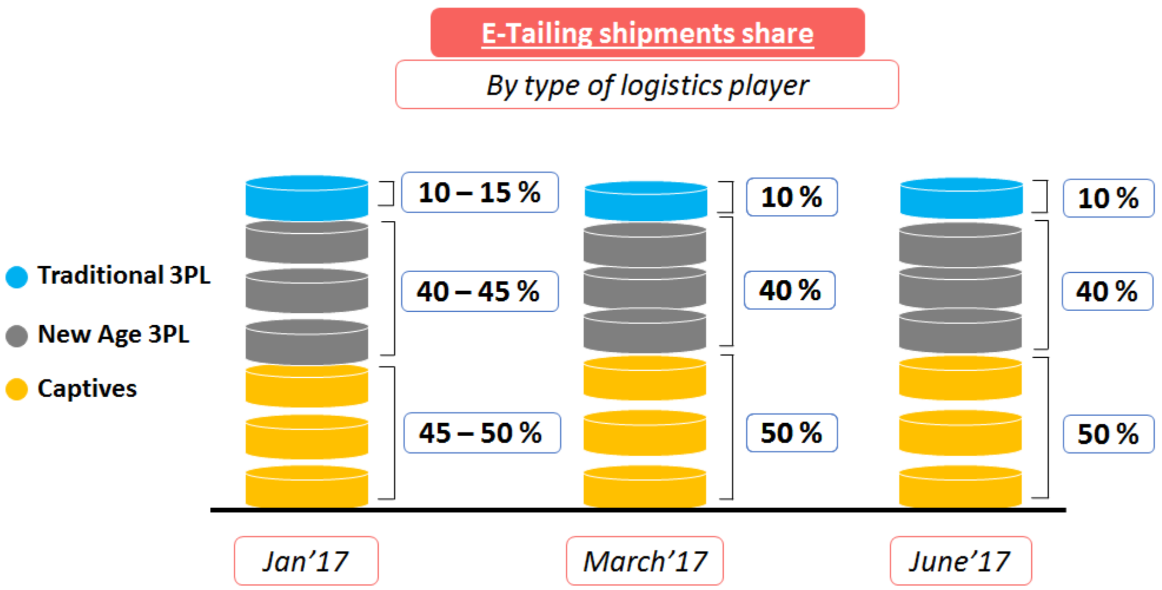
E-logistics Stories:

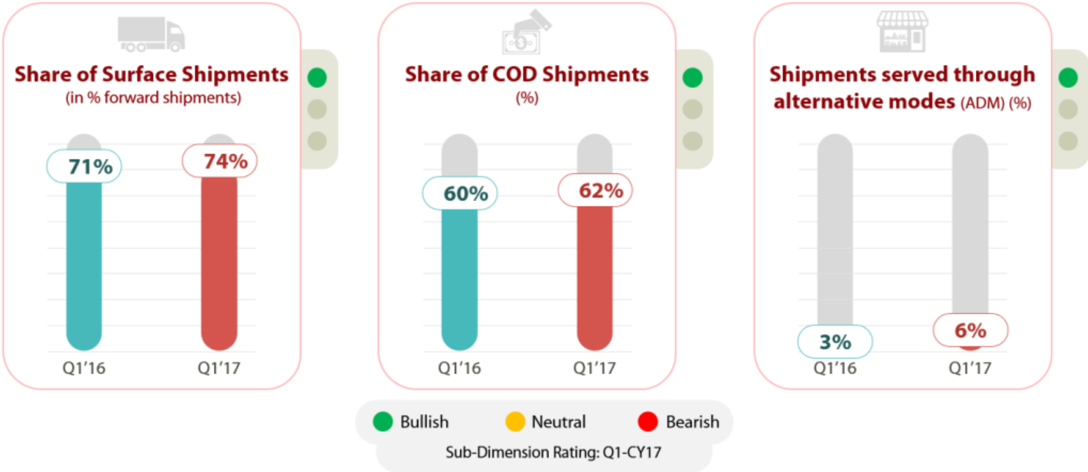
Structure and dynamics of e-logistics industry have stabilized- indicating limited supply side disruption by 3PLs

Broadly stable market share of the three types of players in the industry indicates e-tailer's focus on keeping significant captive share and a lack of disruptive business models and innovative offerings from 3PLs. Cost pressure from clients (e-tailers) and investors on 3PLs leads to limited incentive to innovate but capturing the next phase of e-tailing growth from smaller cities and niche categories demand is that they find the resources to diversify and innovate in their offerings.



Players are fighting hard to adapt their cost structures to the slow-growth era.

RedSeer research shows that e-logistics players have been adapting to the slow growth era by effectively controlling their key cost levers over the past few quarters. The increase in the share of (low cost) surface mode shipments has brought down line-haul costs, with falling share of COD orders also benefiting the industry. Finally, players are experimenting with alternative delivery modes like Kirana stores for bringing down the last mile costs as well.



Will innovations solve traditional supply chain challenges?

Kirana stores are now a very important link in the e-tailer supply chain: Orders delivered or picked up at Kirana stores accounted for >10% of all e-tailing shipments in the JFM'17 quarter, up from ~4% a year ago. The growth of the Kirana store network is crucial for the industry, as it enables a lowering of the delivery failure rate and last mile cost structures, while increasing delivery speeds.

Consumer comfort with buying large items is being enhanced by slotted deliveries: Share of large items delivered via the slotted delivery facility of e-tailers increased to ~40% in JFM'17 or ~3-4% of all e-tailer shipments. Further expansion of the facility is likely to increase consumer comfort with shopping for large appliances online and drive growth of this high potential category.

Will tailwinds derail 3PL players?

E-commerce shipments for 3PLs showed tepid growth of only 8-10%

y-o-y in 2016: ~310 Mn forward and reverse e-commerce shipments were handled by 3PL players in 2016, as the combination of a flat e-tailing market and e-tailer's preference for using captive arms derailed 3PL's growth aspirations.

However, there are early signs that 3PLs are adapting to this challenging business environment: As e-tailers focus on their captive arms, 3PLs have responded by diversifying their clientele, reaching ~40% shipment share from long tail clients by end of 2016, from <30% in early 2016. Additionally, aggressive capacity building to handle Tier 2 city shipments, hyperlocal deliveries and large items, should help 3PLs kick-start growth going forward.

Know more on our methodology

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