



Global e-commerce Logistics 2016



Ti's annual analysis and market overview of the global e-commerce logistics industry. The report contains Ti's bespoke market size and forecasting data, as well as overviews of some of the world's leading e-commerce businesses, such as Alibaba and Amazon. In addition, the report includes company profiles of both post offices, LSPs and dedicated e-commerce solution providers to showcase the different strategies shaping the market we know today.



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Ti is a market research company specializing in global logistics and the supply chain. The company was established in 2002 to fill a gap in the market for high quality, affordable market research.

Ti products and services include:

- FREE weekly newsletter service Logistics Briefing
- Ti Market Reports including trend analysis, market sizing, market share, forecasting and rankings
- Ti Intelligence Portals – the Ti Dashboard offering a selection of economic and industry data and access to Ti’s full research output through the Global Supply Chain Intelligence website: www.gscintell.com
- Ti Consulting – market and competitor monitoring, M&A advisory services, dedicated research and client surveys
- The Future of Logistics conference series – www.ticonferences.com

www.ti-insight.com

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1.1 Key findings



- Amazon will continue to dominate the e-commerce market because customers choose its cheap and convenient delivery over other retailers' offerings
- Online marketplaces and the adoption of omnichannel strategies mean the distinction between B2C and B2B markets has become blurred
- The replication of B2B by B2C could guarantee higher levels of delivery success, but this is only part of the solution
- Changes in consumer demand have prompted retailers to invest in IT and fulfilment centre networks to link bricks & mortar to online, mobile and social media offerings, as well as embracing showrooming and concept stores
- Traditional seasonality has changed markedly, with savings days such as Singles Day (which now dwarfs Black Friday and Cyber Monday) meaning it is not just the Christmas volume surge that retailers and logistics companies need to handle
- Alternative payments overtook card payments for the first time in 2014. This shift is expected to continue, driven by North America
- Technology failure and cyber-attacks are a bigger threat than adverse weather, fire and social unrest. Intellectual data is a critical supply chain asset and, within B2B, is among the primary targets for such security breaches
- Logistics and supply chains need to respond to the challenges created by the evolution of the sharing economy business model
- Technology means that consumers now have exposure to better prices, product availability and choice from outside of their country of residence
- E-commerce growth is rocketing in emerging markets and even developed markets are displaying double digit growth. However, there are various challenges that logistics providers need to surmount before they can take full advantage of this trend.

1.2 Executive summary



From its inception as an online book retailer, to being the world's biggest e-commerce company, Amazon's influence and control over the sector has been almost absolute. Logistics service providers (LSPs) have profited from aligning themselves with the e-commerce giant's rapid growth. However, as both Amazon and customers evolve, LSPs risk being left on the shelf. As consumers continue to place their items in Amazon's basket in ever-increasing numbers, LSPs simply cannot afford to cut ties with the e-commerce giant without losing significant volumes.

In addition, consumer expectation for 'free' delivery creates a damaging hurdle, as expectations are out of line with the economic reality of delivery. Somebody needs to pay for delivery and, more often than not, it is the delivery company that loses out. In the longer term there are means to get around this. One option might be to change delivery methods in line with consumer demand: convenience, in the form of guaranteed delivery to a safe place and subsequent collection at a convenient time, is increasingly more important to consumers than instant delivery, particularly if that option is also 'free'. An alternative strategy could be to raise your prices. However, in an industry full of start-ups, it is easy to lose your competitive edge.

Similarly, the role of technology continues to hold significant sway. New ways for consumers to track and interact with deliveries, an increase in omni-channel adoption amongst retailers, the growth of wearable warehouse technology and growing fears about cyber-attacks are just a few of the ways in which technology will change the landscape of the sector dramatically in the next few years. Those LSPs who are able to work with retailers to create the most efficient and cost-effective services will be the ones who prosper. Others will find themselves shelved.

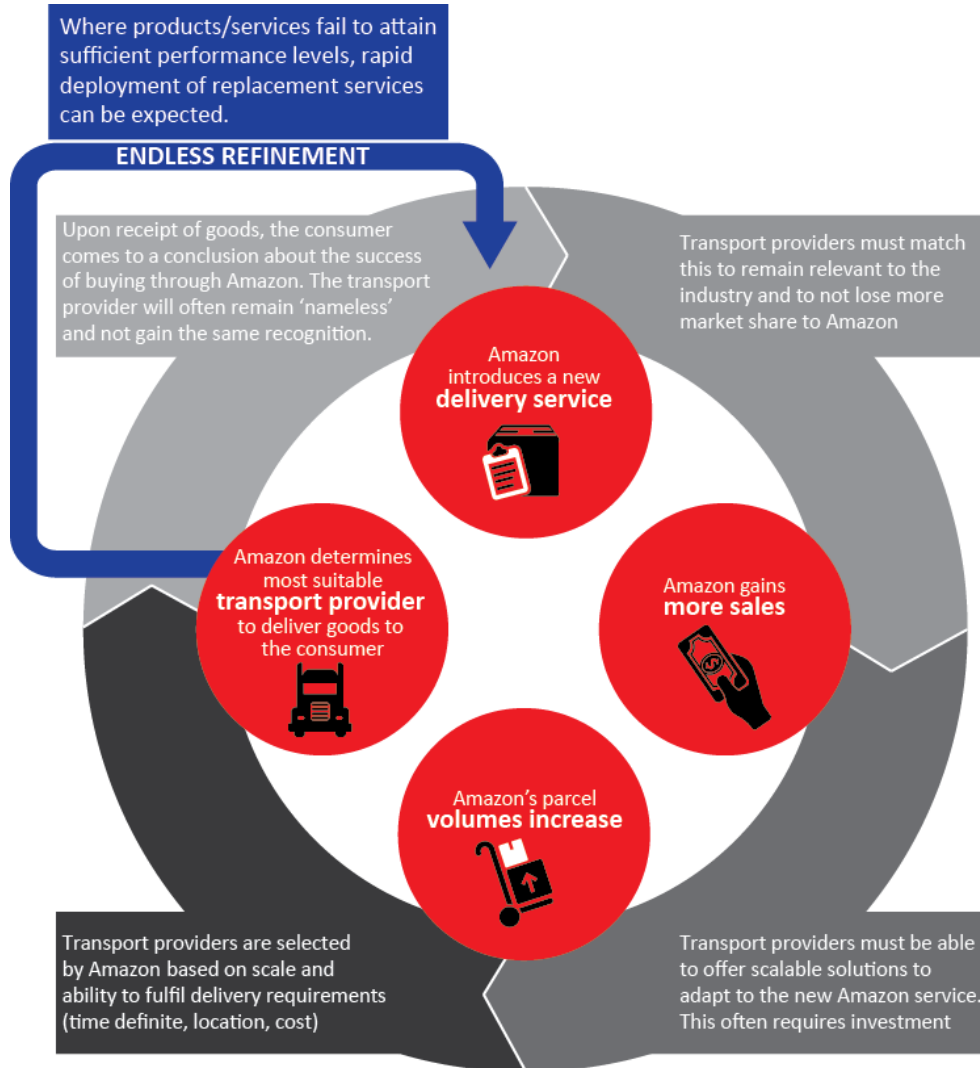
Regardless of who is winning the race for volumes and profits, consumers continue to spend and the e-commerce logistics market continues to grow. Ti has estimated a global growth rate of 20.9% year-over-year in 2015, driven primarily by growth in China's e-commerce logistics market. China has relaxed its policies on online imports of late, with duty charged on small online purchases from abroad now lower than the tax charged on domestic purchases in China. China has also established free-trade zones in nine cities, where parcels from overseas move through customs faster than before.

e-commerce logistics growth is also being propelled by the increased connectivity of consumers through m-commerce and the 'Internet of Things'. Technology also means that consumers now have exposure to better prices, product availability and choice from outside of their country of residence. Retailers and logistics providers have been reacting to this increase in demand in a number of ways:

- Japan Post has responded to the expansion of the e-commerce market by developing new services and acquiring Toll Holdings Limited
- UPS has developed its cross-border e-commerce services, offering consumers in 100 countries the ability to shop online in the US and UK as if they were shopping in their own country
- XPO Logistics has developed a presence in e-commerce logistics via acquisition and serves customers through its Last Mile and Logistics Divisions.

However a company establishes success in e-commerce logistics, the prospects for continued success know no bounds.

2.1 e-commerce market overview



e-commerce customers consider delivery options a key factor when deciding to purchase goods online. Amazon.com's customers expect delivery options to be convenient and at a low cost. As long as consumers expect this they will continue to choose Amazon over other retailers and it will continue to dominate the e-commerce market.

"If Amazon or other e-commerce players don't get their product to you, as you the consumers expect to get it, you're not going to go back to their website. It's all about the selection, the price, the convenience and the customer experience; that's what it's about, that's how Amazon competes."

Alexsander M. Stewart, Managing Director, Transportation and Logistics, Stifel Investment Banking,

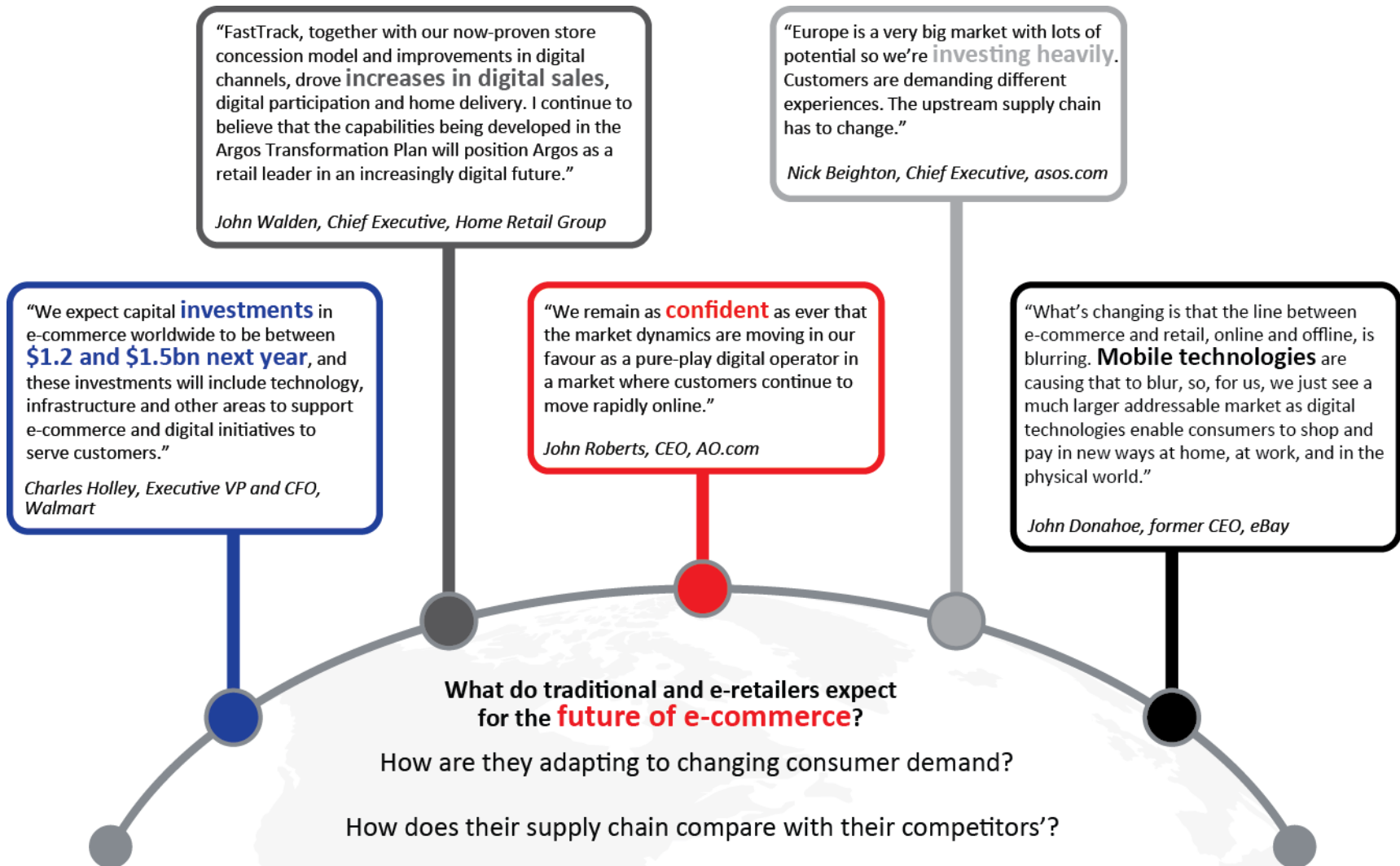
"The future of current last mile delivery solutions is non-existent. To give it a future, you need to make sure that every transport capacity becomes transferable, scalable, and can be adapted at no extra cost to the service the consumer wants, to enable a price where you can make a profit."

Jerome Charlez, former strategy and marketing executive at GeoPost/La Poste

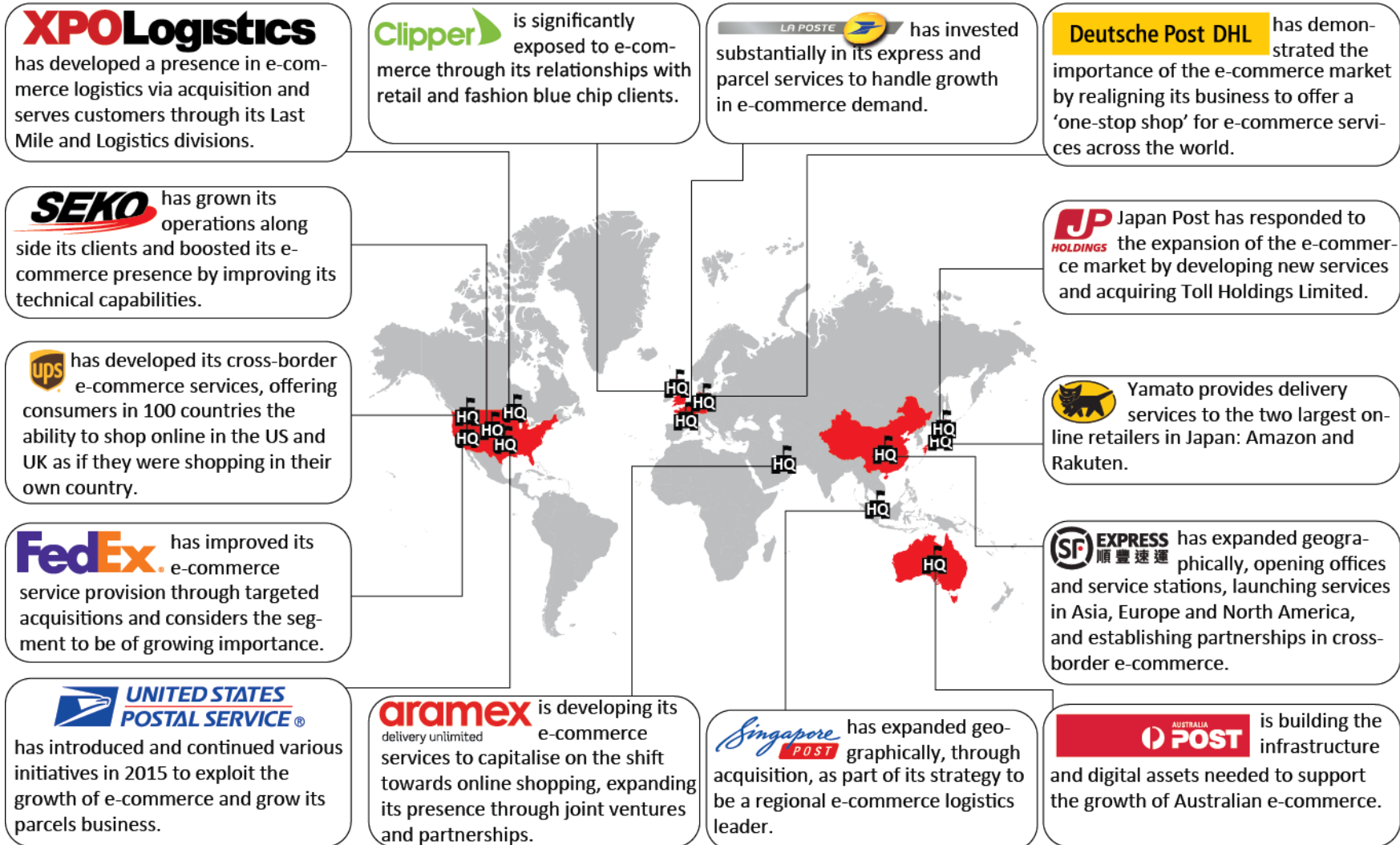
3.1 Supply chain profiles overview



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5.1 Global e-commerce logistics market size and forecast overview

“It is no secret that e-commerce logistics is growing considerably faster than other logistics markets – be it freight forwarding, contract logistics or express. Emerging market e-commerce growth is rocketing along and even most developed markets are growing in double digits. However, there are great challenges for logistics providers to surmount. For one, it is not clear that online retailers are increasingly outsourcing e-fulfilment operations: a huge slice of pie is being left in-house. By far the biggest obstacle, though, remains getting e-commerce logistics services, especially last-mile delivery, to generate sustained profits. Any provider which establishes a strong reputation in the field and finds a formula which yields a consistently decent margin is set for years of success.”

David Buckby, Economist, Ti

2015 e-commerce logistics market size (€bn)



15-19 CAGR rates



Source: Ti

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Global Head Office: +44 (0)1666 519 901

Sarah Smith, Managing Director

T: +44 (0)1423 330 736

E: ssmith@transportintelligence.com

Michael Clover, Business Development Manager

T: +44 (0)1666 519 907

E: mclover@transportintelligence.com

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