

## Transforming E-commerce Logistics - Introducing Consumer Shipping Carrier Subscription (CSCS)

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### ABSTRACT

The COVID-19 pandemic has disrupted both Luxury & non-Luxury retail and forced many businesses in this industry to reassess the decades-old traditional business models. It accelerated the trend towards electronic commerce. With this sudden shift towards E-commerce business model specifically in the retail industry, is forced to focus on efficient and effective logistics (shipping and delivery) strategies. New technologies and new enhancements within the existing technologies are thrust to the forefront of every business toolkit. The latest advancements in web technologies are expected to pose opportunities for the businesses to accordingly strategize their shipping and delivery models, and thereby gain a competitive edge in the market. In this paper we explore the challenges facing business and their logistics partners in understanding the consumer behavior and expectations on shipping, packaging, costs, safety measures and more. It also proposes a new approach within the logistics that could meet most of the consumer demands which are required to sustain in this new normal and anticipate retail entrepreneurs in shifting major portion of business toward e-commerce as a potential future.

**Keywords:** E-commerce, Shipping, Delivery, Technology

### 1. Introduction

In the evolving world of e-commerce business model in the Luxury & Non-Luxury retail industry, customer satisfaction hinges not only on product quality and price but also on the efficiency and reliability of shipping and delivery services. Shipping and delivery are integral parts of a satisfactory shopping experience, and retailers are working hard to get this right. Product and price are the starting point for customer satisfaction. But shipping and delivery also play a heightened role, as consumers rarely forget a perfect product poorly delivered. Understanding the significance of these factors is crucial in enticing potential e-commerce leads.

As e-commerce is becoming an essential part of businesses strategy, adapting to advanced information and communications technologies in the businesses have led to a revolutionization

of relationships among individuals and organizations as well as within the organizations. IT enhancements can best integrate all partners in the trade such as retailers, IT partners, financial institutions, shipping partners & consumers etc.,

The e-commerce model in the luxury retail is anticipated to witness surge in growth due to number of other factors such as growing Internet services with hi-speed bandwidth, unprecedented smartphone penetration, market stability, product personalization etc., In addition to these, the online shoppers nowadays, emphasize on the factors such as reliability, cost effective and faster delivery in their purchase decisions, and e-commerce model is thriving to cater these requirements of the consumers with innovative process and technological advancements within shipping and delivery.

In the chart below<sup>1</sup> we see a distinct upward jog in

e-commerce share in total retail sales from selected Countries, before and after the coronavirus (COVID-19) pandemic as of January 2021 giving a strong boost to a steady growth in online retail market and shows us an increase in online sales because of the paradigm shift that COVID disruptions have brought to business.

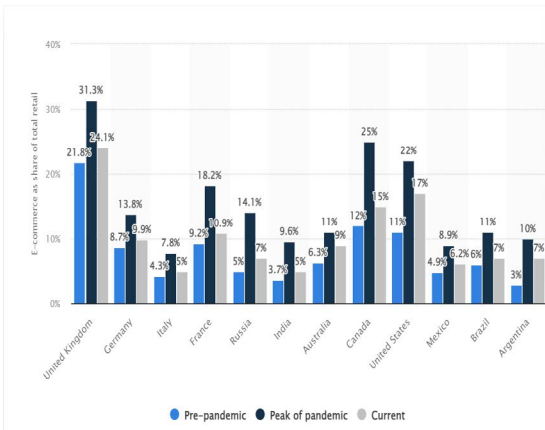


Image source<sup>1</sup>

The pandemic accelerated several trends in shipping and delivery, including the growing prominence of contactless delivery, enhanced last-mile solutions, and the adoption of innovative technology. In the luxury retail sector, there has been a heightened demand for personalized and premium delivery experiences. The discerning clientele of luxury brands expect their purchases to be delivered with the same level of care and attention to detail that they encounter in physical boutiques. As a result, luxury retailers have integrated exclusive packaging, white-glove delivery services, and real-time tracking to elevate the overall customer experience. Conversely, non-luxury retailers have faced the challenge of meeting increased demands for rapid and cost-effective deliveries.

To achieve all kinds of consumer demands and expectations and sustain the market for a longer period, we propose a novel approach called Consumer Shipping Carrier Subscription (CSCS) model to enhance logistics handling in the e-commerce world. Let's delve deeper into the key literature and benefits of this newer approach.

## 2. Literature

With the retail industry increasingly shifting towards e-commerce, businesses are establishing online platforms and apps for direct consumer transactions. While these platforms commonly offer multiple payment options, the choices for shipping are often limited, usually revolving around free or expedited shipping with associated costs. The e-commerce sector typically does not explore diverse consumer demands for shipping and packaging services beyond faster delivery, which may come with additional charges or minimum purchase requirements. To address this gap and deliver consumer-centric logistics services to the e-commerce industry, I propose a novel approach called Consumer Shipping Carrier Subscription (CSCS).

Consumer Shipping Carrier Subscription (CSCS) concept proposes a comprehensive and user-centric approach to e-commerce logistics, leveraging API integration and subscription plans to provide a tailored, traceable, and cost-effective shipping experience for consumers.

## Integration of Consumers, E-commerce, and Shipping Providers:

CSCS involves a direct integration of the final consumer with both the e-commerce service provider and the shipping service provider. Integration ensures a seamless and real-time traceable process for handling shipments.

**API Integration:** APIs play a pivotal role in connecting web platforms, payment gateways, consumers. The same approach is used to integrate consumers with e-commerce businesses and shipping companies, ensuring a smooth flow of information and services.

**Unique CSCS ID:** Consumers subscribing to a Shipping service provider, such as FedEx or UPS etc., receive a unique CSCS ID. This ID is akin to subscribing to an OTT platform, providing access to various plans with distinct features. The CSCS ID is generated based on the chosen subscription plan, much like Basic, Advanced, and Pro plans, each offering different levels of service.

**Subscription Plans:** Consumers have the flexibility to choose from multiple subscription fee-based plans, each catering to different needs. Examples of subscription plans include Basic (free shipment, free returns), Advanced (additional features like return picking, priority delivery), and Advanced Pro (comprehensive coverage including insurance).

**Integration into E-commerce Checkout:** The CSCS ID becomes an option in the e-commerce web portal's checkout page under the shipping method. Consumers input their unique CSCS ID during checkout, specifying the desired subscription plan for the current shipment.

**Efficient Package Handling:** E-commerce businesses are relieved from providing shipping services to consumers with CSCS IDs. The shipping service is redirected to the respective carrier service provider through APIs, ensuring that the package is handled according to the chosen subscription plan.

**Customized Service Levels:** Consumers benefit from a personalized and cost-effective shipping experience, tailoring their subscription plans to match their specific needs and preferences. This approach allows for greater flexibility and transparency in shipping services.

**Automation and Cost Efficiency:** Automation through API integration streamlines the entire shipping process, making it more efficient and reducing manual intervention. The subscription model also contributes to cost efficiency for both consumers and e-commerce businesses.

**Diversification of Customer Base:** Introducing shipping and packaging services as part of the subscription model attracts a broader spectrum of customers. This includes not only end consumers but also retail business partners, packaging partners, financial partners, and others. This diversification opens new market segments, contributing to the expansion of the overall customer base.

**Complementary to Traditional Services:** It's important to note that this approach doesn't replace traditional shipping and packaging services but complements them. Traditional services continue to cater to existing markets, while the subscription model targets a new segment, providing an additional revenue stream.

**Advantages for Shipping Service Providers:** Shipping service providers stand to benefit by gaining a strong and steady customer base through subscription plans. Predictable revenue from subscriptions contributes to financial stability. Meeting consumer demands and expectations through this model enhances customer loyalty, potentially leading to long-term partnerships.

**Streamlined E-commerce Operations:** E-commerce channels gain a strategic advantage by redirecting packaging and delivery responsibilities to the shipping service providers within the subscription model. This redirection allows e-commerce businesses to focus more on their core merchandise and operations, streamlining the overall process and potentially reducing operational complexities.

**Focus on Core Merchandise:** With the shipping and packaging services handled by the subscription model, e-commerce businesses can concentrate on their primary products and services. This focus on core merchandise helps in refining and enhancing the quality of products, marketing strategies, and customer experiences.

**Value Addition for Retail Consumers:** Offering a shipping carrier subscription option for retail consumers provides tangible benefits such as convenience, cost savings, and reliability. Consumers appreciate the added value of a subscription model, enjoying perks like free shipping, easy returns, priority delivery, and other features based on their chosen subscription plan.

**Convenience, Cost Savings, and Reliability:** Subscription models offer convenience to consumers who can enjoy a hassle-free and predictable shipping experience. Cost savings come into play, especially for subscribers of higher-tier plans, as they may receive bundled services at a discounted rate. Reliability is enhanced through the assurance of consistent and high-quality shipping and packaging services.

In summary, extending shipping and packaging services into the subscription model is a strategic move that benefits all trade partners involved. It diversifies the customer base, provides financial stability for service providers, streamlines e-commerce operations, and offers added value to retail consumers. This approach aligns with evolving consumer preferences for convenience, predictability, and bundled services.

### 3. Key points to consider when implementing a shipping carrier subscription for retail consumers

**Service Levels:** Offer a variety of shipping options, such as standard, expedited, and express shipping etc.,

**Pricing Structure:** Develop a clear and transparent pricing structure for your subscription service. Consider offering tiered pricing based on frequency of use or a flat monthly fee.

#### Subscription Models:

**There are different subscription models to consider: Annual Subscription:** Customers pay an upfront fee for a year of free or discounted shipping.

**Monthly Subscription:** Customers pay a recurring monthly fee for shipping benefits.

**Per-Order Subscription:** Customers pay a fee per order for shipping discounts or benefits.

**Tiered Subscriptions:** Offer multiple subscription tiers with different levels of benefits and corresponding pricing.

**Discounts and Benefits:** Clearly define the benefits of the subscription.

These may include free shipping, discounted shipping rates, package tracking, insurance, and faster delivery times. Make sure these benefits are attractive and compelling.

**Promotions and Incentives:** Promote your shipping subscription service to your customers through your website, emails, and marketing channels. Consider offering a free trial or a limited-time discount to encourage sign-ups.

**Customer Support:** Provide excellent customer support to address any issues or questions related to the subscription service. Offer multiple communication channels for customer inquiries.

**User-Friendly Interface:** Ensure that your website or app provides an easy and intuitive way for customers to sign up for the subscription, track their shipments, and manage their account.

**Terms and Conditions:** Clearly outline the terms and conditions of the subscription, including renewal and cancellation policies, to avoid any confusion.

**Feedback and Improvement:** Continuously gather feedback from your customers to improve the subscription service. Use customer input to refine benefits, pricing, and service levels.

**Integration:** Ensure that your subscription service is integrated with your e-commerce platform, so customers can easily select it.

### 4. How CSCS Benefits all Parties

Shipping companies would introduce a subscription model for individual consumers, who, upon subscribing to a plan, pay a fee to unlock plan-specific benefits. For instance, a Basic plan might offer free shipping, one-day domestic shipping, and three-day international shipping. An Advanced plan could include all Basic features plus free returns and pick-up services. The Advanced Pro plan might encompass everything from the Advanced plan, with additional features such as insurance coverage, customized packaging, and various delivery options.

To implement CSCS, e-commerce platforms would need to develop shipment gateways akin to payment gateways. These gateways would provide consumers with options for shipping packages, including free shipping, same-day or next-day shipping, and the new CSCS option. If a consumer is enrolled in CSCS with a shipping service provider, providing their CSCS ID during the checkout process on the web portal would redirect the shipping and delivery responsibilities to the service provider, nullifying shipment costs at the portal.

While this approach requires enhancements to existing e-commerce and shipping platforms, including integration improvements between shipping service providers and e-commerce platforms through API calls, it has the potential to open a new market segment focused on consumer demands in shipping and delivery services. This, I believe, represents the future of retail and shipping services.

#### A. Benefits for Consumers:

a. **Flexibility and Options:** Consumers can choose from various subscription plans based on their shipping needs and preferences. Different tiers provide flexibility in terms of speed, additional services (like insurance or customized packaging), and cost.

b. **Cost Savings:** Subscribers can enjoy cost savings compared to one-time shipping fees, especially for frequent online shoppers. Subscription models can offer better value for money for consumers who prioritize shipping benefits.

c. **Enhanced Services:** Advanced plans can include additional services like free returns and expedited shipping, enhancing the overall shopping experience.

d. **Streamlined Checkout:** Integration with e-commerce platforms simplifies the checkout process for subscribers, making it more convenient.

### **B. Benefits for Shipping Service Providers:**

a. **Predictable Revenue:** Subscription models provide a steady stream of revenue for shipping companies, contributing to financial stability.

b. **Customer Loyalty:** Subscribers are likely to remain loyal to a shipping provider offering a variety of plans tailored to their needs.

c. **Data Insights:** Subscription plans generate valuable data on consumer preferences, enabling shipping companies to optimize their services.

d. **Competitive Edge:** Offering a unique subscription model can differentiate a shipping provider in a competitive market.

### **C. Common benefits of CSCS Integration as a new business model:**

a. Customized package handling and shipment process as per consumer needs

b. One stop shipment tracking – ex: multiple purchases with different e-com web channels, but all tracking can be done at one shipping service provider website (one stop tracking).

c. Better shipping charges – cost effective and even free in most cases even though purchase value is very low.

d. Better Insurance coverage for the goods purchased.

e. Customized delivery options can be chosen by customer and not business – door delivery, signature required, locker storage etc.,

f. Faster delivery

g. Safety measurements – additional layer of packaging to adhere to covid kind of virus, Sustainability with eco-friendly options etc.,

h. Advantage of making a parcel shipment – nesting of all consumer orders from various purchases together and ship together. (Possible complex integration)

i. Improved reverse logistics.

j. APP features can be enabled.

k. Can Avoid 3PL or fulfillment centers.

l. Avoid hidden shipping charges.

m. Locker Facility within shipping service

Before signing up for a subscription, it's advisable to compare the offerings of different shipping service providers and plans to find the one that best suits your retail shipping needs and budget. It's important to note that the specific features and benefits of a shipping carrier subscription can vary between carriers and the type of subscription plan chosen.

## **5. Challenges of CSCS Integration as additional business model**

a. **Integration Complexity:** Implementing CSCS requires seamless integration between e-commerce platforms and shipping service provider systems, which may pose technical challenges.

b. **Education and Adoption:** Educating consumers about the benefits of CSCS and encouraging adoption will be crucial for its success.

c. **Customization and Scaling:** Shipping providers need to offer customizable plans and scale their operations to meet the varying demands of subscribers.

d. **Regulatory Compliance:** Adhering to shipping regulations and ensuring compliance with legal requirements in different regions will be essential.

e. **Information Technology (IT) Investments:** Both e-commerce platforms and shipping companies will need to invest in technology upgrades to support the new subscription model.

f. **Market Acceptance:** The success of CSCS relies on market acceptance and willingness among consumers to subscribe to shipping services.

### **Potential Dis-advantages of CSCS Integration as additional business model:**

a. Additional project Investment to e-commerce service providers and Shipp service providers.

b. Additional IT maintenance and upgrades support

c. Necessitate e-commerce business to partner with most of the shipping service providers – may not be option for small e-com business.

d. Customer purchases may be impacted due to non-partnered carriers.

e. Force small business to add multiple carriers into their partner channels to sustain in long-term.

## **6. Conclusion**

The Consumer Shipping Carrier Subscription model represents a paradigm shift in the way we approach shipping services in the e-commerce industry. By aligning with consumer demands and offering a diverse range of subscription plans, we can create a future where shipping is not just a logistical necessity but an integral part of the overall online shopping experience. This idea aligns with the evolving landscape of e-commerce and presents an innovative approach to meet the growing demand for personalized and efficient shipping solutions. As with any novel concept, careful planning, collaboration between industry stakeholders, and a phased implementation approach can contribute to the successful execution of the Consumer Shipping Carrier Subscription model.

## **7. References**

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