



EXPEDITING LOGISTICS

Speedy delivery system is a boon for traders making time-definite deliveries. Goods sold on cash-on-delivery basis can travel faster, ensuring faster collections.

by Deepika Amirapu

Logistics is the business of moving material for businesses or people from factories or warehouses to other firms that need them or to the end user. And express logistics is just moving these faster in a time-bound manner. Until e-commerce made an entry, the express logistics market remained as just an arm of most companies that moved goods and delivered important documents speedily. Non-documents, as the other division is called, hardly accounted for

any size in the fast forward business.

However, today the industry is growing at a compounded annual growth rate of 12 per cent every year, thanks to better road connectivity, increase in purchasing power in Tier I and Tier II cities and most importantly, a rise in the purchase of electronic goods online. The rise in electronic spends spurred a revolution in the ecommerce market that led to all other categories of retail products being sold and shipped on sites all

across India. A couple of years ago, major metropolitan cities in India accounted for 85 per cent of all ecommerce trade in India. But, today, with E-retail catching up even in Tier II cities, the e-commerce trade split now reads 65 per cent in bigger cities and 35 per cent from the smaller ones.

This has given the express logistics industry a boost. **P C Sharma, CEO & Whole time Director, TCI Express** speaks of how this has given players such as theirs impetus to foray into

many industries and focus on end to end express logistics than focus on transporting finished goods alone. "Customers in other industries such as automobile and pharmaceutical sectors use express logistics regularly. These industries are fairly predictable in terms of their demand barring a few seasonal fluctuations," said TCI's Sharma. This expansion has helped TCI Express hedge itself against the seasonal sales led approach in the e-retail market where much of the sales happen during the festivals alone.

TCI, like most other firms such as Gati and Safexpress moves goods from factory to warehouse to the fulfilment centre without any undercutting compared to other smaller players in the disorganised market. A senior industry spokesperson from the Future Group said express logistics was born disrupting the supply chain business; to plug the inefficiencies in the system. Speed logistics, as it is also called, came as a big boon for high value customers who placed orders for these items on websites. In such cases, a speedy delivery system would help assuage the customer's fears about product misplacement. Secondly, traders selling goods across cities on a cash on delivery basis wanted their wares to travel faster to ensure shorter quicker collections. This led to the express delivery model springing.

Safexpress, one of the pioneers in express delivery says their model is designed to suit high value and high volume customers. They ensure time-definite deliveries through a robust network supported by 'hub and spoke' model, which is intended to minimize the distance travelled and strategic management of logistics. Their fleet of over 4,500 containerised vehicles covers the entire country proving a comprehensive range of fast, efficient & express transport and logistics services. If e-retail demands delivery of products within 48 hours, most big players and manufacturers require 'just in time' and lean supply chain. Their service also allows customers to plan their in transit inventory – an important input for advanced materials and distribution requirements planning. Thus, the harmonizing of express logistics in to age old supply chain systems has helped create an efficient

delivery system. As the Future Group executive lists it, the door to door delivery system, scheduled movement of vehicles and a higher degree of visibility and transparency have enabled the logistics players win the confidence of customers.

"When TCI started 20 years back, there were just a handful of players. Today, there are almost 10 noted domestic and international players and with the e-commerce segment growing year on year in double digits, we expect the transport segment to be streamlined further as well," said TCI's Sharma.

Therefore, unquestionably, the time-bound delivery system is dependent almost entirely on road transport. Air cargo accounts for only 10 per cent of the speedy delivery system, the industry persons said mentioning that rail logistics is almost absent as an option. Therefore, by mode of transport, surface express is expected to have the largest share in the Express market.

The express division, formed by the rail, road and air transport in India is a premium segment of the logistics industry, providing logistics services for movement of time perceptible shipments. By creating an integrated sequence including multi-modal transport modes, both air and surface, the express industry has fine-tuned the logistics process for time-bound deliveries of shipments across domestic and international regions. The express industry stood at \$3.39 billion in 2015 and the organized express market had recorded a CAGR of 17.50 per cent till 2015. The unorganized players are the local regional players who deliver the parcels and at a very low cost who also acquire a large share of the market.

Growth in any segment of the logistics industry depends on infrastructure availability and involvement of private players and increased government spending which will catalyze the growth in the industry. Currently, more than half of express shipments are delivered through road network. A thrust on logistics infrastructure and road connectivity specifically, the efficiency rate is expected to improve in future by bringing down the cost of logistics.

The introduction of GST is likely to

make the logistics cost in India cheaper as the present distribution of products has been built on a tax arbitrage advantage for the customer. That is, most warehouses and fulfilment centres are currently located in states and cities that offer tax breaks. With GST coming in, taxation efficiency and not tax arbitrage will be the determinant factor in the success of the express logistics system. The TCI executive says the supply chain will be designed with a view for products to reach the customer faster and safer in the absence of any tax disruption. The logistics industry is likely to clip at CAGR of 15-20 per cent during 2016-2020 and if GST is rolled out this year, it can bring down the logistic costs by up to 20 per cent from the present levels.

Logistics will also cost lesser because operators will be able to rationalize and restructure their warehouses and other logistical infrastructure. More firms will adopt the asset light model where trailers and trucks will be leased or owned depending on the delivery location than a regular model of owning all sizes of tonners before assessing parcel size. This will help in reducing the cost of logistics even further helping the industry grow by 16 per cent in the next couple of years.

So what can one watch out for the express logistics segment? A drop in costs means more investment in to supply chain to iron out any inefficiency. Most Indian firms have begun to invest in management information systems, electronic data interface to transmit information faster and in a more accurate manner. This will help the premium logistics segment to grow anywhere between 10 to 15 per cent. The other areas that will ask for a larger chunk of money is infrastructure where most firms such as TCI, Future Group and the others plan on improving sorting centres. The industry is also looking at leaning in on air and sea transport in the coming years to lessen its dependence on surface transport. Therefore, creating an integrated sequence including multi-modal transport modes, both air and surface, express industry will aim to fine-tune the logistics process for time-bound deliveries of shipments across domestic and international regions. 