# The acceleration of e-commerce: getting logistics right

GEODIS Proprietary, 2020

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The spread of COVID-19 has upended daily life across the world, as people retreat inside and businesses suspend storefront operations.

**E-commerce is surging, however, and some of the shift to online shopping**—such as for food, everyday staples or sports and fashion—may last far beyond today's pandemic.

Companies that have not positioned themselves for e-commerce face particularly severe challenges. For example, clothing retailers without an online presence have seen revenues collapse—in some cases from hundreds of millions of euros per month all the way down to zero.

Meanwhile, in the U.S., omnichannel retailers' online sales climbed by 203% for the week ending April 26th vs January 1). When Accenture, a consultancy, surveyed infrequent Ecommerce users, it found that their **DIY tools and materials' purchases jumped from 6% up to 14% during crisis and should stabilize at a 16% level post-crisis.**


As a growing share of the population engages in e-commerce, businesses will need to accommodate the changing demographics of their clients. More elderly shoppers, for instance, will discover the joys of home delivery.

**Shoppers of all ages will come to expect other FLEXIBLE DELIVERY OPTIONS.**

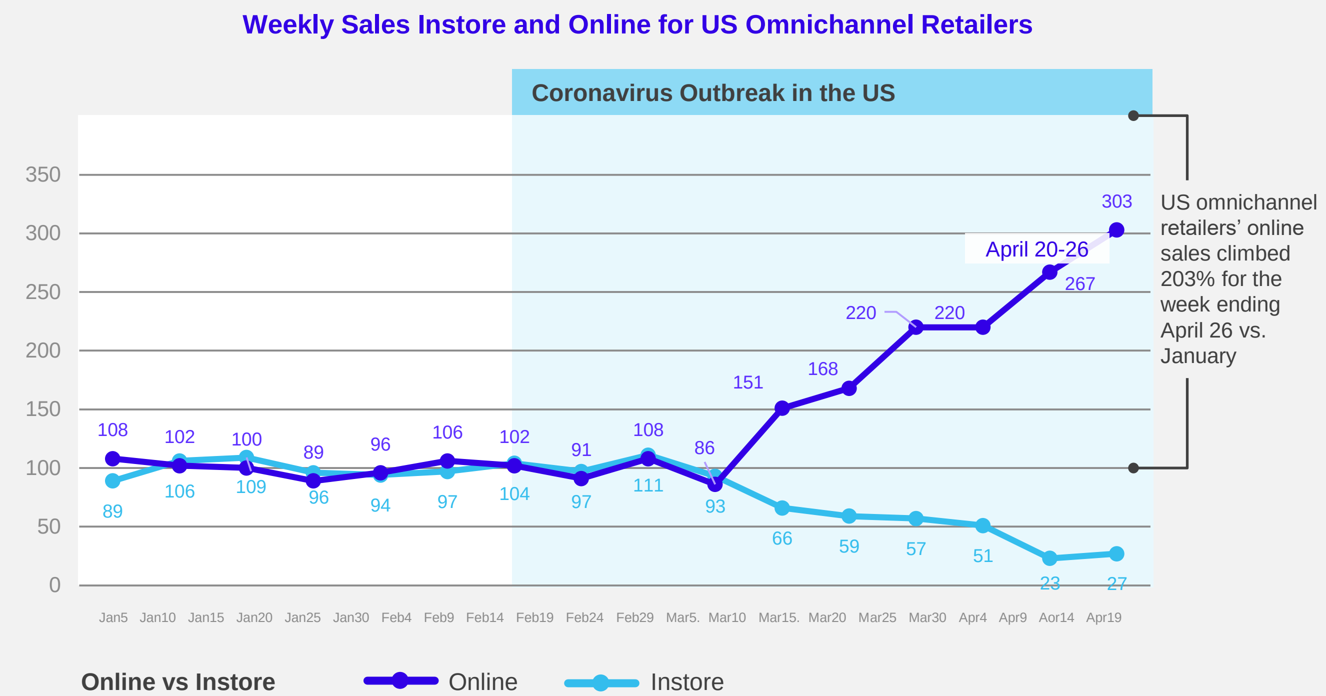
Big French brands—including Decathlon (sporting goods), Bricomarché (home repairs), Jules (clothing), and Conforama (furniture)—are already launching, or scaling up, their curbside pickup operations.

1) Criteo via Kantar Retail. United States Indexed weekly sales for omnichannel retailers compared with average in Jan 1st–28th, 2020. Same set of retailers with stable in-store and online sales tracking in 2020.

Recent history provides further insights into how the shopping landscape could evolve. In 2003, when China battled the SARS epidemic, the country also experienced economy-wide closures. Then, tiny upstarts like Alibaba and JD.com pounced on the opportunity, as China's fledgling e-commerce industry took off.

Today, in China and beyond, companies are similarly positioning themselves for new growth opportunities. **Many brands are doubling down on e-commerce, as they seek to build, strengthen, and retain control over customer relationships.**

## Demand has shifted online in the wake of store closures




**Source:** Criteo via Kantar Retail. United States Indexed weekly sales for omnichannel retailers compared with average in Jan 1st – 28th, 2020. Same set of retailers with stable in-store and online sales tracking in 2020.

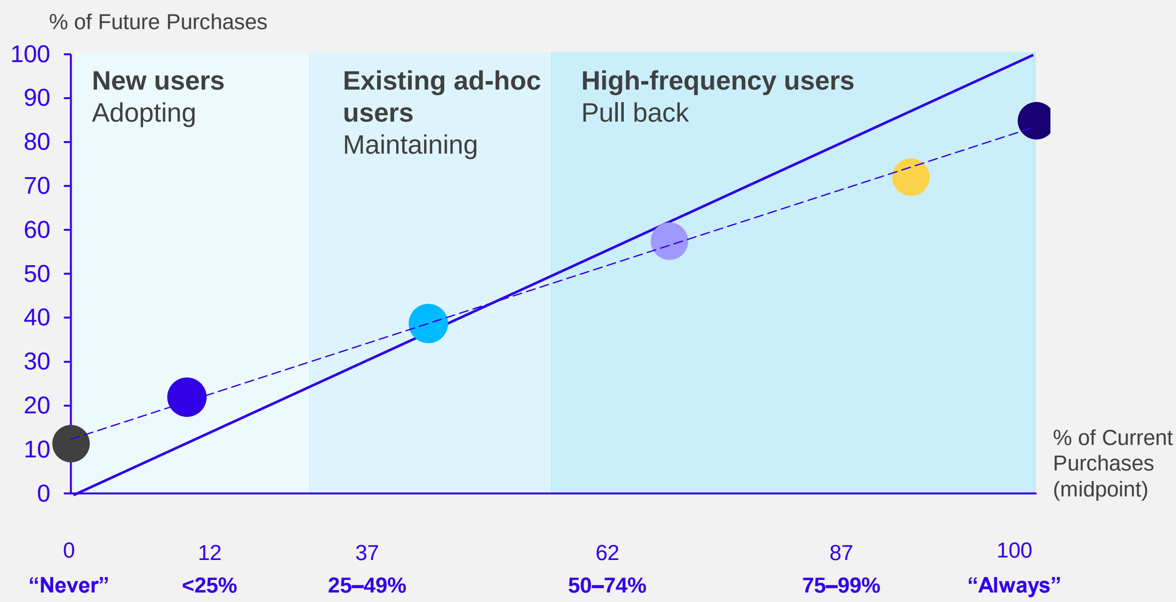


Their efforts are visible in the growing emphasis on selling directly to customers through company's own websites. Such efforts are also reflected in the aggressive online sales' targets that brands are setting.

**A common one is "30 and 3"—achieving at least 30% of a brand's total revenues via online channels over the next three years.**

## High-frequency users plan to pull back on online purchases as demand goes unmet

**Average proportion of future purchases made online, by current frequency**




**Source:** Accenture COVID-19 Consumer Pulse, conducted 2nd–6th April.



But without effective logistics management, efforts to sell across different channels—from brick-and-mortar stores to mobile phones—are bound to disappoint. We know that brands seeking to accelerate their e-commerce operations will confront formidable logistical hurdles. Among them:

- The challenge of **continuously adjusting fulfillment capacity.**
- The challenge of **delivering goods of different sizes**, whether large orders to distribution hubs or small, individually wrapped packages.
- The challenge of **navigating the last-mile delivery**, whose outcome shapes the customer experience.
- The challenge of **managing product returns efficiently**, to keep customers happy.


# GET THE LOGISTICS RIGHT

**These challenges, formidable as they are, often represent just the tip of the logistical iceberg that our clients face. Little wonder that brands struggle to accelerate their e-commerce operations. What’s holding them back?**

## Brands face three common issues:

They're not deeply integrating their physical and digital logistical capabilities. They lack of streamlining visibility and control over inventory across all nodes preventing asset optimization and avoiding loss of sale.

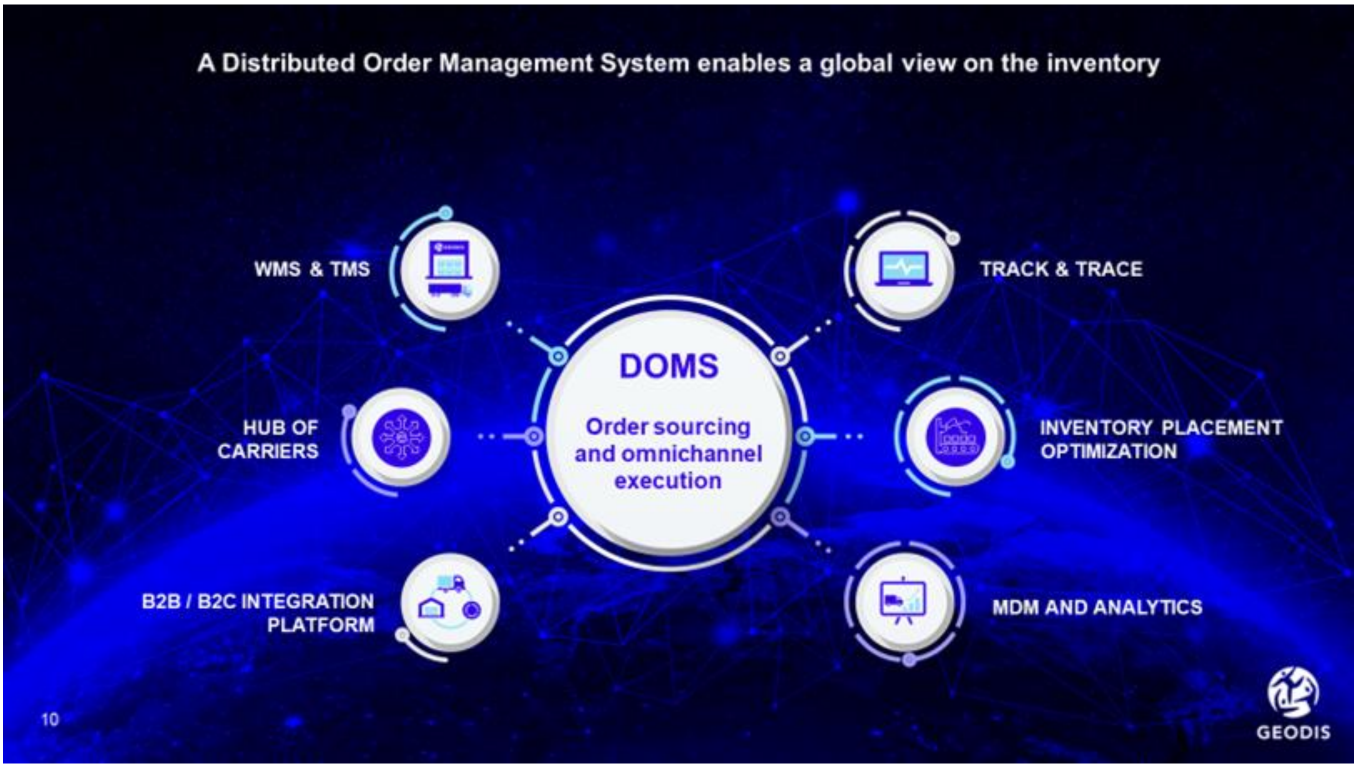
They're not adequately leveraging their wide-ranging assets, like using stores as e-Fulfilment locations and experience centres.

They're neglecting analytics. The lack of forecasting inventory positioning in each node avoid planning backward stock integration, planning production and savings in working capital.

**To set things right, struggling brands require new logistical levers and capabilities. Where to begin?**

**Brands would do well to apply an "omnichannel" mindset to their inventory and ordering procedures,** especially around sourcing, allocation, and processing. This means making better use of order-management tools—to both track orders efficiently and to allocate orders to the right locations (according to service, distance and availability rules).

**It means deploying systems that can reroute orders in real-time (say, if there is an unexpected stockout in a particular location). And it means using tools that offer "one-view" inventory, to ensure that managers have full visibility on all items up for sale.**



E-commerce giants know that hassle-free shopping is key to their success. **Reliable delivery** is one element of this. So is having goods available with minimal wait when customers want them. To reduce the risks (and costs) of over- or understocked inventories, brands should integrate their IT systems and adopt sophisticated analytics, to better predict trends.

Another priority should be to make **distribution networks more agile** to better handle the ebb and flow of demand. Stores, for example, could be used for a wider range of purposes if they are more tightly integrated into logistical networks. Many stores could also serve as e-commerce fulfillment centers. Some might be used as warehouses that offer “buy online, pick-up in-store” options. Still others could serve as drop-off points for product returns.

**By incorporating these and other logistical levers and capabilities into their e-commerce operations, brands will give their customers better shopping experiences, by doing the right thing up to the last meter.**

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It’s unclear when the current COVID-19 crisis will abate. But we can make one prediction with confidence: brands with lofty e-commerce goals better get their logistics right.

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