

## Studies point towards acceleration in e-commerce logistics demand

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E-commerce will continue to grow rapidly over the coming years resulting in retailers spending more on logistics operations to meet demand, according to two recent studies.

Supply chain consultant Transport Intelligence's (Ti) *Global E-commerce Logistics 2021* report shows that the global e-commerce logistics market grew by 27.3% year on year in 2020 and is forecast to achieve a compound annual growth rate of 8.6% between 2020-2025 to reach a value of €557bn by the end of that period.

The report said that the Covid crisis had accelerated the online shopping trend.

In line with the “rapid” increase in the size of the market, logistics costs are increasing for retailers as sales move to more logistics intensive online channels and consumer demand for expensive same or next day last mile services rises sharply, raising e-commerce logistics volumes and overall expenditure on last mile services.

Logistics costs as a percentage of sales are “steadily rising over time”.

The report stated: “For instance, Amazon’s have increased from 17.8% in 2011 to 31% in 2020. This increase in costs was partly driven by investment in networks to build long term reach and efficiency and partly as a result of the intensifying logistics requirements of online retail to meet consumer expectations.”

The management of inventory has become “even more important” for online retailers and underlined the need for efficiency.

“But costs appear to have been rising more on the last mile side,” it added. “Ti’s latest estimates show that for pureplay online retailers expense on last mile services represents 53% of logistics costs, with fulfilment accounting for the other 47% in 2020.”

Ti’s head of commercial development Michael Clover said: “E-commerce has been one of the key growth sectors for logistics over the course of the pandemic with the rise in demand creating opportunities for LSPs and last mile providers to grow rapidly, as long as they can help retailers react to the changes in consumer demands and manage wildly changing trading conditions.”

Meanwhile, a whitepaper from DHL predicted strong growth for the B2B e-commerce market in the coming years: by 2025, 80% of all B2B sales interactions between suppliers and professional buyers will take place in digital channels.

It added that online B2B sales are expected to increase by more than 70% between 2019 and 2027 to \$20.9trn.

“Even in times of worldwide shutdowns, globalisation has shown its resilience, fuelled by digitalisation and the power of global trade,” said John Pearson, chief executive of DHL Express.

“These trends have led to an ever growing number of consumers to shift their shopping activities online. The pandemic has accelerated this development like never before, with a sharp rise in businesses selling their goods in the global marketplace.

“E-commerce and global logistics thus provided the key to unlock local shutdowns, keep economies running and mitigate the impact of Covid-19 for many of our customers.”

As well as globalisation and digitalisation, a new “technology-oriented generation of millennials” is driving growth in B2B e-commerce.

The increase in e-commerce demand is affecting the Asia Pacific market in particular.

“Specifically in Asia Pacific, excluding China, we have witnessed a 17.3% year-on-year rise in shipment volume during the peak months of November and December 2020 driven by more active shippers and a 21% higher spend per customer. In those two months alone, there were 65% more B2C shipments of which consumer technology products and fashion apparel contributed the most,” said Ken Lee, chief executive of DHL Express Asia Pacific.

“This unabated surge in volume further underscores the growth in online shopping and demand for cross-border shipping, making it critical that logistics providers remain agile to continuously adapt and respond to consumer needs.”