

Thoughts on E-Retail and Last Mile Delivery What's Next?

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E-Retail and Last Mile Delivery

Macro Transportation & Logistics Trends Driving E-Retail and Last Mile Delivery

Pending International Agreements

Transatlantic Trade and Investment Partnership ("TTIP")



- TTIP will accelerate trade between the U.S. and European Union Countries

Trans-Pacific Partnership ("TPP")



- TPP will accelerate trade between the U.S., Canada, and 10 countries in the Asia-Pacific region, including China

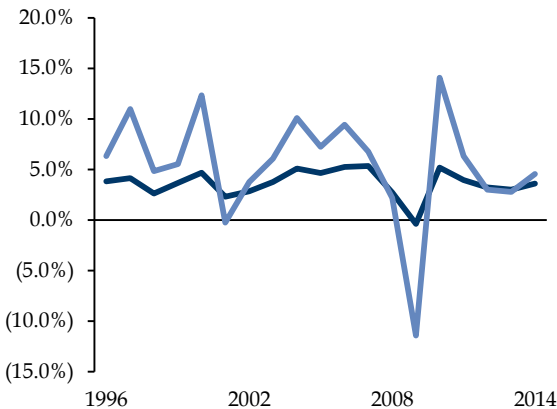
Global Urbanization

- There could be 37 or more mega cities globally by 2025 - 73% from the developing world
- Multiple transportation models will be employed to accommodate these future mega cities and transportation corridors will develop to provide high volumes of diverse goods

Near-Shoring / Re-Shoring

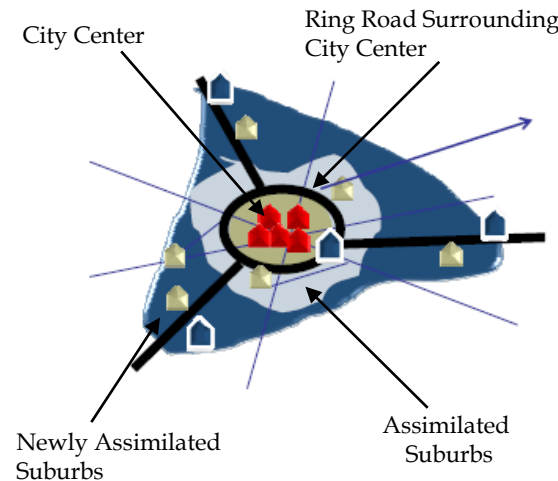
- Shipper's believe there are significant benefits to near-shoring / re-shoring their manufacturing activity including:
 - Inventory reductions
 - Landed cost savings
 - Supply chain risk reduction
 - Customer service improvements
 - Improved asset utilization
 - Product quality improvements

World Merchandise Exports



— Global GDP — World Merchandise Exports
Source: International Monetary Fund.

Anticipated City Model by 2020



Source: Frost and Sullivan: Top 20 Global Mega Trends and Their Impact on Business, Cultures and Society, United States Census Bureau.

Panama Canal Expansion

- Positions imports nearer to final delivery destination

Energy Independence & Low Oil Prices

- Translates into more disposable income for consumers

E-Retail and Last Mile Delivery

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E-Retail Reshaping Supply Chains




amazon.com 2014 – Files patent for anticipatory shipping

- Utilizes predictive analytics to anticipate customer orders
- Sets up operations in Shanghai FTZ

Walmart 2012 – Begins to invest in Yi Hao Dian E-Retail

2014 – Testing same-day pickup for online grocery shopping with facility that houses over 10,000 items

2015 – Completes acquisition of Yi Hao Dian

	Crossborder	Customer Centricity	Omnichannel	Final Delivery
	✓	✓	✓	✓
	✓	✓	✓	✓
	✓	✓	✓	✓

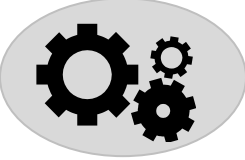
- Price – Bargain, shrewd, variety, guided
- Convenience – easy, quick, total, assisted
- Selection – fun, focused, casual, complete
- Experience – personal, trusting, open, indulgent

Application of “Big Data” to T&L Services

- Big Data analytics cleanses and draws on normally fragmented data and applies insights to companies in an effort to improve efficiency, relationships with customers and business models
- Multiple ways to apply Big Data analytics to E-Retail and Last Mile Delivery
- A prime example of the application of Big Data analytics is crowd-based pick up and delivery
 - Tool integrates and analyzes a normally disorganized workforce for B2C parcel delivery
- As data analytics improves, data volume doubles every two years ⁽¹⁾

(1) IDC, “The Digital Universe in 2020 : Big Data, Bigger Data Shadows, and Biggest Growth in the Far East.”

“Big Data Value Drivers”



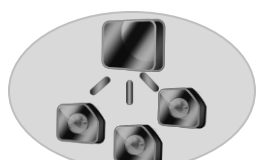
Operational Efficiency

- Increase transparency
- Optimize resources
- Improve process and performance



Customer Experience

- Increase loyalty
- Perform targeting
- Optimize customer interaction



New Business Model

- Expand revenue streams
- Create new revenue streams from data products

Crossborder Business/Brands/Commerce

- Not as simple as Buyer in one country and Seller in another











Title	Locations				
	Buyer	Seller	Brand	Parent	Example
Domestic Commerce	U.S.	U.S.	U.S.	U.S.	In-store or Retailer.com
International Trade-Crossborder Business	China	China	Localized	U.S.	In-store or Retailer.cn
CBorder - Crossborder Brands	China	China	U.S.	U.S.	Distributor.cn or franchise.cn
XBorder Crossborder Commerce	China	U.S.	U.S.	U.S.	Retailer.com or marketplace.cn

Examples of CBorder and XBorder

- Cborder - Crossborder Brand (could be in-store, online or marketplace):
 - U.S. hires a China distributor who sells in China
 - U.S. sells a franchise to China franchisor who sells in China
- Xborder - Crossborder Commerce (could be in-store, online or marketplace)
 - U.S. firm sells to customers in China via U.S. website
 - U.S. firm sells on marketplace to customers in China

E-Retail and Last Mile Delivery

Current State of the E-Retail and Last Mile Delivery Industries

E-Retail		Last Mile Delivery	
Competitors	What Customers Want	Competitors	What Customers Want
   The Rest	Selection Price Convenience Experience	         Regional Carriers / Other Last Mile Delivery	Convenience Price Speed Experience

- Standard, “free” 2-3 day delivery is expected by almost all domestic North American Consumers
- Speed of delivery growing in importance for international Consumers
- Delivery convenience accelerating in importance
- Consumers are more willing to pay for convenience, depending on urgency of need

Today's Reality and Future Requirements (Holiday 2016)

- Shipper expectations for Last Mile Delivery to the Consumer are dominated by market leader(s) capabilities
 - North America - Amazon
 - Europe - MetaPack, Amazon
 - Asia - Alibaba/Cainiao (China Smart Logistics Network)
- Cost and speed of delivery are the primary drivers of delivery option selected by Consumers
- Traditional parcel delivery services have not yet adapted to today's Consumer's delivery expectations

When ordering from an online store, catalog, or television program or commercial, how does the choice of free shipping impact your ordering decision?

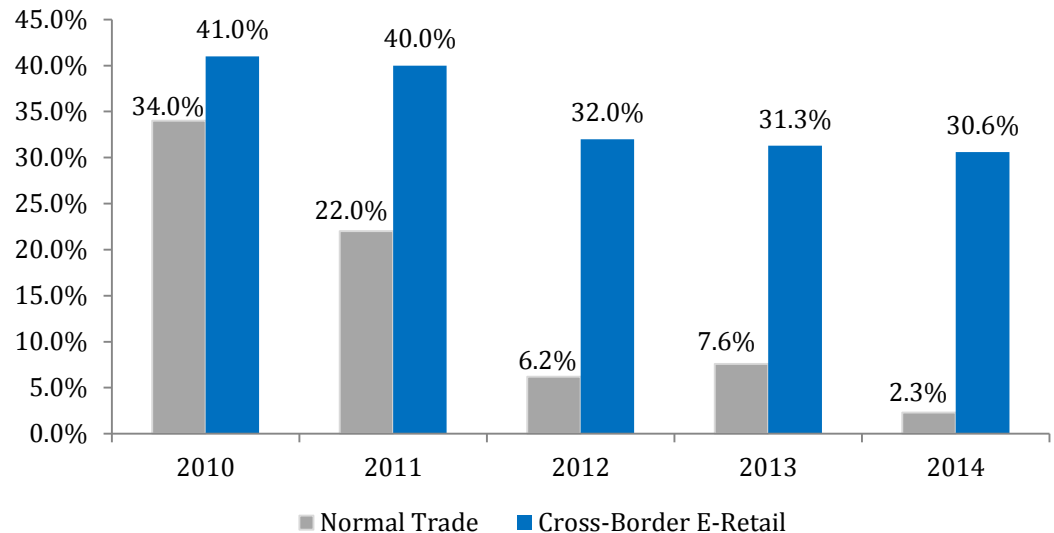


Cross-Border E-Retail Growth Accelerating Last Mile Delivery Network Growth

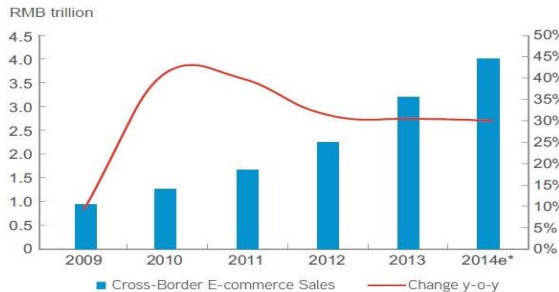
Global Top 10 E-Retail Sales / Growth

Country	2015 E-Retail Sales (\$bn) (Growth)
China	\$672.01 (42.1%)
U.S.	\$349.06 (14.2%)
U.K.	\$99.39 (14.5%)
Japan	\$89.55 (14.0%)
Germany	\$61.84 (12.0%)
France	\$42.60 (11.1%)
South Korea	\$38.86 (11.0%)
Canada	\$26.83 (16.8%)
Brazil	\$19.79 (17.3%)
Australia	\$19.02 (9.3%)

Growth Rate Comparison for Normal Trade and Crossborder E-Retail in the Past 5 Years



Cross-Border E-Retail Sales in China



*Note: as of end-2014
Source: iResearch, Research, Colliers International, 2015

Why Cross-Border E-Retail?

- Increasing Disposable Income
- Product Authenticity
- Hard-to-find Items
- Low Purchase Price
- Government Incentives
- Improved Logistics

Projected E-Retail Growth by Region

Region	E-Retail Sales 2015	E-Retail Sales 2019	% Growth
North American	\$376B	\$590B	57%
Asia-Pacific	\$875B	\$1.6T	82%
Worldwide	\$1.7T	\$3.6T	111%