



## State of E-logistics in India




- A comprehensive performance review of the E-commerce logistics sector
- Assessed through a regularly tracked set of performance indicators

**CY 16 Review**

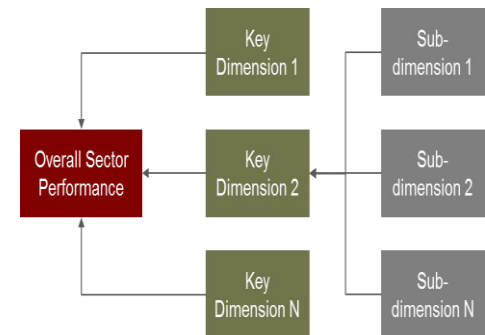
***Published in Feb 2017***

# Introduction to Report

## Report Structure

1. Comprehensive assessment of Indian E-logistics sector performance across *six key dimensions*
2. Each *key dimension* is rated on whether the sector performed *above expectations* (Bullish ) , *broadly as per expectation* (Neutral ) or *significantly worse than expectations* (Bearish ) on that dimension
3. Each *key dimension* is further built up from multiple *sub-dimensions*, which are also rated for the sector using the above criteria
4. Relevant weightages are allocated to each *sub-dimension* to build up the *key dimension* rating, and each *key dimension* is also given an appropriate weight to arrive at *overall sector performance rating*

## Sector Assessment Approach

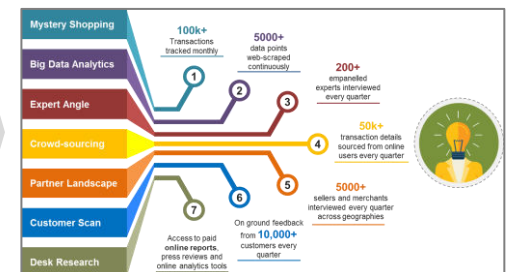


## Research Methodology

RedSeer's Integrated Research Approach™ incorporating the following-

1. Mystery shopping on 20,000+ items every year
2. Expert interviews on 3PL industry

## Integrated Research Approach™



# Five key dimensions for assessing sector performance

SN	Key Dimension	Sub-Dimensions	Weightage of Key Dimension
1	Shipment Performance	<ol style="list-style-type: none"> <li>Overall Industry Level Volume Performance</li> <li>Q-o-Q Captive Vs 3PL Performance</li> <li>Q-o-Q Forward &amp; Reverse Volume Performance</li> </ol>	
2	Clientele Diversification	<ol style="list-style-type: none"> <li>Share of Large Shipments</li> <li>Shipment Share of Tier 2+ cities</li> <li>Share of Hyperlocal Shipments</li> <li>Shipment Share of long tail clients</li> </ol>	
3	Pin code Reach	<ol style="list-style-type: none"> <li>Forward Shipments Pin code coverage</li> <li>Reverse Shipments Pin code coverage</li> <li>Large Shipments Pin code coverage</li> </ol>	
4	Delivery Excellence	<ol style="list-style-type: none"> <li>Q-o-Q Overall S2D time (Local, Zonal, National)</li> <li>Q-o-Q Compliance to promise time (Local, Zonal, National)</li> </ol>	
5	Unit Economics	<ol style="list-style-type: none"> <li>Cost per shipment</li> <li>Q-o-Q Revenue</li> </ol>	
<b>Overall Performance</b>			



High



Medium



Low

# Agenda

**A** Industry Review- CY16







**B** Player Assessment- CY16

**C** Appendix- 2020 Scenario

**D** Appendix- RedSeer Offerings



# E-Logistics Sector Assessment Scorecard- CY 2016

SN	Key Dimension	Sector Performance Summary-CY16	Assessment Rationale
1	Shipment Performance		<ul style="list-style-type: none"> <li>E-tailing industry grew <b>12%</b> Y-o-Y in 2016 which was considerably less than <b>~180%</b> Y-o-Y growth seen the previous year.</li> <li>As a result, e-logistics industry failed to meet expectation growing only at <b>~18%</b></li> </ul>
2	Clientele Diversification		<ul style="list-style-type: none"> <li>E-logistics industry saw diversification in product portfolio with <b>~5% being large and hyperlocal shipments</b> each and <b>over 50%</b> of shipments going to <b>Tier 2+ cities</b></li> <li><b>~35%</b> of shipments came from long tail clients</li> </ul>
3	Pin code Reach		<ul style="list-style-type: none"> <li>New Age 3PLs which started the year around 5000 pin code coverage expanded strongly to over <b>10000 pin codes</b></li> <li>Large pin code coverage reached around <b>7000</b></li> </ul>
4	Delivery Excellence		<ul style="list-style-type: none"> <li>Delivery performance both in terms of speed and compliance levels <b>improved</b> in 2016</li> </ul>
5	Unit Economics		<ul style="list-style-type: none"> <li>Cost incurred per shipment by logistics companies was decreased throughout the year reducing to <b>85%</b> of overall value seen at the start of the year</li> <li>Revenue levels stagnated for 3PLs due to increased dependence on captive logistics</li> </ul>
6	<b>Overall Performance</b>		<b>Overall, CY16 was a challenging year for the sector, but one that forced the logistics companies to improve their unit economics and supply chain</b>



Bullish



Bearish



Neutral

# E-logistics industry grew moderately to ~650 Mn shipments in 2016

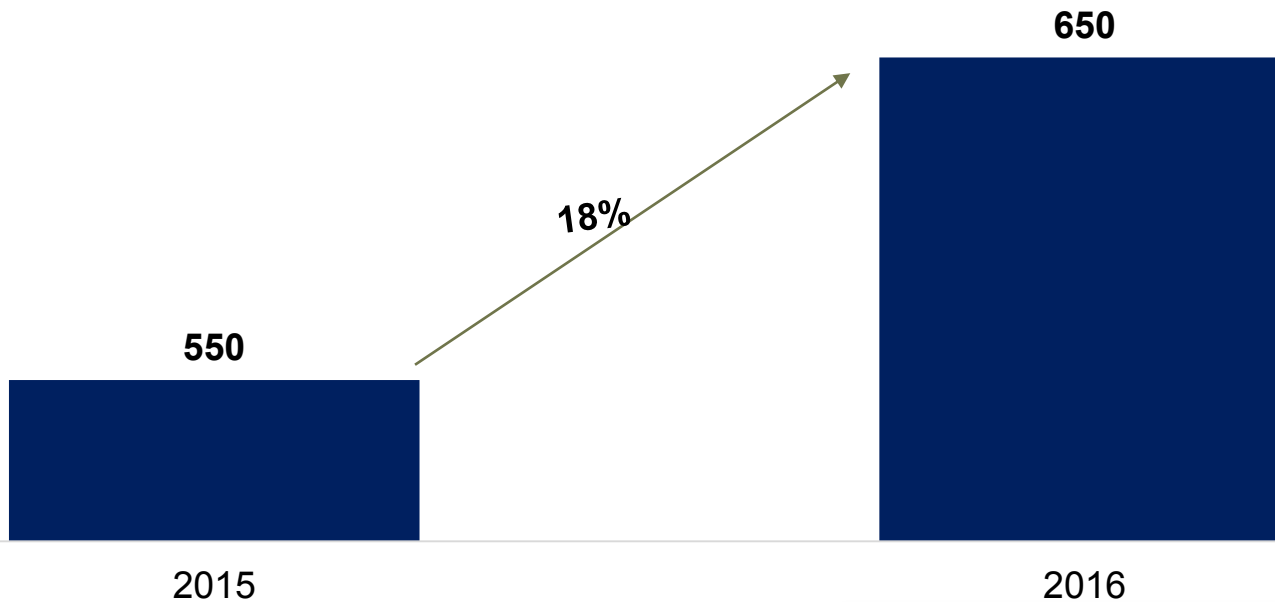
Key Dimension  
Rating-CY16



## Indian E-Logistics Industry

### E-tailing, hyperlocal & reverse shipments for 3PLs & Captive

(2015-2016 growth trends, Million Shipments)



- Breakout year for sector
- Food tech still in nascent stage
- Overall Market Size- **\$700 Mn**

- Increased focus on captive reduced market potential for 3PLs
- Contribution of food tech grew to ~5%
- Overall Market Size- **~\$1 Bn**

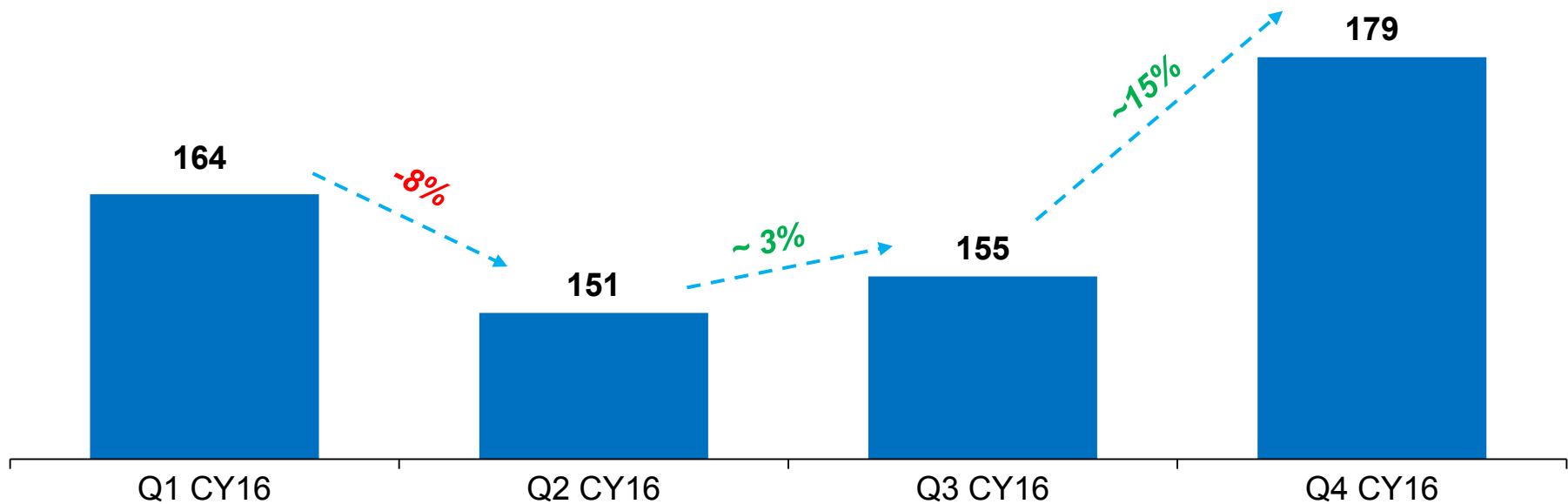


# Driven by a strong festive season, Q4'16 turned out to be a blessing for the industry mirroring the sentiments of e-tailing industry

Key Dimension  
Rating-CY16



## Indian E-logistics Industry E-tailing, hyperlocal & reverse shipments for 3PLs & Captive (For Each Quarter in Calendar Year, Millions Shipments)



- Government regulations led to e-tailers moving their focus away from improving sales
- Quarter was spent in tackling these regulations

- Quarter was relatively stable with e-logistics players still coping from new regulations
- End of Quarter 2 saw first big sales event in 2016

- Return of sales events in July and August saw increase in shipments
- Hyperlocal continue to improve quarter on quarter

- Festive sales held in October and overall strong performance in Q4 from e-tailing sector ushered in growth
- Demonetization significantly boosted the hyperlocal shipments

# Captive logistics became the dominant logistics partner in 2016; Reverse shipments continued to be an attractive market

Key Dimension  
Rating-CY16



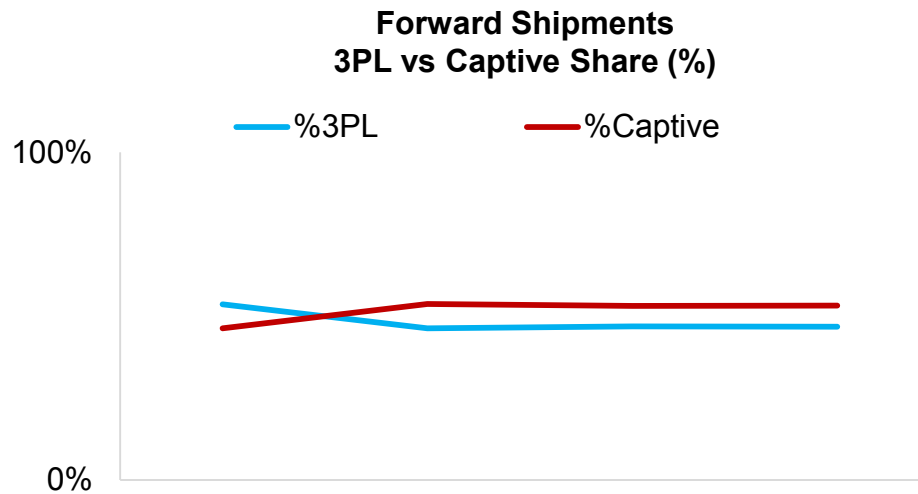
Sub-Dimension

Sub-Dimension Time Trend For CY16

Sub-Dimension  
Rating -CY16

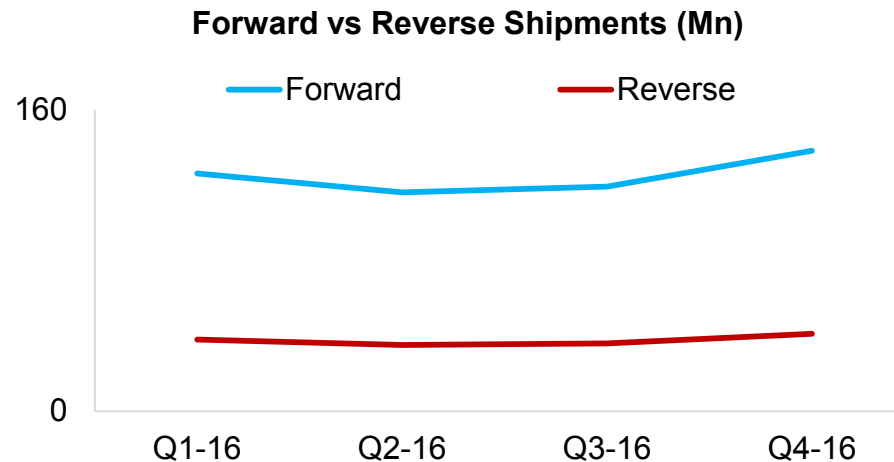
1

**Captive Vs 3PL  
Volume  
Performance**



2

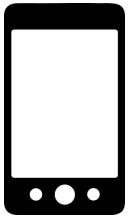
**Forward  
Vs  
Reverse  
Volume  
Performance**





# Shipments Performance - Key takeaways

Key Dimension  
Rating-CY16



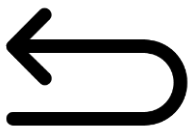
## E-tailing industry slowed down due to a number of external factors

- Govt. regulations prove to be a roadblock and shift e-tailer's focus away from growth
- In an industry which relies so much on cash (65%-70% orders are CoD), demonetization put brakes on the momentum achieved post a successful October festive period



## Captives continued to capture greater share of e-logistics industry

- E-tailers are focusing on captives to better control the consumer delivery experience, thereby decreasing potential 3PL market size
- 3PLs, both traditional and ecom specific contribute minimally in hyperlocal which is also dominated by captives








## Reverse shipments continue to provide sizeable market opportunity for e-logistics

- Operational costs associated with return shipments is a moderate barrier to E-logistics industry
- Cost associated per return shipments is considerably higher to forward shipment and high returns rate results in e-tailers reducing their shipments share, thereby affecting overall revenue for 3PLs

## **Clientele Diversification- E-logistics industry diversified further in CY16 in terms of type of shipments, end users as well as e-tailers**


Key Dimension  
Rating-CY16



SN	Sub-Dimension	Description	Sub-Dimension Rating -CY16
1	Share of Large Shipments	Percentage growth of large shipments compared to overall industry volume	
2	Shipment Share of Tier 2+cities	Percentage growth of tier 2+ shipments compared to overall industry volume	
3	Share of Hyperlocal Shipments	Percentage growth of Hyperlocal shipments compared to overall industry volume	
4	Shipment share of long tail clients	<ul style="list-style-type: none"> <li>Percentage growth of Shipments from clients other than Big 5 e-tailers compared to overall industry volume.</li> <li>Zivame, W for Women, Lime road, Shop CJ, Xiaomi, etc. are few small e-tailers which are totally dependent on 3PLs for their logistics as they don't have the funds to develop captive logistics.</li> </ul>	
5	<b>Overall Clientele Diversification</b>		



# E-logistics industry saw a greater share of large and Tier 2+ shipments in 2016

Key Dimension  
Rating-CY16 

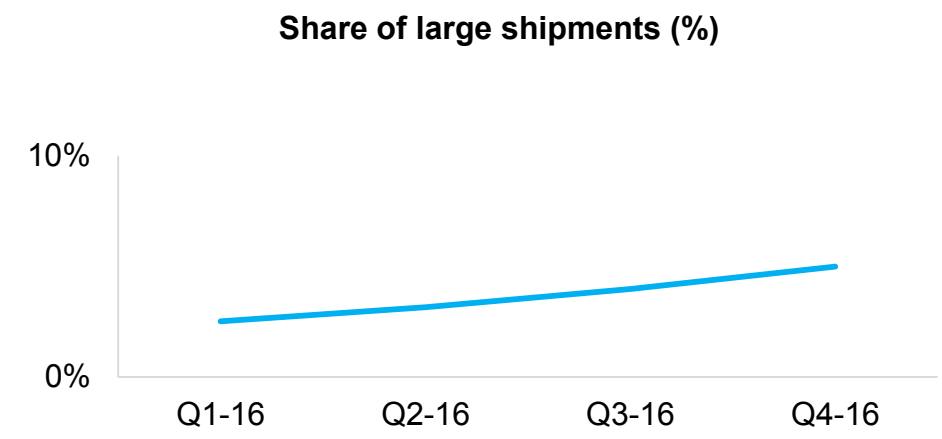
Sub-Dimension

Sub-Dimension Time Trend For CY16

Sub-Dimension  
Rating -CY16

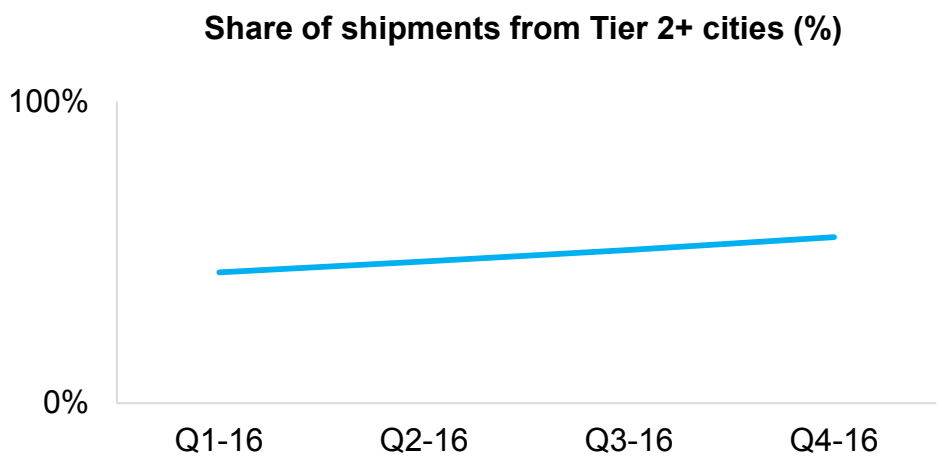
1

**Share of Large shipments**



2

**Shipment Share of Tier 2+cities**



# E-logistics industry experienced diversification both in terms of end-users as well as number of e-tailers served

Key Dimension  
Rating-CY16

↑

<u>Sub-Dimension</u>	<u>Sub-Dimension Time Trend For CY16</u>	<u>Sub-Dimension Rating -CY16</u>										
<div>3</div> <div>Share of Hyperlocal Shipments</div>	<div>Share of hyperlocal shipments (%)</div>  <table><tr><th>Quarter</th><th>Share of hyperlocal shipments (%)</th></tr><tr><td>Q1-16</td><td>4.5</td></tr><tr><td>Q2-16</td><td>5.5</td></tr><tr><td>Q3-16</td><td>6.0</td></tr><tr><td>Q4-16</td><td>6.5</td></tr></table>	Quarter	Share of hyperlocal shipments (%)	Q1-16	4.5	Q2-16	5.5	Q3-16	6.0	Q4-16	6.5	↔
Quarter	Share of hyperlocal shipments (%)											
Q1-16	4.5											
Q2-16	5.5											
Q3-16	6.0											
Q4-16	6.5											
<div>4</div> <div>Shipment share of long tail clients</div>	<div>Shipment share of long tail clients (%)</div>  <table><tr><th>Quarter</th><th>Shipment share of long tail clients (%)</th></tr><tr><td>Q1-16</td><td>30</td></tr><tr><td>Q2-16</td><td>31</td></tr><tr><td>Q3-16</td><td>32</td></tr><tr><td>Q4-16</td><td>35</td></tr></table>	Quarter	Shipment share of long tail clients (%)	Q1-16	30	Q2-16	31	Q3-16	32	Q4-16	35	↑
Quarter	Shipment share of long tail clients (%)											
Q1-16	30											
Q2-16	31											
Q3-16	32											
Q4-16	35											

# Clientele Diversification- Key takeaways

Key Dimension  
Rating-CY16



## E-logistics players have invested a significant capital in improving its large supply chain

- Dedicated warehouses for large appliances as well as delivery centres have been established to enhance large supply chain delivery performance and cost optimization



## In future, Tier 2+ cities would provide biggest opportunity for e-logistics industry

- Growing internet and smartphone penetration will drive a steady growth in eCommerce users from Tier 2+ cities by 2020
- Ecommerce consumers are expected to rise from 46 Mn (2016) to 120 Mn by 2020; the increase coming primarily from Tier 2+ cities



## Although hyperlocal shipments volume will have a considerable jump, its overall share to e-logistics is expected to remain stagnant

- Increased internet penetration coupled with changing workforce demographics is expected to be prime driver of growth in this industry
- 3PLs have a limited share (<10%) in this market as it is dominated by captive logistics arms



## 3PLs' dependence on big e-tailers have started to reduce Y-o-Y

- 3PLs continue to get greater number of shipments from long tail clients which allows them to diversify their clientele
- Diversified clientele also allows 3PLs to nullify increased cost pressure faced in case of consolidated client base

# Pin code coverage increased across e-logistic companies especially among captive logistics and new age 3PLs

Key Dimension  
Rating-CY16



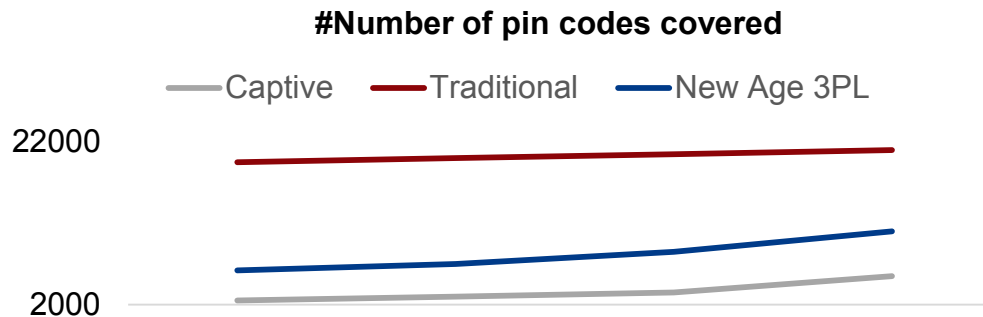
Sub-Dimension

Sub-Dimension Time Trend For CY16

Sub-Dimension  
Rating -CY16

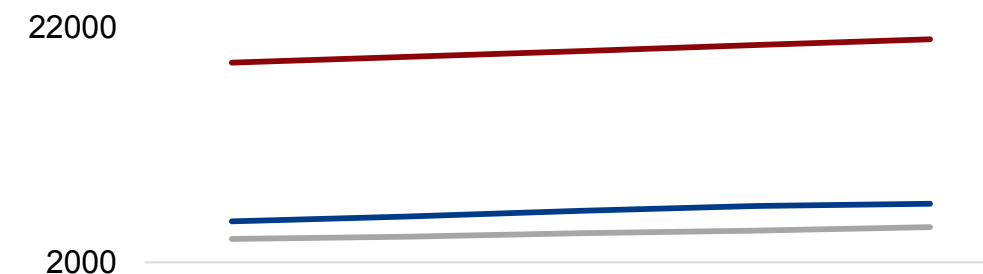
1

Forward Shipment  
pin code coverage



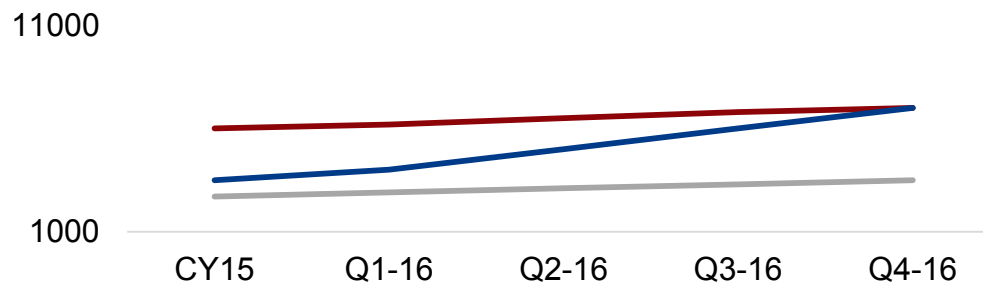
2

Reverse Shipment  
pin code coverage



3

Large Shipment  
pin code coverage



## Delivery Excellence- Both delivery speed and compliance improved across the industry

Key Dimension  
Rating-CY16



SN	Sub-Dimension	Description	Sub-Dimension Rating -CY16
1	Shipping to Delivery time (local)	Q-o-Q comparison of S2D time between Captive, traditional & New Age 3PLs	
2	Shipping to Delivery time (Zonal)	Q-o-Q comparison of S2D time between Captive, traditional & New Age 3PLs	
3	Shipping to Delivery time (National)	Q-o-Q comparison of S2D time between Captive, traditional & New Age 3PLs	
4	Compliance (Local)	Q-o-Q comparison of delivery performance between Captive, traditional & New Age 3PLs	
5	Compliance (Zonal)	Q-o-Q comparison of delivery performance between Captive, traditional & New Age 3PLs	
6	Compliance (National)	Q-o-Q comparison of delivery performance between Captive, traditional & New Age 3PLs	
7	<b>Overall Delivery Excellence</b>		



# Delivery speed improved at zonal and national level while it was stable for local shipments

Key Dimension  
Rating-CY16



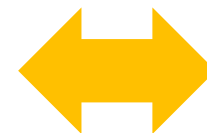
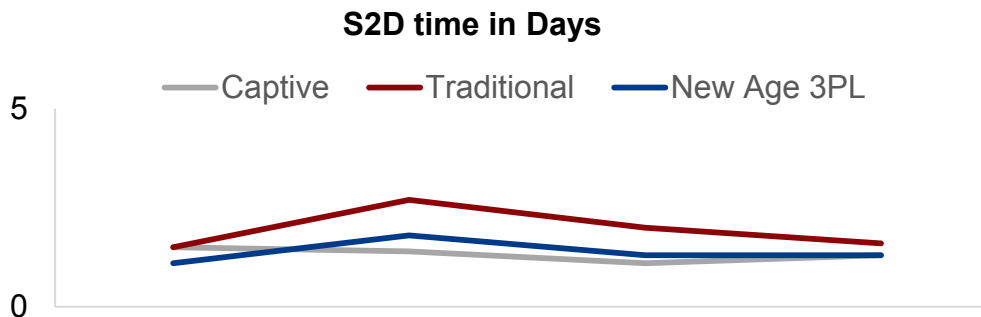
Sub-Dimension

Sub-Dimension Time Trend For CY16

Sub-Dimension  
Rating -CY16

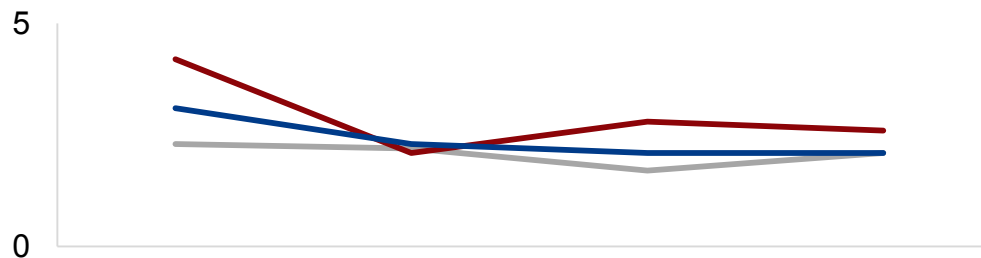
1

**S2D time  
(Local)  
NCR to Delhi**



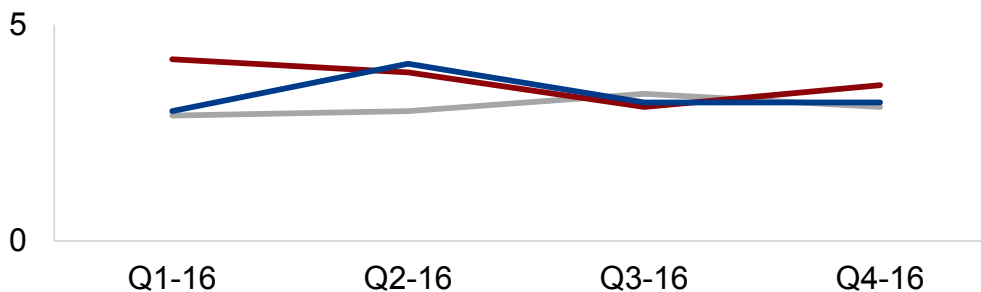
2

**S2D time  
(Zonal)  
Delhi to Kanpur**



3

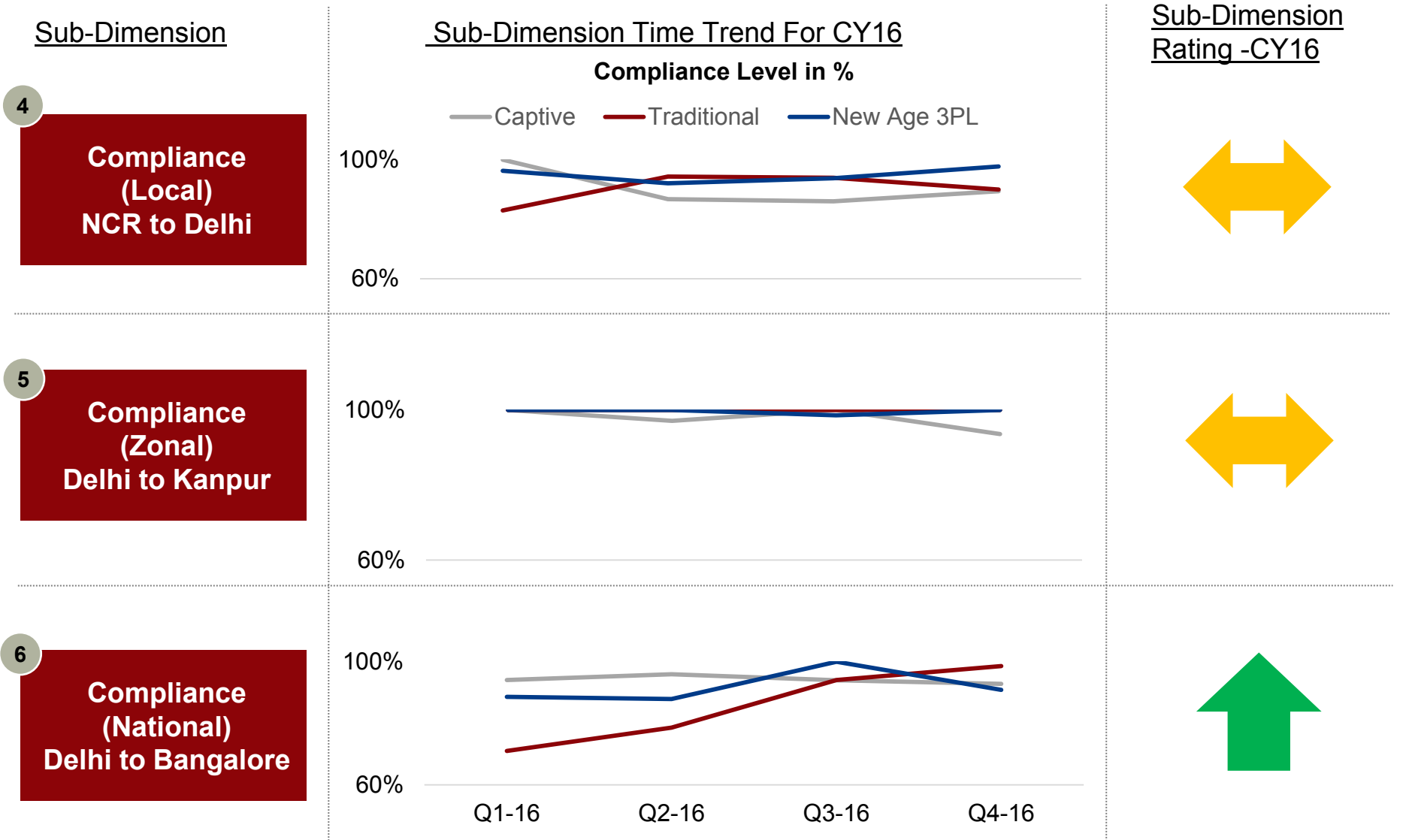
**S2D time  
(National)  
Delhi to Bangalore**





# Similarly, compliance levels increased at national level while it was stable at local and zonal levels

Key Dimension Rating-CY16



# Delivery Excellence- Drivers of speed improvement

Key Dimension  
Rating-CY16



## Increase in regional utilization

- Both captive and 3PL companies are focusing on increasing regional utilization
- Sellers are geotagged to reduce the distance and time travelled by a shipment



## Focus on route optimization

- In first mile, establishment of centralised pickup point to allow smoother transfer of shipments
- Improvement in last mile connectivity through optimization of routes where a delivery executive can handle multiple orders



## Extensive investment by logistics players to improve supply chain coverage

- Logistics players have invested significantly to improve the supply chain network by establishing greater number of delivery hubs, sorting centres and warehouses across the country



# Logistics players focused on improving their unit economics however overall revenues stagnated for 3PLs throughout the year

Key Dimension  
Rating-CY16



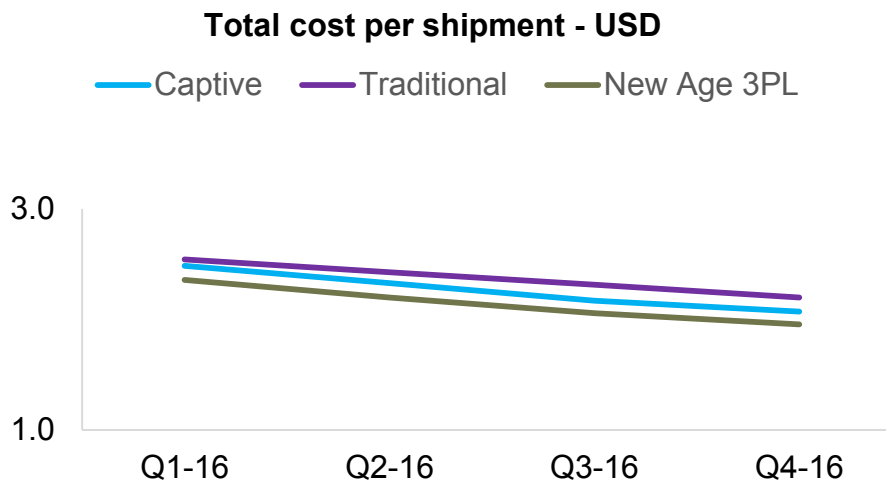
Sub-Dimension

Sub-Dimension Time Trend For CY16

Sub-Dimension  
Rating -CY16

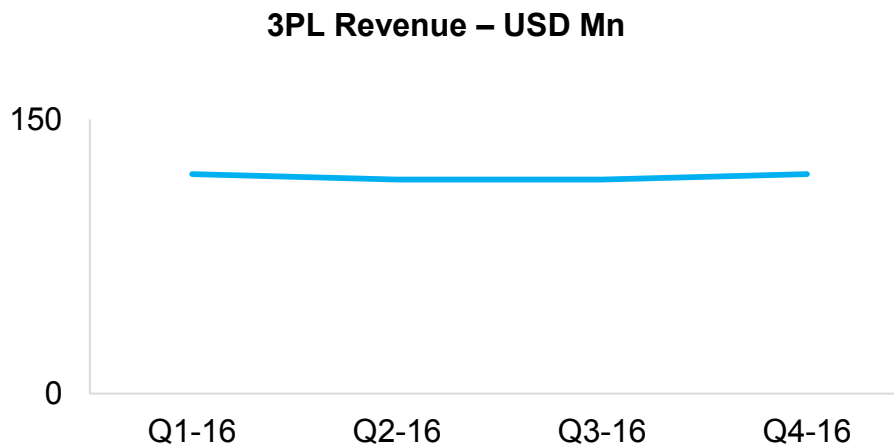
1

**Cost per Shipment**



2

**Q-o-Q Revenue**



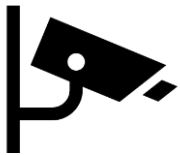
# Logistics players achieved improvement in cost efficiency by undertaking a myriad of new initiatives

Key Dimension  
Rating-CY16



## Increased regional utilization has optimized cost

- E-tailers and in turn 3PLs are focusing on reducing the distance and time travelled by a shipment to improve cost efficiency
- Regional utilization in the industry has reached ~50% implying roughly ~50% of shipments traversed intra-zonally



## Increased use of automation to and supervisory best practices has improved efficiency and reduced manpower costs

- Logistics companies focused on utilizing automation at first mile, loading/unloading of goods and sorting of shipments through conveyer belts and automatic sorters
- Increased supervision to reduce absenteeism among workers along with fraudulent practices observed in first mile and last mile



## Use of alternative modes of deliveries

- Logistics players, both captive and 3PLs are utilizing the country's vast network of Kirana stores, medical shops to optimize last mile deliveries
- New Age 3PLs such as Delhivery has tied up with local restaurants to utilize the latter's manpower to deliver goods



## What went right for the sector

1. Diversification of handled shipments both in terms of shipment profile as well clientele allowed 3PLs to reduce their risk due to client consolidation
2. Increased focus on expanding pin code coverage was seen in the industry especially from captive logistics and new age 3PLs to be better prepared for changing consumer demographics
3. Delivery performance both in terms of speed as well as compliance stabilized over the year
4. Unit economics for the sector improved, driven by cost reductions by optimization of supply chain

## What went wrong for the sector

1. Overall shipments growth did not meet the industry expectation, primarily due to slowdown experienced by e-tailing sector
2. Increased dependence on captives logistics by big e-tailers have reduced the potential market for 3PLs both in terms of revenue and shipment size

# Agenda

**A** Industry Review- CY16

**B** **Player Assessment- CY16**

**C** Appendix- 2020 Scenario

**D** Appendix- RedSeer Offerings



# Player Assessment



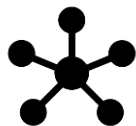
## Shipment Performance

- **eKart** and **ATS**, which are captive arms of Flipkart and Amazon respectively, handled the highest numbers of shipments in the industry (**~80% of the total shipments of Flipkart and Amazon**)
- Among new age 3PLs, **Delhivery** had a slight lead over **Ecom Express** in terms of shipments handled



## Clientele Diversification

- **Ecom Express** has a competitive edge in terms of consumer shift towards Tier 2+ cities due to its larger reach, however **Delhivery** leads in terms of e-tailers served
- Traditional 3PLs like **Blue Dart** and **GATI** have an edge in handling large shipments. Among new age 3PLs, **Delhivery** has a competitive edge over **Ecom Express**, the latter having no presence in large shipments



## Reach

- **Traditional 3PLs** have a wider network of pin code coverage serving close to **20,000** pin codes. **New age 3PLs** pin code coverage is around **7000**, followed by **captives** who serve around **5000** pin codes
- Among new age 3PLs, **Ecom Express** served ~11,000 pin codes significantly leading the nearest rival **Delhivery** which served close to 7,000 pin codes



## Delivery Excellence

- **Ekart** was the best performing captive leading ATS by almost a day for zonal and national deliveries
- Among new age 3PLs, **Ecom Express** was slightly faster than **Delhivery** in the above discussed lanes. Similarly, **Blue Dart** was faster than **GATI** across all the three lanes

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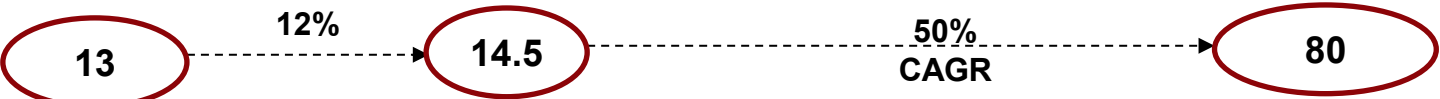




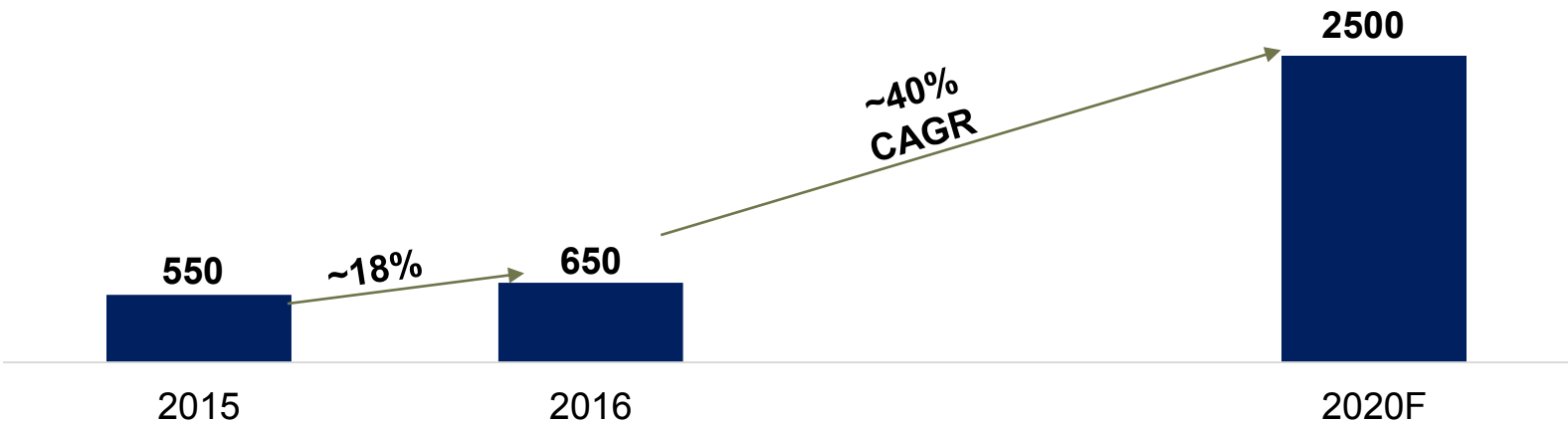
# E-logistics industry is expected to grow to 2500 Mn shipments by 2020 due to growth in e-tailing industry

Key Dimension  
Rating-CY16 

Overall  
E-Tailing  
GMV in  
Bn ->



## Indian E-Logistics Industry E-tailing, hyperlocal & reverse shipments for 3PLs & Captive (2015-2020 growth trends, Million Shipments)



- Breakout year for sector
- Food tech still in nascent stage
- Overall Market Size- **\$700 Mn**

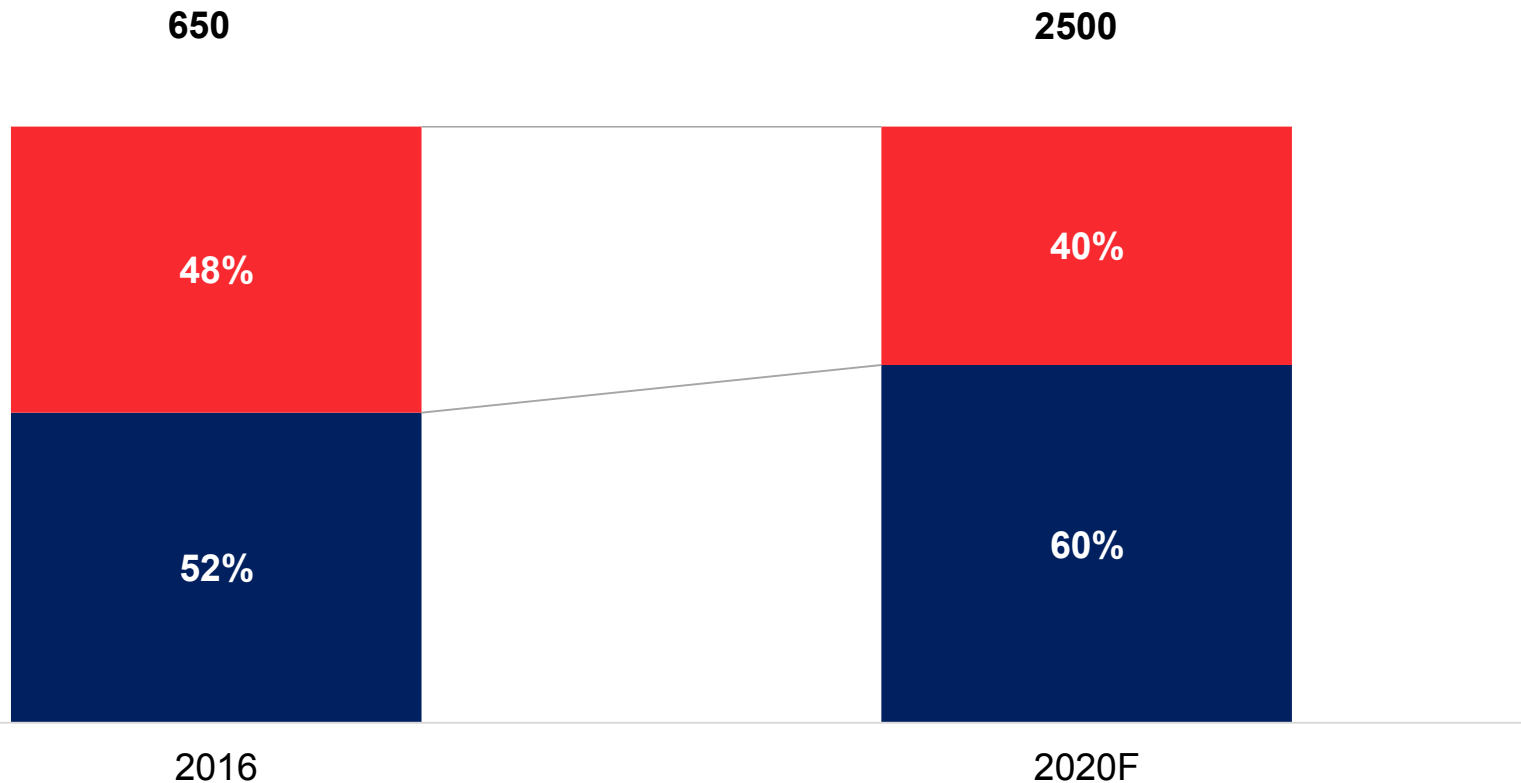
- Increased focus on captive reduced market potential for 3PLs
- Contribution of food tech grew to ~5%
- Overall Market Size- **~\$1 Bn**

- Share of reverse shipments will decrease
- 3PL market to be ~1-1.2 Bn shipments
- Hyperlocal to remain minimal



**E-tailing, hyperlocal & reverse shipments for 3PLs & Captive**  
(2015-2020 growth trends, Million Shipments)

■ Captive      ■ 3PL



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**For RedSeer Offerings please contact us at [v@redseerconsulting.com](mailto:v@redseerconsulting.com)**

**RedSeer is the leader  
in the internet  
advisory space**

**90%**

*Indian GMV as  
clientele*

**>USD 5 Bn**

*Investments  
Diligence Completed*

**400+**

*Engagements in  
internet space*

**50+**

*Leading global funds  
as clientele*

**Thank You !**  
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