

One of the many success stories of liberalization in India has been the advent of the Internet and the subsequent repositioning of various sectors around it, especially the e-commerce, or the online market space. While it creates affordable and convenient avenues for shopping for consumers, it also provides for some significant cost advantages in terms of storage for the e-retailers. Competing on the prices, however, requires an efficient leveraging of the logistics to translate into cost advantages. This has, in turn created space and need for efficient logistics provider for such e-retailers.

Previously, customers were expected to visit stores for purchases. This required the retailers to store sufficient in-store inventory to avoid any customer loss. Goods were transported from the suppliers to the retailers through Regional Distribution Centers. However, e-retailing has revolutionized this traditional model. Orders are placed at the Regional Distribution Centers and delivered

through various logistics providers.

With the rise in Internet penetration and consumer confidence in online shopping, the prominence of e-commerce has also increased. However, the fact remains that despite commerce moving online, issues like warehousing, packing, shipping and tracking still have to be addressed. This has come as a big boon for the warehousing solutions service providers.

The e-commerce market, currently valued at \$2 billion, clocked a CAGR of more than 54 percent till 2011 and it accounted for 0.1 percent of the total retail sales in 2011 in India. However, reduced margins put a serious pressure on cost-side. This indicates a huge potential for growth, not just for e-retailers but also for allied sectors. Logistics, for example, is one of the key allied sectors.

The express industry caters to multiple industry segments by providing time bound logistics services. The customers use express delivery services for shipment of various products, having high value like life-saving

pharma products, electronic products among others as they provide time bound logistics services. The express industry in India though small is yet significant in the logistics industry and is among the fastest growing segments of the industry. It has evolved rapidly and has increasingly added a variety of services and user segments in the domain of express deliveries. As per Crisil Report, 2012 the market size of express logistics segment during 2011-12 was estimated at Rs. 10,870 crores (about \$1.8 billion). The industry is expected to grow at 17 percent per annum compared to 11 percent growth estimated for the overall logistics industry to Rs. 17,450 crores (about USD 2.9 billion) in the next three years.

By providing an integrated time-bound door-to-door delivery services, the express segment has become an important part of the logistics industry in India. In addition, the in-

Ecommerce and Logistics: A Likely Symbiosis or An Unlikely Challenge?

By **P.C. Sharma**, CEO, TCI XPS

TCI-XPS is an integrated supply chain and logistics company in India and has over 13,000 delivery locations across the country. Having a seamless connectivity across sea, air and road the company is spread around 200 countries. The firm is a part of the TCI Group (BSE: 165.95. NSE: 166.30) that has a market capitalization \$12.11 billion.



dustry makes significant contribution towards employment and exchequer. It is witnessing a demand boost due to the above average growth of industry segments like organized retail, e-commerce, consumer durables, electronic products and healthcare. The segment is also receiving a fillip from the higher level of consumption demand in the country for items like electronics, garments, etc, in turn creating additional demand for express industry.

Although logistics account for about 10 percent of the total costs for e-retailers, the squeezed margins, make bearing such costs almost economically unviable. Reverse logistics is also becoming more important. While the industry average is about 20 percent, some segments like apparel have an abnormally high return rate of 60 percent. In about 70 percent of cases of reverse logistics, the cost to

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pickup and return is greater than the value of the item. This has increased the challenges which the leading e-commerce players face in current operating scenario.

Transformation of e-commerce would also facilitate the adoption of newer models for logistics. Large warehouses located outside the metropolitan limits reverses the trend of aggregation around large retail outlets. Moreover, growth of e-commerce is likely to help in leveraging economies of scale. Further, given that home delivery forms an integral component of the e-commerce experience, the cost of moving goods to the shoppers' location has to be considered in the design of supply chain and relevant logistics.

Given the sensitivity of the customers to the time-bound service, on-time delivery is another key and an important differentiating factor. These complications in turn have led space for specialized logistics service providers like TCI, who use technology and other efficient processes to bring down these costs, forming a lucrative opportunity for specialized logistics provider to operate in the sector.



P.C. Sharma, CEO

TCI offers multiple services in both B2B and B2C categories. TCI XPS is fully geared to cater to the logistics requirement of e-commerce sector and can cater to the specific warehousing requirements of sector due to its ability to deliver products to customers in a safe, secure and cost effective manner across the country. For its B2B customers, it offers forward movement service portfolio management. For its B2C customers, it offers warehouse to customer, vendor to customer and bulk and break services through its unique Hub-and-spoke model for delivery. Further, it also handles Reverse movement Service Portfolio for both B2B and B2C customers.

E-commerce has, undoubtedly, made a strong presence felt. However, while the demand side continues to be strong, the lack of necessary infrastructure is proving to be a major impediment in continuing growth. Whether the sector takes off, aided by necessary support from key 3PL providers, or ends up in a quagmire due to lack of necessary logistics backbone would largely depend on the ability of the existing players to respond to the changing needs of the sector. ■