



INTERVIEW

THE REQUIREMENT TO MIGRATE TO E-FULFILLMENT CENTERS IS A NATURAL CONSEQUENCE OF EVOLUTION

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1. In these troubled and clearly uncertain times, what has been your company's dynamic for the first part of 2020? And what are your expectations or forecasts for the end of this year?

I can start with the fact that 2020 has been and still is a year full of opportunities. It is true that is a matter of choice, depending on what you prefer, to complain about the situation or to search for new opportunities.

In the beginning of the year our dynamic has not been the greatest but there was not any moment in which we were frightened about our results dramatically changing compared to what we initially planned.

As every other company, including transport and logistics ones, we faced some reductions of the volumes for a part of our business lines, but the

business recovered little by little and now, at the end of the year, we can say that we outgrew our expectations.

In the end, we put ourselves the question: do we want to remain the same and see what happens to us by the end of the year or do we want to mold ourselves on the current situations?

In the end of 2019, we started a project of developing a new e-fulfillment service, a business-oriented ecosystem, meant to help entrepreneurs develop their businesses.

E-fulfillment industry is a concept that is not very well defined at this time in the Romanian market. We do not believe that at this time, the e-fulfillment market can be defined as a market by itself, but certainly the demand will grow, and this service will become essential for online stores to be able to develop further businesses. Our estimate is that at

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this moment the e-fulfillment market, respectively the market formed by companies that offer this service, is extremely small in relation to the volumes of goods traded online.

In the last two years, the requests we have received for outsourcing the logistics processes for online stores, tripled.

However, in 2020, amid the pandemic, when the final consumer came to choose to make these online purchases more out of a need rather than out of a desire, the companies for which we provide e-fulfillment solutions, registered a number of orders 4-5 times higher than before. Thus, the requests for outsourcing to an e-fulfillment center have increased significantly up to 6 times.

Although, without anticipating this pandemic context, but anticipating the sales increase in e-commerce, last year we decided to start developing an e-fulfillment service.

At the beginning of this road that we started, the rhythm was a more relaxed one. Starting with January, we began the construction of a new brand with a design adapted to the audience we are addressing.

As the current context has taken the direction we all know very well, we have accelerated the development of this service, laying the foundations so that now we can already have the first customers in the Simplify platform. Moreover, we started from a simple idea of developing an e-fulfillment service and now we have come to create an entire business ecosystem focused on online commerce.

2. KLG Europe Logistics is part of a multinational company, with over 100 years of tradition and experience. How was 2020 at global context? What lesson has this year taught us?

This year, all over the world, freight volumes fluctuated greatly and there was also a volatility between the volumes of goods transported on each type of transport. In the end, however, the fact that we offer the full supply chain management services, helped us to keep our business at the same level of expectations.

A great lesson that we learned was and still is, is that we should communicate more internally, with our colleagues. Now, we explore many communication channels in order to facilitate our work but also to maintain the same level of collegiality that was very familiar to us. So, this became our top priority.

3. For KLG Europe, this was also a year of new beginnings. You recently launched Simplify, the newest e-fulfillment service in the country, that addresses Romanian entrepreneurs. How does this integrated solution work and what advantages does it bring for them?

Simplify is the newest product in the e-fulfillment market in Romania and the only one with the possibility of inbound transport. Through it, we introduce the concept of an e-commerce-focused business ecosystem to the market.

Simplify offers entrepreneurs a solution based on the integration of technology and operational flows, to simplify their internal processes.

The new Simplify service also provides customers with detailed information about the final delivery to the consumer, last mile as we call it, through Innoship - a platform that optimizes interactions between retailers and couriers, streamlining the costs of courier services and increasing delivery performance through a dynamic order allocation to couriers. Thus, each customer can have direct access to complete information about deliveries made through courier services, but also to real-time reports. Moreover, online store customers need the return orders to be as easy as a simple order, so the platform also improves the management of returns.

What we offer in this moment?

- Supply chain management - From suppliers, anywhere in the world, using our own road, sea, air transport services;
- Storage, order preparation, returns - We use a modern storage method, adapted to the needs of online store flows. Logistics flows are exclusively paperless, made by the software ecosystem, the

human factor intervening only in the configuration of the systems.

We also take over the return flow for orders, a critical and extremely important activity for online stores.

- Delivery by courier - We easily connect the stores with the courier services, without them having to integrate separately with each courier or we take over the delivery service to the final customer. We optimize deliveries by courier depending on the price and delivery performance of each courier but also depending on what the customer wants: low cost, quality or a balance between the two.

- Multiple sales channels - We connect the online store with the existing marketplaces in Romania, through our partner easySales, thus facilitating the access to several sales channels and implicitly to the increase of the turnover.

What do we plan to do next with the Simplify ecosystem?

Our vision is to create this ecosystem together with partners for: financing services for online stores, training services, online marketing services, web design services, consulting services and Customer Service. Since we can manage the entire chain, from the time of online order or purchase, to delivery to the final consumer, we can take the effort to answer questions from customers who order online, so to free the online stores and implicitly to offer a better and faster service than now, considering that we have an easy access to the information about the orders.

There are two major benefits that come with an e-fulfillment service partnership:

- The way in which the cost is composed, respectively from a fixed cost, it turns into a 100% variable cost, depending on the space needed to store the products and the number of online orders. Moreover, we also ensure a volatility of stock volumes and daily number of orders. Thus, the hassles of peak periods with storage space, delays in order preparation, overtime and sleepless nights, simply disappear, giving the client the opportunity to focus on the really important things for the online store.

- Quality of service. Delivery performance on time, performance to deliver to the customer exactly what

he ordered or even improved delivery time will certainly be much better and with a final effect in keeping the promise of quality promised to the end customer.

Ultimately, a satisfied customer stays loyal to the product and service, orders again and automatically increases sales.

4. Who are Simplify's clients and what are their specific needs? Are those needs influenced in any way by the pandemic crisis?

Simplify's clients are online stores with products that can be delivered through couriers, and want to get rid of the stress provoked by what logistics means.

Their needs are simple. They should not get tangled in questions regarding how much space they have or if they will lose money on restocking returns, and instead they should be focusing on how to expand their business or open other new lines.

In order to answer all this questions, Simplify helps its clients with click to door solution, optimized costs, inbound transport, optimized last-mile deliver, unlimited operational support.

The e-commerce market has grown significantly in recent years, especially in the context of the pandemic, when it was even the only method of purchase for part of the population. Data from our partners say that we have a 40% increase in online orders in the first half of 2020, compared to the same period last year, the number of orders in certain industries, even doubling. The e-commerce market is constantly evolving at the moment in Romania, which normally implies a development of complementary services, such as e-fulfillment. Thus, the requirement to migrate to e-fulfillment centers is a natural consequence of evolution.

5. What is the biggest challenge that you identify on the transport and logistics market, considering the unstable and always changing regulating context?

The biggest challenge, and not just in transport and logistics industry, is to take decision and choose between cost reductions and investments, regarding people and the business in general.

For us, these decisions were easy because they were

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always based on our vision, mission and our clear strategy. We choose to have the same team no matter what, invest in personal development of our colleagues and design new services.

6 Which are the top 5 priorities on your agenda today? Did this sanitary crisis shift your business strategy or priorities in any way? Can you still sketch long-term plans?

We continue to develop and deliver the same quality of services despite what is happening globally.

The sanitary crisis represented a small impediment in achieving our goals but it didn't stop us in fulfilling our mission: To continue to develop our solution that integrates all the supply chain services, focusing to enhance to our customers easy access to information, a solution that is both efficient and "one click away".

We are creating a working environment, our playground, which is trustworthy, responsible, fun and innovative. A place where we can become better, more creative and responsible.

So, to summarize our priorities:

- We want to integrate all our services, to become one to the clients' needs;
- We will increase our volumes, by implementing new ideas and molding on the current markets;
- We will digitalize our business and all our internal processes;
- We will transform our workplace in a second home for our employees;
- And finally, we will innovate... New services, processes and we will generate and offer new results.

7 From your experience, what's your „Focus on ..“ advice for the managers of local companies during this challenged period?

I think that the most important advice is to focus on investing in developing people's professional and personal skills because they are the most important resource of any company

We continue to invest time and effort in making the work place a desirable one, even though in these times, this may represent a challenge.

We offer them the possibility to take over projects that are not necessarily about their specialization and we encourage them to broaden their horizons.

We were always a strong team and we want to remain the same in the future and that is why we always motivate them to read, study and be curious at what's happening around them

The world is changing so fast, especially these days, that we don't have enough time to process everything.

We like to take a step back and think how we can change our business: what are the current needs of our colleagues, how can we improve their experience, what can we offer them more than what they already have. Nowadays, we manage our team's needs and how we try to make this transition to this new lifestyle, easier to them.

That's why we are unique, we are open to try everything to the detriment of the fact that we know that for sure we will also make mistakes, but we never give up for what we want to achieve.