ONE TO WATCH

IS INDIA POISED TO DELIVER? **HILARY ROBERTSON** INVESTIGATES
THE DEVELOPMENTS BEING MADE IN THE COUNTRY'S LOGISTICS
SECTOR AND THE OPPORTUNITIES FOR DELIVERY COMPANIES

The growth in India's logistics sector is proving
to be an opportunity for businesses and consumers
alike. Improvements in policy regulations,
infrastructure investment and new technologies are
all giving the sector a boost and opening up new
avenues for growth. According to the Government of
India's 2017-2018 Economic Survey, India's logistics
industry, which was estimated to be worth US$160bn
in 2018, is set to reach US$215bn by 2020.

One notable infrastructure project, which may
give the logistics industry a boost through improved
connections, is Bharatmala Pariyojana, a centrally
sponsored and funded road and highways project
of the Indian government.

The project includes 83,677km (51,994 miles) of
new highways and is estimated to be worth around
US$77bn. The work will build highways connecting
550 district headquarters throughout India and is
expected to improve the efficiency of freight
movements. The aim is that 80% of freight traffic
in the country will use the Bharatmala highways,
which will connect 24 logistics parks.

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Key challenges India's inadequate road infrastructure is just one of the challenges facing the logistics industry. Krishna Khandelwal, chief business officer at delivery automation platform provider Locus in India, says, "The Indian logistics market is an extremely fragmented space that works on various operating models. Each model has its own set of unique challenges, which makes India one of the most complex markets to work in. Transportation in the country is largely outsourced with 85% of fleets controlled by various 3PL players. A large percentage of these 3PL companies have just 5-10 vehicles, which shows how unorganized the market is."

Visibility is another major challenge according to Kushal Nahata, CEO of Indian logistics solution provider FarEye: "A major problem that has been plaguing the Indian logistics industry is poor visibility of freight, which negatively impacts core aspects of the entire supply chain. It results in poor productivity, increased operational costs, delays in delivery and a bad customer experience."

Emissions are also a problem in one of the world's largest countries, according to Nahata, as is internet penetration: "India is the fourth highest emitter of carbon dioxide in the world. Global norms are being created to curb India's carbon footprint and this will impact the logistics industry. With regard to infrastructure, there is a lot of pressure on the country's roadways. As much as 40% of traffic is shouldered by only 2% of India's roads.

"Furthermore, even though we are witnessing more than 60% internet penetration in urban India, rural areas are still at 20%. To ensure visibility of delivery fleets when they traverse through these poorly connected areas, it is imperative for supply chain and logistics businesses to deploy tools powered by IoT and advanced GPS technologies that reduce shipping-related risks."

Firoze Hussain, chief security officer at Delhivery, a third-party logistics service provider, adds, "High

"HIGH FUEL COSTS ARE A MAJOR PROBLEM, ALONGSIDE DRIVER SHORTAGE AND RETENTION"

Firoze Hussain, Delhivery

80%
of freight traffic in the country will use the Bharatmala highways

fuel costs are another major problem, alongside driver shortage and retention."

Alongside these challenges there is a need for world-class customer services. Indian consumers are becoming more demanding, embracing change in how they shop. Increasingly they want transparency and accountability across delivery processes. "Businesses that fail to live up to these expectations will have a difficult time pleasing their customers," says Nahata.

Using technology Across India, businesses are recognizing that embracing technology and modern logistics platforms will help them meet the need for a superior customer experience. New digital technologies will also help delivery companies tackle the main challenge facing the Indian delivery sector: congested and poor road networks. Nahata says, "To achieve adequate visibility, businesses need to embrace digital control towers that leverage real-time data from the large GPS, ELD [electronic logging device] and telematics networks to keep a check on the status of all loads moving on the ground."

Logistics providers are also taking advantage of IoT infrastructure – including smartphone-based location determination, vehicle sensors for multiple

"ACCORDING TO GOVERNMENT STATISTICS, MORE THAN 550 MILLION E-WAY BILLS WERE GENERATED IN THE LAST FINANCIAL YEAR"

Kushal Nahata, FarEye

use cases, and RFID-based critical cargo tracking – which can offer higher visibility to a business's operations. The data generated by the IoT devices can also help a business to evolve more dynamically.

Hussain explains, "IoT enables businesses to factor in road conditions, traffic patterns and weather conditions, to ensure that vehicles adhere strictly to timelines. The risk of a vehicle breakdown can also be reduced through the use of big data. Big data can take into account the vehicle's condition, and through historic data can identify automobiles that require maintenance without affecting the supply chain. It also helps businesses pinpoint rogue drivers who are more likely to disturb operations through traffic violations."

Machine learning (ML) technology can also help businesses optimize supply chain and logistics operations. For instance, ML-powered logistics software can generate crucial insights into route efficiency by analyzing historical data and helping delivery stakeholders predict delays better. This can save businesses thousands of dollars by mitigating risks such as theft and adhering to on-time, in-full delivery compliance.

FarEye's Nahata says, "To satisfy demanding customers and scale delivery operations, businesses can use advanced last-mile delivery platforms with smart dispatching capabilities. These platforms can quickly and intelligently outsource delivery to the nearest third-party delivery providers to ensure rapid scaling. It can also optimize delivery routes depending on the number of orders placed from a location. All this greatly optimizes the number of deliveries successfully performed each day."

Continued growth A major development in India's logistics industry has been the introduction of e-way bills – electronic documents for the movement of
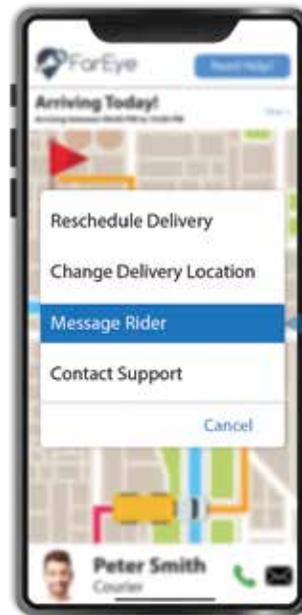
ABOVE & BELOW: FarEye provides an Enterprise web-based SaaS platform to boost delivery efficiency

goods valued over Rs 50,000 (US$725) as part of the Indian government's goods and services tax (GST) system. This system was introduced in April 2018 with the aim of driving a uniform and automated approach for the movement of goods. E-way bills have eliminated the need for separate transit passes for moving goods across state borders as the electronic bill is valid throughout India. Delivery companies are now saved the hindrance of physical inspection of papers and goods at each border.

According to the Federation of Indian Chambers of Commerce and Industry, 59% of companies in India reported reduced transportation times due to the elimination of border checks. Nahata sees the success of the initiative: "According to government statistics, more than 550 million e-way bills were generated in the last financial year. Thanks to timely reforms like this, better infrastructure and effective GST implementation, the warehousing and logistics sector in India is estimated to witness almost US$10bn in investments over the next five years.

"Reports highlight that an additional 200,000,000ft² [18,600,000m²] of warehousing space will be made available in India in the next few years," continues Nahata. "Some of the key factors driving the growth of the warehousing industry are increased foreign

and private investments, growing manufacturing activities, better government regulations and, more importantly, the growing popularity of online and offline retail."

Strategic planning, due diligence, consistent follow-up and, perhaps most importantly, patience and commitment are clearly prerequisites for successfully conducting business in India. This growing market demands marketing efforts that address specific regional opportunities, standards, languages, cultural differences and levels of economic development. Gaining access to India's markets requires careful analysis of evolving consumer preferences, existing sales channels, and changes in distribution and marketing practices.

Nahata and Hussain both agree that the opportunities are larger than the challenges. "Partnering with the right technology provider is key," explains Nahata. "There are global logistics businesses that have been operating in India for decades and are doing a wonderful job. I am sure that with the right expertise, technology and knowledge, others can do well too."

Hussain adds, "The global economic outlook and that of India is expected to improve substantially as India begins to tackle the economic downturn. With a new government many policies are expected to be implemented, which will give a fresh impetus to India's growth engine, particularly in the corporate and small and medium enterprises sector, which in turn will expand demand for the logistics sector."

Locus's Khandelwal believes that the most crucial factor for any company looking to work in India is localization: "Foreign entities might have their own set of procedures, but unless they understand the political, business and cultural differences in the various parts of the country, it would be impossible for them to work here," he says. "There is still a big need for technology-enabled companies in the country that provide quality services. In the logistics space, for example, there is a dearth of good warehousing companies with sophisticated state-of-the-art procedures." ■

RIGHT: City traffic near the town hall in Bengaluru, Karnataka, India

WHERE IS INDIA'S GROWTH HAPPENING?

Some of the fastest growing cities in India are Bengaluru (Bangalore), Hyderabad, Vijayawada, Chennai, Turichirappalli, Tiruppur, Surat, Agra and Nagpur, with more than 8% average annual growth. Increasing adoption of digital technologies, increase in purchasing capacity, easy access to healthcare, and improved infrastructure and logistics can be cited as some of the reasons behind their growth.

Bengaluru is the IT capital of India. Several big players in technology, such as Goldman Sachs, Cisco and HP, as well as India-based giants like Tata, Infosys and Wipro, have their operations in the city. Bengaluru has attracted the highest amount of tech startup investment, at an annual average of US$4bn over the past three years.

The clustering of aerospace, defense, machine tools, electronics-related industries and biotech companies has also made Bengaluru the aerospace and bio-tech center of the country. It also has a booming retail market and is the first destination of many global consumer brands. In the past few years the city has seen high growth in the healthcare, automotive, clothing and construction industries.

ABOVE: Built in 1591, the Charminar in Hyderabad is listed among the most recognized structures in India

Hyderabad, too, has positioned itself as India's major technology and entrepreneurial hub. The city houses a major technology township – the HITECH city, a tech-oriented cyber city – as well as India's largest startup ecosystem, T-Hub, which started in 2015. Hyderabad is home to more than 1,500 IT companies, including Apple, Microsoft, Google, Yahoo, Infosys and Tata Consultancy Services (TCS). It is also known as the City of Pearls for its famous trading center for this jewel. Other key industries include bio-pharmaceuticals, handicrafts and real estate.

Chennai, the capital city of Tamil Nadu, has the third-highest GDP per capita in India. The city is the center for almost 40% of India's automobile industry and is often called the Detroit of India. It is also popular for software, IT-enabled services and hardware manufacturing, as well as the engineering and procurement industry. Other major industries include petrochemicals, textiles and financial services, alongside several global corporations including American Express, Citibank and IT service companies such as Cognizant and TCS.