

Delivery system: Know your Locals

Case Studies: Quick delivery Impact

Case1: Amazon on 2-day delivery

Shipping fees was estimated to be minimum of \$2.5 and generally reaches to \$3.5-\$5, depending on the shipping distance and the cube size.

Amazon aimed at making approximately 90% of the products to be warehoused within 90 miles of each customer.

After the introduction of 2-day delivery system, Amazon showed a profit of \$2.4 (only from e-commerce services) despite having a total expenditure of \$5 billion on shipping. This recovery was possible due to the rise in number of orders after 2-day delivery system came into play.

Case 2: Flipkart next day delivery

In 2019 flipkart introduced next day delivery system, in india, at Rs. 90. Only 4-5% opted for it initially but over the year, number grew up to 8-10%. While in case of electronics items, like laptops, this number lies in the range of 35-40%.

Trends in customer preferences and shift from bricks and mortar retailers to e-commerce retailers in India

Brick and mortar retailers saw 5% drop in the number of shoppers during EOSS of 2016 despite giving 26% more discount. In india, before pandemic, 15% sales were through e-commerce which rose up to 50% after the same. Even after pandemic this number is expected to fall maximum to 35%. Nearly three quarters of those surveyed (73.5%) reported that they are shopping online more now than they did prior to the spread of COVID-19. Moreover, nearly 9 in 10 (88%) said they will continue to shop online more even after a cure or vaccine for COVID-19 is discovered. 67% report buying clothing online instead of in-store

Order Fulfillment cost comparison

Order fulfillment process consists of large number of steps which includes:

1. Pick and pack
2. Order processing
3. Returns management
4. Flexible and cost effective storage
5. Daily sheet reporting MIS
6. Courier

Shipping process includes various factors which affect the cost, such as:

1. Cube size
2. Distance of delivery
3. Handling cost
4. Dead weight cost

Case1: Current method of shipping opted by Myntra-directly from warehouse nearest to the customer

Current method of delivery used by Myntra includes using geo-tagging method to locate the warehouse nearest to the customers. Then after following all the quality check, further steps of order fulfillment begins. Package is being measured and marked and is set out for delivery. With the help of partnered logistics companies, delivery is fulfilled. This entire process takes time, usually, of 1 week which varies depending upon the distance.

Here we take example of three cities of Maharashtra and calculate the approximate shipping cost for 1kg package from nearest warehouse situated in Thane. Delivery takes place through surface mode.

1. Nagpur: Min. Rs. 37, Max. Rs. 53
2. Pune: Min. Rs. 37, Max. Rs.53
3. Nanded: Min. Rs. 37, Max. Rs.85

Considering cost for order fulfillment: Consider 0-500 units of weight 1-5Kg is being stored. Total order fulfillment charges for this case, excluding shipping charges, is Rs.9.

Total Order fulfillment charges for 1Kg package turns up to be :

1. Nagpur:
 - a. Min. charges = Rs. 46
 - b. Max. charges= Rs. 62
2. Pune:
 - a. Min. charges= Rs. 46
 - b. Max. charges= Rs. 62
3. Nanded:
 - a. Min. charges= Rs. 46
 - b. Max. charges= Rs.94

Total time required for delivery= 1week

Case2: Our proposal for Myntra- “Know your Locals”

In our proposed solution we suggest Myntra to establish a personalized local market section in the app. Taking local brand outlets and sellers on board, dedicating entire personalized local market section to the customers not only serves emotional purpose while boosting up customer experience, but also allows Myntra to significantly reduce the delivery time as well as cost.

Local sellers own and maintain their own stocks. As myntra creates a hub for these sellers on its platform, it's responsible for arranging customers to these sellers and maintaining a centralized delivery system per district/city, while ensuring quality of the products and packing.

By laying down ground rules for sellers regarding quality maintenance, in order to operate on myntra, quality check cost can be eliminated.

Now myntra has to provide with basic brand packaging for its product, which can be performed immediately after the placement of order as for short distances (for e.g. average radius of a district in Maharashtra comes out to be 104.322km), the level of packing can be compromised a bit. Approximately considering these costs to be Rs.9 per package (considering the long distance cost, the maximum value).

Initial work includes deciding of optimal paths for each district.

Considering current charges taken by delivery person per delivery. This comes out to be approximately Rs. 15-20.

Thus, total expenditure per delivery in our proposed case comes out to be:

Expenditure per delivery= Rs.9+Rs.20

=Rs. 29

Total time required for delivery(approx) = 1-12 hrs

Conclusion:

Proposed idea will help Myntra save : Min. Rs. 17 and Max. Rs. 65

i.e, it comes out to be atleast 1.59 times more cost effective than the existing method of delivery.

In terms of time duration for delivery, proposed idea fulfills an order at 1/7th of the duration required by existing order fulfillment method in function at Myntra.
