



“E-logistics in Supply Chain Operations and its mechanism adopted by Meesho”

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Abstract:

E-logistics is incredibly important in today's digitally connected and online retail environment. This paper examines the concept of e-logistics in supply chain management. Here, we investigate e-logistics in relation to the Indian context by comprehending the benefits and difficulties of e-logistics in India. Meesho is one of the well-known online marketplaces where customers prefer to conduct their business. With great effort, the study of e-logistic mechanisms is carried out in this article, as well as a thorough analysis of various costs, revenue models, cost structures, product generation and its supply, and delivery partners.

Keywords: *e-logistics, cost structure, revenue model, online management.*

I. Introduction:

E-logistics is the management of all physical flows for a business that conducts online sales of items (website, marketplace, etc.). Although they can work in tandem, traditional retail logistics are in contrast to e-logistics.

The process of using information and technological infrastructure to streamline knowledge sharing, data transfer, etc. in the traditional supply chain process is known as e-Logistics. Essentially, it refers to using an internet platform to conduct the majority of the supply chain's conventional logistics activities. For instance, managing couriers, selling products on websites and various marketplaces, and handling returns.

1.1.Understanding the Concept of e-Logistics in India

India has seen a greater surge in demand for e-logistics as a result of technological advancement and digitization. E-logistics is being used by a large number of e-Commerce businesses for both domestic and international manufacture and supply. The supply chain process is becoming simple to handle thanks to e-logistics. Let's examine some of the distinctions between conventional and electronic logistics.

Many things might be shipped to distant regions in India when we discuss traditional logistics. However, e-logistics enables the speedy delivery of goods to numerous locations.

The efficient and economical supply chain process is the foundation of traditional logistics. However, in the case of e-logistics, it is more important to match speed and client expectations.

In traditional logistics, data is collected manually through paperwork and Management Information Systems (MIS), while in e-logistics, data is collected electronically through channels including the Internet, RFID, Electronic Data Interchange (EDI), and Internet of Things (IoT).

Major eCommerce firms are utilising e-logistics since it is more dependable and quicker than traditional logistics in growing nations like China and India. Lack of transportation infrastructure opens up additional supply chain constraints for emerging nations. Government regulations in various nations specify the importance of issues like security, privacy, and integrity, which e-logistical should go by to prevent putting up obstacles in the logistics process.

In India, the goal of e-logistics is to improve customer service, lower financial obstacles, and satisfy delivery dates. Through web-based technologies, it also aids in inventory control, as well as collaboration with logistics firms like BlueDart, FedEx, Gati, and DHL.

The Internet of Things (IoT), Artificial Intelligence, Business Intelligence, Big Data Analysis, and Robotics will be used by eCommerce leaders to create smart e-logistics solutions, save costs, and eliminate errors and delays. For instance, automated warehouse operations, wearable AR/VR gadgets, and driverless trucks will all contribute to operational efficiency in India's e-logistics industry.

1.2. Challenges Faced by Logistic Industry in India:

- Lack of integration in transportation networks, subpar distribution facilities, and the utilisation of technology are some of the biggest problems that companies are facing in the logistics sector.
- India's logistics industry requires both technology and a competent workforce. Inadequate training is another factor contributing to management problems among the workforce and logistics managers.
- The two main causes of a significant loss in the perishables sector are poor management and a lack of transportation infrastructure. In addition, upkeep and a good storage facility are necessary.
- Using efficient managerial techniques and technological advancements, industrial regulations that facilitate the efficient movement of goods are necessary for managing the eCommerce supply chain requirements.
- Despite numerous obstacles, the Indian logistics industry is evolving by implementing cutting-edge business models like e-logistics, contracting out supply chain management to 3PL service providers, and altering the laws that are based on policy.

II. E-Logistics mechanism in Meesho:

The e-commerce of a decade earlier is no longer the same. There is a new approach to sell online thanks to the growth of social media sites like Facebook, WhatsApp, and Instagram. Meesho steps in at this point, of course.

Meesho is a social commerce network that was created with the goal of facilitating online buying and selling for women in smaller towns and cities. But throughout time, its business strategy has undergone a few changes. Today, Meesho has more than 18 million registered members and is one of the top social commerce platforms in India.

Meesho, however, is a social commerce business, not like other e-commerce platforms. In other words, it doesn't sell goods to customers directly. Instead, it gives resellers a forum to communicate with suppliers and manufacturers and to market their own goods on social media.

Meesho's distinctive selling concept is that its customers can "resell" the goods offered by suppliers in order to profit from a margin rate. The adoption of dropshipping model of business has made trade simpler.

For the Meesho account registration process, all you need is a smartphone. After creating an account, you can go through the many products listed by vendors. One can also share these products as white-label on social media platforms like WhatsApp, Facebook, and Instagram, at your own price (cost price + your profit).

2.1.Main Customer segments:

Meesho operates on a two-sided marketplace model and has two main customer segments:

- ✓ **Customers:** Meesho primarily targets new internet users in developing cities who desire trustworthy products at affordable prices. They are typically more cost-conscious and have less faith in internet buying due to concerns about frauds. More than 70% of the company's clients hail from tier 2 and tier 3 cities, including Jhansi, Mathura, Dehradun, etc.
- ✓ **Resellers:** They are clients who serve as a bridge between Meesho and the final consumers. They source things through Meesho's platform and then resell them to their social network for a profit margin. Meesho's platform would have more than 15 million resellers from all over India as of 2022. Resellers are primarily young professionals, students, and housewives who utilise social media sites to market to their personal networks.

2.2.Operations of Meesho:

Meesho believes in "Shopping Social" which means people should be able to buy with their friends and family without worrying about being taken advantage of. A reseller on Meesho receives a customer's request to purchase a product, sources it from Meesho's platform, and then sells it to the customer at a somewhat inflated price. This makes Meesho special and effective as it mixes the conventional ecommerce business strategy with the social selling and dropshipping business models. These are Meesho's core business activities. Let's investigate some additional factors.

2.3.Key Partners of Meesho:

From wholesalers to financial institutions, Meesho has partnered with many big and small players in the industry.

The platform depends on five key partners:

1. **Suppliers:** Meesho offers a wide choice of items through partnerships with vendors from all around India. Wholesalers, producers, and importers are some of these suppliers who list their goods on the Meesho website. These providers benefit from the platform in terms of guaranteed payments, a bigger audience, and 0% commission for late shipping.
2. **Shipment Partners:** Meesho has teamed up with renowned logistics firms like Delhivery, Ecom Express, and Blue Dart to provide rapid and dependable shipping.
3. **Payment Partners:** Meesho has worked with well-known payment providers like Paytm, Cashfree, and Razorpay to provide a simple and convenient payment experience.
4. **Marketing Partners:** To address its marketing requirements, Meesho has unique agreements with a number of marketing firms, including DVio Digital. The business also engages in affiliate marketing to pay opinion leaders and influencers for introducing new clients. The affiliates that make up the Meesho business model are crucial collaborators.
5. **Financial Partners:** Some of the greatest venture capital firms and angel investors, including YC, Facebook, Naspers, Sequoia Capital, Shunwei Capital, and SAIF Partners, are supporting the business.

2.4.Functions of Meesho's:

Meesho was first created particularly to assist resellers in their online product sales, but it has now grown to become one of India's most respected ecommerce platforms. The following crucial actions are taken by the company to deliver its value proposition:

1. **Providing a functioning marketplace:** Buyers and sellers can interact with one another and do business using the site.
2. **Product quality inspection:** Meesho has a staff in place that inspects the products before which are shipped in order to guarantee that only high-quality goods are provided to clients.
3. **Enabling resellers to sell products online:** It offers a white-label resale platform that enables customers to purchase items from Meesho's catalogue and resell them on websites like Facebook, WhatsApp, Instagram, and others.
4. **Creating awareness and traffic:** The success of a two-sided marketplace depends on the volume of traffic that is generated on both sides of the platform. Meesho performs intensive marketing campaigns to raise platform awareness and attract additional resellers. To target users, these campaigns leverage a variety of digital platforms including Google, Facebook, etc.
5. **Order processing:** The supplier must procure and deliver the item once a buyer places an order. To handle the full process of sending goods from vendors to clients, Meesho would have to have a team of logistics specialists.
6. **Customer assistance:** Meesho has a crew dedicated to customer service executives who assist customers in resolving issues with orders, payments, refunds, and other concerns.

2.5.Key Channels of Meesho:

The platform nevertheless needs an online presence in order to operate, even if it caters to users who are inexperienced with online shopping. Meesho primarily uses three channels to communicate with potential clients:

1. **Channels in operation:** Meesho primarily uses its mobile application, which is accessible on Android and iOS smartphones, and its website to conduct business. These channels serve as the main points of contact between the business and its clients, allowing them to browse and place orders.
2. **Advertising mediums:** To connect with its target audience, the platform makes use of all three types of media - earned, paid, and organic. Along with using more conventional marketing techniques like print and television ads, it also runs advertisements on websites like Google, Facebook, and many others. Furthermore, it runs a YouTube channel where it posts reselling-related and other instructional films. Similarly, company owns a blog where they post articles on e-commerce and reselling.

2.6.Meesho's Key Resources:

To be able to offer a positive client experience, the business must invest a lot of resources, including employees and warehouses. Several of the company's crucial assets include:

1. **Human resources:** The business employs a staff of nearly 6,000 individuals for a variety of tasks, including marketing, technology, and customer service.
2. **Financial resources:** Sequoia India, Shunwei Capital, RPS Ventures, Meta, and other investors helped Meesho raise nearly \$1.1 billion in finance.
3. **Technology resources:** The business has developed a technology platform that aids in a variety of processes, including payments and shipping.
4. **Resources for logistics:** The business is responsible for ensuring that the products offered on its platform are delivered to clients on schedule. To do this, it has agreements with numerous logistic providers.

2.7.Revenue Model at Meesho:

Along with giving vendors, buyers, and resellers a one-stop shop for all of their requirements, Meesho has also come up with a novel strategy to monetize its platform.

In contrast to other marketplaces, Meesho levies the following costs:

1. Commission on product margins
2. Fines for order cancellation, late delivery, or other errors
3. Listing fees

It indicates that the seller receives 100% of any price difference between the price at which a thing is purchased and the price at which it is sold.

Meesho's operational structure can be studied as follow:

Meesho Revenue Stream

1. Shipping Fees:

Meesho collects shipping costs from either the client or the resellers. This delivery charge differs significantly based on:

- Package size
- Delivery location

Local, regional, and national deliveries are divided into three categories by the business, with differing shipping costs for each.

The shipping partner receives a portion of the cost of shipment; the remainder is profit for the business.

To make the product seem more appealing, the company, however, includes the cost of shipping in the final price that is displayed to the customer and represents the product offer as including free shipping.

2. Promotion and advertisements

The business provides interested sellers who wish to advertise their goods with CPC ad campaigns running services. The sponsored advertising is displayed first in search results, have greater exposure on the homepage, and ultimately result in more sales. Each week, the seller pay-outs are collected from them in order to cover the cost of advertising.

3. Penalties

For returned goods, the firm charges the seller a shipping fee. Additionally, the firm deducts 2.5% of the order value daily from vendors that choose "Next Day Delivery" but don't deliver by the deadline.

In addition to this, the corporation imposes a number of additional penalties on the seller if they violate the conditions of their supplier agreement.

2.8. Cost Structure for Meesho

Running a marketplace is a difficult task that incurs significant expenses. An overview of the Meesho cost structure is shown below:

- 1. Cost of technology:** Meesho has established a solid technological team that is always working to enhance the platform. The server costs, CDN costs, and other associated infrastructure costs are included in the technology costs.
- 2. Marketing Fees:** Meesho invests a significant amount of money on marketing and customer development. The business has utilised many offline and television advertising tactics. Additionally, it spends a lot on web advertisements.
- 3. Operating Costs:** Daily operating expenses for the company include rent, order fulfilment, customer assistance, etc.

III. Conclusion:

Meesho is now engaging in full-fledged e-commerce warfare with the established marketplaces while maintaining the reselling model as its foundation. Meesho receives 75% of its orders directly from customers as of 2022, with the remaining 25% coming via resellers. Meesho's entire social commerce strategy is built on its relationship with resellers, so it will be interesting to see how it works to strengthen that relationship. Nevertheless, Meesho appears to have a bright future thanks to solid unit economics.

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