

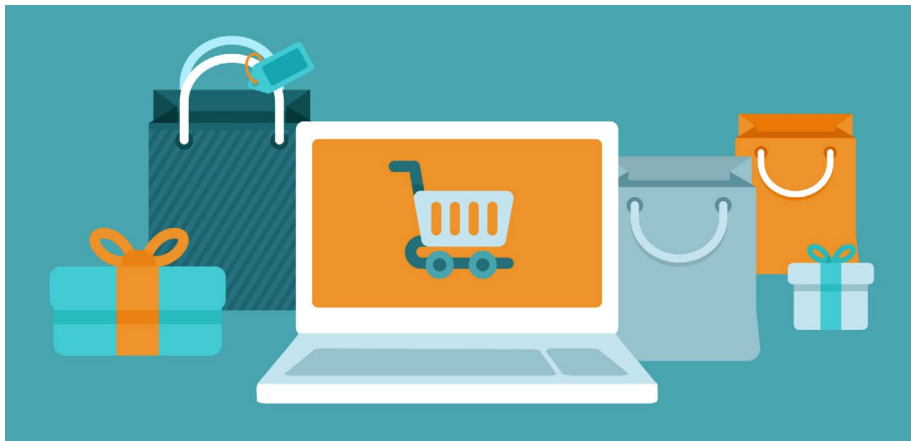
CEO Newsletter

Insights. Informative. Thought Leadership.

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The Asian E-commerce Frenzy

Written by Darryl Judd
Chief Operating Officer, Logistics Executive Group



The Logistics industry is poised for growth as Asia supersedes the USA to become the largest online retail market in the world.

“There is no doubt that Asia will set the agenda for ecommerce in the next five years. Its trajectory has been wild and its not set to slow down anytime soon. In fact, it will grow by the equal size to the largest market outside of Asia and most mature e-commerce market in the world - the USA”. Said Darryl Judd, COO of Logistics Executive Group, a specialist supply chain advisory firm.

There is a plethora of recent statistical evidence to support this. The Asian middle class is projected to expand to over 1.7 billion people, and China, India and Indonesia will be the top 3 countries of e-commerce growth in the next 2 – 3 years¹. In fact, China is expected to exceed \$1 trillion in e-commerce transactions, accounting for more than 40% of total worldwide e-commerce transactions by 2018². According to the recently released Bain-Google report, online retail sales across South-East Asia could hit US\$70bil (RM283.5bil) by 2020. While this does not yet match the

NEWS

What disrupts your China export supply chain?

Ti is undertaking research into the Chinese sea freight market to investigate shipping experiences in one of the world's premier export markets. We would appreciate your insight, and as a thank you for your participation we are offering everyone that takes part a FREE whitepaper. *In addition, all participants will be entered into a draw to win an iPad.

Shipping goods by sea is a vital part of supply chains, with nearly 90% of all the world's goods moved by sea. All too often, though, retailers, manufacturers and a wide range of logistics service providers must deal with inefficient processes, shipments being held up at ports and unreliable tracking.

How would you improve the shipping experience? Tell us now by taking the survey.

[Take Survey Here.](#)

Air Cargo Innovation Awards 2017

Internet of things, digital, drones, big data, virtual reality, robots... Innovation is not just talk! The air cargo industry is no different from the others: it needs to re-invent itself, adapt to new customer expectations, embrace new technologies, challenge the status-quo to be more efficient and attractive for customers, business partners, investors, employees. The second edition of the IATA Air Cargo Innovation Awards aims at encouraging new ideas to enrich customer experience and/or to improve competitiveness of air logistics. Submit your idea by January 31, 2017.

www.iata.org/events/wcs/Pages/cargo-innovation-awards.aspx

pace of China, now a more than US\$500bil (RM2,025bil) market – multinational retailers are finding it harder to ignore the region's emerging influence.

B2C E-Commerce sales in Asia are projected to increase by double-digit rates through 2019, with India and countries in Southeast Asia especially. In 2014, Indian companies, including Flipkart and Snapdeal, and Chinese platforms like Meituan and Dianping accounted for nine out of the top ten E-Commerce investment deals in the region.

“This is having a profoundly innovative and expansive impact on the logistics industry” continued Darryl Judd. “The e-commerce sector's very existence is contingent on the underpinning of a solid and sophisticated logistics function. In fact, it could be said that e-commerce businesses are really sophisticated logistics businesses in disguise” he went on to add.

Once again, there is a vast amount of research coming out of Asia to support this. For example, we can expect 1.1 trillion more parcel deliveries per year due to current e-retailing sales (as a percentage of all retail sales) at current average order values and parcel sizes. This converts to an estimated 350 million more pallets a year between now and 2020! “It will most likely be much more than this, as e-retailing continues to grow” commented Darryl Judd.

Along with an increase in consumer markets, other factors for growth include increased internet penetration, strengthening trust in online payments, development of delivery infrastructure and E-Commerce regulations, which will all boost B2C E-Commerce growth.

According to Business Wire, (March 22, 2016) other countries earmarked for growth include Thailand, Vietnam and the Philippines, which currently account for less than a 1% share of domestic retail sales.

Some of the major regional players in the E-Commerce space in Asia include online retailer and marketplace Lazada, online classifieds platform OLX and online clothing merchant Zalora. Also global E-Commerce websites such as Amazon.com, Aliexpress.com and eBay.com rank high in popularity among Internet users in Asian countries. “An example of how these online retailers have transferred themselves into high powered logistics providers is evident if we take Amazon as an example” said Darryl Judd.

“Amazon has evolved through several stages of its life. The company started its life as an ecommerce company, it then transformed into a full technology provider offering a platform for others, and most recently it has evolved into a freight company in its own right. This gives them a license to wholesale sea freight to others.” He went on to add “They have just also just agreed to lease up to 60 B767-freights just for domestic within the USA, meaning they now compete directly with UPS, DHL and Fedex who previously provided Amazon with aircraft. 60 planes is a lot and a big investment! Exclaimed Darryl.

“Whilst they say they need extra capacity and assurance of service during peak periods, how long will it be before they compete directly with the other express companies? They already in many places operate their own delivery vehicles (Amazon Prime)” he concluded.

Logistics Academy CSCMP Quick Courses on Sale

This month only purchase the CSCMP Quick Course Bundle and receive a 15% discount of overall price. Enrolments before 30th December will receive a VIP delegate ticket to LogiSYM Dubai. Logistics Academy CSCMP Quick Courses allow you to learn core supply chain topics online, at your own pace, and when it's convenient for you. Consisting of a series of Thirteen (13) courses,, the CSCMP Quick Courses are highly educational Supply Chain and Logistics courses that are designed by carefully selected faculty for entry to mid-level professionals. Backed and supported by the US Based Council of Supply Chain Management Professional. For more information or to sign up, click below. Coupon code: LEQC15OFF

[Register Here.](#)

UPCOMING EVENTS

7th International Saudi Transtec Exhibition & Conference
5 – 7 December 2016
Damman, KSA

Now in its 7th year and with the support of the Saudi Ministry of Transport, the two day conference will bring together senior stakeholders from across the KSA & GCC to address the major commercial, regulatory and technical issues facing the industry in the region today. With record levels of planned investments into the KSA's transportation and logistics sector, the future potential for Saudi Arabia as a logistics gateway to the GCC seems assured. Strategically located as a MENA hub, the KSA provides a supply chain nucleus that has taken huge steps in recent years to become a world leading centre of excellence – from heavy industry and oil and gas to the export of consumer goods, the KSA remains an attractive supply chain partner for the Gulf region.

www.sauditranstec.com

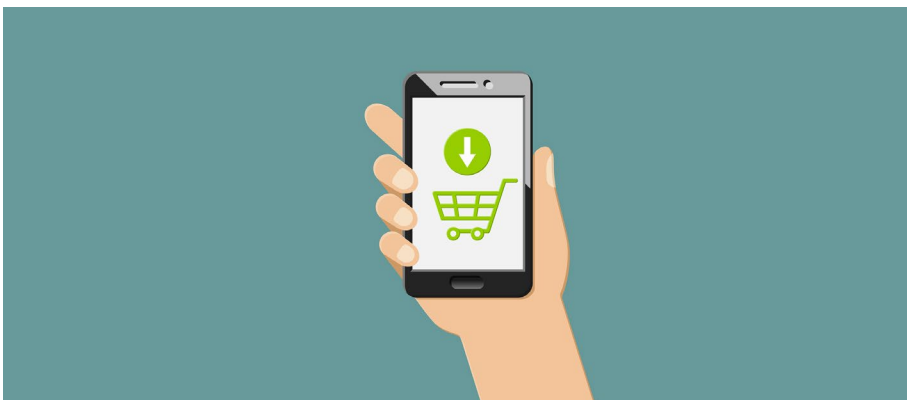
Other characteristics shaping the e-commerce, Asia expansion include the use of smartphones and the increase in population due to urbanisation.

Indonesia and China have a higher rate of mobile phone usage per person than “old-fashioned” internet usage from a PC or laptop. The volume of mobile traffic generated by smartphones is now twice that of pc’s, tablets and routers and is predicted to grow ten-fold by 2019.

Urbanisation in Asia will continue to produce a higher population with more concentrated, consumer markets. The number of savvy technology users will also grow as the number of Generations X, Y and Millennials increase. The net impact will result in an increase in demand for e-commerce services.

What do these developments in technology and urbanisation mean for the logistics industry? “We are going to need a far bigger and more resilient logistics and warehouse network that is far more integrated across urban areas and cities to support this vast increase in urban online demand” said Darryl Judd.

An innovative solution that has already emerged as a response to growing consumer is the proliferation of e-fulfilment DC’s on the outskirts of urban areas. This includes smaller urban facilities within urban community catchment areas and a variety of collection options. They have been mainly set up to support swift response times, especially with the advent of same day delivery.



There have been growing innovations in Last Mile Delivery in Asia, based on this growing consumer expectation. “Click and Collect” innovations and urban lockers are becoming an increasing part of some consumers daily lives with many variations taking place which are customised to the consumption needs of different cities and countries.

The adoption of smart lockers, for example is a growing trend in Asia to solve the last mile problem for cities with large and diverse populations. In Beijing the “parcel cube” services have taken off in business districts, universities and urban centres. It allows users to pick up and store their products from cabinets. These smart lockers automatically generate a unique collection code, which is texted to the intended recipient who can then collect the parcel anytime.

Smart Urban Warehouses are also growing. They are becoming an integral part

Logisym Dubai: Beyond 2020– Connecting Supply Chains, Creating the Future

24 – 25 January 2017
Dubai, UAE

LogiSYM Dubai 2017 is a unique two-day conference set in Dubai, United Arab Emirates from 24 to 25 January 2017. A premier event for Logistics & Supply Chain professionals, educators, Information Architects and Usability Practitioners, LogiSYM Dubai 2017 will bring together professionals from around the region. With EXPO 2020 just around the corner and the UAE forging ahead as the regional’s leading supply chain hubs, this year’s theme: ‘Beyond 2020 – Connecting Supply Chains, Creating the Future’ looks at the opportunities, supply chain and consumer mobility and sustainability.

www.logisym.com/events/logisym-dubai-2017/

11th World Cargo Symposium

14 – 15 March 2017
Abu Dhabi, United Arab Emirates

The World Cargo Symposium (WCS) is the largest and most prestigious annual event of its kind and the only one to bring together key stakeholders from the entire air cargo supply chain. IATA’s 11th annual World Cargo Symposium will continue to move the industry from talk to action with this edition. WCS 2017 will feature plenary sessions, specialized tracks, workshops and executive summits, tackling aspects related to Technology & Innovation, Security & Customs, Cargo Operations, and Sustainability.

www.iata.org/events/wcs/Pages/index.aspx

of the last-mile delivery with new smaller facilities to support key urban locations.

The one important takeaway is that the advent of e-commerce cannot be ignored. "Whilst this will mean new complexities and increased investment, the potential rewards are huge." concluded Darryl Judd. "Our consulting company has seen clients looking to embrace these opportunities with an increase in assignments aimed at new freight and warehouse setups geared at providing new e-commerce, logistics services".

There is no doubt that the logistics industry, as partner to e-commerce, is going through a unique period of transformation. This transcends sectors and is resulting in a huge step forward in innovation and customized, client experiences and a very exciting time to be in the industry!

¹CBRE. (2014, December). The New Age of the Asia Pacific Retail Market

²eMarketer. (2014, December 23). Retail sales worldwide will top \$22 trillion this year.



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In 2015, Darryl was named as one the "Top 50 influential individuals in Asia' Supply Chain, Manufacturing & Logistics industry" in the prestigious SCM Thought Leader publication by SCM World, recognising him as expert in the linkage of business strategy and supply chain best practices to human capital management. Darryl brings 28 years of executive leadership and consulting experience and is regular contributor on thought leadership across numerous industry publications and is a frequent speaker at international conferences and events on business leadership, strategy & people alignment and talent management. He was instrumental in the creation of Logistics Academy and presently holds an advisory board appointment with industry group LSCMS. In 2014, he was appointed as one of five global experts to IATA's Global Innovation Award selection board and has held senior executive positions within the airline, air cargo and aircraft leasing industry.

ABOUT US

Logistics Executive Group is the acknowledged industry leader providing a suite of whole-of-lifecycle business services including Corporate Advisory, Executive Search and specialist Supply Chain and Logistics Training.

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