

THE CHANGING FACE OF THE GLOBAL SUPPLY CHAIN: E-COMMERCE TRENDS FOR INDONESIAN LOGISTICS OPERATORS



Author: Bruce Stubbs, Director, Industry Marketing, Honeywell Scanning & Mobility

The global supply chain sector is undergoing a period of rapid change. The rise in e-Commerce has fundamentally altered the delivery process for consumer goods around the world and global economic instability is putting pressure on logistics providers to operate more efficiently than ever before.

In the coming years, the Asia Pacific region is not only going to play a key role in producing goods for global export, but it's also going to be a main focus in the overall delivery process. As the middle-class in key Asian countries like Indonesia matures and becomes more viable, their buying power will increase and so will their desire to purchase goods normally destined for export. This will lead to significant changes to the nature of the regional supply chain in the future.

Adapting to an e-Commerce driven supply chain

Indonesian logistics providers, like their counterparts around the world, are facing pressures related to the e-Commerce delivery process. The increasing number of small piece orders, the increased number of delivery destinations that have to be reached, as well as the reduced timeframe in which these orders are expected to be delivered pose challenges for local goods delivery businesses.

Unlike countries with land borders, where many goods manufacturers can strike up a partnership with a business in the neighbouring country to handle their deliveries, from an Indonesian perspective there isn't this option. This means they either have to use their existing T&L capabilities that were designed for bulk domestic store deliveries to handle challenging single item deliveries, or otherwise look to outsource to a 3PL who may be better equipped for an e-Commerce world.

This is the fundamental challenge for Indonesian logistics providers – how to cope with the increased movement of single goods. Warehouses that were built to deliver only to stores are now delivering to two channels – e-Commerce and store orders. This may not seem like too much of a challenge on the surface, but the picking process for fulfilling an order is vastly different as is expectations around delivery times.

In order to deal with the pressures caused by e-Commerce in the distribution centre, Indonesian logistics providers will need to look at technologies that are geared to cope with the increasing number of orders and speed of delivery. Voice technology solutions are proven to increase productivity by 25 to 35 per cent, meaning more orders can be picked and shipped in a shorter space of time. Voice also offers almost 100 per cent accuracy, which is an important factor in e-

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Commerce, as customer satisfaction is paramount to return customers, and if the wrong order is delivered the consumer is unlikely to purchase from the retailer again.

The popularity of e-Commerce has increased so much in some heavily populated cities in the region that it is creating a delivery resource crunch. In heavily populated cities there are only so many routes that can be dispatched to and at peak periods this means that some goods may not even make it out of the warehouse to a delivery route.

To help address this issue in the future in Indonesia's bigger cities like Jakarta, local logistics firms should be looking to adopt technology across their transportation operations so the existing fleet and drivers they have can become more efficient and make more deliveries. This means logistics providers can increase their business without adding the cost of infrastructure and extra routes on the road.

Changing consumer expectations and what that means for the delivery process

Another key challenge for logistics providers in Indonesia is around how best to manage consumer expectations in an e-Commerce world. In today's digital world, we are living in a 'get it now' society and the delivery expectations are in some cases unrealistic. A recent survey Honeywell Scanning & Mobility conducted highlighted the very real pressures that delivery businesses are under these days. The survey found that in the UK, consumers expected a three hour delivery window for goods purchased online. It also found that:

"The majority of customers (57%) declared that current delivery options offered by retailers are not satisfactory, and more than half of respondents (51%) say it is often the case that "the parcel delivery reaches their home address when they are not at home and/or misses the appointment time."*

In the future there may be a tipping point where due to strained delivery resources, certain items may become more critical for more immediate delivery – for instance medications may be prioritised for rapid delivery over durable goods. Also it is entirely possible that delivery companies may look to start charging a premium rate for non-critical items to be delivered especially where new routes need be created within a specific narrow time frame to meet consumer demand.

Sometimes people are not the answer

The biggest single challenge for Indonesian logistics providers in adapting to an e-Commerce focused delivery environment is a changing of mindset. Because of the availability of attractive labour rates as well as the high population that is available, in the past Indonesia has not typically been an early adopter of technology. Instead local businesses were historically able to apply people to the problem when they needed more things done, versus trying to do it more efficiently with the number of people they already had. The issue with this approach in an e-Commerce world is that adding more people to handle problems doesn't increase either productivity or the accuracy of the delivery process. In fact more people can lead to greater opportunities for human error and impact negatively on the delivery process overall.

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There is no doubt that the rising popularity of e-Commerce across the region is impacting directly on the operations of Indonesian logistics providers. It is those savvy businesses that make an investment in specialist AIDC technologies for the logistics sector that will be much better positioned to keep up with changing consumer demands, and be able to increase productivity and ensure their place in the local and global distribution market now and into the future.

References:

*<https://www.honeywellaidc.com/en-US/about/press-releases/Pages/UK-Consumers-Expect-Three-hour-Delivery-Window-for-e-commerce-Purchases.aspx>

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