E-Commerce and the Birth of the Logsumer

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Before the introduction of e-commerce, the main purpose of logistics service providers (LSP) was to replenish stores and warehouses, from which consumers in turn would purchase their goods. LSPs worked in the background and logistics activities were hidden from end consumers as they made purchases in store. However, the growth of e-commerce has brought LSPs closer to the final consumers. When consumers have the possibility to choose LSP directly from the website from which they are purchasing their goods, LSPs have to compete for individual customers.

The new competitive playing field has forced LSPs to meet the demands of individual consumers. Consumers who now play an active part in the logistics process. As online-shopping has increasingly become part of people’s daily lives, consumers demand flexibility and a service tailored to their individual needs. Consumers have the possibility to decide on aspects such as time, price and quality, making them decision-makers that in turn will affect the whole supply chain. This new generation of logistics customers has given rise to the concept of ‘Logsumers’ (Wang et al., 2018). The new role of the consumer has led to a pressure on LSPs to adapt to, or implement, logistics systems that can include consumer’s requests and behaviour.

An Integrated Shopping Experience – Omni-channel Retailing

E-commerce has been enabled through the use of digital devices such as computers, tablets, and smartphones. Consumers want a unified and integrated shopping experience from the point of searching for the right product to the actual delivery, and possibly a return. In order for LSPs to add value to the experience, a digital service offering is required.

Using apps and websites as means for communication and information, adds value to the consumer and at the same time, it benefits LSPs through useful insights on consumer behaviour and possible improvements of business processes.

A concept that has emerged from increased digitalization and the use of multiple channels for purchasing goods is omni-channel retailing, which seeks to enhance the shopping experience by merging online channels and traditional off-line channels. The purpose is to provide a seamless and flexible shopping experience regardless of which platform the consumer wishes to shop from. Omni-channel retailing lets retailers serve customers in various different ways at different points in time, but logistics activities becomes crucial in its success. Therefore, it is of great importance for LSPs to keep up with the digital evolution and the demands from both retailers and consumers in order to stay competitive.

Consumer Expectations and the Internationalization of E-Commerce Giants

The service offering of the e-commerce giants may also influence consumer demands in local markets. Companies like Amazon and Walmart can provide superior lead times due to their vast network of fulfilment centres and have started to offer same-day deliveries on a limited number of products in some geographical areas. As these companies now start to internationalize, consumers’ expectations in local markets will rise, thus posing a threat to local LSP’s whose current infrastructure doesn’t support that kind of service offering.

PostNord – From Traditional Mail to a Leader within E-Commerce

A company that has benefitted from the growth in the e-commerce sector is PostNord. PostNord, which is owned by the Danish and Swedish states, have experienced rapid change much due to increasing digitalization. The decline in traditional mail in the digital age initially caused much concern for PostNord, but it is the same digitalization that paved the way for new business opportunities. With the strong growth in e-commerce, PostNord saw the opportunity to serve this new market through their existing infrastructure. However, due to the physical dif-
Value Co-Creation
When designing the service offering, it is important to establish how and by whom the logistics functions should be managed. The concept of consumer value co-creation becomes increasingly important as many of the solutions to the last-mile problems requires consumers to play an active role in the delivery process. As many of the logistics processes is outsourced to external logistics providers like PostNord, the value co-creation is actually a triad consisting of the consumer, the retailer, and the logistics provider. The success of the triad is dependent on the interaction between the three actors and openness, transparency and good communication is considered key factors in establishing these fruitful relationships.

Digitalizing the Logistics Experience
Digital platforms, such as apps and websites, can facilitate efficient communication between the parties. The PostNord app, downloaded by 800.000 Danish people, was specifically developed to enable the service portfolio provided, and through the use of a mobile app, consumers could be connected and informed anywhere, anytime. Due to the digitalized transport infrastructure, consumers can trace their packages based on bar code scanning throughout the distribution system. This allows consumers to have real time information about the location of their packages and also an estimated delivery time. The app can even send you a notification when you are passing a service point that has a package waiting for you.

Innovative digital solutions can be key in the era of consumer-focused service innovation in order to create a smooth and personalized experience, the consumers have the opportunity to select from a variety of delivery options. The most traditional method is home delivery, which poses a problem if the receiver is not at home. To mitigate this issue, PostNord is offering several other alternatives. Collaboration with local supermarkets have made it possible for the receiver to collect the parcel in close proximity of the home address. “Pakkebox” is another solution that lets the receiver collect their packages outside supermarket opening hours. A new version of the “Pakkebox” called “Nærboks” is currently being introduced in order to get even closer to the consumers. The “Nærboks” will be placed close to apartment buildings, public transport stations, as well as supermarkets and gas stations. This innovation will let 98% of Denmark’s population have less than 300 metres to the nearest collection point, and all that is required for collection is the PostNord app and a Bluetooth connection. Another solution called “Flexchange” allows receivers to redirect packages depending on their current location, which is beneficial if the customer is not at home, but would like to receive the package in person. These are all examples of how PostNord has introduced consumer focused solutions in response to the growing business-to-consumer segment. In order to stay competitive, PostNord and other logistics companies will likely have to further refine their service portfolios with an increasing focus on logistics service innovation.

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might demand improvement in both parameters. A company like Amazon has an advantage in that they operate both as a retailer and a distributor. This means that they can operate massive warehouses outside city centres, stock popular products, and deliver the same day. As opposed to Amazon, PostNord does not control the complete chain from storage to delivery. Several collection and distribution points complicate rapid distribution.

Economy of Scale Challenged by Individual Needs of the Logsumer

Even though the digital infrastructure and solutions can be a key success factor in the future of logistics, there has to be a physical distribution network supporting it. PostNord’s distribution system is set-up based on terminals. PostNord operates 7000 distribution points in the Nordic region, which allows for a great geographical reach. The terminal-based set-up also allows for great capacity utilization and a minimal carbon footprint as shipments are consolidated throughout the network. The number of terminals, and the 171 million parcels passing through the distribution system each year, provides for a cost-efficient mass production approach. However, the terminal-based set-up lacks in terms of speed, which is an important parameter for many consumers. The expectation on speed is also predicted to rise with the retail giants entering the international market. Will this require a fundamental change in PostNord’s distribution system?

A faster alternative than the terminal-based set-up is the point-to-point set-up which works more in the direction of express delivery. The point-to-point set-up would lead to less stops throughout the distribution chain but it would negatively affect capacity utilization and hence, cost efficiency. The decrease in capacity utilization would also complicate the achievement of PostNord’s goal in reducing CO2 emissions. The trade-off between cost and speed is evident, but future consumers might demand improvement in both parameters. A company like Amazon has an advantage in that they operate both as a retailer and a distributor. This means that they can operate massive warehouses outside city centres, stock popular products, and deliver the same day. As opposed to Amazon, PostNord does not control the complete chain from storage to delivery. Several collection and distribution points complicate rapid distribution.

The Importance of Consumer-Orientation in an Increasingly Competitive Industry

In the end, it comes down to what the consumer values and with the increasing power of the ‘Logsumer’, the consumer-focused approach will become increasingly important. The demands of ‘Logsumer’ provides an opportunity for PostNord to develop new products or methods for service integration into each customer’s daily routine. With an innovative mind-set, PostNord can further expand their service portfolio, thus expanding the customer base. By involving consumers in the logistics processes in order to co-create value, consumers could identify with “their” logistics service provider. A personal relationship between consumer and service provider could become critical in an increasingly competitive industry.

Reference


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Viggo Norell is currently pursuing a master’s degree in Supply Chain Management at Copenhagen Business School. Parallel to his studies, he is employed by TINV as a student assistant while writing his master thesis. The thesis will examine last mile deliveries and the effect of increasing urbanization and a growing e-commerce sector. Viggo has previous experience from the transport & logistics industry where he worked as a dispatcher for a Swedish transport company.

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