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# RSIS COMMENTARIES

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## **ASEAN SMEs: Same-Day Delivery Services for More Growth?**

By Kaewkamol Pitakdumrongkit

### **Synopsis**

*Global corporations are competing by offering same-day delivery services. ASEAN's small and medium enterprises (SMEs) should adopt the same strategy for their own benefit as well as for ASEAN as a whole.*

### **Commentary**

THERE IS growing competition among global corporations engaged in e-commerce such as Google and eBay to offer same-day delivery service. Though it has been providing this for some years, Google announced on 5 May 2014 that it would extend its same-day delivery programme to Manhattan and Los Angeles in the United States. This announcement came only days after Amazon said its same-day delivery would be available in Los Angeles. Another e-commerce giant eBay earlier unveiled its plans to make similar services available in 25 more cities this year.

Although these firms have not revealed their earnings from such schemes, their race against one another indicates that something can be gained from offering same-day delivery. Instead of seeing this trend as a rivalry only among big companies, it is time for ASEAN businesses, particularly SMEs which form the backbone of the ASEAN economies, to adopt the same strategy for the benefit of regional commerce.

### **How same-day delivery works**

The way same-day delivery service works is simple. You order online and get your purchases on the same day. *Amazon Fresh* offers same-day delivery for all orders placed before 10 in the morning. *Google Shopping Express* allows you to shop from selected local stores and have your products delivered to your door the same day. *eBay Now* is more ambitious; it promises to have a personal valet deliver your goods into your hands in one to two hours after you order them. Of course these services are not free; some additional charges apply.

Why the need for same-day delivery? People can wait extra days and pay no delivery fees. A simple answer is that some people cannot afford to wait. Imagine parents who desperately want to replace a broken burglar alarm before it gets dark so they can sleep at night. Or imagine a firm which has to provide printed invoices to settle payments by the end of the day but finds out that it has run out of ink cartridges. For these individuals, same-day delivery becomes a crucial option.

### **A practical choice**

Like big companies, small and medium enterprises (SMEs) in ASEAN should embark on same-day delivery schemes as doing so can boost their sales, growth, and development. Looking beyond SMEs, ASEAN as a whole can gain from same-day delivery schemes. As SMEs are the backbone of ASEAN economies, strengthening SMEs contribute to the region's growth and the success of the ASEAN Economic Community (AEC) in the long-run.

Same-day delivery is a practical choice of SMEs. Thanks to social media, small-scale SMEs have leeway to reach out to more customers than before. The cost of setting up online websites, blogs, and Facebook fan pages is now almost zero. Adopting same-day delivery services incurs very small cost to SMEs.

Despite several limitations, SMEs do have certain advantages over large firms and multinational corporations (MNCs). SMEs tend to "know the locals" more than larger companies. As SMEs are generally closer to local customers and communities, they know and understand better the customers' tastes and preferences, and communities' needs and grievances. Mutual trust between SMEs and their customers results in the customers preferring to buy products from local SMEs rather than larger transnational companies.

Another advantage of SMEs over MNCs is that MNCs may not find same-day delivery as profitable and refuse to offer it. For big corporations, why bother delivering a few ink cartridges while they profit much more from exporting hundreds of them to other countries? As MNCs tend not to want several small earnings here and there, SMEs can seize this opportunity to fulfill the locals' demands.

However not all SMEs should adopt same-day delivery. This service is likely to be beneficial to SMEs which are located in highly-populated districts than those in less-clustered towns. Because making delivery trips incurs transportation costs, SMEs situated in crowded metropolitan areas are more likely to make more profits from same-day delivery services.

### **Role of government**

Local governments can help SMEs better their same-day delivery services to local communities. One way is to maintain shipping records at local post offices, where for security and other reasons, senders are usually required to declare what they ship besides recording the receivers' address. In addition, senders report whether they want normal or express services which is needed for the calculation of shipping fees.

With these records, governments have databases which contain information on what local communities need. Hence, one way that governments can help is to share their shipping records with SMEs. The latter can use the data to locate their markets and plan their business strategies accordingly.

Moreover, governments can more actively help SMEs find their markets. To do so, governments collect data from SMEs, such as what the companies sell, and then pair these information with their shipping records. By matching SMEs' needs with local demands, governments help SMEs identify their markets faster.

Same-day delivery is a small service that matters in achieving the success of the AEC in the long term. It should be noted that same-day delivery strategy is only the first step for SMEs to grow and develop. Fostering SMEs to be able to compete in the larger AEC environment requires more than same-day delivery strategy.

To achieve this goal, more assistance from the public sector is needed such as raising productivity, decreasing production costs, and undertaking research and development (R&D). Same-day delivery should not be seen as a strategy for only large corporations. SMEs in ASEAN should embrace this scheme for their own benefit as well as ASEAN's.

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