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NEW RELEASE

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Delivering e-commerce. The excitement over the ongoing Google Online Sales Festival (GOSF) underscores the appeal of e-commerce to consumers, e-com companies and investors. We look at statistics and project what the future could entail in terms of physical manifestation of delivery: number of people required to fulfill demand projections. It would be worthwhile to pause and assess the complexities of the roll-outs: we see this as a large opportunity for temping companies.

Estimating the GMV of e-commerce industry today: ~US\$3 bn annual run-rate

At our recent Logistics and Transportation conference, we heard that e-commerce portals are processing around 300,000 deliveries every day: Delhivery, which we hosted at the event, claims to do about a third of these deliveries. The average selling price (ASP) of a delivery is around ₹1,600, which takes the daily sales number to ₹480 mn. As with everything to do with any high-growth industry anywhere in the world, and especially with e-commerce in India, these numbers refer to a point in time – say November 2014 and cannot be “annualized”. The “run rate” of sales hence will be ₹480mn*365 days=~₹175 bn of “annual” sales, or e-commerce is ~US\$3 bn industry in India on a run-rate basis in November 2014.

Projecting projections: estimating when the e-commerce industry will be US\$20 bn

An important point that was made at our e-commerce forum in August was that the rate of growth of e-commerce is so rapid (and is expected to remain so) that projections need to be reassessed rather quickly. A prevailing view then was that the industry would reach US\$20 bn of sales by say FY2020E. However, if the industry continues to double in size every year, then it could reach this figure by say FY2018E. The important point is that over the next 3-5 years the industry will reach this number.

What does a US\$20 bn industry mean? A billion shipments!

The current ASP, as we noted above, is ₹1,600 or US\$26. As the scope of e-commerce expands to include a larger number of goods (electronics and apparel constitute 75-80% of the volumes), the ASP is expected to decline to US\$20 a unit. This would require India to have the infrastructure to deliver a billion shipments a year. This translates into 2.8 mn shipments daily. Of course, this is assuming the traffic to be equally distributed over 365 days; peak days traffic can be 3-5X the average traffic requiring corresponding ‘peak-load’ infrastructure.

A quarter-million-strong workforce is required to deliver e-commerce

The current efficiency of delivery is about 23 packets per delivery boy. The complexity (multiple sources and sinks) and variety (types of goods) of delivery in e-commerce is higher than in the case of documents. Assuming that the efficiency goes up to 28 per delivery boy, this would require 100,000 delivery boys and say 20,000 managerial staff to manage this network. On peak days, this number would easily double to a quarter of a million only to deliver on the US\$20 bn of e-commerce sales, which is a mere pit-stop on the way to higher GMVs.

Isn't it fantastic to build so much skill in so short a time?

We expect a significant kicker in productivity to come from use of delivery fleets, which will carry deliveries to ‘dense’ areas. However, this still does not take away from the need to find, hire and train people for this business. We see this as a massive opportunity for temping companies. Next week, we will look at another dimension of delivering e-commerce: the warehouse space required to stock the merchandise.

QUICK NUMBERS

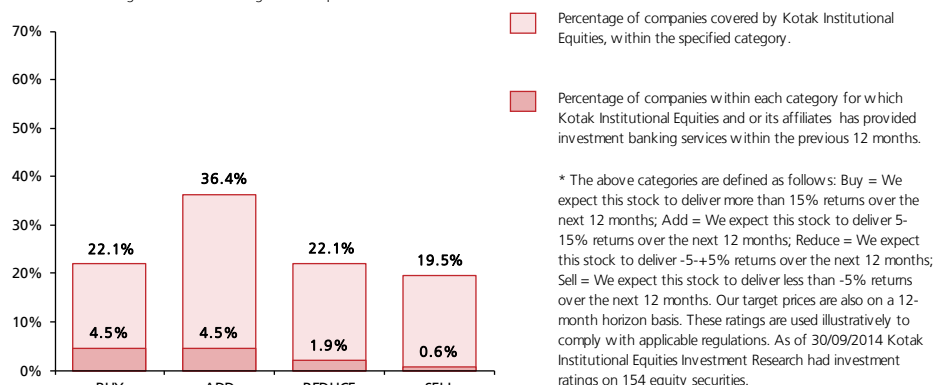
- The year of a billion shipments is not far away—it could be as soon as FY2018
- A billion shipments will require a quarter of a million workers to deliver
- Creating scale and ‘peak traffic’ will create opportunities for temping companies

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