

Market developments sets CEP sector to boom

A boom is expected in the courier express parcel (CEP) industry due to two market developments. The first, a game-changing innovation in the CEP industry which is opening new markets and the second, the rapid growth of the e-commerce industry in South Africa and Africa, which will significantly increase the demand for fast, affordable and convenient courier express parcel services.



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"For decades, the traditional model in the CEP sector was a 'hub-and-spoke' system, with a central distribution hub connected to a number of distribution points. The CEP players with the widest footprint or coverage, which impacts both the speed and cost of delivery, were often the most competitive," comments Herman Evert, Managing Director of SkyNet South Africa, one of the world's largest independently-owned distribution networks.

Retail drop-off points boosts CEP sector

"However, the innovation to include retail drop-off points in a CEP distribution network is a game-changer, enabling even faster, more affordable and more convenient express parcel deliveries to even more distribution points, thereby providing a massive boost to the CEP sector's market growth potential."

Evert explains that being able to collect a parcel at a well-known and local retail point provides customers with greater flexibility and convenience. They can now choose the conventional parcel delivery at home or at the office at the normal price or to collect their parcels at the time best suited to their busy schedules at a convenient pick up point. Simultaneously, he notes, this innovation substantially reduces costs for CEP participants, as several parcels can now be dropped off at each retail point, eliminating the need for time-consuming individual deliveries and the risk that the recipient will not be at the delivery address at the time of delivery, which effectively doubles the cost of delivery.

"The pricing of this service opens vast new markets for courier and express parcel services, reaching thousands of South Africans across the country for whom express parcel delivery was not an economic option previously. These consumers are now not only able to receive parcels quickly, conveniently and affordably, but are also able to send parcels anywhere in South Africa, quickly, conveniently and affordably."

E-commerce growth to boost CEP industry as delivery mechanism

The second market development that predicates a boom in CEP is the rapid growth of e-commerce in South Africa. Last year, 3.225 million South Africans were shopping online and the local e-commerce industry registered an impressive growth of 35% compared to 7.5% for traditional retail. This growth rate is poised to accelerate with the ongoing improvements in broadband access and as ever-more South Africans use smartphones.

Evert explains that the organic growth in e-commerce will, in itself, boost the CEP industry as a delivery mechanism. However, the innovation of including retail points in the CEP distribution network is a massive e-commerce multiplier. "The key components of competitiveness in the e-commerce space are cost of delivery and the efficiency of reverse logistics," notes Evert. "Including retail points in the distribution network opens up vast new markets for e-commerce, massively extending the reach of online retailers across the country.

Competitive CEP service providers can now offer access to even more distribution points, even in remote areas, while also providing the key components of competitiveness for online retailers: affordable parcel deliveries that are also faster and more convenient for consumers, as well as cost-effective and streamlined reverse logistics."

"And rapid growth in the e-commerce industry, which is fuelled in part by the innovations in CEP, will boost the CEP industry further - placing the CEP industry on the cusp of a boom," concludes Evert. "The CEP market has always been ultra-competitive, but the game has changed significantly and the market will grow rapidly as costs are slashed and as reach and convenience options extend. Those players with the widest, most efficient and cost effective networks will win the day."

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