

Crowd-sourced delivery: what will be the impact for posts?

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Crowd-sourced delivery is one of the disruptive business models that will be discussed at the Annual Conference. With increased smartphone penetration, the traditional e-commerce experience is evolving. Emerging technologies and business structures are lowering barriers for new entrants in the delivery market, who are often offering faster and cheaper last-mile delivery than incumbents in select metropolitan areas. This includes technology platforms such as Uber, who are providing consumers with last-mile delivery fulfilment. With the emergence of the collaborative economy, crowd-sourced delivery platforms and applications provide consumers with multiple options for the delivery of their parcel.

This article looks at the main trends in crowd-sourced delivery, the impact on traditional delivery and the response of postal operators. IPC's Market Intelligence team conducted the majority of the research underpinning this article for the Global Postal Industry Report 2017, published in November 2017.

Technology-driven transformation

New technologies are the driving force behind new business models that are disrupting traditional delivery networks. Digital platforms and mobile devices are reducing barriers to entry and enabling customers – both companies and individuals – to become competitors in the sharing economy.

These technological developments are enabling delivery models that are flexible, reliable, trackable in real time and allow consumers to rate their experiences in real time. Importantly, crowd-sourced delivery companies are creating solutions to increase trust in their digital platforms, giving customers confidence when providing purchasing and address information.

Most digital platforms rely on algorithms for establishing the delivery costs, delivery routing and “grouping” of couriers with senders/receivers. Most crowd-sourced delivery companies also provide payment through their digital platforms, using PayPal or other payment software, negating the need for cash transactions with couriers.

Start-ups take a variety of forms with considerable variation in control of their delivery network. Nevertheless, an asset-light, technology-based business model underpins most crowd-sourced delivery companies.

Challenges faced by sharing economy

There are limits to using the sharing economy to conduct parcel deliveries and there remain

several hurdles for these companies to overcome.

The geographic range of these companies remains limited, mainly competing with traditional companies in major cities. To date, delivery start-ups have mainly limited themselves to high-density urban areas, where there are sufficient couriers and sufficient customers conducting online purchases. Most crowd-sourced delivery companies have not been attracted to cross-border flows, and many restrict themselves to deliveries within one large city.

In a young and somewhat volatile market, competition and funding constraints are the two main causes for the failure of crowd-sourced delivery start-ups. Regulation is also a considerable risk to the profitability of the sharing economy business model. For instance, legal concerns around the status of those participating in the sharing economy will play a role in the viability of sectors of the sharing economy. Even well-known brands such as Shyp and UberRush have recently ceased operations in the face of these challenges.

E-retailers investing in sharing economy

E-retailers looking to increase control of supply chains have begun investing in crowd-sourced delivery. For instance, Amazon established Amazon Flex in September 2015 for the US market to fulfil Amazon Prime one- and two-hour delivery commitments. In 2013, eBay acquired Shutl, a UK-based company with a marketplace platform for courier networks offering local delivery within hours of an online purchase. Since 2015, Alibaba has actively participated in the sharing economy through a number of investments and joint ventures, starting with food delivery.

China: an active crowd-sourced delivery market

Crowd-sourced delivery is becoming increasingly popular in China. Several large crowd-sourced delivery companies in China are backed by e-retailers and investment firms. Renren Kuaidi, which claims to have more than one million couriers, is partially owned by a leading Chinese investment firm, Tencent. One of China's leading e-retailers, Alibaba, has made investments in crowd-sourced delivery: GoGoVan (through its Hong Kong investment fund); Dianwoda (operating in 100 cities in China); and Ele.me (a food delivery company). New Dada – one of the largest crowd-sourced delivery operators – has also received investment funding from US retailer Walmart.

Another leading player in Asia is Lalamove, a Hong Kong-based company operating in five Asian markets that promises local express delivery within 55 minutes. Lalamove is an on-demand logistics company in Asia that matches drivers with customers and SME businesses to fulfil same-day deliveries. It is the leading same-day delivery and logistics provider in Southeast Asia and China and has recently completed its latest US\$100m Series C funding round.

Lalamove has expanded from its base in Hong Kong to multiple countries in Southeast Asia and mainland China. Currently, Lalamove has a pool of 2m drivers of vans, trucks and motorcycles operating in 100+ cities across China and Southeast Asia. Servicing over 15m users. Lalamove is already present in 40 cities in China, with plans to expand into less populated Chinese cities.

Charlie Chen, part of Lalamove's Southeast Asian operations team, will speak at the IPC Annual Conference 2018 and share some of

her experiences in a highly dynamic market.

Posts looking into crowd-sourced delivery

Several postal operators have responded to the sharing economy and crowd-sourced delivery in a number of ways, including through acquisitions, launching their own crowd-sourced delivery platforms and services, and by offering the kind of on-demand services that compete with the crowd-sourced delivery alternatives.

In Belgium, bpost launched bringr, a collaborative platform app, in 2016 and announced in 2017 the expansion of bringr services to Ghent and Brussels after being successfully trialled in Antwerp. Le Groupe La Poste fully acquired the crowd-sourced delivery company Stuart in March 2017, increasing its ownership of the subsidiary from 22% to 100%. Having already expanded

from Paris to operate in Lyon, London, Madrid and Barcelona, Stuart is planning to operate in other European capital cities. Deutsche Post DHL Group has also undertaken trials in crowd-sourced delivery. After trialling a crowd-source delivery app called bring.BUDDY in Germany in 2010, DHL trialled MyWays in Sweden's capital city in 2013, using crowd-sourced couriers for completing last-mile delivery from DHL collection locations.

Central to the postal efforts to participate in the sharing economy is the opportunity to add value and generate additional revenue streams, including those considered to be outside of core postal services. bpost has highlighted that the services offered by bringr are separate to its traditional business, noting that the deliveries performed by the startup would not typically be captured by bpost's network or services. Leveraging their brands and extensive network, posts are in a position to learn from these pilots and generate brand awareness for their crowd-sourced services.

