Feature Article

The Re-emergence of On-Demand Delivery

BY ROB HOWARD, FOUNDER AND CEO, GRAND JUNCTION

Can you imagine ordering a pack of T-shirts (I prefer crew-neck) from the Gap online and getting that purchase delivered 15 minutes later? Believe it or not, that super-premium service level once existed in several major cities in the U.S., Europe, and Asia. It was called "B15" for bike messenger delivery in 15 minutes.

In the 1990s, before the widespread use of email and online document exchange, the local delivery industry was delivering all those documents that are now digital: contracts, mortgage paperwork, blueprints, advertising proofs, and banking materials, to name only a few. Competition was intense among local carriers, so service levels started to rise.

Eventually, local delivery couriers started staging a pick-up person inside large buildings that had offices that initiated lots of delivery orders. These pick-up couriers would be immediately dispatched by radio to the floor where the order was ready, pick it up, and head down the elevator to hand off the package(s) to bike messengers and walkers, who headed directly to the recipient's building. The walker or biker would hand the package to the drop-off courier staged in the recipient building, or deliver it directly themselves, resulting in an incredibly rapid delivery.

It was high times for our local delivery industry and the peak of on-demand delivery. Every owner and messenger loved the sexy margins that on-demand delivery provided. So it was sad times when on-demand delivery started to disappear. The demise of on-demand delivery started with the fax machine, accelerated with email and was complete with Check 21 legislation in 2004 (http://en.wikipedia.org/wiki/Check_21_Act).

Anything that can be electronically transmitted goes by email or fax and on-demand delivery is a very small piece of the local delivery market size today.

However, e-commerce, rising customer expectations and the emergence of a whole new set of players is signaling a resurgence in on-demand delivery. In San Francisco alone, there are 68 apps that offer rapid local delivery as part of their offering (furniture, alcohol, cookies, etc.). In Denver there are 11 marijuana delivery companies currently active. Starbucks, Amazon and Google all have on-demand delivery initiatives.

Is this a flash in the pan of over exuberant venture capital money or are we at the front end of the re-emergence of on-demand delivery? My bet is we're seeing the beginning of a long term trend and the market size for local delivery will be dramatically increasing as a result. Amazon sets the standard for e-commerce and they continue to roll-out same day (now available in 11 markets) and on-demand delivery (recently expanded to Miami). Starbucks, Google and Target all are testing on-demand delivery so we should expect a lot more retailers, distributors and 3PLs looking to match this trend towards higher service levels.

> Will service levels rise again all the way up to the B15 service level of the 1990s?

When you couple the incredible amount of venture investment for emerging companies offering on-demand delivery and significant steps by established companies on on-demand delivery, it certainly signals a real re-emergence. Importantly, the fact that physical goods are driving this resurgence reinforces that it looks like a trend to stay since physical goods can't be sent over email.

Will service levels rise again all the way up to the B15 service level of the 1990s? It could happen a few years down the road, as more and more commerce moves online. In dense urban areas and neighborhoods near shopping malls, the density and distance equation just might match up. With better technology, the emerging use of retail stores as pick-up points and growing delivery volumes, it's more likely than you think.

So if the re-emergence of on-demand local delivery is upon us, one would think that the local delivery industry is headed for a certain return to the glory days. Unfortunately, our industry is at risk of missing out on this growing market opportunity. Of those 68 emerging companies in the Bay Area, not one is using the existing local delivery industry. They are universally adopting the Uber model of going directly to independent contractors. Google is using dedicated vehicles, Starbucks is using a start-up (Postmates) and Amazon, who is using some local carriers, is slowly introducing company owned vehicles.

Here are a few strategies local delivery companies can implement to position themselves to benefit from this re-emerging opportunity:

- As emerging companies that offer on-demand delivery as part of their offering start to expand and realize the challenges of managing local delivery, they will start to outsource. Be prepared to be flexible for the winners in this space and think of them as potential revenue sources instead of as competitors.
- Local carriers need to get away from an aversion to residential delivery which will be the majority of the emerging on-demand work. Many local carriers avoid residential programs due to lower density and customer service challenges.
- Large national retailers are likely to outsource delivery from their storefronts to large 3PLs like they do for the rest of their logistics work. Reach out to 3PLs and position yourselves as storefront delivery agents.
- Look to integrate with transportation management systems (TMS) and other technology platforms that shippers use to allocate deliveries as soon as you can.

Our local delivery industry has survived many challenges over the years including fax machines, email, Check 21, roll-ups and independent contractor issues to name a few. The re-emergence of on-demand delivery finally represents opportunity for our industry and we need to act boldly to reap the rewards.

About the Author

Rob Howard is a frequent speaker and blogger on local delivery and last mile logistics. He is the Founder and CEO of Grand Junction which provides a technology platform for shippers to access and manage local delivery programs. Prior to Grand Junction he was Founder and CEO of Ensenda Inc. which he sold to Transforce. **CLDA**