

Position Paper Cross Border e-Logistics

A Need for Integrated European e-Logistics Solutions



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Ecommerce Europe association data at a glance 2014



West € 177.7 bn +15.6%
 Central € 93.3 bn +22.8%
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 North € 31.9 bn +12.5%
 East € 19.3 bn +53.0%



Europe EU28
 € 363.1 bn +19% € 317.9 bn +18%

Our Mission
 To promote the interest of e-commerce in Europe through advocacy, communication and networking.

816 million people live in Europe
565 million people use the Internet
264 million people are e-shoppers



2,111,111+ jobs directly or indirectly via e-commerce

550,000+ estimated online businesses

3.7 bn+ number of parcels annually (f)

GOMSEC

Global Online Measurement Standard ECommerce



June 8-10 2015
 Barcelona



European E-commerce Awards
 • Entrepreneurial award
 • Omnichannel award
 • Pure Player award

Round Tables

Meetings in 8 European cities for e-commerce experts and invitees

European Reports

Reports include country profiles, trends and Infographics.

Position Papers
 1. e-regulations
 2. e-Privacy & Transparency
 3. e-Payments
 4. e-Identification & Trust Services
 5. e-Logistics

Eastern Europe B2C E-commerce Report 2013
 Western Europe B2C E-commerce Report 2013
 Southern Europe B2C E-commerce Report 2013
 Northern Europe B2C E-commerce Report 2013
 Central Europe B2C E-commerce Report 2013

Reports contain countries
 • Eastern: Rom, Rus, Ukr, a.o.
 • Western: Be/Nelux, Fra, Ire, UK
 • Southern: Gre, It, Port, Spa, Turk, a.o.
 • Northern: Den, Est, Fin, Lat, Lth, Nor, Swe, a.o.
 • Central: Aus, Cr, Germ, Hun, Pol, Swi, a.o.

15+ leading e-commerce associations

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 © Ecommerce Europe May 2014
 www.ecommerce-europe.eu
 info: info@ecommerce-europe.eu
 reports: research@ecommerce-europe.eu
 Rue de Trèves 59-61 | B-1000 Brussels | Belgium
 Tel: +32 (0) 2 502 31 34
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Ecommerce Europe is the association representing around 5000+ companies selling products and/or services online to consumers in Europe. Ecommerce Europe is a major stakeholder in policy issues concerning the Digital Single Market - which experiences difficulties in the cross-border coordination between Directorate-Generals, Member States, and Members of the European Parliament. Ecommerce Europe offers to be a one-stop-shop for the European Institutions for all e-commerce related issues. Ecommerce Europe can be consulted when it comes to market research and data, policy questions and in-depth country knowledge.

Ecommerce Europe asks the European institutions for a one-stop-shop for e-commerce policies which are currently covered by a plethora of legislation. In order to achieve this Ecommerce Europe proposes an integrated perspective on five key themes: **Internet security & privacy, consumer rights, e-payments, tax issues and e-logistics**. Detailed proposals linked to these themes are outlined in the Ecommerce Europe multiple position papers.

E-LOGISTICS – A NEED FOR INTEGRATED EUROPEAN SOLUTIONS

High European delivery performance is a key driver for success for web merchants and their business models. Improving logistics on a European scale could have significant results in terms of growth and jobs. Better functioning cross-border e-commerce logistics will deliver benefits to all actors involved in e-commerce activity; consumers, web merchants, and logistics service providers. Service expectations, especially concerning logistics solutions, have increased over the years and the online consumer is demanding allowing for a variety of delivery options (e.g. same day, lockers, click and collect, ship from store, and connected delivery) to emerge along with suitable payment methods, reliable and real time track and trace information, and increased reliability.

However, at the moment there is no integrated **European delivery system** which meets all the consumers' specific needs as well as the need of the merchants in managing cross-border deliveries and reverse logistics. Hurdles are indeed still high as costs for cross-border delivery are two to three times higher than the cost of domestic delivery and the choice of the right partnerships at a long distance from its operations is not an easy task which calls for more transparency in the market.

The European Commission identified the delivery of online purchased goods as one of the top five priorities to boost e-commerce by 2015. **A cost efficient and smooth delivery**

process contributes to consumer trust and as a result supports e-commerce growth.

Ecommerce Europe is committed to collaborate with policy makers and stakeholders on the following recommendations for integrated solutions on e-logistics:

1. Increase transparency by giving all parties involved access to more information on European delivery

Operating a cross-border e-commerce trade means necessarily to entrust its orders and parcels to a delivery operator from another country for the last mile at least. As local actors currently dominate e-commerce delivery, it proves to be difficult to have the necessary expertise to know all the actors in various countries and which ones to team up with, especially in a fast evolving landscape. The challenge is even bigger if the online merchant operates in many countries, has a wide range of products necessitating different delivery networks (from light mail to two-man-delivery) and wants to offer consumers choice in the delivery options (standard, express, pick up points among others). Ecommerce Europe advocates the **creation of a “one-stop-shop” web portal with all the necessary information allowing an easy access for merchants to information on delivery** in the targeted countries.

Increase transparency with the creation of a web portal acting as the “one-stop-shop” for delivery intelligence in Europe, containing the following

features to help merchants to make the most suitable partnerships:

- **Regulatory information with local legal specificities**

Although legal harmonization is underway within the European Union, **many local legal differences still prevail**. The web portal can display per country all legal requirements concerning distance selling that have an impact on e-logistics, e.g. consumer rights regarding returns, WEEE rules (Waste Electrical and Electronic Equipment), country-based transport right for claims compensation etc.

- **Market intelligence with usual delivery means based on statistics**

Each European country's cultural differences have impacts on the buying habits of their population, including on the way they choose to be delivered. **A successful launch of a cross-border website in a country implies to offer to its inhabitants the services they are used to receive from their local companies**. Consequently, besides information on the e-commerce market size in the country and the product categories that prevail there, the web portal could indicate – as an example – the delivery methods market shares (standard home delivery, express home delivery, pick up points, click and collect, etc.) as they stand out from local studies as well as the average return rate and the percentage of COD (Cash On Delivery) orders.

- **Comprehensive list of all logistics service providers with their identity kit**

The e-commerce delivery market, especially in B2C, is very fragmented in Europe. There are several hundreds of delivery operators in Europe that have a national coverage, including postal operators, global integrators, local single small parcel operators coming from the B2B arena, local B2C home delivery challengers, pallet messengers mostly active in B2B for bulky items, two-man delivery companies, pick up points networks, local couriers for same day delivery, freight forwarders to move pallets from one country to the other, etc. The web portal would be **very beneficial to the exporting websites if it would list all the delivery companies** that criss-cross Europe, with at least the following information: name, contact details, services offered, short history, geographical reach, weight and size limits, market share and references in e-commerce.

- **Online support for a decision model for online merchants with regard to their total delivery costs**

In some cases it may be more efficient to choose one distribution partner that carries out and manages transport and contracts with local parcel delivery services. This method provides the **advantage of one point of contact**. Nevertheless, after attaining a certain volumetric threshold per country, putting in place its own delivery network by bringing oneself its orders to the local delivery operators is more complex but can achieve significant gains in terms of

cost, lead times and even quality by choosing the most suitable partner. The selection between the vast offer of suppliers could be made **easy by integrating in the web portal a feature allowing transport companies** to quote on the platform after merchants have entered certain key data (address of the logistics facilities, destination and service required, volume). Based on the tariffs obtained combined with other data (statistics on contacts, claims, returns and even customs), the web portal could help the merchant to easily make its selection decision by indicating the Total Cost of Ownership (TCO) of its delivery.

2. **Decrease costs to make cross-border flows more affordable**

Online merchants who trade cross-border are in competition with local players that leverage their local anchorage with lower delivery fees or even free shipping. The development of cross-border e-commerce is hence slowed down by the considerable financial burden that shipping costs represent in merchants' accounting; it is often one of their higher operating costs. In a sector where delivery fees are seen by consumers as a strong buying repellent, decreasing international delivery costs would be a powerful way of fostering cross-border e-commerce and enhance competition to the benefit of the consumers.

Ecommerce Europe asks for **several cost optimization initiatives with a better operational coordination between stakeholders without requesting financial investment from shippers or**

delivery operators which in their vast majority share same thin margin levels. These initiatives would be volume consolidation, better interoperability, the creation of new delivery products and lastly new invoicing models.

- **Promote logistical volume consolidation**

One of the main reasons cross-border delivery costs are significantly higher than domestic ones is the fact that since delivery costs and volume are inversely strongly correlated, cross-border flows are at this time still weak (about only one parcel out of seven crosses a border) and scattered. Because e-commerce cross-border trade is gaining maturity and because logistical points of origin and destination are often quite concentrated, there is room to **create international trade lanes shared by several merchants** under a single contract to better equilibrate the bargaining power of smaller international online merchants. This kind of initiative between logistics operators, brands and distributors has been put in place already in the retail industry for several years.

- **Encourage open standards in IT developments**

Increasingly, due to consumers' demands in terms of real time track and trace and due to the logistics growing industrialization, Information Technology (IT) has gained considerable importance. Consequently each physical delivery of a parcel is accompanied today with complex IT flows between the merchant, the delivery company and the consignee. On one hand

each e-logistics provider has its own IT architecture and legacy. On the other hand, most online merchants focus their IT proficiency and bandwidth on front-end IT, which is their core business, and not logistics back-end IT. As a matter of fact the IT developments required by a carrier switch can take several months in many cases. In order to have a more fluid market between providers and shippers and to allow supplier competition to play a greater role, it is necessary **to promote open standards** in the development of the labelling and of EDI files (Electronic Data Interchange). This would decrease the implementation cost of a new courier and would allow the merchant to seize opportunities to change more rapidly to a cheaper carrier for instance.

- **Promote a marketing dialogue between merchants and delivery operators in order for them to develop new delivery products more suited to merchants' and end consumers' needs**

E-commerce product and service offerings have developed over the last two decades much faster than the services offered by all delivery operators, even if e-logistics suppliers have increasingly incorporated e-commerce at the heart of their strategy and have been a support in the development of internet as a sales channel. The vast array of products sold on line, from the 1€ laptop cable to the very bulky sofa including fresh grocery or luxury goods, do not all have to date the suitable delivery service for both price and quality reasons.

International delivery is currently dominated by a fairly slow delivery service under 30kg to the home of the consignee with a signature required, which can be too premium in many cases. This mismatch between supply and demand can be progressively addressed with a **constructive dialogue between all parties which all have common interests of developing volumes.**

- **Change the structure of invoicing in a multi-operator scheme with terminal fees and distance-based invoicing**

Cross-border e-commerce is mostly done in neighbouring countries within clusters (for instance Nordics area, Great Britain and Ireland, Benelux countries) and the online consumer is often only few hundreds of kilometres from the logistics facility of the website where the order has been placed. It is difficult to legitimate the fact that, under similar circumstances of freight profile and volume, a merchant based in Cologne would pay for its transport costs to Berlin (600 km away) only a fraction of what it would pay for the same operation to Brussels (200 km away). Borders, which have become only virtual in the European Union, still remain a strong impediment in the transport of goods. By conceding to each other fair terminal prices for the use of the fraction of their network, delivery operators would significantly reduce cross-border delivery costs: **The cost of a delivery should be made of a fraction of the outbound country (first mile) and a fraction of the inbound country (last mile), both calculated on a marginal**

basis. This scheme is also valid for integrators which also have country-based P&L even though they are part of the same company. This scheme would make it closer to a distance-based invoicing system.

3. Increase reliability and quality of service of European delivery operations

Today, cross-border e-commerce still suffers from insufficient integration of all delivery operators as, except for integrators, a parcel will go through as many logistics systems as it crosses borders. Each breaking bulk at a gateway from one operator to the other brings risks in lead times, damage, loss, and track and trace visibility. Besides, due to the lack of integration of independent operators, the handover is very sensitive and bears costs of manual handling (relabeling, sortation, reloading and controls). To enhance quality and reliability of delivery services across Europe, Ecommerce Europe encourages **initiatives of delivery operators to create partnerships leading to increased operational and IT coordination.** On top of that, additional IT intelligence should be promoted to merchants and continuous investments in quality of service of delivery operators could be encouraged with the **creation of independent evaluation of the quality of service with a barometer on quality of service and a delivery trust mark.**

- **Promotion of integrated networks between local operators**

Integrated networks already exist in Europe and play a role in the e-commerce landscape with integrators such as UPS, DHL or DPD. However, these companies may prove to be too costly or to be lacking the services needed in a certain area. Besides, postal operators have had international agreements for a long time between them within UPU (Universal Postal Union) or IPC (International Post Corporation) but the heterogeneity in these groups and the competition and protectionism reflexes between postal operators can bring in some cases sub-efficiencies in their price and quality offerings. Because of this lacking in the supply, many international merchants create pragmatically their own delivery network by using the service of a mix of posts, integrators, local providers, consolidators and freight forwarders. To avoid the complexity of contracting with many **operators delivery suppliers should pursue their coordination efforts based on their specialization in a given service and area.** This “consortium” between operators, by taking in charge on their side the complexity of a thorough integration, would create a sort of “one-stop-shop” in international delivery for e-commerce decision makers.

- **Creation of a pan-European barometer on delivery quality of service**

The delivery landscape in Europe is complex, fast moving and requires a lot of time and expertise to follow the trends and strategies of all delivery operators. Suppliers differentiate as well in their

capacity to reach quality objectives with KPI (Key Performance Indicators) such as short lead times, high success rate in the first delivery attempt, low contact and claims rate, low returns rate, among others. The production of this kind of dashboard is still quite recent, not homogeneous and not transparent as the only figures available, if any, come from the delivery operators themselves that calculate them their own way without any possible audit. Creating an **independent barometer on delivery performance** would increase transparency in the field of delivery quality and can have the following foreseeable impacts: better consumer trust in e-commerce, emulation between delivery operators as well as a tool for carrier selection for merchants to help them form successful shipper/carrier partnerships. Case studies showing good results could lead to the publications of best practices with the actions to put in place in operations, IT, packaging domains.

- **Encourage intensive use of additional IT intelligence around delivery issues to improve performance**

Each parcel delivery is sensitive and represents a challenge, repeated several million times every day in Europe. To make it a success, best-in-class web players use more and more “big data” to have a better control over their operations as delivery has become intensively IT-oriented over the last years. The least a parcel delivery is under IT-surveillance, the higher the probability of failure is. In order to avoid unnecessary returns, web **merchants should take care of country specific requirements** in zip

codes when sending parcels and use an up-to-date address verification tool as early as possible in the ordering process. And in order to have this feature becoming a commodity in e-commerce instead of it being a very costly option today, postal operators should make the up-to-date comprehensive list of accurate addresses freely accessible, as this would be in their own interest as well as part of their universal service. Moreover, in order to avoid unnecessary calls from consumers, merchants are encouraged to develop internally or buy the services of companies that put all deliveries under scrutiny and inform consumers on a real time basis when a consignment has experienced a delay or any other issue.

- **Improvement of claims handling and of trust marks related to delivery**

Consumers' first reasons to complain in distance selling are often linked to delivery, from the traditional WISMO call (Where Is My Order) to the treatment of an inquiry of a loss or damage. In such cases, the inquiry handling method required by the delivery operator is much longer and more restrictive to what the consumer is eager to accept. Besides, if there are many trustmarks on the market evaluating the general performance of a website, none really integrates specific criteria on delivery quality itself letting the consumer in front of a "black hole" between the click and the possession of its order. It would be in consumers' interest that delivery **operators guarantee a swiftly reply when reassurance is needed and to reverse**

the burden of proof of a claim from the consignee to the carrier in case of a claim. As e-commerce is profoundly based on trust, the extension of the scope of trustmarks to the quality of the delivery – i.e. to the most stressful phase in the act of purchase – would permit consumers to choose knowingly between several delivery methods or even between several websites depending on the carriers used.

Europe 2013 Key e-commerce data at a glance



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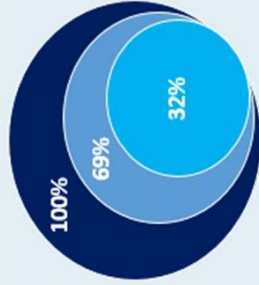
2,000,000+ jobs directly or indirectly via e-commerce



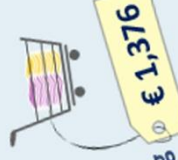
550,000+ estimated online businesses



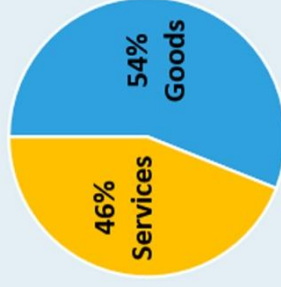
3.7 billion+ number of parcels annually (f)



816 million people live in Europe
565 million people use the Internet
264 million people are e-shoppers



Average spending per e-shopper
 € 1,376



€ 363.1 bn
 Turnover E-commerce
 Goods & Services

220 million households



Estimated share of online retail in total retail



"443 million social media users"

Top 5 mature e-commerce countries in turnover (million)

UK	€ 107,157
Germany	€ 63,400
France	€ 51,100
Netherlands	€ 12,000
Austria	€ 10,970

Top emerging countries	
Russia	€ 15,500
Spain	€ 14,414
Italy	€ 11,268
Poland	€ 5,225

UK, Germany, France account for 61% of total e-commerce sales in Europe

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 www.ecommerceuurope.eu

info: info@ecommerce-europe.eu

for reports: research@ecommerce-europe.eu

Rue de Trèves 59-61 | B-1000 Brussels | Belgium

Tel: +32 (0) 2 502 31 34

Twitter: @Ecommerce_eu

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Ecommerce Europe

Rue de Trèves 59-61

B-1040 Brussels

Belgium

Tel. Office: +32 (0) 2 502 31 34

Fax: +32 (0) 2 514 37 22

Email: info@ecommerce-europe.eu

URL: www.ecommerce-europe.eu

Twitter: [@Ecommerce_EU](https://twitter.com/Ecommerce_EU)