



... WELL CONNECTED

The CPN Bulletin

5 Predictions for Ecommerce Logistics in 2017



With a new year come newer, faster opportunities for growth.

The shipping industry is no exception, with major breakthroughs in technology, allowing the possibility of expedited delivery, higher efficiency, greater accuracy and – most importantly for supply chain logistics – lower costs than ever before.

Here are some predictions for what to expect in ecommerce logistics in 2017:

1) Limited Amazon Prime Air Rollout in a Smaller City

Amazon released their first-ever Prime Air delivery in Cambridge, England. Obviously, it was more for publicity than anything else. A recent retail study found that 79% of U.S. consumers would be “*very or somewhat likely*” to request a drone delivery and 73% said they would pay a \$10 surcharge for the added convenience.

The vast scale and inevitable complexity of drone deliveries in a dense urban setting means that it makes sense to do pilots in smaller cities. On-the-ground support will be needed to deal with issues like drones that stuck in trees, pet attacks, setting up landing pads and other problems. Federal Aviation regulations in the US prohibit unmanned aerial vehicles from flying beyond pilot line of sight, which is why Amazon chose the UK and its more relaxed drone rules.

2) Uber-like Freight Brokerage = Ground Delivery Efficiency

Just a few years ago, the accepted reality in logistics was that a trucker delivering goods between Los Angeles and Denver might stop once or twice to load and offload cargo. The empty space and potential shippers along the way who could benefit from forwarding their goods were part of the cost of doing business.

The recent UPS acquisition of truck brokerage firm Freightex and the logistics company Coyote are calculated to radically reduce the lost capital of trucks at less than capacity, and to take advantage of loading/offloading opportunities *en route*. In 2017, companies like Coyote have proprietary software that eliminates those old inefficiencies within the fleet. These acquisitions mean the logistics industry can expect to see substantial gains in ground transport. Fuller payloads, better-timed pickups and drop-offs and faster overall delivery should lead to better margins for a costly undertaking.

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CPN member Ivan Petrov on the transcendence of China –Europe rail services

The **air cargo industry** should see the proliferation of rail services between China and Europe as added competition.

Speaking on the side lines of the **Fiata World Congress** in Dublin, **Ivan Petrov**, CEO of forwarder **TransXpress** and **Fiata** senior vice president, said that the number of rail services between Asia and Europe had grown rapidly over recent years.

He said that rail services offered lower prices than airfreight and faster transit times, of around two weeks, than the five week ocean journey. He said the rail services provided more service options for forwarders and, therefore, air cargo should see them as extra competition.

During a presentation earlier in that session, Petrov mentioned that in 2013 there were 72 block train journeys between Asia and Europe. Last year, this figure grew to 815 and is expected to reach 1,200 by the end of 2016.

Meanwhile, the value of cargo carried on these services stood at \$ 1.1bn in 2013 and this year is projected to reach \$ 19bn. He added that today, 10 cities in China run block rail services to 11 cities in seven European countries.

While these growth numbers are quite impressive, the amount of trade carried in 2015 by Asia–Europe rail represented just 2.2 % of the total market and there are challenges ahead.

Petrov explained that at the moment competition levels are limited as there are just four rail companies offering services, there are restricted routing options as well as restricted number of border terminals for re-loading of cargo between different rail gauges. He also questioned whether there was a real market for these services, as transport by rail is heavily subsidised.

Hans Kersten, director of freight at the International Union of Railways, also identified other challenges for the services. He said there were infrastructure bottlenecks, different operational rules and legal regimes between the various countries, the amount of time it takes to cross borders was unpredictable and there was a traffic imbalance in favour of the westbound direction.

However, he also identified opportunities for the rail services to grow further as production in China shifts from coastal to inland location although this was mainly a threat to sea transport – longer and heavy trains are developed to increase productivity and the UN is working on global harmonisation of railway laws.

From Air Cargo News October 10, 2016



All CPN members are very pleased to congratulate our partner **New Globe Logistiks LLP for being awarded the 2016 **Best Forwarder Excellence Award** in India.**

This award was presented to New Gobe LLP by the ACAAI - Air Cargo Agents Association of India at the ACAAI annual convention held in November 2016.

The award is conceded by the vote of clients, airlines and shipping lines.

Well done!



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3) Skyrocketing Subscriptions Decrease Supply Chain Friction

2016 saw an increase in the number of American shoppers joining subscription services. Studies show that services like Ipsy and Dollar Shave Club have led the charge, with subscriber rates increasing by an unbelievable 1,000+ percent in some cases.

There are many reasons for this wild popularity: getting a surprise package of your favorite consumer items, spending less time shopping, saving on luxury goods like makeup or clothing. While subscription boxes won't replace traditional a-la-carte ecommerce shopping, their growing popularity will have a positive impact on supply chains.

Since logistics relies heavily on predictability and timing, there's nothing more favorable to shipping and warehousing companies than knowing months in advance how many orders need to be stored and shipped. The alternative – random bumps in consumer demand, especially in the throes of peak season – causes chaos. Subscription boxes can reduce these violent peaks and troughs, providing more predictability and fewer out-of-stocks and backlogs along with demand-spike headaches.

4) Omnichannel Fulfillment Will Get More Omnipresent

As the lines between e-commerce and retail blur, omnichannel fulfillment will continue expanding. Businesses have realized now “that customers prefer to have the choice of buying online or in store, and this will play out in a variety of ways.

Wildly popular ecommerce brands will make the move to retail – witness the Amazon Go convenience store in Seattle – and create a rich interchange of data and retail marketing. As B2C businesses learn more about their customers' purchase habits, this will streamline everything from marketing budgets to warehouse labor force participation. As with subscription boxes, more accurate sales predictions mean greater fulfillment efficiency.

Major retailers will continue ramping up ecommerce. Kohl's saw an uptick in retail sales because of a newly-introduced click-and-collect option for online customers, who then bought additional goods during their store pickup. In 2017 retail giants will buttress otherwise faltering store networks by incentivizing online customers to use click-and-collect.

5) AI Continues to Impact Every Aspect of Ecommerce

The biggest impact on shipping and fulfillment in 2017 will definitely be artificial intelligence. Chatbots are a great example of how AI technology is becoming more widespread and more helpful.

A smarter chatbot might monitor your online buying habits and make a purchase on your behalf when it sees that a product you've bought before and reviewed positively goes on sale. For ecommerce companies, chatbots can be employed to assist customers with basic queries such as tracking a shipment. Depending on the query, they might even be able to provide unstructured yet quantifiable data for retargeting campaigns or other marketing purposes.

AI is already in use by many companies to deliver optimized customer experiences. There's no reason why it won't be employed to facilitate behind-the-scenes operations of major ecommerce companies.



MEMBER PROFILE

3C Express, CPN partner in France, recently conducted with success a project for the transportation of one of the most expensive vehicles for personal use in the world: the **LA Ferrari**.

The sophisticated and very expensive car (from which there are only 450 in the whole world) has an estimated cost of \$ 1.5 million US dollars, and its audacious lines and size, made a great challenge to accommodate into a container for transportation, as well as the insurance and customs brokerage arrangements associated.

3C Express is a family company, with more than 10 years of presence in the activity of logistics. Their services include Air and Ocean Freight and they have their own BI for the latter. They operate as well as a Custom Broker in France where they manage a network of agents in the eight most important cities (see map).

The company can handle any type of shipment from and to everywhere in France and conducts business with other CPN Partners with a high level of reliability and diligence.

3C Express's top priority is to provide always service at the highest quality level.



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