Integrate or stagnate

by Roland Slegers-Leijsten, *Founder and CEO, Delivery Match*

The e-commerce market in all European countries is snowballing. In 2019, it was worth €658m (+10% year-on-year), with the Top 5 accounting for over €440m (with the UK alone hitting €168m in e-sales). The need to shift from a 'push' (closing out stock) into a 'pull' (generating demand) market has already been recognised. Also, more and more combinations of business-to-business (B2B) and business-to-consumer (B2C) sales need to be integrated into the logistics chains. The coronavirus pandemic has only sped things up, with entirely new consumer groups compelled to go shopping online (think, for example, of the elderly who have started making their grocery haul from the relative safety of their living quarters). Like two sides of the same coin, sales and logistics must adapt to this new environment.

Operations will always be sales driven, meaning that logistics have to follow and relate to sales concepts. From my perspective, the following sales trends have increasingly impacted logistics operations.

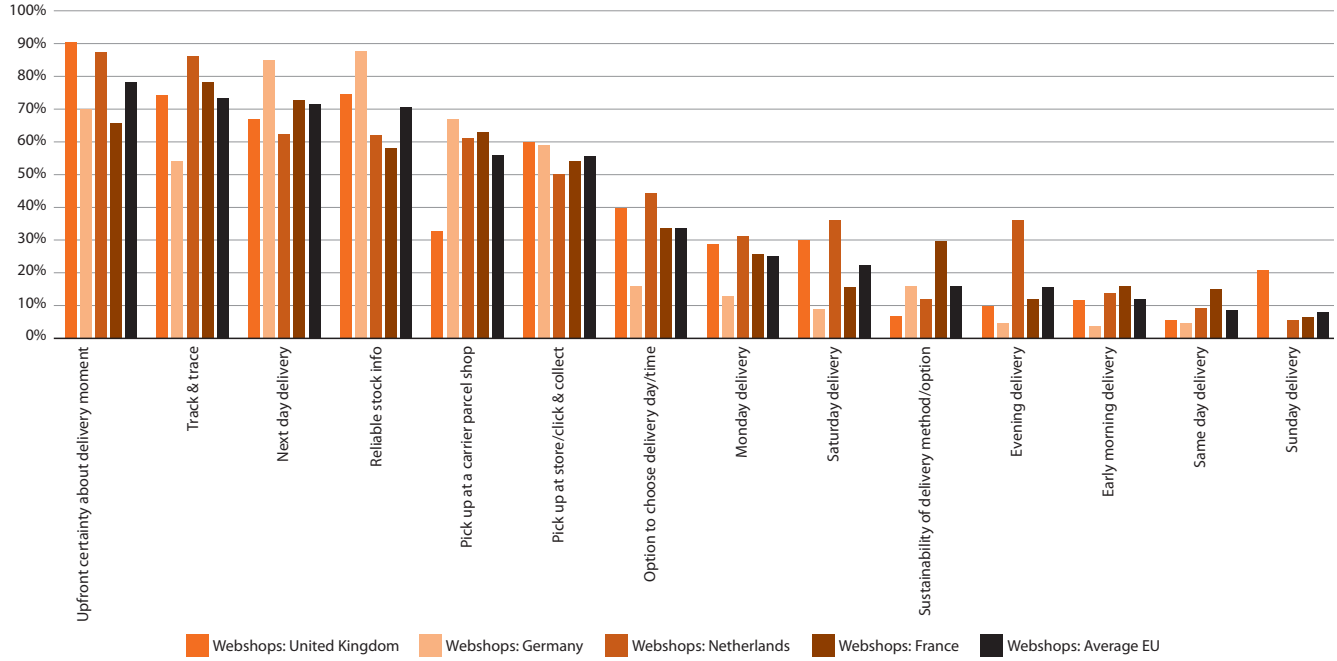
First, we have a combination of B2C and B2B sales. Second, combining on- and offline retail. It started with originally offline retailers who added online shopping over time (some successful, many – not). Interestingly, the reverse has been happening for a few years now (in general, this is a very capital-intensive strategy). Third, the use of dropship-to-consumer (D2C) and dropship-to-business (D2B) models, letting providers ship the (partial) purchase directly to their customers. Fourth, selling cross-border (within Europe or even worldwide). Fifth, also selling outside own sales channels via wholesale platforms. Sixth, manufacturers who directly sell to consumers. Seventh, having a wide product range and sizeable 'long tail' (i.e., selling low volumes of hard-to-find items to many customers instead of only selling large quantities of a reduced number of popular goods). Eighth, selling products with a wide range of physical characteristics (weight, dimensions, breakable, dangerous goods, fresh, etc.). Ninth, in B2B, companies are often working with Service Level Agreement (SLA) and the requested performance of logistic operations is (more or less) known upfront and thus (more or less) predictable; the (B2C) online consumer also expects to learn their specific temporary SLA for each online purchase. Tenth, multi- and omnichannel sales concepts are becoming more and more common. The practical logistics definition of the former would be combining off- and online sales with a distribution concept that enables this; the latter's – selling via every sales channel possible with stock being located 'everywhere and nowhere' (with an enabling distribution concept, of course).

Towards new logistics excellence

As a result, the following challenges occur from a logistics and supply chain point of view. First, the stock needs to be available for multiple sales channels and/or companies in different countries. It means that the stock is deployed across numerous warehouses (maybe of different companies and in many countries). Second, extracting real-time and reliable stock availability, shipping capacity/options, pick-up capacity/options, and delivery capacity/options of the various warehouses and carriers at the transaction moment is a must – but very complex. It requires an Order Management System and a Transport Management System, real-time functionalities integrated with webshop front-end(s), Warehouse Management and Enterprise Resource Planning systems, plus the carrier systems. Third, products vary physically. Shipping goods that vary in size, shape, weight, character, etc., requires involving multiple carriers, since, e.g., not all of them have the means to transport high & heavy or dangerous goods. Fourth, many companies struggle to integrate off- and online distribution in transport. Fifth, B2C and B2B sales need to be served logistically, and here too many companies grapple with the issue of integrating B2C and B2B distribution in warehouses. Sixth, selling cross-border brings up further challenges regarding stock location, customs requirements, multiple carriers needed, and transport costs that vary significantly per order. And when companies start to combine their sales (offline, online, B2C, B2B, cross-border) via wholesale platforms, all the mentioned logistics challenges become an instant reality. Seventh, when using the D2C and/or D2B solutions to ship a (partial) purchase directly from the supplier to the customer, more systems in the chain must be connected. The data for stock availability and logistics capacity of the warehouse(s) and carrier(s) must be available in real-time during the purchase process – to offer reliable shipping options and palatable costs and optimise the chain.

Logistics excellence is a top priority. Failure and service limitation directly and negatively impact revenue by decreasing conversion and retention.

Fig. 1. Webshop logistics services line up



Tab. 1. The gaps between customers' expectations and logistics options offered by online retailers (EU consumer average vs EU webshop average)

Service	What clients expect [%]	What is offered [%]
Reliable stock info	92%	70%
Upfront delivery moment certainty	89%	78%
Option to choose delivery day/time	73%	34%
Track & trace	71%	73%
Sustainability of delivery method/option	53%	16%
Evening delivery	51%	16%
Saturday delivery	47%	23%
Monday delivery	42%	25%
Sunday delivery	32%	8%
Early morning delivery	30%	12%
Pick up at a carrier parcel shop	16%	56%
Pick up at store/click & collect	3%	56%
Next day delivery	3%	72%
Same day delivery	0%	9%

The gaps from checkout to doorbell

These trends and the logistics challenges that come with them stress the need for a seamless real-time flow of products and information from 'checkout to doorbell' because 'the last mile starts with the first click.'

Throughout the logistics chain, the involved retailers, manufacturers, warehouses, and carriers need to be closely and real-time linked/integrated to assure reliable 'first time right' shipping and delivery, also providing the customer with options regarding logistics services.

At the same time, reducing CO_2 emissions is becoming more and more critical. Our research (more below) showed that sustainability moved up in the ranking compared to earlier research done a few years ago. The good news is that doing the things 'first time right' and offering reliable shipping and delivery options will help increase sales, reduce costs, and lower the negative environmental footprint. Multi-store, multi-warehouse and multi-carrier solutions must be in place for this. It is time to let the logistics chains work as a 'sales engine and costs/CO_2 emission saver.'

However, there is a mismatch between what customers want and what online companies offer. These gaps create quite a challenge; that said, if one can close them, then numerous opportunities spur, letting the logistics chain help increase turnover while reducing logistics costs – and emissions for good measure.

We researched Europe's top four e-commerce markets (the UK, Germany, France and the Netherlands) to determine what retailers offer logistics-wise (Tab. 1). Whereas there seem to be no major differences between the countries regarding customers' logistics services and sustainability needs, there are notable deviations concerning online retailers' logistics and sustainable solutions. For instance, next day delivery is pretty much a standard. More premium options are somewhat in the middle of the ranking or are even closing the field because they aren't widely available (e.g., only a little over 32% offer the opportunity to choose a delivery day/time) or customers do not demand them. ■

The article is based on Roland Slegers-Leijsten's recently published *e-Commerce Logistics in Europe: Integrate or Stagnate* (available as a hardback and e-book via **info@verloopuitgeverij.nl** or **Amazon**). In it, the gaps between customer expectations concerning logistics related to online shopping and what service providers offer are dissected. The publication also details how these gaps can be resolved with smart logistics and integration software. Roland Slegers-Leijsten is the Founder and CEO of the Dutch Delivery Match, a developer of an order-, transport-, and shipping management software (OTSMS) that enables control across the entire logistics chain. Visit **www.deliverymatch.eu/en** to learn more.