

SUSTAINABILITY, LOGISTICS, E-COMMERCE

The CEO of a successful third-party logistics company gives his view on e-commerce trends and packaging



The packaging becomes increasingly anonymous, consumers want sustainable solutions without paying for them – and we will not return to physical stores for shopping. From the perspective of a contemporary logistics company, Jonas Ahlgren at DreamLogistics gives us his view of the current situation as well as the near future.

The business of third-party logistics (abbreviated 3PL below) has grown tremendously over the last 20 years. Today it is a prerequisite to make the ever-increasing flow of goods in our everyday lives work and develop.

One successful Swedish 3PL company is DreamLogistics, employed by some 300 e-commerce companies to handle warehousing, packaging and deliveries of their consumer goods. DreamLogistics has grown fast over a relatively short time, and today has three sites in southern Sweden.

Rooted in e-commerce

“When we started out, logistics was not at all a part of the business,” says Jonas Ahlgren, CEO at DreamLogistics. “We ran online shops for ten years, hoping that one of them would become really big. In the meantime, however, we noticed that there was a lack of a warehouse management system tailored for e-commerce.

So, we started developing our own. It turned out so well that we began taking care of other e-commerce companies’ logistics as well – and in the end, we sold all our e-shops.”

DreamLogistics is constantly developing its warehousing system to be able to handle more product types and increase the efficiency. As a complement, they have also created a 3D program that calculates in real time how much packaging is needed for each item.

Patience is not a common trait among today's digital consumers – and shopping rushes like Black Friday increase the pressure from all directions. This means that as a 3PL company, you can never lose speed. “But we like it,” says Mr Ahlgren. “By having our own system as the basis for everything, we ourselves are the ones who set the limits as well as the goals.”

Think big from the start

Despite UK's leaving of the European Union, and the US acting more protectionist, the internationalization of e-commerce cannot be stopped. The logistics industry has seen incredible growth in recent years, where the players and networks are growing and diversifying. New technology enables total control along the path of the goods, for companies and consumers alike.

“If you are establishing a new online store here in Sweden today, you do not limit yourself to the domestic market, maybe not even to the Nordic countries,” says Mr Ahlgren. “Some of the startups among our customers began delivering to the whole world from day one. That's not a big deal, really, because there are so many smart digital tools to manage things like translations, payment systems and shipping solutions.”

Consumer behaviour, post-corona

With Covid-19, the last non-digital consumers vanished. When people who had previously avoided e-commerce at all costs were put against the wall, it turned out that making purchases online was, after all, preferable to the risk of becoming terminally ill. The pandemic thus accelerated the development of e-commerce by several years.

“There's no way back now,” says Mr Ahlgren. “People have learned that everything can be bought online, including groceries, so as consumers we will only become more comfortable. Going out shopping is becoming a social activity only. You meet some friends in town or in the mall, browse through the stores for a bit, get a coffee. Then you buy everything from home.”

Climate footprint and materials are not the same thing

DreamLogistics and their customers keep a continuous dialogue about the climate footprint that handling, packaging and logistics entails. The scope is always the whole chain, including recycling. But among consumers in general, there is a tendency to look only at the actual packaging materials, without the context.

“Plastic pillows as filling, for example, can often mean a smaller overall climate footprint than a corrugated solution would,” Mr Ahlgren explains. “The pillows are sent flat on big rolls to us, we inflate them, the end customer punctuates them – and the total waste fits in one hand.”

With that compression, there is extremely little material to handle. If we were to replace it with corrugated board, it would take up more space and weigh more throughout the chain. So, a renewable material, in that particular case, does not equal climate-smart.”

Sustainability depends on the end customer

“Previously, when an e-commerce company reached a certain size, they wanted their own, branded boxes,” says Mr Ahlgren. “A solid logo and a completely coloured exterior, intended to be seen and market the brand along the way. Now, as packages are left in stairwells and at front doors, end customers do not want them to reveal their contents. The trend is therefore towards the outside assuming the look of anonymous transport packaging.”

The unboxing experience has undergone some re-evaluation as well. Why is this accessory packed in its own case? What’s the actual use of this plastic lid? There is a greater awareness that everything around the product itself has its cost, not least for the environment.

But nothing is black or white when it comes to consumers and the environment. For example, very few people choose climate-neutral shipping when they check out at an online store, even if the extra cost is insignificant. And Mr Ahlgren has more examples:

“If we were to find a more climate-smart solution for one of our customers, and it would cost, say, SEK 12 extra, there is no interest. That is simply because the end customer is currently not prepared to cover that cost. In other words, how sustainable the logistics becomes is determined by the value the consumers put on it.”

What is third party logistics?

Sellers and buyers are, as always, the two main parties in the market. But as a third party – especially when it comes to consumer goods – there is often a company that takes care of warehousing, packaging and delivery. Third-party logistics (often abbreviated 3PL or TPL) enables the selling company to focus on its core business – and avoid the costs of having its own warehousing and packaging facilities.