

3rd party logistics rides on infra status

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DELIVERING on the “customer guarantee” is everything in e-commerce — let your patron down enough times, and you’ll be stricken out. To continue growing, e-commerce firms have been aggressively addressing the bottleneck — logistics.

“To cut costs and preserve their retail focus, companies often outsource reverse-logistics functions to third-party logistics firms (3PLs). It is financially viable for them as they do not have to invest separately on a team, infrastructure, reach or network for carrying out order fulfilment,” T A Krishnan, Chief Executive Officer, Ecom Express, which specialises in last mile delivery told *Express*.

Data from research firm Tracxn shows funding in the third party e-commerce logistics space has touched a whopping \$210 million between January and December 22, 2017, up from \$22.1 million during the year-ago period. Delhivery.com, Elastic Run, and EMIZA Inc acquired the largest share of investments this year.

While some big players have diversified into logistics, a bigger chunk of the pie finds it unsustainable to leverage their infrastructure by scaling their in-house logistics network. According to Krishnan, “3PL firms are in a better position to scale and invest further to provide a competitive edge to customers through network expansion.” Ecom Express opened over 600 delivery centers and 10 hubs in 2017 to cater to the large consumer base in remote locations of the country.

Meanwhile, as e-commerce consistently generates more returns than brick-and-mortar



retail stores, the 3PL operators also benefit from a rapidly rising rate of product returns. According to CBRE, for e-commerce firms, returns of merchandise ranges from 15 to 30 per cent, depending on the product category.

The domestic third party logistics space is expected to grow at 19-20 per cent CAGR to reach ₹58,000 crore by 2019-20, driven by GST implementation, technology proliferation, logistics sector getting infra status, among others,” noted Mahindra Logistics. Additionally, the infrastructure status enables the logistics sector to get cheaper financing from banks. According to industry players, firms that build warehouses and cold chains will get loans at two per cent lesser than the current interest rate. This will reduce the costs and ultimately have a positive impact on the 3PL firms that are paying rent for leasing the infrastructure.

Ease of entry across states will reduce transportation delays with measures such as the e-way bill, say experts, but this requires streamlined IT systems and ready-to-use documentation at the entry points. “Post GST, the average speed of freight transportation has increased. GST will bring down the cost of taxation compliance in India,” said MLL.