

Logistics needs to match digitally empowered customers



By [Kate Stubbs](#)

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The rise in e-commerce and its associated challenges and opportunities is spurring the need for innovation in the way businesses and their supply chains need to operate, with the emergence of digitally empowered consumers.

Online retail grew by 30% last year in South Africa, excluding travel related transactions, and the number of traditional retailers and newcomer entrepreneurs selling their goods and services online is increasing daily.

As a result, supply chain managers have to find new ways to deliver large volumes of low value items to customers within much shorter periods. This is giving rise to the need for more distribution points that are located closer to stores. For retail customers to achieve this, logistics suppliers need to help them to optimise their distribution networks.

With millions of consumers searching online for the lowest possible prices, manufacturers will also need to streamline their production processes to turn out lower cost products.

Today, consumers want the convenience of ordering merchandise at any time of the day or night from their, PC, laptop or mobile device and expect 100% order accuracy and fast delivery at little or no cost.

Virtual retail through camera apps

Analysts are talking about a future where the mobile phone will become a virtual retail store that consumers carry around in their pocket.

In this increasing digital world, consumers will take pictures of anything they like that someone else is wearing or carrying with their smartphone or their Google Glass as they are walking down the street.

The picture will then be uploaded and compared with millions of similar products sold online across multiple websites and they will be able to order the product on the spot, have it delivered within hours and try it on while the driver waits to make sure that it fits.

As an increasing number of consumers have access to the internet from anywhere, this is turning the world into a global information society whereby consumers know about the attributes of products and services and comment about them on social networks within moments of them being launched.

Digitally enabled consumers also tweet, blog, and post comments on social networks about their experiences with products and customer service, and companies will need to consider this in their future business and supply chain strategies.

Deliveries needed now

The escalating growth in e-commerce and digitally enabled consumers will drive companies to develop direct-to-customer fulfilment capabilities through their own internal facilities or through outsource partnerships.

Two to three years ago, the trend was three to five-day delivery for online orders, but it is common today for e-commerce retailers to offer next day or even same day delivery and consumers are becoming increasingly demanding in their expectations of delivery time frames.

Challenge to integrate ecommerce

For traditional brick-and-mortar retailers, integrating e-commerce with their mainstream business is a challenge. To manage an e-commerce channel successfully requires a continuously optimised website, automation and an integrated supply chain.

Decisions such as physical locations of warehousing and whether to fulfil e-commerce orders from separate facilities, in-store, from existing warehouses, or a combination of all of these are among the strategic decisions brick and mortar retailers are facing as they compete in the online fulfilment world, which is a new environment for many of them.

The e-commerce cost profile includes logistics, distribution and website maintenance costs, whereas brick-and-mortar retailers have other expenses such as real estate, inventory and employee wages.

These different cost structures require different decisions about infrastructure investments both in-store and throughout the supply chain, and different approaches to transportation, labour and other variable costs.

Retailers may also find it advantageous to provide cross-channel capabilities that allow customers to pick up an on-line purchase at any store, and this is already happening in South Africa.

An example is Kurt Geiger, which has 30 men's clothing stores and an e-commerce storefront from which online shoppers can select items and have them packed in a virtual suitcase and sent to a selected store.

In South Africa, the fulfilment of business-to-business orders still accounts for the bulk of revenues. However, business-to-consumer delivery volumes are escalating daily in line with global trends, as the number of companies selling goods online increases and more consumers have access to the internet.

It is costly to service the e-commerce market with traditional supply chain delivery models, so logistics providers have to look at ways of doing things differently. Online retailers want to charge as little as possible to meet customer expectations and some are incorporating the delivery fee into their margins and therefore see it as a direct cost.

Technology expands warehouse management

On the technology front, IT companies are expanding their traditional warehouse management, transportation management software and other technology solutions to meet the growing need for flexibility, as the physical and online retail worlds interconnect and converge.

Retailers and logistics companies alike will need to be prepared to invest in these new systems to enable them to meet the challenges of national and global order fulfilment within shrinking deliver periods in a cost effective way.

Because e-commerce orders tend to be customised, inventory control is more complex and calls for robust technology systems to optimise inventory across the supply chain to respond dynamically to fluctuating demand and potentially high transaction volumes.

The rise in e-commerce and its associated challenges and opportunities is spurring the need for innovation and calls for tightly integrated processes and clearer visibility across the supply chain.

One of the paths to increased innovation is to form partnerships with key suppliers, logistics companies, and other supply chain entities through which each party benefits from building a closer long-term strategic relationship with the other with a view to achieving common objectives.

The way in which transportation and logistics providers respond to the rise of e-commerce and the needs of online retailers in terms of delivery, warehousing, distribution and fulfilment options, finance, and technology systems will determine how successful they are in the future.

ABOUT KATE STUBBS

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