



CHAPTER 8

LOGISTICS: THE PHYSICAL ENGINE OF ECOMMERCE

tarsus
distribution

*REMAINING
RELEVANT*

Key insights

1. The world of logistics has become even more complex post COVID, with the crisis accelerating many trends, such as fast delivery and same-day fulfilment, that were already in play.
2. Companies that can't deliver goods accurately, timeously, cost-effectively and with real-time visibility, risk losing out to competitors. but moving into ecommerce is complex enough, without trying to manage the many moving parts of a logistics operation.
3. Behind the scenes, technology is the heart of a modern 3PL business. World-class warehouse and inventory management and warehouse automation enables a 3PL company to optimise productivity, accuracy and efficiency.
4. With a smart warehouse and complete transparency into product and fulfilment data, an SMB can track performance in real-time and ensure that pricing is fair and accurate. It can also offer its customers visibility into their orders.
5. Moving into ecommerce is complex enough, without trying to manage the many moving parts of a logistics operation. With outsourced 3PL, a small business can achieve the same operational excellence and speed-to-serve as a large company.
6. Look for a 3PL provider that can package warehousing, shipping, and inventory management all for one cost, that is lower than most SMBs can attain inhouse, with seasonal pricing and packaging flexibility.
7. By letting go and allowing the experts to oversee non-core elements of the business, SMBs can experience the most important benefit of 3PL services spending more of their time growing their business, and that is where the ROI comes in.



References

- 1 [Fedex and Microsoft Announce New Cross-Platform Logistics Solution For E-Commerce](#), Microsoft, January 24, 2022.
- 2 [The R480 Billion Industry That Has Flown Under the Radar in South Africa - Until Now](#), BusinessTech, August 31, 2019.
- 3 [SA's E-Commerce Market Set For 'Explosive' Boom](#), ITWeb, March 15, 2022.
- 4 [Global Ecommerce Forecast 2022](#), eMarketer, February 2, 2022.
- 5 [Shopify The Future of Commerce 2022](#), Shopify, retrieved April 11, 2022.

The digital economy balances on physical distribution

Third-party logistics (3PL) help businesses keep pace with the fulfilment demands of the connected customer.

As much as the COVID-19 crisis has highlighted just how much we can achieve online, it has also revealed the limitations of digital commerce. The severe supply chain disruptions we experienced during parts of the pandemic show just how important logistics is in making things happen. Without a robust logistics capability in the backend, an ecommerce platform is just a pretty website.

This is the reality that many Southern African businesses found when they pivoted to ecommerce during the pandemic. Those that have tried to go it alone by building their own warehousing, delivery and logistics capabilities have discovered just how complex and expensive it is to get it right. Others have successfully turned to 3PL providers to access this essential capability.

The close partnership between Microsoft and FedEx is an example of how logistics connects the physical and virtual worlds. In their multiyear collaboration to transform commerce, supply chains and logistics, the two companies are bringing together FedEx network intelligence with capabilities from Microsoft Dynamics 365 to introduce a cross-platform “logistics as a service”.¹

As this powerful collaboration shows, **the world of logistics has become even more complex after COVID, with the crisis accelerating many trends that were already in play.** We’ve already mentioned the explosion in ecommerce, with consumers and business professionals still shopping online much more than they did before the pandemic started.

The shift to remote work too, has disrupted business as usual for companies, especially those that used to focus mostly on business-to-business (B2B) customers. Consider an IT or office furniture company. In the past, it would bulk deliver its goods to office parks and factories. Now, it may need to get products to workers dispersed in residential complexes where massive trucks are not welcome.

“According to Stellenbosch University and the World Bank, the cost of South African logistics is estimated to be 11.8% of Gross Domestic Product. The industry in its entirety could be worth as much as R480 billion.”²



The consumerisation of everything

The explosion in fast delivery, particularly last-kilometre services such as food and groceries, as well as same-day ecommerce fulfilment, is also changing the game. Companies are under pressure to get goods to customers fast because delivery lead time is one of their top buying criteria. With B2B deliveries beginning to look a lot more like B2C deliveries, even B2B companies need to meet this expectation.

Reverse logistics—sending something back if it is broken or the wrong order—adds further wrinkles. Many companies fail to get this right when it’s a key part of the customer experience. After all, a customer who needs to return something is probably already frustrated and disappointed. Failing to sort their problem out quickly is an effective way to lose their business.

What’s more, whether a customer is a consumer or a B2B buyer, they expect real-time visibility into order tracking. They want to know whether it’s in stock or how long it will take to source and when it will ship—then they want to monitor delivery in real-time. Companies that can’t deliver goods accurately, timeously, cost-effectively and with real-time visibility, risk losing out to competitors.

Cost-effective, centralised warehousing for rapid and efficient dispatch of products for delivery is just the starting point. A high-calibre 3PL partner will also have made substantial investments in warehouse infrastructure such as forklifts, materials handling and security. It will adhere to international best practices to deliver high-quality services at an affordable price.

In this operating environment, running a smooth logistics engine is not a trivial undertaking. With fuel prices and other costs rising, logistics needs to be smart and efficient, as well as able to benefit from economies of scale. These are not problems that most small and medium businesses (SMBs) can solve on their own, unless they are specialists in logistics and distribution.

“**South Africa’s ecommerce market is expected to reach more than R400 billion by 2025, on the back of more than one billion transactions a year.³**”

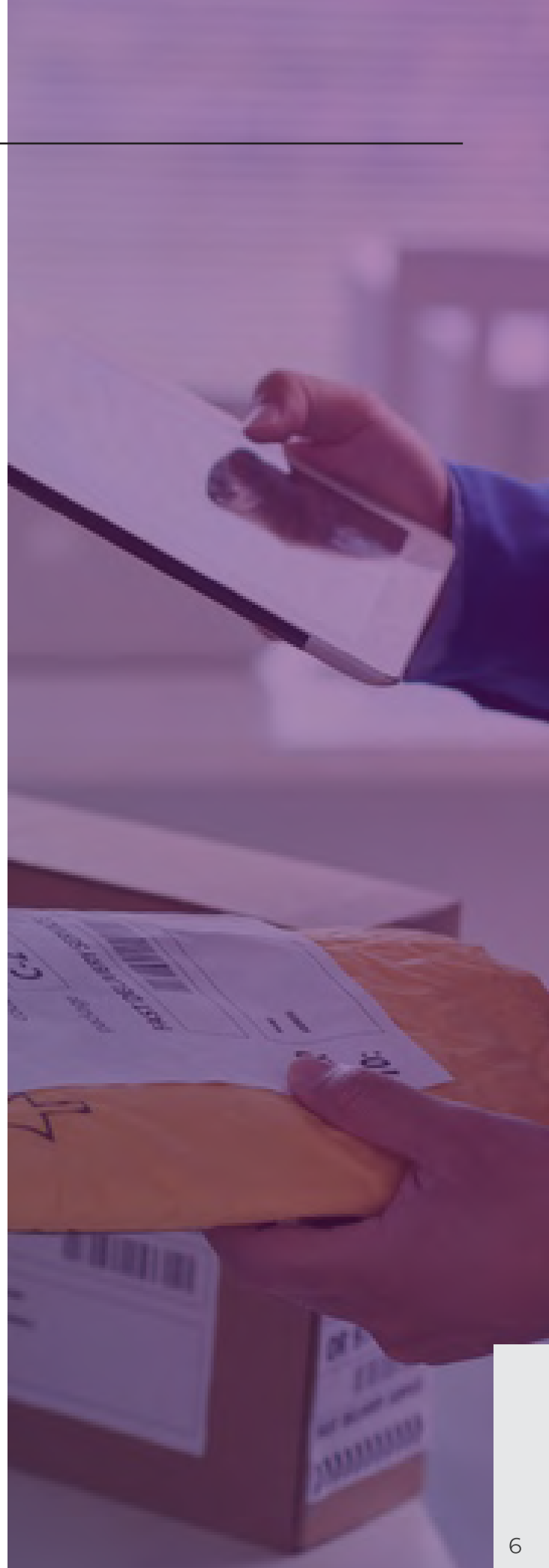
The **new world** of logistics

Behind the scenes, **technology is the heart of a modern 3PL business. World-class warehouse and inventory management and warehouse automation enables a 3PL company to optimise productivity, accuracy and efficiency.** Some of the tech working hard in a modern 3PL operation includes robotic process automation, warehouse management systems and smart conveyor belts.

Such systems provide real-time, online visibility into every order and process. A good 3PL provider has complete line of sight into everything that happens in the warehouse – from receiving and grouping sales orders, to creating waves of work for picking, packing, quality control and final handover to a courier.

It is this technology that gives a cutting-edge 3PL operation its edge over the run-of-the-mill courier company. **With a smart warehouse and complete transparency into product and fulfilment data, an SMB can track performance in real-time and ensure that pricing is fair and accurate. It can also offer its customers visibility into their orders.**

Innovation won't stop there. Leading 3PL providers are already looking at how emerging technologies like artificial intelligence (AI), machine learning (ML) and the Internet of Things (IoT) will change business. AI will be used for applications like demand prediction, while IoT devices can potentially help to manage assets remotely and provide end-to-end visibility into supply chain processes.



Focus on what you do best - outsource the rest

With 3PL, an SMB can outsource operational logistics from warehousing and inventory management all the way through to delivery. This enables the company to stay focused on its core business, while a specialist takes care of the risks and intricacies of logistics. **Moving into ecommerce is complex enough, without trying to manage the many moving parts of a logistics operation.**

With outsourced 3PL, a small business can achieve the same operational excellence and speed-to-serve as a large company. The 3PL provider takes complete responsibility for a company's supply chain requirements, with the promise of ensuring that business owners need never worry about it. The result is a business that is more efficient, effective and productive.

“ This year, worldwide ecommerce sales will exceed \$5 trillion for the first time, accounting for more than a fifth of overall retail sales.⁴ ”

Our advice is to **look for a 3PL provider that can package warehousing, shipping, and inventory management all for one cost that is lower than most SMBs can attain inhouse.** The ideal provider should be **flexible enough to accommodate seasonal pricing,** so there are no big bills during quieter trading periods. Flexibility and agility are also requirements. The 3PL provider should be able to **ship goods of different shapes, sizes, weights, and packaging.**

By letting go and allowing the experts to oversee non-core elements of the business, SMBs can experience the most important benefit of 3PL services. They never have to worry about daily operations. Instead, they get to **spend more of their time growing their business—whether that means focusing on marketing, product development or sales—and that is where the ROI comes in.**

Case Study

In the wake of the pandemic, many South African companies are looking to outsource non-core aspects of their business to shave costs, become more flexible and achieve operational efficiency. 3PL is an obvious candidate because of the high fixed costs involved in running one's own warehouses and vehicle fleets.

For a retailer or B2B reseller, for example, it makes sense to focus on core aspects of the business such as sales, marketing and merchandising. A supply chain partner can meanwhile run the logistics side at larger scale and lower cost than an SMB, mitigating risks and giving the company one less thing to worry about.

There is no plug-and-play solution for 3PL, so each SMB should look for a partner that can tailor its offering around their needs. One thing to look out for is a partner that can integrate a customer's enterprise resource planning (ERP) system into its warehouse management system (WMS) to streamline tracking and tracing every order.

During the pandemic, the 3PL capability at Tarsus Distribution helped the Department of Health to roll out 2 500 devices, bundled with power pack SIM cards, and SD cards, containing all the information required by the nurses who were then able to go into the field without requiring antiquated paper-based solutions.

Tarsus Distribution facilitated a vendor-direct deal with one of the major universities to deliver 12,000 notebooks, preloaded with software, within one week, to four different locations. These examples highlight how the right 3PL partner can help companies to get their products to the right place, at the right time and at the optimal cost.

Outsourcing just makes sense

Expert Perspective

Why 3PL is not just for big companies

- Once perceived as a solution only for enterprise-sized brands, 3PL providers are now key for merchants of any size with intentions to scale. The 3PL market is expected to expand at a compound annual growth rate of 8.5%, with the fastest growth taking place in Asia Pacific. Globally, 37% of merchants plan to hire or change 3PL or fulfilment providers in the coming year.
- With pre-negotiated contracts and a network of fulfilment centres spread across the country and around the world, using a 3PL partner can offload the time and stress of managing shipping logistics inhouse, while keeping costs down. 3PL providers with their own delivery vehicles are also investing in smaller trucks and vans, which can help support shorter distances and more frequent deliveries.
- Working with a 3PL partner can create opportunities to test new markets without the need to invest in infrastructure or blindly navigate the legalities of overseas markets. The partnership may not eliminate shipping surcharges, but it will insulate you from them and diversify your risk because these partners typically have relationships with multiple carriers.

Shopify's The Future of Commerce 2022 research report⁴