

## Chapter 3.7

# E-Logistics: The Slowly Evolving Platform Undrepinning E-Business

**Kim Hassall**  
*University of Melbourne, Australia*

### INTRODUCTION

By 1998, arguably some four years after the Internet's general user beginnings, many commentators did not doubt that Internet based home shopping was on its way to revolutionize our lives. At the margin, it certainly allowed us another purchasing channel and for many retailers some 5% to 12% of differing goods is now done through an "e-store" or "e-marketplace". (Visser & Hassall, 2005). However, by 2001 a range of major e-business summits, perhaps very notable being the 44 nation OECD hosted e-transport and e-logistics summit

in Paris (June, 2001), was beginning to demolish the euphoria of B2C. In its basic state, B2C was a very marginal business. But what of B2B? Yes, it is a bigger sector but how were the business rules and logistics strategies shaping up for network design, e-marketplace use, and logistic fulfilment changing when compared to the rapidly evolving B2C environment? The ICT sector rapidly began to assemble a host of B2B applications for Supply Chain Management and despite the "tech wreck" occurring towards the end of 2001, these highly expensive suites of products found some traction over the next three to four years. So, initially, the development of large logistics software packages such as I2, Baan, Descartes, and so forth, were

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offerings that the B2B sectors availed themselves of. However, besides the ICT developments in the B2B space, the evolution of new logistics strategies would prove themselves to be good, bad, and various shades in between, when examining the full end to end (E2E) e-business operations. Since 2001, a tide of interest has turned towards the adoption of fit for purpose e-logistic models to support the end to end functionality of e-business. Hassall (2003) describes a detailed survey for the international Postal Authorities as to what new e-logistics and e-business strategies should be developed. These ranged from new householder delivery choices, to global e-marketplaces being developed. Why this survey was important was because the global postal authorities are the largest combined B2C operator and also a growing B2B logistics supplier.

### **The Tools of E-Logistics**

The staple of the world's logistics is activated by orders generated by the use of the phone and the fax machine. This is true for small/medium enterprises (SMEs), small office/home office (SOHOs) and Medium Enterprises (MEs) involved in B2C, b2b (small business to small business) or b2B (small business to large business). In many ways it will be the customer requirements that eventually force the smaller enterprises into adopting the use of further enhanced Web based products so that the information flow and reporting of their product orders or dispatches can feed customer or client information systems. B2B logistic contracts will often have a predefined set of software systems in place for reporting, monitoring, and accounting. Usually these will be more expensive than the suite of systems that the SMEs, SOHOs, and so forth, will have at their disposal.

The above list of e-logistic options is a list of capabilities that either the customer may require, or the logistics supplier offers. It would be quite unusual for many major 3PLs (Third Party Logistic Providers) to supply all of these capabilities un-

less directed to, usually by the decree of a major client. However, a subset of these strategies ought to be examined by the supplier or the e-logistics provider fulfilling the service.

### **The Evolution in B2C Logistics**

The evolution of B2C from the Christmas mishaps in 1999 to now has been to achieve a cheap and successful delivery by the delivery agent. This statement is true but another dimension to the home delivery is trying to minimize the problems associated with product returns, and products being taken back to the delivery depot. That is, home delivery is also aware of the problems of "reverse logistics," which range from 2% returns for household chemicals to 50% returns for magazines. (Bayles, 2001). Reverse logistics is a large cost burden and, in fact, integral to the physical and environmental cost of the B2C operation. (Sarkis, Meade, & Talluri, 2004). Generally, the full planning and operational capability required for reverse logistics has even spawned several specialist providers in this area. (Poirier & Bauer, 2001). However, is a better way to minimize the reverse logistic operations to have the customer pick up the item? This may minimize some aspects of reverse logistics, but it may not be a winner in the area of customer satisfaction. Certainly delivering to a retail agent is a large cost benefit for the delivery agent. One drop of a hundred parcels to a retail agent is a lot cheaper than attempting delivery to one hundred households. But perhaps the delivery dump at the retail partner is not the choicest alternative for the majority of customers.

New strategies outlined in Table 1 are, for example, the electronic home parcel box (Number 2) which is just progressing beyond the R&D stage. In Europe this method of delivery is being discussed in regard to new planning regulations and this strategy may be a significant strategy within ten years. One way retailers are experimenting with loading for household delivery is directly out of their normal retail premises, not from a distribution

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