



Cross border e-commerce: A two-way undertaking

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The recent growth in Danish e-commerce is expected to continue at a steady rate. According to *Vækstteam for handel og logistik* (2018), Danish consumers are expected to purchase products online for a value of 200 billion DKK in 2020, as opposed to 123 billion DKK in 2017. While the Danish online consumption from Danish companies has remained constant since 2008, we have experienced growth in purchases by Danes from non-Danish actors. Purchases from the EU have increased by 15 percent, while purchases made from actors outside EU has increased by 10 percent in the same period.

As the e-commerce consumers have become more experienced and sophisticated in shopping online, they have started trusting international actors in the market. The development of international services in the transport industry has also facilitated this shift from domestic to international e-commerce, as the difference in lead times and cost between the two types of e-commerce is shrinking. The use of the internet has dissolved the perception of borders between countries and markets, and through new marketing channels, like social media platforms, Danish companies can now reach out to consumers all over the world.

International trade has traditionally been dominated by business-to-business (B2B), but cross-border business-to-consumer (B2C) is experiencing a faster growth rate. The B2C side is characterized by more fluctuations and uncertainties, as it is consumer driven rather than business driven. Consumer preferences are influenced by a number of factors, where trends dominate many of the purchasing decisions. Therefore, the B2C side is faster moving, and less predictable.

The growth in cross-border e-commerce calls for logistics service providers to invest in international networks and infrastructure. Logistics service providers must be able to respond to the changes in consumer

preferences, where flexibility and speed are vital characteristics of tomorrow's supply chains.

Investments in infrastructure will increase competitiveness of Danish companies

An example of an infrastructure investment is the DHL hub at the Copenhagen Airport, which is planned to open in 2023 (Copenhagen Airport, 2019). A 1 billion DKK investment that aims at facilitating the customer needs and provide the capacity required in an era of cross-border trade on the rise. The hub will allow DHL to handle more packages at a faster rate than today, which will have a positive impact on Danish producers wishing to reach out to international markets. The increase in speed will reduce the time required for processing shipments. Thus, it will widen the production window for DHL customers, enabling DHL to collect shipments later in the evening, and to be faster on the road in the morning. Later collection of shipments will give producing companies more time for production during the day. Thus, it puts less deadline pressure on businesses and more orders will be shipped later the same day, without compromising the delivery time.

In addition to the new hub at Copenhagen Airport, DHL Express is also investing in a new facility in Fredericia. As in the hub at Copenhagen Airport, the focus is on creating additional capacity for the future as well as improving the efficiency of the processes and handling of shipments and parcels. The hub in Fredericia will cover Western Denmark, and with its proximity to Billund Airport it is a strategic base for express transportation solutions. The hub opens in February, 2020.

Speed and capacity will facilitate the demands from online consumers

The new hub at the airport will improve the speed of the supply chain for the B2B customers in general, but the investment is also made with the growth in e-commerce in mind. As consumers become more demanding in terms of convenience and shorter lead times, express solutions have become increasingly popular. DHL Express has benefitted partly from a general increase in e-commerce, but also from a rise in demand of faster solutions. The hub will not only provide speed, which is a prerequisite for fast solutions, but also increased capacity to handle the fluctuating volumes resulting from consumer driven e-commerce.



The new airport hub will allow DHL Express to handle 5 times more packages than today. This is possible mainly due to advancements in technology and automation, and the new DHL Express hub aims to be in the forefront of technological logistics solutions. Technology and automation will reduce the manual work required, thus reducing the risk of delays or failure caused by human factors. This will lead to a general increase in efficiency, and smoother processes will facilitate a continuous flow of goods.

Risk mitigation

Today, DHL Express operates their main hub in Leipzig, Germany, which means a majority of the express shipments passing through here. The hub at Copenhagen Airport will lead to a more direct route to the Nordic markets, benefitting Nordic consumers and businesses. Having several larger hubs also works as a risk-mitigation. In case of unforeseen events at any of the major hubs, shipments can be redirected to another location without too much disturbance in the delivery chain.

Cross-border e-commerce for Danish companies

Cross-border e-commerce has made it easy for Danish consumers to purchase products from foreign countries. While consumers enjoy greater choice of products through cross-border e-commerce, increased pressure is put on Danish companies, who are forced to compete with foreign companies, located in areas with lower production costs than Denmark. The phenomenon is reflected in the report from *Vækstteam for handel og logistik* (2018) where the Danish trade deficit in B2C e-commerce is estimated to 38 billion DKK. The report, however, emphasises the potential and possibilities in the Danish market, which is in the forefront with digitalization. In addition, many Danish companies have developed reputational brands, which could be utilized to compete in the international market.

Facilitating growth by accessing new markets

DHL Express is connecting businesses and consumers in more than 220 countries and has great international experience. Thus, DHL Express and other international logistics companies are an important link between Danish companies and international markets. With knowledge and valuable insights on consumer patterns and purchasing habits, DHL Express can assist Danish companies in their international activities. Mr. Parvinder Tiwana, sales and marketing director at DHL Express, explains that one of their primary goals is to facilitate growth of Danish companies by making them realize their potential in non-domestic mar-

kets. To support Danish companies wanting to expand into international markets through e-commerce, DHL Express has opened a department dedicated to international e-commerce. The goal is to provide with the latest case studies and data, in order to make Danish companies as successful as possible in their international activities.

Competing with local players

"In order to compete in international markets, Danish companies will have to operate as local players", Mr. Tiwana explains, and continues:

” This means that foreign customers have to feel as much at home at a Danish company’s website as they do at a local company’s website. Even if we live in a globalized world, there are still considerable differences between local markets, and being able to adapt to these various local conditions is crucial for international success. For example: Foreign consumers will like to see the website in their own language, with the price in their own currency. The payment solutions available must also be adapted to local markets, so that consumers feel secure in the payment procedure. These local conditions, among others, are important to consider and be aware of, before entering other markets, and this is where DHL Express can offer their knowledge and insights”.

However, as consumers demand faster deliveries, local players at the outset have an advantage. They are geographically closer to the consumer and can thereby offer faster delivery at a lower rate. Danish companies must therefore be able to offer express solutions to ensure that they can compete with the lead times of local competitors. Express delivery solutions are naturally more expensive than economy solutions, so the initial lead-time challenge, “the first mile”, becomes a cost challenge. Depending on the nature and uniqueness of the product,

consumers might be reluctant to pay more for an express solution. Mr. Tiwana believes that some companies are willing to absorb a part of the transportation costs in order to be a competitive alternative internationally. This, in turn, will increase international presence and sales, at the cost of some of the margin experienced in the domestic market.

Uneven international competition – A regulatory issue

The international competitiveness of Danish companies is not only influenced by their ability to adapt to local market conditions. Rules and regulations differ between countries and markets, even within the EU, which means that Danish companies must conform to a variety of standards affecting the cost of production. In addition, foreign companies can get access with lower standards to the Danish market. Regulations are per definition made with the safety of the consumer in mind, but if there is no consensus between countries regarding safety levels, foreign companies possess an advantage in international commerce. Thus, the competitive balance become uneven in foreign markets, where Danish companies would like to compete, but also within the Danish market where consumers can buy international products at a lower cost, and potentially of a lower standard. With the continuing growth in cross-border e-commerce it is important for governmental bodies to cooperate and set mutual goals regarding these issues. It is important for the safety of Danish consumers, but also for fair competition across borders.

Sustainable solutions

In the beginning of January 2020, the Danish government presented a plan for growth in the logistics and trade sector, *Vækstplan for handel og logistik*, based on recommendations from *Vækstteam for handel og logistik*. The presented plan aims at making Danish businesses more competitive in a globalized market, mainly through the use of artificial intelligence and technology. For example: It is proposed that goods from foreign markets should be screened to detect dangerous goods, before it

reaches the Danish market. Another priority in the plan for growth in the sector is sustainability, which permeates the whole growth plan.

Reaching the goal for a sustainable future is dependent on initiatives from the private sector. DHL has a goal of reaching zero CO₂ emissions by 2050, and from 2007 to 2019 the CO₂-emissions decreased by 30%. However, an increasing demand for express solutions is not yet compatible with a reduction of CO₂-emissions, since it requires airfreight. The aviation industry still produces more greenhouse gases than for example railway and road freight, but technological progress means that new aircrafts are becoming more and more fuel-efficient, and the progress is likely to continue.

In order to reduce the carbon footprint, DHL Express has opened a city hub in Copenhagen, where deliveries will take place with carbon-neutral transportation, such as bikes or electrical scooters. The route from Copenhagen Airport to the city hub will also be operated by electric vehicles. This is a step in the right direction of becoming a climate neutral actor in the logistics and transport market.

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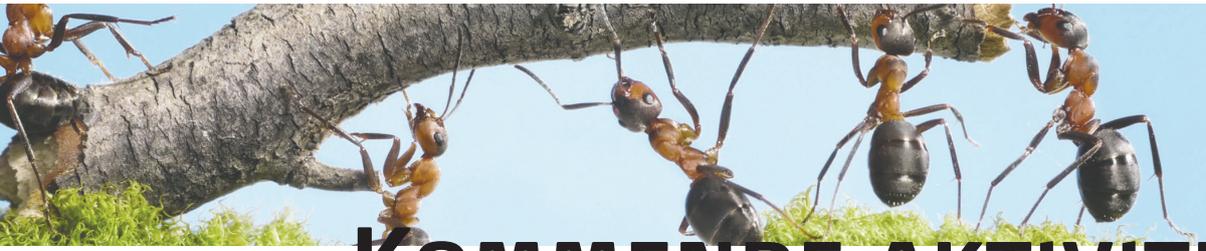
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Viggo Norell is currently pursuing a master's degree in Supply Chain Management at Copenhagen Business School. Parallel to his studies, he is employed by TINV as a student assistant while writing his master thesis. The thesis will examine last mile 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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Britta Gammelgaard er en erfaren professor med stærke uddannelses- og forskningsfærdigheder i Supply Chain Management, Supply Chain Innovation, indkøb og City Logistics. Britta er CBS akademisk ansvarlig for det tre-kontinentale bachelorprogram Global Supply Chain & Logistics Management i samarbejde med kolleger i Kina og Canada. Hun er projektleder under TINV4 og er desuden faglig leder og koordinator af Minor i Strategic Procurement på cand. merc., hvor hun også vejleder specialestuderende samt Hun er redaktør af det videnskabelige tidsskrift International Journal of Logistics Management. Derudover er hun medlem af bestyrelsen af Effektivitet samt medlem af effektivitet.dk's redaktionskomité.



KOMMENDE AKTIVITETER

LEAN OG OG INDUSTRI 4.0 KONFERENCE 2020

30. SEPTEMBER

Ekspertter og visionære Lean-specialister samles til DI og effektivitet.dk's Lean konference 2020 for at dele deres viden og indsigter med dig, så du bliver inspireret og forberedt til at følge med den hastige udvikling. Igennem inspirerende oplæg, workshop og networking får du mulighed for at stille skarpt på Lean og Industri 4.0 i din virksomhed.

DEN DANSKE SUPPLY CHAIN KONFERENCE

3. NOVEMBER

Vær med, og hør hvad eksperterne synes skal til, for at skabe den mest holdbare og bæredygtige Supply Chain. Sidste års vinder var Nilfisk for den transformation og de resultater, de har skabt indenfor supply chain området, samt for det meget bevidste design af en stærk platform for den fremtidige udvikling og transformation af Nilfisk.

OBS: Sæt mennesket forrest i implementering af Industry 4.0 Workshops i København og Aarhus samt Lær Lean ved kilden – tag på kaizen Tour til Japan afholdes til efteråret.



KOMMENDE UDDANNELSER

BRING SDG-ERNE I SPIL – TIL GAVN FOR FORRETNING OG SAMFUND

19.-20. MAJ

SDG-erne er kommet for at blive FN's verdensmål, Sustainable Development Goals eller SDG-erne er i fokus, og virksomheder forventes at arbejde aktivt med SDG-ere. Hvis indsatsen planlægges og udføres effektivt, har det positiv virkning på både bundlinjen og samfundsøkonomien.

APICS CPIM – PART 2

START 15. SEPTEMBER

The APICS Certified in Production and Inventory Management (CPIM) program is recognized worldwide as the standard in production and inventory control, one of the most critical functions within an organization for reducing costs and achieving a competitive edge. Through the CPIM preparation and exam process, you will gain knowledge, learn skills and best practices required to execute, control and improve all of the internal operations within the four walls of your company.

APICS CLTD

START 17. SEPTEMBER

The APICS Certified in Logistics, Transportation and Distribution (CLTD) designation provides a comprehensive body of knowledge, best practices and standards for those in the logistics, transportation and distribution industries. The APICS CLTD designation serves the needs of both professionals and employers around the world by reducing the impact of industry skills gaps as well as assisting employers in developing the personnel needed to meet customer demand and impact bottom-line results.

ADFÆRDSDESIGN FOR FORANDRINGSAGENTER

22. SEPTEMBER

Mange forandringsprojekter fejler, og ofte skyldes det, at forandringer kræver at mennesker ændrer adfærd. Men vi glemmer nok alt for ofte, at adfærdsændringer ikke sker automatisk som følge af holdningsændring men via handlingsændringer i den virkelige verden.

APICS CPIM – PART 1

START 29. SEPTEMBER

The APICS Certified in Production and Inventory Management (CPIM) program is recognized worldwide as the standard in production and inventory control, one of the most critical functions within an organization for reducing costs and achieving a competitive edge. Through the CPIM preparation and exam process, you will gain knowledge, learn skills and best practices required to execute, control and improve all of the internal operations within the four walls of your company.

APICS CSCP

START 1. OKTOBER

The APICS Certified Supply Chain Professional (CSCP) program is the first and only supply chain certification that encompasses the end-to-end global supply chain. APICS CSCP designees gain the skills to effectively manage global supply chain activities that involve suppliers, plants, distributors, and customers located around the world. Earning the CSCP credential makes you a recognized expert in the supply chain field. This professional distinction sets you apart from your colleagues, proving your high level of knowledge and skills. It makes you a more valuable asset to your organization, keeping you and your organization more competitive in today's economy.