



SUPPLY CHAIN INSIGHTS

FOUR KEY TRENDS SHAPING THE FUTURE OF E-COMMERCE

E-commerce – and the supply chain that keeps it moving – is evolving, both in the B2B sector and in B2C. Whether you click ‘buy’ at work or at home, here are four trends that we’re likely to see more of.

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Online buying has become a normal part of our personal lives, and it is starting to find its way into our working lives as well. After all, corporate purchasers of goods and services are also consumers. They want the same easy experience of purchasing online for their business that they get outside the workplace.

There are plenty of statistics about the boom in consumer e-commerce from 2020; one that stands out from DHL’s realm is a 40 percent increase in B2C e-commerce volumes. At the same time, however, B2B sales in e-commerce are also booming. In fact, research firm Forrester forecasts that business e-commerce in the US alone is on track to reach \$1.2 trillion in 2021.

It’s all part of the massive change brought on by the outsized role of e-commerce in our lives – here’s a look at four trends we can expect to shape the future of B2C and B2B purchasing.

The rise of ‘social commerce’ and virtual marketplaces

Consumers are moving away from completing online purchases on corporate websites. In fact, according to research firm Forrester, 67 percent of B2C online sales will take place on virtual marketplaces by 2022.

Until fairly recently, it was mostly brands, distributors, and retailers who would sell us the things that we buy online. Now, however, it’s not just the well-known marketplaces such as Amazon, Alibaba, eBay, and Etsy who have most of the power. New players – the Instagrams and Pinterests of the world – are enabling social commerce that allows smaller businesses to sell online. It’s a massive shift, and there are implications for larger corporate businesses now that SMEs are able to access the market and sell online.

Social commerce is where social media meets e-commerce, and it’s the social networks providing the conduit to online transactions.

“Videos are becoming interactive so that whenever you see something you like you will be able to buy it instantaneously without being taken to another website. Similarly, you will be able to make a purchase directly from the photograph accompanying an online article. It’s all about a fast, easy frictionless online shopping experience.”

Nabil Malouli, VP, Global E-Commerce, DHL

From a logistics perspective, the challenge for social commerce will be in fulfilling deliveries. By their nature, social media posts can be seen by anyone anywhere. Making the sale will be the easy part – delivering the goods or services effectively, quickly, competitively and conveniently may be less straightforward.

Tackling labor shortages through innovation

The e-commerce boom is one factor contributing to a shortage of labor in the logistics industry, particularly during peak seasons. With peak days (think Black Friday) representing as much as 30% of annual volume for some retailers, it’s crucial that orders are fulfilled on time. Otherwise, businesses risk losing valuable customer sentiment and a potentially returning customer.

Helping to mitigate that labor shortage is the increasing use of automation in warehouses and distribution centers, which can provide productivity improvements.

But the technology is not simply for technology's sake, and it is certainly not designed to replace humans with machines – automation is about meeting consumer expectations around the clock. DHL uses automation in many instances because it is the only way to meet the required service level. During peak periods, large retailers can process up to 500,000 orders in a single day. Such volumes cannot be handled manually.

Another piece to the puzzle is designing workplaces that improve the employee experience and are enjoyable places to work. Forward-thinking companies realize that attracting talent in a competitive market means they need to offer a better working environment. We could see an increase in perks for logistics operations staff comparable to the kind of amenities more frequently found in corporate offices – gyms, cafés, recreation rooms, and perhaps even childcare facilities.

FUTURE PERKS FOR WAREHOUSE WORKERS?



Growth in e-commerce means growth in returns

A logical consequence of increasing e-commerce is an increase in returned goods. That's an issue for B2B transactions just as much as it is for B2C.

It's having an impact on warehousing in the US, where the need for reverse logistics is the main factor when it comes to leased warehouse space. According to commercial property experts CBRE, the need to handle returned goods accounts for 65 million square meters of warehouse space in the US alone.

The warehouse space needed for returns
is **65 MILLION SQUARE METERS**
or **12,150 FOOTBALL FIELDS**
in the US alone.

The increasing rate of returns represents a financial and logistical concern for businesses who could see huge – and valuable – volumes of inventory flowing out and then back in again.

“When consumers buy an item in a store, the average return rate of store item purchases is less than 10%. With internet purchases, the return rate can be more than 30%, so there's an enormous difference. This is a major issue because once goods have been opened and returned, much – if not all – of their economic value has been destroyed.”

Spencer Levy, Americas Head of Research and Senior Economic Advisor for CBRE

There is an opportunity, however, for retailers to gain a competitive advantage through a smooth returns process. If someone's experience is positive, it's likely that they will buy from that retailer again. Conversely, a bad returns experience lowers the chance of a repeat purchase.

The convergence of online and offline

Tomorrow's most successful companies, whether they are targeting consumer or business spend, won't be the ones that have an online strategy and an offline equivalent. They will be the ones that focus on an omni-channel strategy that incorporates both.

These business strategies reflect the modern wish for an integrated approach to buying. Today, when someone buys something from a brand, they want the same brand experience online that they get offline.

In China, for example, e-commerce conglomerate Alibaba's 'new retail' strategy has seen it open bricks and mortar grocery stores and pop-up shops in addition to partnerships with around 600,000 smaller stores.

With its trial of cashless checkouts, fast fashion retailer Zara is a good example of a retailer that is deploying technology to change the in-store customer experience. Others are using artificial intelligence and augmented reality to bring aspects of the online experience – such as the ability to personalize and design products – to their bricks and mortar operations.

For B2B e-commerce customers, online purchasing will play an increasingly large role in their work, and these same four trends apply just as much to them as they do to private consumers. When purchasing decisions are part of your professional life, it becomes even more important to pay attention to how the future is shaping up.