Urban Distribution: B2C's Greatest Challenge

Beulah d'Souza
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B2C offers many attractive points for the consumer: to be able to access a rich and varied offer, or receive a reduction in price due to the lack of intermediaries. Here, distributors, wholesalers and retailers are unnecessary. Moreover, e-commerce offers great convenience since we can make all kinds of purchases from our computer.

But just how true are these considerations? An investigation carried out by IESE has analysed the logistical circuits in the classic distribution networks and in the most important e-commerce webs in the United States, Europe and Spain. If we had to summarise the conclusions of the study in a few words, we could say that e-commerce distribution is not at all clear, since a highly varied offer generates serious problems in the preparation of the orders. Moreover, one cannot always manage without intermediaries, given the characteristics of the purchase processes, and home delivery provides a great challenge for physical distribution.

Conclusions
The IESE study highlights, firstly, that the classic production and distribution networks are extremely efficient from a logistical point of view. This is due mainly to the fact that the consumer participates in the same by carrying out an important number of logistical activities such as the selection of products in the shops and the transportation of the product to the home, something which does not occur in e-commerce. Secondly, the logistical solutions used by e-commerce, such as the distribution of the product to the customer's house, are highly sensible to volume and need to generate minimum traffic. And finally, the physical world (streets, stores, shops and apartments) is unprepared to make life easy for this new kind of far reaching physical distribution. The growing levels of urban congestion brought about by the traffic will make the already high B2C distribution costs even more expensive.

Congestion has always been the main worry of those carrying out distribution activities in urban surroundings. The town council traffic departments are making life more and more difficult for transport workers, obliging them to agree to delivery timetables and to work within more restrictive circumstances.

In several cities in Denmark, for example, delivery vans are not allowed to enter the centre of the city unless they carry a load of at least 75 percent. In countries such as France and Holland an idea has been put into practice, although with little success, by which consolidation platforms on the outskirts of cities are used by one single distribution company, which takes charge of the goods of various transport companies and delivers them to their urban destinations. In the United Kingdom, specifically in London, they hope to increase the use of electrical vehicles, whilst at the same time
extremely drastic measures, such as the establishment of toll fees for private transport and urban deliveries, have been proposed.

In Barcelona, they have been working for two or three years on a pilot project which, using mobile posts, prevents private cars from accessing unloading areas. Access to the said areas is only possible for those vehicles equipped with an electronic identifier which would allow the City Council to monitor in detail the distribution techniques used (for instance, the number of stops made by the transport worker and their duration). It is easy to see that a system of this kind can easily be used to implement a dissuasive toll fee. For the moment, Barcelona has opted to demand the use of a time disk which allows the unloading times to be controlled.

Europe
The European Commission is also taking this matter seriously. Recently published reports show that the European Union is unable to comply with the agreements reached in Kyoto (Japan) and this is due mainly to the transport sector. For this reason, there have been initiatives which would allow the use of automobiles in cities to be drastically reduced and would rationalise the transport of goods by road. B2C distribution, hence, faces a serious problem. Congestion currently makes deliveries expensive and explains, in part, the poor service which this channel offers, especially considering that Internet surfers require very demanding delivery conditions. In the future, will it be acceptable for a delivery van driver to bring a compact disc to our neighbour's house whilst the rest of the population are not allowed to go to work by car?

The Question

"What do you believe will be the solution for B2C distribution?"

Félix Trallero, Senior Manager, PricewaterhouseCoopers
The principle participants in the distribution market will be those in charge of leading the growing logistical need for home deliveries. As a consequence of the growth of activity and of the difficulties associated to its development, possibilities will be generated which will open up the market to new participants who, given the extension of the deliveries to be made, will need to be highly specialised in specific cities or areas of influence.

These new participants will, in order to survive, have to reach appropriate agreements with the large distribution companies, through which the largest part of the business shall be channelled. In large cities, the principal distributors and shopping centres have a clear opportunity to increase their services and market. The difficulty in finding compatibility between the delivery timetables and the time customers are at home will bring about a growing demand for specific collection points for products purchased over the Internet. The possibility to collect these products whilst carrying out a habitual activity, such as the weekly shopping, will be the solution for many families.
**Frederic Sabrià, IESE Professor**
The urban distribution of products purchased over the Internet must be accompanied by solutions which deal with the problem of congestion. The promotion of public transport or investments in new infrastructure are measures which will accompany the considerations made regarding the transport of goods in the city.

B2C must look for systems which simplify the delivery of the products. The use of dropping points (collection of purchases at petrol stations, car parks, work centres and nearby shops) seems to be a clear alternative. Carrying out deliveries at times of little traffic also seems to be obvious, although, in this case, dropping boxes would have to be used to deposit the products, since the delivery time does not coincide with time the customer may receive the goods at home. Several experts believe in the appearance of logistical operators specialised in micro neighbourhood logistics (one company of this nature already offers its services in Paris). As is the case with the Postal System, these operators assign postman to small areas. Each postman would carry out distribution on foot, and would achieve high productivity thanks to his personal knowledge of the customers in the area.