

E-Commerce Growth With Third-Party Logistics (3PL)

WHITE PAPER



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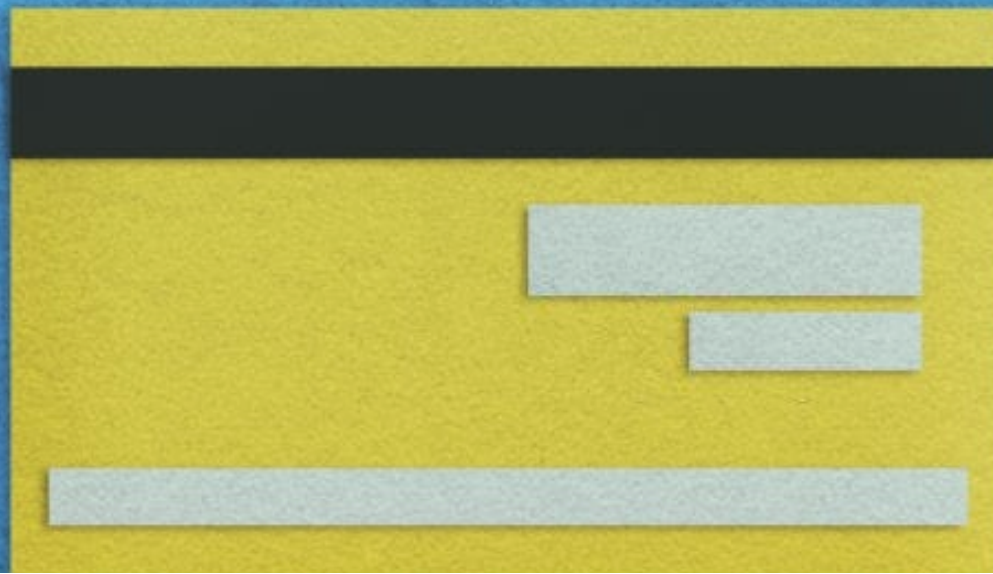
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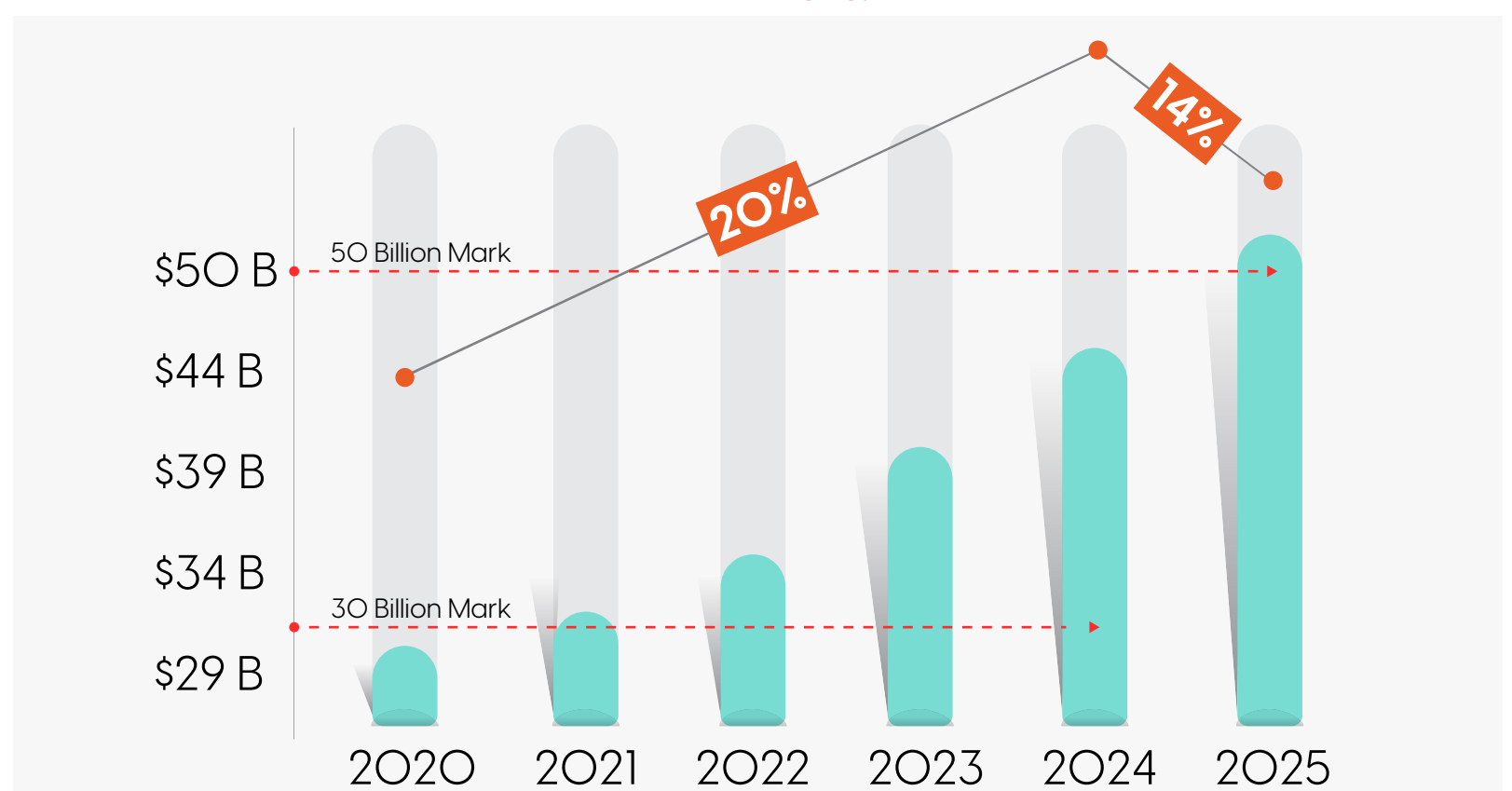
The E-Commerce Landscape in GCC

The global pandemic outbreak in 2020 accelerated the emergence and pace of e-commerce by leaps and bounds. The need for contactless business led to the rapid growth in national as well as global e-commerce industries.

During the forecast period of 2020 to 2027, the global e-commerce market is estimated to reach US\$16,215.6 billion at 22.9% compound annual growth rate (CAGR). The aftermath of COVID-19 is also leading to the growth and expansion of the e-commerce sector in the Gulf Cooperation Council (GCC).

Previously, from 2015 to 2020, the retail market had gone merely from US\$5 billion to US\$24 billion at a CAGR of 10% - 14%. Halfway into the current decade, e-commerce is predicted to be the primary growth driver in the retail market. With the largest economies of Saudi Arabia and the UAE leading it, the GCC e-commerce is believed to set new records.

At an accelerated CAGR of 20% from 2020 to 2022, GCC e-commerce will grow to US\$29 billion in 2021 and US\$34 billion in 2022. Crossing the 30 billion mark, in 2023 and 2024 respectively, it will reach US\$39 billion and US\$44 billion. And, at 14% CAGR, it will hit the US\$50 billion mark by the end of 2025.



Fundamentals of E-Commerce in GCC

These are built on the foundations of two key driving factors:

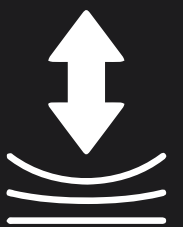
- 01. Tech-savvy shoppers:** Most GCC e-commerce users are digitally literate, with millennials accounting for 45% of the consumer base growing at a 6% CAGR.
- 02. Online food and grocery delivery:** This key segment is expected to grow by 30% each year till 2025. The average cost per online order is projected to increase by 2 times in 2 years.

The four fundamentals are:



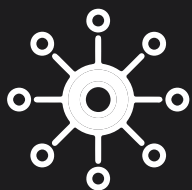
Immunity against failure

While consumers are taking the vaccine and getting immune to COVID-19, e-commerce companies have not acquired immunity against business failure yet. The number of competitors targeting a common audience, and the urgency to seek continuous and secured investment, are posing a challenge in their path to profitability.



Resilience test

Surviving the digital transformation by pushing online channels and catching up with the increased momentum of online buyers to extend profits will prove the consistency and promising nature of the e-commerce sector.



Best mix of channels




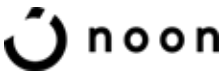












According to the EBITDA study (Earnings Before Interest, Taxes, Depreciation and Amortization), offline stores contribute to the business by 12% to 16%, whereas online websites contribute 6% to 11%. That is why a combination of channels - home delivery solutions and omnichannel collection points (offline) - is imperative.



Winning the last-mile

Devising last-mile delivery strategies to provide convenience and instant gratification to customers is the need of the hour. It can be achieved by improving the logistics infrastructure, deploying a skilled and flexible workforce with third-party logistics (3PL) service, providing multiple trusted payment options and making centrally-governed policies.

Key GCC Players in E-commerce Stores and Marketplaces

			
Amazon	Apple	FedEx Express	Noon
			
Barakat	Fodel	Sharaf	Namshi
			
Microless	Danube Home	Ounass	Tryano
			
Hi Dubai	Dubai Shoppers	Dubai CommerCity	OpenKart

Impact and Challenges of the Pandemic

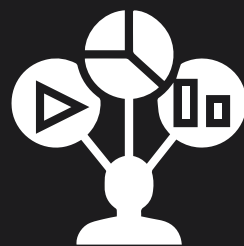
The E-commerce industry took the impact of COVID-19 as governments imposed Standard Operating Procedures (SOPs), instituted complete and partial lockdown, enforced social distancing measures and temporarily closed non-essential businesses across the globe. This augmented e-commerce adoption and resulted in sales spikes.

Companies and marketers are compelled to revise old strategies to adapt to the “new normal” of changing consumer behaviour, buying patterns and digital lifestyle. Anticipated to last long, these dynamic consumer habits have supplemented cashless payment applications, card and digital wallet transactions, and UPI (Unified Payment Interface) like Google Pay (GPay), Samsung Pay, Apple Pay, Emirates Digital Wallet and Etisalat E-Wallet.

The e-commerce industry needs to focus on overcoming challenges like:



Inefficient and disrupted supply chains



Ever-changing consumer behaviour (demographic and psychographic)



Boosting demand via marketing and promotions



The Digital Transformation of B2B E-Commerce

Businesses are acquiring digital marketing knowledge and skills to manage online channels and stay relevant in the transition from offline to online. Cross-border exporters and importers, and SMEs (Small and Medium Enterprises) are becoming business gateways with the holistic features of B2B, B2C and B2B2C transactions.

B2B Adopting B2C Practices

- O1.** B2B buyers and sellers have turned to **online inventory procurement and client acquisition** to improve **profitability and efficiency**.
- O2.** While e-commerce transformation is being termed as the '**next industrial revolution**,' companies are **personalizing and customizing** their products and services even in the B2B market.
- O3.** They are focusing on improving **customer experience** by integrating technical, financial and operational departments.
- O4.** They are facilitating **AI and ML-based (Artificial Intelligence and Machine Learning)** based services, developing end-to-end systems (front-end and back-end/full-stack), offering multiple mobile-app based payment solutions, investing in digital cloud-based platforms, and providing real-time tracking with live online support.

Government Support in E-Commerce Strategies

Administered by the GCC, the **Dubai E-Commerce Strategy** is devised and implemented in the UAE. Considering the current times, it aims at:

- O1. Solidifying the position of Dubai** as a central hub for global e-commerce.
- O2. Positioning Dubai as the global logistics hub** in the GCC region because, by 2023, e-commerce is estimated to contribute AED12 billion to its annual local GDP.
- O3. Attracting more and larger FDIs** (Foreign Direct Investments) to the e-commerce sector.
- O4. Augment the market share of companies** by reaching AED24 billion by 2022.
- O5. Decrease expense and documentation** on customs clearance during import and export through free zones.

The **Dubai Industrial Strategy 2023** has also been devised to cement the emirate as a globally integrated platform for sustainable, innovative and knowledgeable businesses. With a futuristic vision and **75 initiatives underway**, the project is touted to generate **AED160 billion by 2030**.





The UAE as an E-Commerce Hub



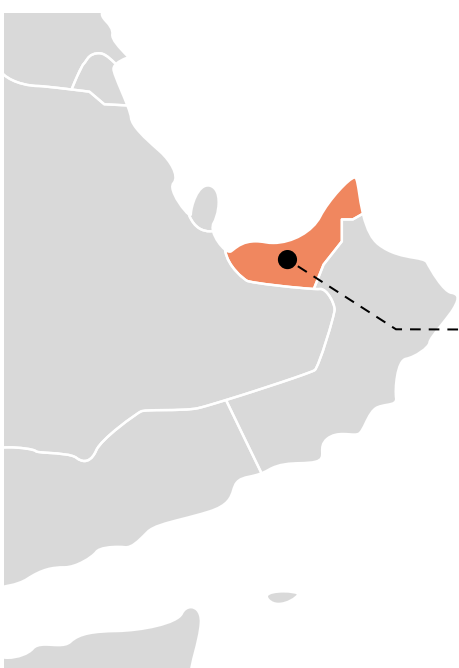
Geographical Importance - Dubai

The emirate of Dubai is located on the southeast coast of the Arabian Gulf and has a long history of merchant trade and transportation. With the expansion of **Dubai International Airport** and the newly-established **Al-Maktoum International Airport** that is directly connected to the **Jebel Ali Port**, Dubai has shown huge growth in sea-air routes, passenger numbers and cargo volumes.

Dubai as an E-Commerce Hub

Proposed by H.H. Sheikh Mohammed bin Rashid Al Maktoum - Prime Minister, Vice President and Ruler of Dubai, the emirate is to consolidate its position as a central hub for global e-commerce. As the region is eyeing an AED12 billion (US\$3.2 billion) online retail boost by 2023, the 920,000 purpose-built massive e-commerce hub sits at the heart of **Dubai South Logistics District** and plans to attract the world's leading e-commerce companies.

The UAE as a Transit Hub for Sea-Air Logistics

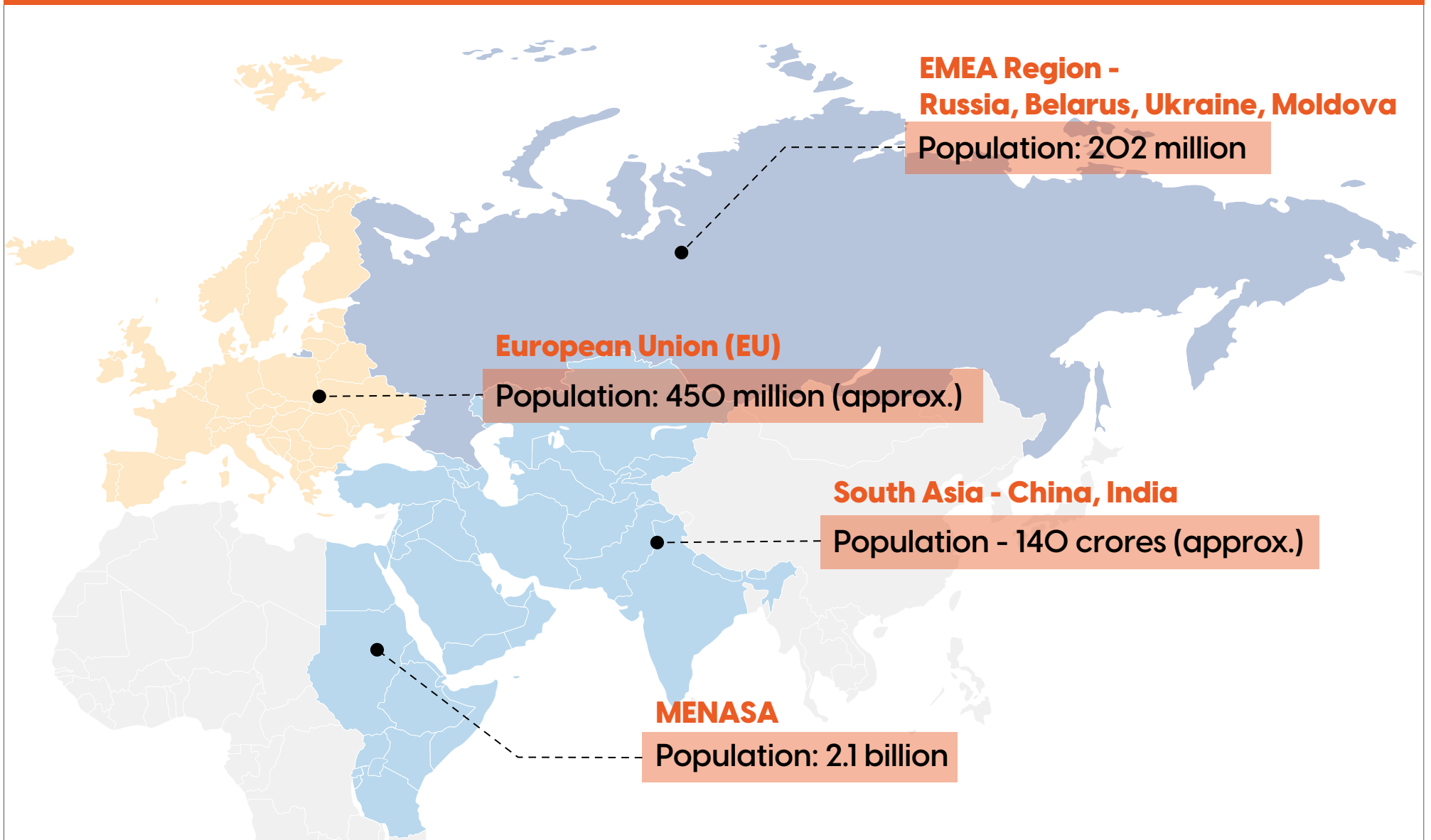


The UAE is the EU's (European Union) 11th largest trading partner and the 1st in the Arabian Gulf.

The emirate of Dubai has the third most connected air hub with the busiest international airports to facilitate air-freight logistics. It has direct flight connections to the majority of global capitals without delayed layovers.

The **Dubai World Central (DWC)**, also known as Dubai's airport of the future, has opened its doors for global cargo operations by holding almost 5 to 7 million passenger capacity terminals. It has a direct connection with the Jebel Ali Port, which is the busiest port in the Middle East and 9th busiest in the world, operating across 150+ shipping lines.

Capturing Cross-Border Markets



The UAE's business opportunities with the MENASA region (Middle East, North Africa, South Asia) have increased in the last year. It is expanding in the EMEA region (Europe, Middle East, Africa) - namely in Russia, Belarus, Ukraine and Moldova.

In South Asia, China is Dubai's biggest non-oil trade partner which totals nearly AED135.7 billion to AED175 billion. By 2030, India is expected to become the biggest export destination for the UAE, and it is estimated to account for 14% of the total goods and services trade.



The Future of E-Commerce Sellers

TRENDS AND INNOVATIONS

As e-commerce is a vast, dynamic and extremely competitive industry, it is essential to continuously monitor the advancements and developments. Only if you stay ahead of the competition, can you ride the e-commerce wave.



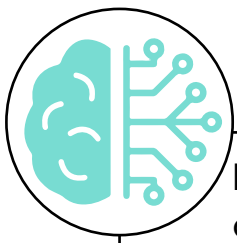
Penetration of Smartphones and Internet

The mobile/tablet segment is growing at the highest CAGR with 5.05 billion users having access to the internet. Mobile shopping and social media shopping is on the rise due to tech giants like **Facebook**, **Instagram (IG Shops)**, **Shopify**, etc.



Personalization and Customer Experience

Implementing on-site personalization can increase revenue and reduce bounce rates because people value and remember good customer experiences.



AI-Powered Solutions

Helpful store assistants based on AI provide recommendations and suggestions to understand the customer's preferences and purchasing behaviours.



AR and Video Shopping

It is forecasted that the average consumer will watch 100 minutes of online video content. With Augmented Reality (AR) customers can lay and move products anywhere in their house to compensate for not being able to try them on while shopping.



STRATEGY FOR E-COMMERCE FULFILMENT



PUDO Model

The **Pick-Up and Drop-Off (PUDO)** is a proven and well-established business model across industries. More than 70% of the deliveries in the UAE, Saudi Arabia, Bahrain, Kuwait, Oman and China take place via the PUDO locations.



Holistic Order Fulfillment Process

It refers to the entire process of customer engagement starting from the sale to the post-delivery experience which covers all the essential aspects of receiving, processing and delivering orders.

It consists of 7 steps:





ACTION AREAS FOR EXECUTION



In-House Fulfillment

This e-commerce fulfilment process can be organized by controlling the inventory management with efficient and expedited delivery. Companies with sufficient resources own and invest in professional logistics management by integrating warehouses and workforces.



Drop Shipment

In this strategy, the incoming orders are forwarded by the online retailer to a manufacturer or wholesaler who might be outside the company's geographical location and delivers to the end-user directly (without a middleman).



Outsourcing to a 3PL Provider

When a company upscales and expands, in-house logistics require more resources, time and effort. Such companies employ professional third-party logistics (3PL) service providers and benefit from their expertise, technology set-up and established networking. The outcome is visible in faster growth, efficient processed and company cost savings in the long run.





Partnering With 3PL Service Provider

KPIS TO SELECT E-COMMERCE FULFILMENT PARTNER



Shipping Speed

The advent of **same-day, next-day and 2-days delivery** with multiple payment options like **COD (cash-on-delivery), buy-now-pay-later, coupon codes, discounts**, etc., prevents the online customer from withdrawing an order which might result in revenue loss.



Warehouse Location

It is convenient if the facilities of a potential 3PL are situated closer to your target customers. If you venture into new regions for business expansion, you can benefit from the 3PL's ability to stretch across multiple market locations.



Advanced Software

Digitized supply chains need **Warehouse Management Systems (WMS) and barcode technology**. Make sure that their systems integrate with your operational systems to facilitate reception of orders, quicker replenishment, frequency of picking and packing, reducing shipping sizes, return orders and real-time labour or lead tracking.



Capacity to Scale

Ensure that the 3PL can operate on a large scale with the right services, expertise and partnerships in your target market. The ability of expedited upscaling helps in resilience and recovery if you face a huge loss.



Reverse Logistics

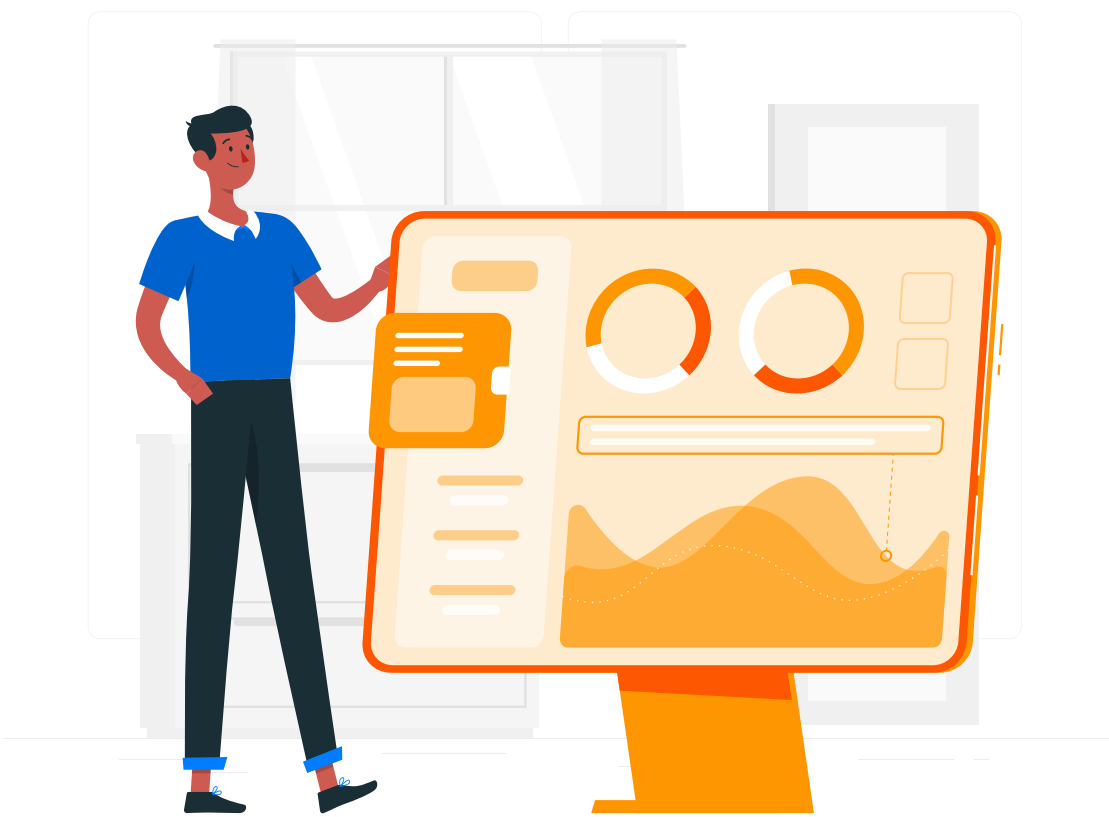
Nearly 30% of customers return their online orders. The potential 3PL needs to have a return management process to meet the expectations of reverse pick-up and delivery, replacement and refund.

Purpose and Parameters of KPIs

Business goals can be achieved by establishing strong KPIs which align with that of your company. Measure the potential of a 3PL by observing the efficacy of its e-commerce fulfilment operations across industrial sectors and companies.

Various KPIs revolve around business objectives such as reception and acceptance of orders, time management, inventory management, shipping and delivering, cost application and quality of service.

Digital freight forwarders like Qafila enable you to book, track and manage your cargo shipments in real-time with a simple touch, swipe and click. It delivers service on the mobile app and website, along with round-the-clock expert support via live chat and phone calls.



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Qafila is evolving.

We are changing how we look,
and this is just the beginning.

Stay tuned for more.