

**eCOMMERCE**



**With the acquisition of our US subsidiaries, TradeGlobal and Jagged Peak, we took a big step forward in realising our vision to become a global leader in eCommerce logistics.**

The expertise and networks of TradeGlobal and Jagged Peak have greatly enhanced SingPost's global eCommerce logistics ecosystem, significantly increasing our presence and local knowledge of the US, one of the world's largest retail markets and a leader in eCommerce flows and technology. As we amalgamate talent, technology and infrastructure, we are creating the platform for international brands and retailers to reach the flourishing population of Asia's online shoppers, creating fresh growth opportunities for our customers by taking their business global.

Through SP eCommerce, we help leading brands including Calvin Klein, MUJI, Timberland and Triumph tap Asia's fast growing eCommerce markets.

eCommerce revenue rose by 171.4 per cent to S\$267.1 million, as at 31 March 2017. Jagged Peak saw good growth in revenue and operating profit, exceeding targets for the year and winning several new major customers. It saw a successful peak holiday season with a healthy increase in volumes that generated positive earnings for the Group. TradeGlobal, however, had a challenging year. A labour shortage in Cincinnati increased operating costs, which were impacted as well by delays in warehouse automation that were meant to improve productivity. The operational challenges also saw delays in the rollout of services for new customers. Developments at two of its top customers also affected TradeGlobal's performance: One customer filed for bankruptcy, while the other decided to in-source its eCommerce freight operations.





While Jagged Peak and SP eCommerce performed well, TradeGlobal's underperformance led the eCommerce division into an operating loss of S\$33.8 million. TradeGlobal is not expected to be profitable for the financial year ending 31 March 2018. A turnaround plan is underway, and measures have been put in place to improve TradeGlobal's operating performance, particularly during the peak season.

### **BROADENING MARKET ACCESS**

eCommerce has become a natural extension for many businesses as it breaks down market access barriers, giving rise to new opportunities and higher business volumes. The addition of our US eCommerce businesses is fundamental to SingPost's growth strategy and completes the eCommerce logistics ecosystem that we have been working hard to build out. SingPost now has the ability to provide a one-stop, full service, end-to-end eCommerce logistics

solution to brands and retailers wishing to broaden market access and expand their business around the world.

With the streamlining of TradeGlobal's and Jagged Peak's networks, we provide better support for customers across 19 markets. As we strive towards serving our customers with best-in-class eCommerce logistics solutions, we are also dedicating resources to enhance flexibility and scalability to better manage seasonal volume surges across all key eCommerce markets, namely the US, Europe, China and the rest of the Asia Pacific.

### **COMMITTED TO STRENGTHENING ECOMMERCE INFRASTRUCTURE**

Outbound fulfilment is an imperative part of the eCommerce infrastructure that can make or break a business. Our eCommerce strategy centres on a

unique business model that provides customers with a flexible and cost effective solution to manage their entire outbound fulfilment ecosystem. Our turnkey end-to-end service offers customers “plug and play” options that keep total cost of ownership low, without sacrificing flexibility and speed-to-market.

Central to this is Jagged Peak’s EDGE platform, which was recognised in 2016 by Gartner and Forrester as a powerful distributed order management platform that enables sharing inventory across multiple sales channels, making possible omni-channel retailing.

The platform offers customers access to a proprietary distributed order management solution (OMS) that aggregates and orchestrates orders, and a warehouse management system (WMS) that intelligently manages and directs activities at a distribution centre or fulfilment location, and optimally selects a shipping provider based on least cost routing of goods to the consumer. Jagged Peak is working towards a complete consolidation of all key Software as a Service (SaaS) clients into a single EDGE version.

The power of this platform was key to the execution of agreements with several of the world’s largest consumer packaged goods (CPG) companies, and the successful launch of a joint pilot project in the UK to aid those companies launch and test new products in global markets. We will be focusing on future growth in the CPG market, extending relationships to become the sector’s preferred global eCommerce platform provider.

To help customers expand their online footprint, a marketplace programme was launched to maximise sales on channels, such as Amazon, Sears, and Walmart. We plan to expand this offering globally in 2017.

At the backend, Jagged Peak’s FlexNet® programme is being accelerated through partnerships with 3PL

providers and customer service providers in Europe and other regions. The FlexNet® network has been extended to Australia by partnering Quantum Solutions, and now offers worldwide distribution services to customers.

These initiatives are part of SingPost’s commitment to continually reinforce the eCommerce infrastructure in the markets we serve.

### **SPURRING CHALLENGES**

The addition of TradeGlobal to the SingPost Group at the end of 2015 has sharpened our competitive edge in the US, especially in terms of market expertise and access. Measures, such as warehouse automation, have been put in place to address its operational and structural challenges.

These initiatives are part of a turnaround business plan that is being implemented by Mr Paul Demirdjian, Interim CEO of our US businesses, who leads the overall strategy and operations of our investments in the US.

The plan will address TradeGlobal’s key structural challenges, such as the ongoing disruption in the US fashion retail industry, which has impacted several of TradeGlobal’s customers adversely, and the tight labour conditions at the company’s Cincinnati base. We are looking at how we can transfer best practices from Jagged Peak’s technology-driven, asset-light model to TradeGlobal. Apart from top line growth, we will also be placing greater consideration for the bottom line impact when negotiating contracts with customers.

It will take time for the business to turn around yet eCommerce forms a vital part of our end-to-end eCommerce logistics growth strategy and we will focus on extracting synergies from the network and capabilities of our eCommerce units.