

## Executive Summary

This phase of E-commerce in India has provided a heady feeling to many international investors, start-ups in India and to the customers. Billions of dollars have come in to the country and government has approved fully owned foreign direct investments in marketplace e-commerce sites. Digital India, use of smart phones and young population profile is all driving the e-commerce boom. E-commerce or rather e-retail is no longer a metropolitan city phenomenon. The e-commerce space is growing at a frantic pace. It has been estimated by The Economist (A very respected international business journal) that the e-commerce space in e-commerce sales were about \$16 billion in the year 2015 or Rs 1600 crore and by 2020, the online retail market could be more than seven times large.

While the initial excitement relates to 'e' part of e-commerce, India will need 'bricks' behind the clicks for the continued expansion of the e-commerce transactions. The 'bricks' like warehousing, efficient road transport, air linkage and finally a person who delivers the product/ parcel to the customer is going to be a factor in further expansion of e-commerce to every corner of the country. It is this space where India Post can play a vital role, given its presence and experience in the realm of last mile delivery.

The following Research Questions are sought to be examined, namely

- What are the best practices followed by the prominent players in the E-Commerce delivery?
- What are the factors that will lead to efficient delivery of e-commerce parcels/ consignments in Tier 2 and Tier 3 cities?

- What are the areas that need to be strengthened in India Post to improve its position in delivery of e-commerce parcels or consignment?

### **Methodology and Data**

The methodology adopted for this study is cross sectional descriptive and has followed Qualitative approach. Information on the market size and growth pattern is based on primary research undertaken by the Consulting organization like EY, Anderson Consulting and Indian think-tank like Assocham and IBEF. Due to competitive nature of the business, very few key e-commerce players or even the logistics and delivery player are willing to disclose information. India Post, on the other hand while transparent has limitations in terms of data analysis.

Key primary data is available with India Post (Mail Network Optimisation Project) and has been used to understand the readiness of India Post to undertake monitoring and IT applications, a key to better performance when volumes transcend beyond manual monitoring capabilities. This project monitors million of articles on a monthly basis and can be used to improve the services. An example of Kharagpur of West Bengal, a typical Tier 3 city has been attempted in this study.

Interviews were also conducted with both e-commerce firms, logistic service providers and with key officers of India Post, including Chief General Manager of Business Development and Marketing Directorate at headquarters.

### **Status of India Post in e-commerce Volumes**

India Post has taken some tentative steps in this direction and the e-commerce firms have also been testing the waters. By 2013, the numbers of parcels exiting the e-

commerce portals touched 100,000,000 or 100 million. This figure in the last two years would have at least doubled. India Post got 100,000 in the year 2014-2015 and 420,000 in the current year or miniscule 0.2%. While by itself the numbers of parcels handled by India Post is encouraging, it clearly shows that e-commerce firms are testing the waters. With the projected growth, billions of parcels will emanate for all parts of the country. The ability of the private sector as well as India Post will determine the continued growth of e-commerce market and associated benefits to the economy. While private players will certainly dominate the big cities delivery landscape due to density of delivery, the hinterland can see domination of India Posts.

A macro view of India Post (SWOT Analysis) reveals the following:

**Strength:**

- Reach of the organisation with almost 150,000 outlets
- Government owned and accountability,
- Knowledge of last mile and almost all the households

**Weaknesses:**

- Lack of agility at both operational level and policy level
- Slow infusion of technology
- Attitude of the employees
- Weaknesses in the current delivery procedures
- Incremental effort at catching up with competitors

**Opportunity:**

- Huge surge in the volumes of parcels

Synchronization with the IT networking of the post offices

Inability of the private players to reach the Tier 2 and beyond locations

### **Threat**

Strong entrepreneurship at micro level in India

Cheap semi-skilled labour cost

Innovation and business strategy amongst the leading private delivery agencies

Lack of innovation in business practice in India Post

### **Demands of e-commerce**

E-commerce parcels demands much more than the service features of a written communication. The customers (at both ends) are demanding on service quality, visibility of the parcels through use of IT solutions and level of after sales services that India Post may not have experienced till now. India Post will require transformational changes and readiness at all levels. As one report has suggested, "resurrection of Indian Postal Service can be a game changer"

### **Assessing India Posts readiness**

To address the readiness of India Post, one has to look at their recent efforts at other organization wide transformational measures or project. Introduction of Speed Post in 1986, undertaking the Project Arrow in 2006 and Mail Network Optimization Project (MNOP), currently going on have been remarkably successful. Speed Post is now a Rs 1500 crore business and MNOP monitors millions of articles constantly.

## **What is Last Mile**

A word about last mile is a must. Last mile is not merely taking a parcel to an address, contact the person and hand over the parcel any more. It requires electronic data capture, cash collection either physical or electronic, managing return of the parcel in case customer is not satisfied by the content of the parcel, reconciliation of the cash collected, remittance of cash to the e-commerce seller etc. What allows these operations to be undertaken is the IT application and availability of the Internet and smart phones. The technology and solutions have been very effectively used by the private start ups that have come up to offer the delivery services.

## **Way Forward for India Post**

India Post has to start from the top and bottom. It being in the business of delivery of letters and parcels door to door and this being its unique strength does not have a 'Division' to look in to the affairs of door to door delivery. Delivery is no longer the simple operation. It needs policy attention and infusion of technology and innovations. Even the private players who are in the delivery business want to get in to a tie-up with India Post for last mile delivery. There is a massive opportunity for Indian Post

India Post will have to work on securing the parcel transmission by use of air transport and developing its own road transport network. It will have to overcome the barriers of manpower hiring and training for the last mile delivery work. It has to facilitate delivery process by use of hand held devices or smart phones which will make the information flow easy, just the way private delivery firms are doing.

The Task Force on Leveraging the Post Office Network-Empowering Rural India constituted by Government of India has also appreciated the potential. UNCTAD and Universal Postal Union are promoting the role of post offices in enhancing e-commerce. It is a golden opportunity for India and India Post to take the leap. It is a very rare phenomenon of a 'sunset' industry of written communications merging with 'sunrise' industry of e-commerce and parcel delivery, which is speculated to be undertaken by drones!