

Impact of E-commerce on Logistics

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Abstract: The online retail space is evolving like never before. The prospects for the ecommerce industry are getting bigger and the momentum is just building up and growing steadily and rapidly. . With infrastructure enhancements like logistics, digital connectivity, increased awareness and a greater impetus on the benefits of online shopping and the bullish growth, the going is great for both ecommerce and logistics companies and it can only get brighter and there is nothing to stop this mammoth tide. The growing online market presents logistical tests as well as newer markets and more opportunities. Companies are making strategic acquisitions so as to better their market presence, enter newer markets and niche segments. A marketplace model with no inventories, investing in larger and bigger warehouses and facilities with a key focus on delivery, tailored finance structures are the new order of the day for most logistics companies. Logistics market is expected to grow annually at 3% till 2020. Today, the logistics sector is the fifth best thriving industry in India. In developing markets like India, based on product type, market development and awareness, different e-commerce logistics patterns are in place. As these patterns grow, and are accepted, it will definitely bring about marked changes in the actual physical supply and delivery networks. This is giving rise to new forms of logistics models that incorporates e-fulfilment centres, delivery and package hubs, localized depots that cater to order fulfilment and also process the returns. The author tries to discuss about the presence of MNC's and their growth in the e commerce.

INTRODUCTION

Logistics manages the way resources are obtained, stored and shipped to their end destinations. The planning, execution and control of the movement and placement of these goods and services should occur in a systematic way. A system is designed to achieve specific objectives which may vary from industry to industry. At the macro level Locating and identifying potential suppliers and distributors to determine their accessibility and effectiveness plays a vital role.

At the production level growth depend on the effective management of Logistics. Forming relationships and finding the most cost-effective solutions for business is the introduction of e commerce in the logistics business. An e commerce business firm should know about the logistics especially Back-end supply chain management is a critical component of e commerce business. They need not maintain brick-and-mortar storefront to house inventory. But they have to rely on third parties for store maintenance and the time management plays an important role.

Objective

To find out the contribution of e commerce to the logistics business.

REVIEW OF LITERATURE

According to Roland Berger and Barclays annual growth of logistics market would be 3% till 2020. The growth of online market contributes more to the development of logistics industry. Companies are making strategic acquisitions to show their market presence in a better way.

E commerce Makes the Logistics Business Systematic and Cost Effective

In the 1990s many e-procurement initiative was expensive due to cataloguing and data management processes that proved that it is necessity for cost efficient supply chain management. An European

Company reveals that in the past ten years purchase orders had doubled. Nearly 80% of the staff initiated purchase orders. The company established e-procurements in two stages. First it created catalogues that provided it with access to 40000 Stock Keeping Units which is viewed as virtual units of storage. At first its ability to update prices from suppliers and to tie purchased materials to end product were limited, so it embarked on a second round of improvement and increased the number of available stock keeping units to 1,70,000. The experience allowed it to negotiate lower prices as a result of the higher volume of purchases of common items.

Demand Planning system help to match demand with supply. For companies at the rationalization stage these systems should enable the determination of requirements of all types of Inventory including consigned Inventory which does not have to be paid for until it is consumed and Vendor Managed Inventory, which is paid for but managed by the vendor. Demand planning system should monitor the status of Inventory.

In most operations, a master schedule establishes the production plan for a certain time horizon. Production control is the day to day execution of the advance plan. Advance Planning System consists of the range of system that provided master scheduling and production control capabilities materials requirements planning determines the right amount of material needed when demand is triggered by an item.

Material requirements planning (MRP) determines the right amount of material needed when demand is triggered by an item. A UK call centre operator uses advanced planning scheduling to manage streams of customer calls ,emails, web chat and web support services from around the world, and it personalizes its response to every enquiry. Operations like this need APS to determine appropriate staffing levels and shift structure and work assignments given the peaks and valleys of traffic and the varying profit margin of the different types of orders that come in at different times of the day.

Benefits of Logistics Companies

Indian logistics industry is driving by multiple factors with the implementation of GST. This sector is expected to receive benefit worth of US \$215 billion over the next two years. According to the Global Ranking of the World Bank 2016 Logistics Performance Index, India's rank reached 35th position in 2016.

Investment contribution in the Industry is huge, as a result of this, transformation and changes are taking place in the industry.

At the rationalization stage to reduce total logistics cost companies often consolidate the number of warehouses and distribution centers that they operate. At this stage, the network design tool must have total cost modeling capability. At the synchronization stage network design applications helps to set up cross-docking operations that reduce pipeline inventory and compress end to end cycle time.

Role of Government in E commerce (GeM)

In India a national public procurement platform was established in August 2016. Within two years, nearly 6 lakhs transactions and 1.45 billion (US\$) worth of Gross Merchandise Value(GMV) was transacted through this platform.

It enhances transparency, efficiency and speed in public procurement. It provides various services like e bidding, reverse e-auction and demand aggregation to facilitate the government users for achieving the best value of their money. GeM is paperless, cashless and contactless platform giving end to end solution, which receives more than 3000 plus orders everyday across India.

Nearly 450 bids are rising for procuring goods it ranges from automobiles to mobile phones and services starts from floral to annual maintenance contracts. To operate the platform, 40000 buyers and sellers need to be trained. In January 2018 GeM program was further transformed with superior technology and it access to more than 4.2 lakh products.

Network is using by 1.3 lakh sellers and service providers. These products are utilizing by over 25000 Indian government organizations, who registered on the platform. Other Industries which are derived through this platform are Micro, Small and Medium Enterprises.

Photocopiers, computers, automobiles and office furniture are few top selling product categories. Human resources, transport, security, digitalization and cleaning are some popular services transacting through this scheme.

Indian ecommerce industry was valued at about \$ 17 billion

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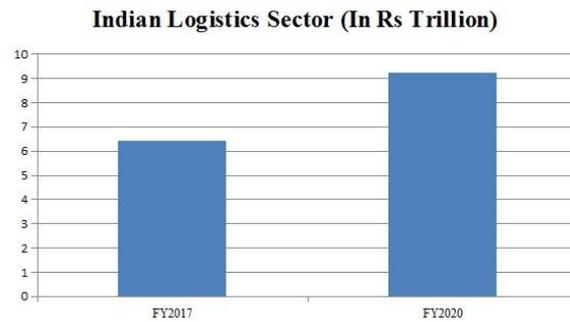


Figure 1: Growth of Indian Logistics Sector

Source: <https://www.ibef.org/blogs/indian-logistics-sector-shining-bright>

The success of ecommerce lies in the development of demand generation in Tier2 and Tier3 cities plus the focus should be on logistics to these places. The actual e-commerce lies in the discovery. Cash on Delivery plays important role in the e-tailing business. Online purchasing becoming inevitable especially for working people, diagram two shows every year there is annual increase in sales through online business. According to Gary Hoover’s data projects retail sales of e-commerce will increase more in future when compared with Bricks and Mortar.

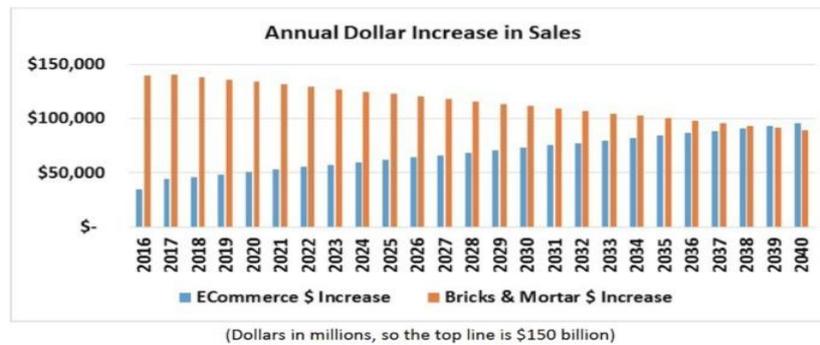


Figure 2: Retail Sales of E-Commerce

Source: <https://www.bigcommerce.com/blog/ecommerce/#types-of-ecommerce>

Most of the logistics companies have no Inventories, no investment in larger and bigger warehouses and facilities.

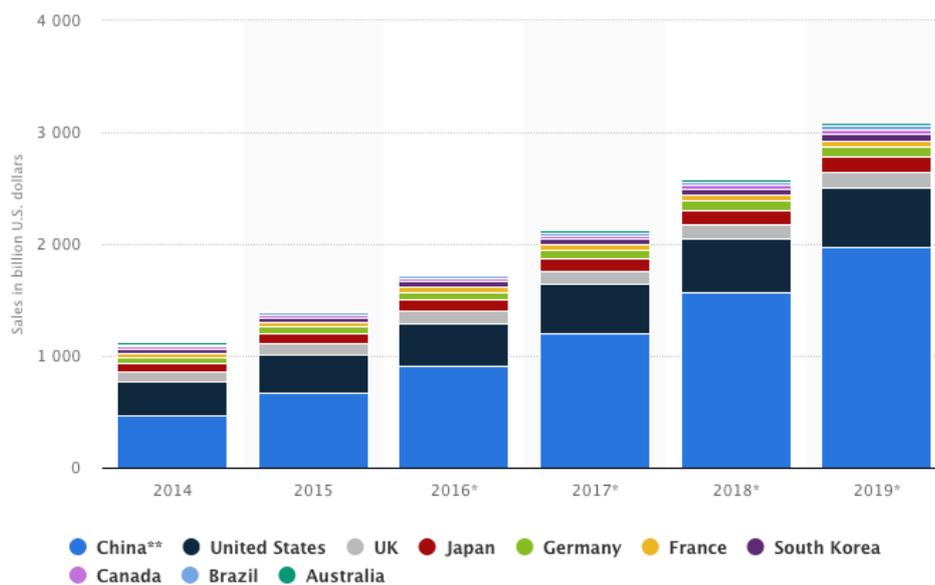


Figure 3: At the Global Level – Country wise Volume of Sales through E-Commerce

Source: <https://www.bigcommerce.com/blog/ecommerce/#the-impact-of-ecommerce>

Their key focus is on delivery and tailored finance structures. Numbers of offline retailers are employing online modes to channel their goods. They would require adequate handholding in goods delivery model, Inventory Management, Invoice handling and other value added services through e commerce. Logistics companies now selecting the railway route to reduce expenditure. Railways are providing logistics support to ecommerce companies by allotting selected pick-up spots in chosen stations.

CONCLUSION

According to Forbes 2016 Report, a survey was conducted in 24 countries across six continents time taken for the analysis was six months, in that 57 percent of the people used to purchase products through online. In USA it is expected that revenue from ecommerce would reach \$ 638 million in 2022. Developing ecommerce facilities is a qualitative effort just translating this qualitative factor into quantitative term earns more gains. It is estimated that backend logistics for the ecommerce business was around INR 35-40 billion. Penetration of e commerce into smaller cities and towns meet increasing demands with on time for this a well organized logistics service is required. Since 2014 China have started earning more money every year through retail ecommerce sales on its own. The country is expecting that in 2019 sales volume may reach \$2 billion

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