# **READING: E-Commerce Spurring Changes for Logistics Managers**

**July 15, 2019** | Michigan State University – <https://www.michiganstateuniversityonline.com/resources/supply-chain/e-commerce-spurring-changes-for-logistics-managers/>

E-commerce is booming in the United States and around the globe, driven in part by the growth of mobile devices such as smartphones and tablets. The U.S. Department of Commerce reported retail e-commerce sales of $71.2 billion in the United States for the first quarter of 2014, an increase of 2.8% from the fourth quarter of 2013 and a 15% jump from the first quarter of 2013. In contrast, total retail sales rose 0.2% from the fourth quarter of 2013 and 2.4% from the first quarter of 2013.

**How E-Commerce is Changing Retailing Logistics**

It’s clear that e-commerce is changing retailing, and by extension, supply chain and the **job of the logistics manager**. In the past, retail stores received their orders from suppliers or wholesalers. Then, in the 1980s, centralized distribution centers were developed where vendors delivered to the distribution center, rather than directly to stores, and a logistics manager’s job became more complex. The 1990s saw the rise of global sourcing for materials and finished goods, and the retail import center was added to the supply chain. Managers needed a **higher level of logistics training** to be successful.

Now, e-commerce is driving more changes in the supply chain. According to a paper prepared by Jones Lang LaSalle, Inc., a financial services firm specializing in commercial real estate, these are three developments e-commerce growth is expected to generate:

1. Global expansion, with rapidly developing countries such as China and India experiencing sharp increases in online sales.
2. Different e-logistics models will be developed to address cross-border fulfillment as developing markets expand e-commerce.
3. Big changes will come in physical distribution networks, including mega e-fulfillment centers, parcel hubs and localized “urban logistics” depots for quicker order fulfillment.

In mega e-fulfillment centers, products are stored and selected for shipment at the item level. A center may be operated by the retailer or a third-party logistics (3PL) services provider and is typically between 500,000 and 1 million square feet in size.

Parcel hubs sort orders by ZIP code to be delivered to the nearest parcel delivery center which in major cities could be an urban logistics depot, and then to either the customer’s home or a central collection point.

**The Importance of E-Commerce Fulfillment and Third-Party Logistics**

E-commerce presents unique challenges to retailers. First, consumers expect low prices, free shipping, and returns and quick delivery. Second, goods can’t just be handed to the customer – they must be packed and shipped in single-item or small volume orders. And third, e-commerce tends to involve a much higher rate of returns, which cannot simply be brought back to a physical store. When margins are razor-thin, fulfilling customer expectations becomes even more challenging.

Increasing expectations of customers and clients are driving the growth of 3PL, Michigan State University Professor Dr. David Closs said in a lecture about supply chain management. “The quickened pace requires real-time information for better informed, more agile decision making,” he said.

That’s where third-party logistics (3PL) providers come in. These firms specialize in leveraging the latest software and technology to provide fulfillment with a high degree of expertise, accuracy and cost savings.

The Council of Supply Chain Professionals says 3PL firms provide multiple logistics services that are often bundled, such as transportation, warehousing, managing inventory, forwarding freight, and packaging.

**5 Benefits of Working With 3PL Providers**

The 3PL providers have specialized technology and expertise in product tracking and tracing that their clients may not possess, Closs said. “The third parties, in many cases in these areas of transportation, warehousing, and transportation management, are world-class experts,” he said.

Working with 3PLs can help retailers deliver their products with a high rate of customer service. Here are five additional 3PL provider benefits:

1. They are equipped and experienced to handle online order delivery and returns.
2. Their sophisticated software provides valuable information that can be used to better understand customers, expand markets or improve processes.
3. They can capture incoming web orders, manage and update the web portal, update website content, and staff call centers to handle orders, provide information and process returns.
4. Their web analytics can efficiently track products from product receipt and storage, picking through packing, and delivery through the return.
5. Technology-based e-commerce picking can streamline the process, increase productivity and save money.

**Growth in the 3PL Field**

The rise of e-commerce and sophisticated logistics is having an impact on 3PL firms, as well. Some 3PL CEOs expect revenue growth of nearly 15% from 2013 through 2016, according to a 2013 article by Logistics Management magazine. Along with growth, they expect to see the following trends:

* Retailers will expect more from 3PLs, including innovation to reduce costs and improve customer service.
* Finding and keeping skilled managers will continue to be a challenge. 3PLs must be competitive when hiring and offer what today’s logistics manager wants from an employer.
* Sustainability will continue to be a strong focus, whether it attracts new customers or not.
* A shift in the global retail landscape will spur an increase in reverse logistics in North America and an expansion of e-commerce throughout the world.

The growth in third party logistics is also fueling the emergence of logistics integrators that handle all logistics services as a single provider, creating a single point of interface for companies, Closs said.

“We’re seeing an evolution from a 3PL which focuses on transportation or warehousing, to a logistics integrator who may still focus on transportation or warehousing, or have some consideration of transportation or warehousing, to broaden it and look at the technology part the tracking, the balancing of supply and demand and those kind of activities which really is where the benefits are,” he said.

**Becoming a Logistics Manager in the Era of E-Commerce**

Today’s supply chain has become much more complex, but it’s also providing new job opportunities for talented logistics managers, and many employers cannot find candidates with the needed skills. Quality employees will need to continue their education to stay current with changes in supply chain and logistics management.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

***Directions: In your own words, write a summary of how e-commerce is changing distribution. Include your opinion on where you see e-commerce 10 years from now.***

***Assignment is worth 50 points.***