



Global e-commerce Logistics 2017 – Report Sample

This report presents analysis of e-commerce logistics, firstly from a broad, industry-wide perspective. It then delves further to examine the supply chains and strategies of major e-retailers, and the logistics providers which support them.





Ti's Origin and Development

Ti is a leading logistics and supply chain market analysis company developed around five pillars of growth:

- Logistics Briefing
- Ti Market Research Reports
- Ti Insight portals
- Ti Consulting
- Ti Conferences and Training

Ti acts as advisors to the World Economic Forum, World Bank, UN and European Commission and have 14 years worth of providing expert analysis to the worlds leading manufacturers, retailers, banks, consultancies, shipping lines and logistics providers.

What Sets Ti Apart?

- Globally recognised and trusted brand
- Global Associate Network provides a multi-country, multi-disciplinary and multi-lingual extension to Ti's in-house capabilities
- More than fourteen years of knowledge delivery to global manufacturers, retailers, banks, consultancies, shipping lines and logistics providers
- Unique web-based intelligence portals
- Interactive dashboard
- On-going and comprehensive programmes of primary and secondary research

Global Expertise with Local Focus.

Logistics Executive Group is the acknowledged industry leader providing a suite of whole-of-lifecycle business services including Corporate Advisory, Executive Search and specialist Supply Chain and Logistics Training.

Since 1999, clients have trusted us to help recruit, build world-class leadership and drive business performance with integrated Corporate Advisory services.

Today, we are a single source for leadership development, talent & recruitment services and business consulting to empower businesses and leaders to reach their goals. Offering a full suite of solutions designed and executed to position our clients from growth and overall improved performance, our service pillars include;

- Executive Search & Leadership Recruitment
- Corporate Advisory & Business Performance Consulting
- Accredited Training & Education Programs for the Supply Chain and Logistics sector.

1.0 Introduction	7		
1.1 Executive Summary	8		
1.2 Key findings	9		
1.3 What is e-commerce?	10		
1.4 Recent developments in e-commerce			
1.4.1 Africa	12		
1.4.2 Asia Pacific	12		
1.4.3 Europe	14		
1.4.4 Middle East	15		
1.4.5 North America	16		
1.4.6 South America	17		
2.0 e-commerce warehousing and logistics networks	19		
2.1 The effects of e-commerce on the warehousing industry	20		
2.2 Warehousing requirements	22		
2.3 Fulfilment network options	23		
2.3.1 Low volumes	24		
2.3.2 Volume growth	25		
2.3.3 Dedicated facilities	26		
2.3.4 Networked fulfilment	27		
2.3.5 Hub stores	28		
2.4 Inventories	29		
2.4.1 US retail inventory to sales ratio	30		
2.4.2 Inventory management	31		
3.0 The last-mile	34		
3.1 Progression of the last-mile	35		
3.2 The scale and importance of the B2B e-commerce sector	36		
3.3 The blurring of B2B and B2C	37		
3.4 Last-mile networks	38		
		3.5 The cross-border e-commerce opportunity	40
		3.5.1 Case Study: Cross-border e-commerce in the Americas	42
		3.5.2 Case Study: Australian cross-border e-commerce market	43
		3.6 Alternative delivery networks	44
		3.7 Last-mile operations	48
		3.8 Returns	50
		4.0 Technology and the future of e-commerce	52
		4.1 Introduction	53
		4.2 Technology push	54
		4.2.1 AI	54
		4.2.1.1 Delivery flexibility	54
		4.2.1.2 IoT	54
		4.2.1.3 Autonomous vehicles	56
		4.2.1.4 Warehouse automation	57
		4.2.2 3D Printing	58
		4.3 Market pull	59
		4.3.1 Cross-border e-commerce	59
		4.3.2 Returns	60
		5.0 e-commerce logistics costs structures, market sizes and forecasts	62
		5.1 Definition of e-commerce logistics costs	63
		5.2 Summary of logistics costs structures in e-commerce	64
		5.3 e-commerce logistics costs as a % of sales for selected retailers	65
		5.4 Differences in e-commerce logistics cost structures	
		5.4.1 Vertical sectors	66
		5.4.2 Retail channels	68

Table of contents (continued)

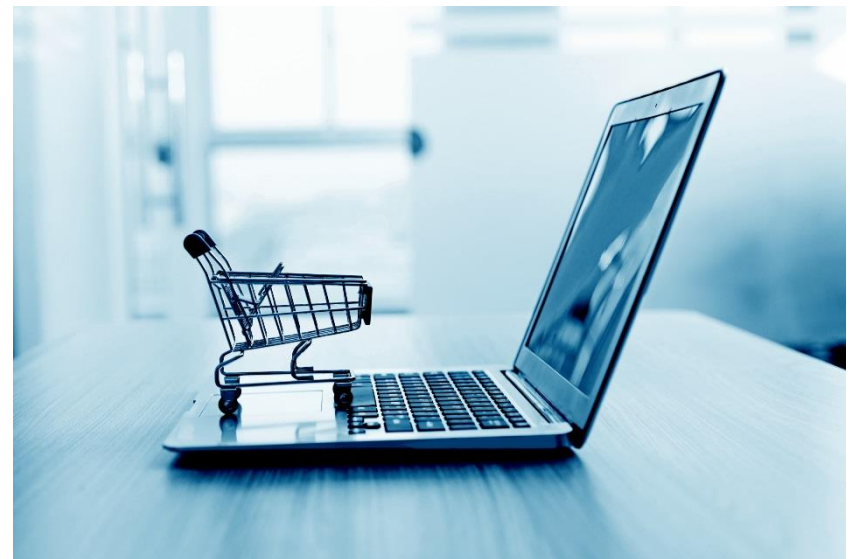


5.4.3 Warehousing/fulfilment costs vs Last-mile/outbound shipping costs	71	5.11.1 North America e-commerce logistics market size and forecast by country	94
5.4.4 Geographies	72	5.12 South America e-commerce logistics market size and forecast	96
5.4.5 Other considerations	75		
5.4.6 Differences in e-commerce logistics cost structures: Store-based vs e-commerce	76	6.0 e-commerce logistics strategies	97
5.5 e-commerce logistics market sizing methodology	77	6.1 The role and development of accessibility	98
5.6 Global e-commerce logistics market size and forecast	80	6.2 Big data and its effect on retail supply chain	99
5.6.1 Global e-commerce logistics market size and forecast by region	81	6.3 Alibaba	100
5.7 Africa e-commerce logistics market size and forecast	82	6.4 Amazon	103
5.7.1 Africa e-commerce logistics market size and forecast by country	83	6.5 Argos	113
5.8 Asia Pacific e-commerce logistics market size and forecast	84	6.6 ASOS	114
5.8.1 Asia Pacific e-commerce logistics market size and forecast by country	85	6.7 eBay	117
5.9 Europe e-commerce logistics market size and forecast	86	6.8 JD.com	118
5.9.1 Central & Eastern Europe and CIS e-commerce logistics market size and forecast	87	6.9 John Lewis	120
5.9.1.1 Central & Eastern Europe and CIS e-commerce logistics market size and forecast by country	88	6.10 Macy's	122
5.9.2 Western Europe e-commerce logistics market size and forecast	89	6.11 Newegg	123
5.9.2.1 Western Europe e-commerce logistics market size and forecast by country	90	6.12 Otto Group	124
5.10 Middle East e-commerce logistics market size and forecast	91	6.13 Rakuten	125
5.10.1 Middle East e-commerce logistics market size and forecast by country	92	6.14 Tesco	126
5.11 North America e-commerce logistics market size and forecast	93	6.15 Walmart	127
		7.0 Logistics provider profiles	128
		7.1 Aramex	129
		7.2 Australia Post	132
		7.3 Clipper Logistics	135
		7.4 DHL Express	137
		7.5 Post – eCommerce – Parcel	139
		7.6 FedEx	146
		7.7 Hermes	149
		7.8 iForce	150

Table of contents (continued)



7.9 Japan Post	152
7.10 La Poste	153
7.11 S.F. Express	159
7.12 SEKO Logistics	162
7.13 Singapore Post	166
7.14 UPS	168
7.15 USPS	171
7.16 XPO Logistics	172
7.17 Yamato	176
8.0 Appendix	177
8.1 e-commerce logistics market size	178
8.2 e-commerce logistics market size forecast scenarios	181
8.3 Other retail sales data	182
Contact Ti	186



- 1.0 Introduction
- 2.0 e-commerce warehousing and logistics networks
- 3.0 The last-mile
- 4.0 Technology and the future of e-commerce
- 5.0 e-commerce logistics costs structures, market sizes and forecasts
- 6.0 e-commerce logistics strategies
- 7.0 Logistics provider profiles
- 8.0 Appendix



1.1 Executive summary



e-commerce is cited as an important driver of growth by many logistics service providers (LSPs) and retailers alike. In recent years, traditional 'store-based' retailers have had to adapt their offering to counter the rapid growth, and now, dominance of online players, such as Amazon, whilst LSPs have seen a new revenue stream emerge.

Even in developed markets, e-commerce logistics is relatively nascent with the structural shift towards higher online retail penetration ongoing. As the market evolves, new logistical challenges are constantly emerging, in last-mile delivery but also with regards to the fulfilment of online sales. Coupled with the fact that growth is rapid - a global 2016-2020 CAGR of 15.6% is expected - many businesses seem to be forever searching for a comfort zone that they may never find, such is the pace of change.

Not least among those businesses adapting their strategies to remain competitive are the retailers themselves. In this report Ti has presented the supply chain strategies of global and regional retailers practising pure online as well as multi- and omni-channel business models. The profiles examine how these business are responding to national and regional intricacies of consumer demand and the dominance of Amazon.

Amazon has changed the way people shop and disrupted operations for many retailers. To compete, retailers have adopted new practices such as retooling their supply chains, adopting omni-channel strategies and investing in technological enhancements. However, even in this respect Amazon is striding ahead with innovations.

Development of new technologies is not a new topic within the logistics industry, however, the manner in which technologies have been adapted or adjusted to cope with the demands of cross-

border e-commerce, and the growing issue of consumer returns, is of interest. Both of these operations are costly to manage, and have encouraged companies to innovate their way out of difficulty.

During 2016, and continuing into early 2017, Amazon further blurred the distinction of its identity as an e-retailer and logistics provider. Amazon is expanding and refining its internal logistics operations. To a degree, this is fundamental in order to support its core business of online retail. However, it is instructive to note that other services developed in order to support the business have developed into revenue streams for the company by tapping external customers – such as its 'fulfilled by Amazon' platform. This does not mean that the same thing will happen with Amazon's charge into logistics, but it leaves the door open to just that possibility.

Global e-commerce Logistics 2017, offers readers valuable insight into the development and future prospects of this market. The key theme examined throughout highlights future e-commerce trends as the disrupter to 'traditional' e-commerce logistics. Presented from multiple angles (global and regional, fulfilment and last-mile, and from retailers and LSPs) the report offers comprehensive analysis on e-commerce logistics trends which could provoke further developments and innovations within the industry.

“Whilst the growth in e-commerce has created additional opportunities for LSPs these have not yet been fully realised. Many retailers do not trust that LSPs have the right knowledge and experience to undertake a task that they perceive to be core to their business, choosing instead to fulfil online sales in-house”.

Ti's Head of Consultancy, Joel Ray

1.2 Key findings



- Ti estimates that the global e-commerce logistics market grew by 18.1% in 2016, and has forecast a 2016-2020 compound annual growth rate (CAGR) of 15.6%. Low, expected and high forecast scenarios have been presented.
- Asia Pacific, the largest e-commerce region in the world, remains the main driver of global e-commerce sales growth, with the bulk of sales coming from China.
- Online retail sales growth in 2016 exceeded 10% in most markets, even developed e-commerce markets such as the US, the UK and Germany. In emerging markets, online retail sales growth was considerably higher.
- Even though it is the smallest e-commerce and e-commerce logistics market, Africa is expected to grow faster than any other region to 2020.
- B2B e-commerce is colossal, though the extent to which it offers new opportunities for LSPs is questionable.
- Cross-border e-commerce sales accounted for 20% of global e-commerce sales in 2015. Per item, it should be expected that e-commerce logistics costs for cross-border shipments are on average higher compared to domestic shipments. It is unclear however whether cross-border shipments are associated with higher logistics costs as a proportion of sales than domestic shipments.
- Amazon and Alibaba are manoeuvring to establish themselves as players in the transportation of cross-border freight. Through further incremental actions, these companies will become increasingly influential.
- Artificial Intelligence is becoming increasingly pervasive within various points in the supply chain, though as of yet, the technology is limited by the availability of data.
- 3D Printing is unlikely to 'disrupt' e-commerce, though it will have a significant role in the customisation of products.
- e-commerce logistics costs structures of online retailers are fundamentally affected by the type of goods they sell, the retail channels through which they sell, the geographies they operate in and other factors. Logistics costs structures of online retailers have been benchmarked to provide insight on how e-commerce logistics costs as a % of sales vary by vertical, retail channel and geography.
- Varying retail channels can drive large relative differences in e-commerce logistics costs across countries, though these differences should narrow as omni-channel becomes more important.
- Emerging markets appear to be associated with lower e-commerce logistics costs as a % of sales compared to developed markets. This is largely driven by lower labour costs.
- The division of warehousing and last-mile costs has been benchmarked for several online retailers and they are broadly consistent across companies.
- Store-based retailers have lower logistics costs as a percentage of sales compared to multi-/omni-channel retailers and pure plays. Costs have been benchmarked by vertical sector.

About the authors



Having obtained a Masters in Economics **David Buckby** is now Ti's resident Economist. David manages one of Ti's core strengths, that of quantitative analysis of a range of logistics markets, including sizing and forecasting.

David contributes to the GSCi portal, Ti Reports and consultancy projects. He also is author of many briefs for Ti's Logistics Briefing service. His key interests are the economics of the logistics sector, emerging markets and statistical modelling.



Lilith Nagorski is Head of Ti's Research Department. Lilith joined the company as a Researcher working primarily on the providers' area of the GSCi portal and quickly brought improvements to the organisation of the department.

Lilith then took on responsibility for managing Ti Reports and now she manages the full team of researchers and analysts. Lilith's focus is on quality and her goal is to ensure that Ti research products continue to lead the market.



As a graduate in International Relations, **Alex Le Roy** brings a variety of knowledge and interest to his role as an Analyst at Ti.

Alex's drive to constantly provide quality analysis for the logistics industry has led him to increase his area of responsibilities to include investigating the potential for new products, training new recruits, and scanning the horizon for the next big thing.



Violeta Keckarovska is a research analyst with vast experience in the design, implementation and analysis of electronic and person-to-person surveys.

Violeta is a research analyst with vast experience in the design, implementation and analysis of electronic and person-to-person surveys. Having worked across a number of sectors, including retail, luxury goods and FMCG, Violeta is experienced in gaining valuable insights across brand perception, voice of customer and strategic re-positioning intelligence campaigns for B-to-B and B-to-C clients. As a member of the Market Research Society, Violeta brings best practice in research, insight and analytics across Ti.

For further information please contact:

South East Asia

Fauzi Lee, fauzil@logisticsexecutive.com

North Asia

Cassandra Lee, cassl@logisticsexecutive.com

Greater China

Jay Han, jayh@logisticsexecutive.com

Australia/New Zealand/Middle East/Africa/Europe

Kim Winter, kimw@logisticsexecutive.com

All other enquires

Darryl Judd, darrylj@logisticsexecutive.com