



From B2B to B2C Logistics

→ A Roadmap for Expansion into E-commerce



'Pivot' became a buzzword of the pandemic for good reason.

Businesses that had been focussed on B2B2C distribution – such as hardware goods distributed into a hardware store – faced an urgent need to meet customers where they were: online.

To sustain operations and maintain market relevance many companies ventured into the direct-to-consumer channel for the first time.

Now that the restrictions around COVID-19 are lifted and supply chains have largely returned to normal, the question facing businesses that swiftly diversified into B2C is: *How can we improve the B2C logistics strategy that we quickly setup over 2020-2021?*

Businesses that resisted the foray into B2C during the pandemic must contemplate the question, *To what extent should consumer distribution should play a role in future logistics?*

In this white paper we share key insights to help answer these questions and pose many more to guide your thinking and help you to determine a robust, future-proofed logistics strategy.

COVID-19: The Second Surge of E-Commerce

First, we saw the rise of Amazon set a new standard of retail through its unique combination of low prices, vast product selection, fast shipping, easy returns and a personalised shopping experience.

Then we experienced COVID-19. With people largely confined to their homes, physical stores shuttered and supply chains disrupted, customers went online to spend their growing disposable incomes, and e-commerce boomed for the second time.

The amount online shopping surged during the pandemic is staggering.



Australian households doubled their spending in 2021 to \$62.3 billion. This was a further 12.3 per cent increase from 2020ⁱ.

It wasn't just the usual products that they were piling into their shopping carts. While clothing, footwear and accessories, and grocery products were the most purchased goods online homeware and hardware comprised an entire third (33 per cent) of spendingⁱⁱ.

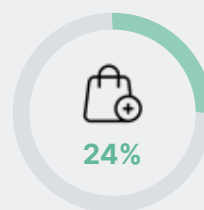
Bricks and Clicks, Both Key to Success

After experiencing a huge surge during COVID-19, online shopping has stabilised. In 2022 annual growth was only 2.6% and the 12 months to October 2023 saw growth of 1.3%^{iv}.

Despite total spending stabilising, the desire and demand for online shopping persists. Retail industry association SHOP! Australia and New Zealand^v shows that behaviour has changed since the onset of the pandemic with almost nine in 10 consumers worldwide now preferring hybrid channels or an omnichannel approach (a seamless and integrated approach that combines various channels), and Australia is at the forefront of this trend.

This insight is also reflected in Australia Post's research which shows that so-called 'Bricks & Clicks' retailers – those with physical stores and an online presence – have enjoyed the most success in recent years, compared to marketplaces, big brands, digital natives and smaller businesses, with a collective 7 percentage point increase in share of online spend in 2022 compared to 2019^{vi}.

The data are overwhelming in their indication of a long-term trend towards e-commerce.



Forbes reports that by 2026, nearly one quarter (24%) of global retail transactions will occur online^{viii}.

According to Australia Post, this could be as high as 33% by 2033. It's clear that investing in the digital experience and integrating this with offline channels is anticipated to be key to retail success over the coming years.





The Benefits of Adding B2C to the Mix


With the inexorable trend toward e-commerce, even manufacturers and wholesalers that traditionally deliver their products to consumers via an intermediary are sitting up and paying attention.


In addition to the obvious opportunities around growth in market share and customer share of wallet, direct customer distribution offers other potential opportunities to B2B companies.


These include:


 **Market reach and visibility:** Going direct-to-consumer allows companies to expand their market reach. By establishing an online presence it is possible to reach a broader audience that might not typically engage with wholesalers or distributors.

 **Consumer insights and feedback:** Direct interaction with consumers provides an opportunity to access invaluable insights into their preferences, pain points and buying behaviour. This data can inform product development, marketing strategies and overall business decisions.

 **Brand building and loyalty:** Engaging directly with consumers creates an opportunity to build a stronger brand presence. Companies can establish trust and loyalty among consumers, which can translate into repeat purchases and positive word-of-mouth marketing.

 **Margin improvement:** Selling directly to consumers allows companies to capture more of the profit margin.

 **Future-proofing your business:** By preparing to navigate this transformation, businesses position themselves to thrive in an increasingly digital environment, helping to ensure relevance and sustainability in the years to come.

 **Foster repeat business:** By effectively capturing contact information and leveraging this data – such as through email nurture campaigns – it is possible to encourage repeat business and build brand loyalty.



Logistics Challenges of B2C

While potential benefits abound, for a business that has only supplied products to other businesses – or is expanding a relatively small B2C offering into a much larger part of the business – the transition to selling direct to customers can present new logistics challenges, namely:



High volumes of small orders

Businesses need to adapt to shipping smaller, lighter and more frequent orders, which may require new partner relationships and warehouse operations. This challenge is compounded if there is a complex B2C profile, for example, if products require non-standardised freight or delivery to remote parts of Australia.



Micro-fulfilment strategies

Meeting customer demands for ever-faster delivery of online purchases is one of the biggest challenges in B2C logistics. To cut order processing and delivery times, many businesses are now moving from large fulfilment centres to smaller, localised warehouses that leverage the efficiency of automation for order receipt, picking and packaging.



Dynamic demand forecasting

Businesses will need to be responsive to changing customer behaviours, order trends and market conditions to ensure they can meet fluctuating product demand. The ability to accurately predict future demand for products is also vital for logistics, helping to streamline supply chain operations and optimise inventory levels, resource allocation and transport planning.



Scalability

Companies need to ensure that their logistics and operations are scalable to accommodate potential growth in the B2C segment, which can be rapid and unpredictable.

Planning for Successful B2C Expansion

Like any major operational change, diversifying from B2B to B2C requires a comprehensive strategy, coupled with investment in the right technologies, processes, services and people.

The key to success is aligning your e-commerce strategy with your customers' expectations. Failing to do so has the potential to cause irrevocable damage to your brand. Your logistics play a key role in making – or breaking – the customer purchasing experience.

Here are key questions logistics managers should consider in the planning stages of launching B2C distribution.

- 1 **How will the delivery experience extend your brand's promise?**
- 2 **How will you adapt your warehouse operations?**
- 3 **How will you manage customer returns?**
- 4 **How can you carve out competitive advantage?**



1

How will the delivery experience extend your brand's promise?

The delivery experience serves as a natural extension of your brand's promise – what your customers expect when they choose your products. It's the moment when customers physically receive your products, and it can significantly impact their perception of your brand overall.

There are four key areas to consider when examining the impact of delivery on your customer experience:

- a) Customer expectations,
- b) Order customisation,
- c) Issue resolution, and
- d) Maintaining engagement.

a) Customer expectations

Understand your customers' expectations regarding order tracking and speed of delivery. How do these expectations align with the brand image your business has carefully crafted?

Questions to consider:



Transparency: Do your customers expect milestone tracking data?



Communication: Do they want to be notified at all stages of the shipping process or just if there's an expected delay?



Responsiveness: How quickly do customers expect the product to arrive? How can you manage customer expectations to minimise the risk of dissatisfaction if there are delays?

b) Order customisation

Think about the level of customisation you want to offer in terms of shipping options, delivery addresses, and delivery service choices. How can customised delivery experiences enhance your brand's appeal and reputation?

Questions to consider:



Product size: Do your products have standard or non-standard dimensions? This will impact the market partners you can use.



Freight costs: Will you absorb freight costs or pass them onto the customer? Think about your target customer and what they expect – and are willing – to pay for added customisation.

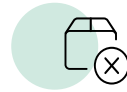


Delivery receipt: Are your customers at home during the day? If not, they may appreciate the flexibility to choose – or change – where their order is delivered.

c) Issue resolution

Your brand image is affected by how you handle issues like delays, product damage in transit or lost orders. How can you ensure that customers are left feeling satisfied even if a delivery doesn't go as planned?

Questions to consider:



Missed delivery: What is going to be the most acceptable and convenient way for customers to retrieve their package, especially if they are outside the home during business hours?



Customer service: What channels can you provide to resolve issues and complaints in a timely way?



Replacement, repair or refund: How will customers be compensated for lost or damaged parcels?

d) Maintaining engagement

Recognise that the delivery experience is not just about the physical product but also about ongoing engagement. How can you continue to engage with customers even after the product has been delivered, further reinforcing your brand's connection with them?

Questions to consider:



Data collection: Do you have the right systems in place to capture and leverage customer information for further engagement?



Personalisation: How can you use this data to provide a tailored shopping experience in future, or suggest other products that may appeal to them?


2


How will you adapt your warehouse operations?


To diversify your operations from B2B to B2C, you may need to implement new order fulfilment and inventory management strategies. This may require investing in technology upgrades, process optimisation, employee training and new warehouse infrastructure or equipment.




Questions to consider:

 **Warehouse configuration:** How might your warehouse layout and product storage need to change to handle small orders for individual customers alongside bulk shipments for business customers?

 **Information transfer:** Will your existing warehouse technology integrate with your e-commerce platform to ensure accurate and timely order processing?

 **Picking and packing efficiency:** How can you optimise the fulfilment process, which may be more labour-intensive and complex than B2B orders due to small numbers of individual items and higher customer standards for packaging?

 **Inventory management:** How can you ensure accurate stock counts with high-turnover goods and prevent selling out of products or excessive stock?

 **Demand fluctuations:** Is your warehouse able to scale operations up or down rapidly to accommodate variability in product demand due to seasonal events, promotions and consumer trends?

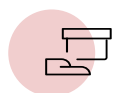
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How will you manage customer returns?

Wharton Business School estimates that for every nine items received by a consumer, one will be returned^x. This figure is even higher during peak shopping periods such as Christmas and Boxing Day sales^x. Companies transitioning to B2C need to establish effective reverse logistics processes to maintain strong customer satisfaction while preserving profitability.



Questions to consider:



Returns management: How can you set up a system to efficiently handle returned products, including processing returns, assessing their condition and determining whether they can be resold, refurbished, recycled or disposed of?



Transportation options: To minimise potential losses on the return of items, how can you secure competitive transport rates and optimise freight space and routes?



Returns tracking: Do you have the technology to monitor returns – across multiple partners – from the point of shipping or collection from the customer to the point it arrives back to you for assessment and restocking?



Communication: As with delivery, how can you ensure that the returns process is user-friendly and that customers understand what's expected throughout the process?



4

How can you carve out competitive advantage?

As online shoppers become increasingly price-conscious, B2C e-commerce retailers are finding it more difficult to sustain their profit margins. Optimising your B2C logistics can not only reduce your business expenses, but also enhance your competitive edge and increase customer satisfaction.

Questions to consider:



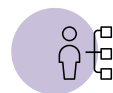
Customised freight solutions: How can you ensure that the right partners are used for the right shipments to optimise cost, speed, resource efficiency and environmental sustainability?



End-to-end visibility: While it's important to understand what's happening across your entire supply chain, this is especially true for last mile delivery. Do you have the technology to see when and where issues are occurring so that you can swiftly course-correct?



Comprehensive data: What isn't measured, isn't seen. Do you have access to a broad range of metrics to assess where operations can be streamlined?



Outsourcing options: Upgrading your operations to incorporate B2C, as well as managing ongoing orders, can be costly and resource intensive. Is it more efficient to keep logistics in-house or work with a dedicated logistics partner that already has the technology, systems and support in place?



Inside Samsonite's B2C expansion

As a global company specialising in luggage and other travel goods, Samsonite faced a seismic shift when COVID-19 struck.

"Our sales dropped dramatically overnight. We were stopped dead in the water," says Samsonite Australia's Supply Chain Manager, David Gerrand.

At the time, Samsonite was primarily a wholesale-driven business, with B2C distribution limited to a few airport retail stores and a small e-commerce presence.

"With the closing of all retail, we had to make two shifts to our business very quickly. The first was moving from travel goods to non-travel goods like laptop bags, backpacks and accessories. The second was moving from traditional wholesale to e-commerce."

"We already had some distant plans in place but when COVID hit, they became 'today plans'," he says.

Navigating new terrain

This transition meant significantly scaling up the manufacture of their non-travel goods, as well as overhauling their logistics to integrate new transport and warehousing requirements.

"E-commerce orders are very transaction heavy," explains David. "So that creates a significant difference in warehouse operations – from picking pallet loads of goods to picking and shipping individual items – as well as a lot more consignments to transport."

"There's also more that can go wrong with home deliveries, so these orders are riskier from a transport point of view. And they create more returns, which adds to the labour intensity."

With this added complexity to manage, Samsonite recognised the need for a logistics partner capable of optimising their B2B and B2C logistics, as well as handling their inventory management.

Enhancing the customer experience

As a premium brand, customer satisfaction is a key factor in Samsonite's logistics decision-making.

By partnering with efm, Samsonite has been able to move from a standard B2C carrier to an enhanced courier delivery service, without increasing costs. And by adding new carriers to their transport mix, they can offer customers greater choice of shipping, like same day delivery.

"This is one way we can enhance our service offering to e-commerce customers, and give us a point of difference," says David.

With a reputation for reliability and quality, providing excellent customer service has always gone hand in hand with Samsonite's brand promise. The company knew this would be even more important as they faced increased delivery challenges and enquiries from e-commerce orders.

To provide the level of customer service required, Samsonite had two choices: hire and train a whole new team to manage the influx of enquiries, or outsource it to a dedicated customer support team with expertise in resolving transport-related issues. They chose the latter.

Optimising logistics

Samsonite reviewed their transport options to identify cost-effective carriers for high-volume individual orders and those capable of handling their unique product range. Of critical importance was finding carriers who could transport large suitcases on their route efficiently, but were also happy to carry these bulky packages to people's front doors.

Backed by data on key metrics like cost to serve and on time delivery, Samsonite has adopted a multi-carrier transport solution that automatically selects the least cost routing for different shipping parameters.

"You get the best outcome for every consignment," says David.

Another key consideration was how their warehouse was going to manage increased e-commerce orders alongside wholesale shipments. These require vastly different picking, packing and inventory management strategies – and many warehouses are not equipped to handle both at the same time.

To address these challenges, Samsonite pivoted their warehouse management strategy – not only moving to a provider that could process B2B and B2C orders simultaneously, but also streamlining their workflow by linking their warehouse and transport systems together and increasing visibility on their deliveries through new technology integration.

Success amidst adversity

Despite the formidable challenges presented by COVID, Samsonite was able to expand their e-commerce arm in under two years – about twice as quickly as they had projected pre-pandemic.

"E-commerce is now a significant part of our business. It's gone from being a tiny percentage to what we would now see as a very important contribution in terms of revenue. That's remarkable growth and a very short timeframe."

Samsonite continues to build on its success, working with efm to not only manage the implementation of the solution but also to continue to carve out efficiency in their supply chain.

"It has been very important for Samsonite to successfully grow its B2C business while still supporting a high level of service around B2B, especially as Samsonite's volumes grew back after COVID-19 extremely quickly, and at higher levels than ever experienced."

"efm has been critical partner to be able to balance and manage both successfully for us at high service levels," David concluded.

"E-commerce is now a significant part of our business. It's gone from being a tiny percentage to what we would now see as a very important contribution in terms of revenue. That's remarkable growth and a very short timeframe."



The growing e-commerce market is reshaping the retail industry. Even businesses that have traditionally focussed on a B2B strategy are now seeking ways to diversify and sell direct to consumers as well.

With considered planning, logistics managers can embrace a hybrid distribution model, thereby increasing the resilience of their logistics, future-proofing their business against evolving consumer trends, and supporting their company to thrive in a competitive market.



For a complimentary analysis of your existing logistics solution, visit efmlogistics.com.au/contact

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