How rural areas benefit from the Uberisation of the supply chain

Mike Hill

The online delivery marketplace is set to disrupt the traditional courier, which could open the door to the gig economy for rural deliveries. Mike Hill investigates.

E-commerce has been booming for many years in the USA and Europe, but only really taken off in Asia more recently. Demography, high levels of mobile device ownership and internet connectivity, combined with rapid economic growth influencing consumer demand and purchasing power, has led to wider online access and a huge appetite for online shopping. M-commerce is especially widespread. China's most recent Singles Day (11th November), for example, resulted in orders worth $17.9 billion being processed by Alibaba, with 82% generated through a mobile phone. For the vendors and logistics providers required to fulfil these orders, offering last mile delivery coverage over vast and often rural areas is commercially unviable.

Reversal of typical trend development

Historically, online trends have begun in the USA or Europe before they work their way to Asia, but we are seeing an entirely different pattern now. Many entrepreneurs are taking advantage of the consumer demand explosion and small-scale road hauliers have sprung up everywhere to take advantage of the opportunity. Vendors have experimented with different delivery models using local collection points, but people ideally want their goods delivered to the front door. In Asia, this means having an army of people available and willing to deliver single items for a reasonable price. Interestingly, this problem has sparked a new business innovation, the creation of last mile delivery marketplaces online, which could potentially transform the way this aspect of parcel delivery is handled across the world.

Rise of online delivery marketplaces

The online delivery marketplace is set to disrupt the traditional courier businesses to the same degree that Uber has totally transformed the way we obtain taxis. Described as the Uberisation of the supply chain, it is reliant on just three things: consumers who want goods delivered, and there are plenty of these; so-called redundant assets, people with a mode of transport and need for flexible employment who are willing to offer the service; and a technology infrastructure to facilitate transactions and connect the buyers and sellers. Once the requirements are broken down like that, it is easy to see how this model can be transported all over the world.

The role of the WMS provider in this process is to ensure efficient stock management at the DCs and onwards, to the point where it is released to a last mile delivery provider. In the future, this will require the use of an app able to link demand coming out of the warehouse and secure a suitable delivery path. The approach is already being piloted in India and Germany, with online retailers using local residents with cars who are willing to collect goods from the warehouse and take them to customers in their neighbourhoods.

Ensuring delivery costs are competitive

Thanks to the availability of cloud and mobile technology, it is a way to provide jobs to people who are not fully employed and ensure that delivery costs are kept competitive. The model minimises the cost of the last mile, whilst providing excellent service levels, traceability and employment for those that want this kind of work. Customers have access to an app to check order status and use standard location services to track the whereabouts of their goods.

I can envisage the same service coming to the UK, where it is likely to be especially useful in small, rural communities. Some might argue it is a bad thing, because traditional delivery service providers will suffer. I see it as a positive development and will ensure these services remain highly efficient and competitively priced, both good things for the average person on the street. It will also mean that communities are potentially able to provide the service within their own areas whilst at the same time, making better use of their assets – cars –and making a little bit of extra income on the side, too.

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