracking information.
- Consumers like receiving e-mail alerts, having the ability to re-route and the ability to schedule a 2-hour delivery window.

Internet users are estimated to grow enormously by a hundred -fold by 2021.[3] With the growing popularity of online shopping in India, the e-commerce companies are expected to invest close to \$6-8 billion in logistics, infrastructure and warehousing in the next few years, an ASSOCHAM-PwC study said. This entails that logistics industry has become the veritable backbone for the e-commerce industry. As per a report by Roland Berger and Barclays, the logistics market is expected to grow annually at 3% till 2020.

[4] A news report in leading daily The Economic Times perspicuously reveals that India has jumped 19 places to the 35th rank in the World Bank's Logistics Performance Index 2016. The report is generated gauging the performance of countries based on various factors like customs, infrastructure, international shipments, logistics quality and competence, tracking and tracing, and timeliness. Improvement in ranking of India clearly indicates that the logistics industry is becoming the next best thriving sector in India.

2. Logistics Sector With Respect To Indian E-commerce

Logistics industry is rapidly growing with ever changing evolving patterns in place giving rise to new forms of logistics models that assimilates e-fulfillment points, delivery and package hubs, localized depots that cater to order fulfillment of e-commerce industry and also process their returns.

Challenges in amalgamating logistics industry with e-commerce:

- E-commerce is mainly focused on Tier-1 and Tier-2 cities spiraling demand of good logistics infrastructure to avoid bottlenecks in such cities.
- Reliability of CoD (Cash on Delivery) is still an issue to be addressed. When the payment mode provided by e-commerce vendors is Cash-On-Delivery, customers shop online “now” and may refuse to pay “later”. This leads to uncalled for losses in logistics industry.
- Logistics for long-distance routes. [5] More requirement of dependency on roads and railways instead of airlines to cut the cost. This demands good roads and rail infrastructure to beat time and cost. The overall speed of travel still remains low at 35-40 kilometers per hour for India compared to global average of 60-80 kilometers per hour.
- Delivery methods need to be standardized.

- Reliability on outsourcing and 3rd party logistics. [6] E-commerce companies in India currently outsource an estimated 52% of logistics, and 3rd party logistics represents only 1% of logistics cost.
- Government rules and regulations. Implementation of Goods and Service Tax (GST) is expected to streamline the processes and reduce a lot of these delays.

3. Inferences

A survey was carried out among nearly 250 customers including industry professionals who are closely associated with e-commerce industry. The focus of survey was to ascertain the mindset of consumers while purchasing products online and analyze how logistics industry is aiding e-commerce achieve its targets by easing the life of customers.

Survey commenced with null hypothesis where it was assumed that express delivery in e-commerce does not have an impact on the purchase behavior of the customer.

Various inferences were drawn out of the survey that was conducted and analysis was based on observation of the data collection indicating the consumer purchase patterns and preferences.

Survey concluded with the rejection on null hypothesis and acceptance of alternate hypothesis which assumed that express delivery in e-commerce does have an impact on the purchase behavior of the customer.

Various inferences were drawn as an outcome of the survey report. These inferences are put in a simplified manner outlining the importance of logistics in e-commerce.

Inference 1: Modern day users prefer online shopping to shopping in malls

Survey result gives prominence to statistics revealed in figure 1 which highlights the fact that the number of Indians shopping online increased two-fold by 2016.

Rohit Jain, a student in Delhi University. He is a crazy online shopper. When asked, he says that shopping online is very simple and convenient. A wide range of products appear just at a click of the mouse. An additional benefit of using filters to find the exact product that he wants. This is rare and difficult when he goes to shop in malls. He says offline shopping is a time consuming process since displaying products in shops is manual process plus finding as wide range of products as online retailers provide is difficult in one single shop. He narrated an incident where his friend invited him for a party and he needed a new shirt for the same. Due to exams he would not have time to go out and shop. He simply ordered the shirt online that got delivered to him without wasting much of his time. He also says that being a student he gets calculated pocket money. Shopping online saves his expenses because he does not need to travel to shop and also online retailers provides lots of offers and discounts, hence lots of advantages to shop online for a student like him.

Inference 2: Key attribute for customers shopping online is “Delivery Services” after ‘Product Quality’ and ‘Product Price’

Figure 1 features the importance of delivery services. Online shopping pattern is influenced widely by delivery services provided by e-commerce vendors. Purchasing pattern of about 23% of online shoppers is influenced by e-commerce delivery services.

It's the wedding season and Sneha Sharma is busy in her sister's wedding preparations. What she decided first was to go for street shopping but because of snags in shopping on the streets and lack of time she planned to shop online. Being a sporadic online shopper, she landed up surfing Amazon, Flipkart, Myntra, Snapdeal, Jabong, eBaY and others to make her selections. She selected clothes, jewellery, shoes, and others requirements. As online shopping is the current trend in the market e-commerce is taking special care of their customers. From wide variety of products to different mode of deliveries to customer care help, everything is taken care of. Sneha's preference is fastest delivery of her orders as wedding date is nearby. So she compared delivery times taken by these vendors so as to get the fastest delivery of her orders. She is also worried about the fact

that what will happen if the orders will not arrive on time. But with advance technology it's possible for her to track the orders and get the fastest delivery. So she opted for the vendor with best delivery service matching her requirements.

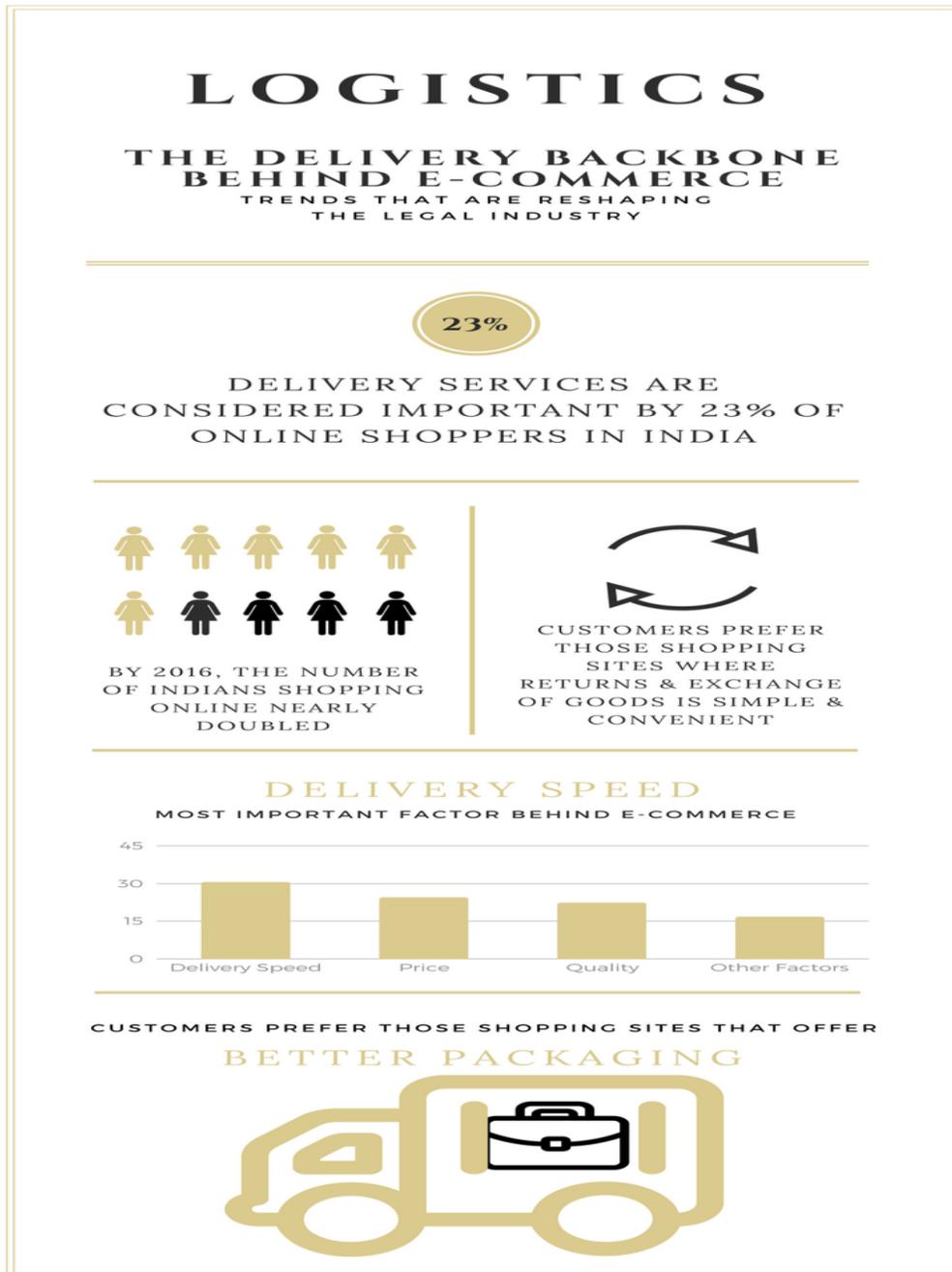


Figure 1: Highlights of survey based on observations drawn from the purchasing behavior of e-commerce customers and their preferences

Inference 3: Most important factor behind the popularity of e-commerce sites is their delivery speed

The survey result accentuated in figure 1 revealed that about 30% of e-commerce customers preferred faster delivery, breaking the norm of product price and quality preferences which used to be the topmost priority of Indian customers.

Tina Dutta is an addictive shopper online. She says that shopping online always helps her make her selections keeping in mind the price and quality. In an instance where she wanted to gift her mom a nice saree on the occasion of mother's day, she had to spend only around 20-30 minutes select a beautiful fancy saree for her mom. She liked the color and the price was just right for her pocket. While confirming her decision to buy it, she looked at the mention of 10 days delivery time to her place. Mother's day was just a week ahead. The site did not accent on fast delivery even when the customer was ready to pay additional amount. She cancelled her order and made her purchase from the other site which could deliver the gift within a week.

Inference 4: Customers always prefer those online shopping sites that provide safe packaging

Customers would abandon the e-commerce vendor altogether if it fails to deliver its product safely even once (as spotted in figure 1). Safe delivery in form of packaging is the unspoken expectation of e-commerce customers.

Laila Mani is has a passion for art. She has visited multiple art galleries and travelled to cultural shows around the world. One day while randomly surfing on the net, her eyes stuck on a marvelous piece of art created by none other than M.F. Hussain and put up for sale on the site. She decided to add the master-piece to her rich collection at home. She made an advance payment of the expensive art-piece and waited eagerly for its delivery. After three days, her wait was over and the master piece arrives. With utter excitement she opened the box only to find the frame of the painting cracked. She immediately filed

a complaint of crack due to poor packaging from the vendor and woefully returned the painting. Her bad experience could not drive her to shop from that site again.

Inference 5: Customers prefer to shop on sites where return and exchange of goods is simple and convenient

Online shoppers are usually those customers that long for a hassle-free experience (that may be the reason they prefer to shop online rather than offline). So they expect extremely efficient customer services when it comes to return or exchange of their products which is brought out in figure 1.

Pragya Tuteja prefers shopping from such vendors where the return policy is simple and convenient. She says “I keep myself updated with latest fashion trends and I like buying stuff which is trendy, unique, and new and has some different fashion statement. So at times it happens with me that I don’t like what I bought so I have to make a return.”

Once she ordered an ethnic dress online. On delivery, she found the color of dress very different from the one visible on their site and decided to make a return. I had to face a lot of problem on the return of that product. To add to her woes, customer care service of was also not efficient in resolving her problem of return. Due to her bad experience, she decided to stay away from that site and preferred making her purchases from the vendors who offered hassle-free return policies.

4. Conclusion

The efficacy of the logistics sector is crucial since the buyer today is not interested in the promises of seller (over-promise and under-deliver) to supply goods are competitive prices. Customers of e-commerce industry are more interested in sellers fulfilling its promise (under-promise, over-deliver) by delivering the goods faster than expected. Better and timely delivery helps e-commerce vendors getting repeat orders thus creating a goodwill for seller whereas failing to do so may lead to the seller losing its valuable customer.

Having efficiently managed logistics ensures e-commerce makes quicker deliveries in minimum time and cost, in turn, bringing down the cost of material handling, carrying inventory, transportation and other related activities of distribution.

In nutshell, an efficient system of physical distribution/logistics has a great potential for e-commerce in improving customer service and reducing costs.

Thus, an effective logistics system accords significantly to e-commerce attaining business objectives thereby maximizing the value satisfaction to its customers.

With all the recent developments like infrastructure, digitization, and increased consumer awareness certainly holds a promising future for logistics and in turn ecommerce companies. It can only get brighter and there is nothing to stop this mammoth tide and today is the time to reap the benefits and savor success riding on the pinnacle of the ecommerce wave.

I would like to sum up with a quote that says it all, “For e-commerce firms, the three most important infrastructure items are information flow, cash flow and delivery” – Jack Ma, founder Alibaba – 2013.

5. Practical Implications and Future Studies

Through this study, I was exposed to data collection and analysis. I learnt how to deal with the primary and secondary data and select the relevant data for my analysis. To fulfill this study, I had to study many relevant articles and do the literatures review. That all helped me understand the concepts of e-commerce and logistics. I realized that for the managers in e-commerce or logistic company, they have to realize that what is the most important thing for their company’s own development in a long-term scale, and also they should balance the relationship between logistics and E-commerce. To offer a service of delivery is not just about sending items to customers, but satisfy customer needs with a good attitude.

For the future studies, a good proposal is very necessary before we start a study, which will give a clear structure that we can follow step by step. Keeping close contact with customers and industry people is important for the whole study work, because any uncertain query can have a quick answer.

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