

DEPARTMENT OF MANAGEMENT STUDIES, IIT DELHI

Year: 2017-18/ Minor I Examination/August' 2017

MSL 711: Strategic Management (Prof. Sanjay Dhir)

Marks: 15

Duration: 1 Hour

Instructions from the Instructor:

- Carefully read case on 'Button Dabao, Truck Bulao' and answer the questions 1 & 2 below
- There is no right or wrong answers. Your analysis will be graded in exam
- Marks for each question is mentioned below
- Students may answer the questions in bullet points
- Manage your time efficiently
- Students are allowed to use books, polycopy, class PPT print outs and hand-written notes during the examination, however, no internet access, laptops or use of mobile are allowed



1. Does Moovo have a successful positioning and strategy? Does Moovo add value via competitive innovation, to the businesses within its portfolio? (10 Marks)
2. As a CEO of Moovo, what are the specific steps that you will take to sustain the competitive advantage gained? (5 Marks)

\*\*\*\*\*BEST OF LUCK\*\*\*\*\*



### Case Context

Moovo was a start-up based company constituted for providing transportation and relocation services to its customers. The business model of Moovo made it possible for the people to book a mini-truck or any other truck according to their suitability by just tapping their Smartphone and getting it delivered right at their doorstep in the least possible time. Moovo was a mini-truck aggregator trying to capture the large and unorganised sector of mini truck service market. It captured requests for rides from the retail customers *via* app, or phone, or website and then passed on these requests to the drivers available at that point of time. They partnered with truck and mini-truck drivers, and provided them with modern technology for making their bookings via mobile app, call and website. Moovo's customers were online retailers, e-commerce manufacturers, e-commerce retailers, e-commerce relocation market, e-commerce companies and any company dealing with bulky items movement in the city. They had a high retention rate of customers. Convenience during booking, and guaranteed on-time delivery of vehicle, which were major issues in the market acted as the key USPs of Moovo.

### INTRODUCTION

The logistics industry was very much fragmented and unorganised in India. There were many small players, having single driver owners, available in the market. However, there was a huge gap of proper supply to meet the demand of the time. Driven by the growth in the manufacturing, retail, FMCG and e-commerce sectors, the Indian logistics industry was expected to grow at a rate of 12.17 per cent by 2020.

Abhishek Anand and Anjani Kumar, alumnus of IIT BHU and IIT KGP, respectively saw the unorganised logistics market as a big opportunity and tried to explore it. It was again a new venture which was seeded in college days. The experiment was held to earn some pocket money. Mr. Anjani Kumar, one of the co-founder members, bought a truck with the intentions to run a side business. The idea execution was not easy, he soon realised that most of the time his truck was standing idle and he is wasting his money. He learnt his first lesson in the logistic industry; the revenue can be generated by leveraging either by size or reach. He thought of leveraging first on size by increasing the number of trucks. Rather than investing more on buying new trucks, he tried to bring all small scale truck owners together and connect with



market through technology. So that the demand could meet supply and everyone in the value chain could make profit.

Abhishek and Anjani were partners in a transportation business in their college. With a network of three carriers they used to provide logistics services. At this stage industry was suffering from lot of problems. The truck owners/drivers were suffering from less income due to inconsistency in number of bookings available daily, thus forcing drivers to charge more per trip. (Customers had to go through lot of problems to find a driver as the market was scattered hence there was no standard rates that were being followed. Furthermore, carriage vehicles could operate between 11 am and 5 pm only which added another constraint on finding trucks on time.)

One major problem was rude behaviour of drivers which Anjani and Abhishek tried to counter in their start-up by providing specific training aimed at improving interpersonal skills of the drivers. Bossy attitude of Union leaders who cut excess commission from drivers' salary was another problem which was an underlying reason for driver's bad attitude and high salaries. Moovo had its customer base in the form of people looking to move from one location to other or small and medium business enterprises who wanted to move their goods. They also offered warehouse movement, construction material movement as well as custom delivery according to the customer preferences.

Anjani and Abhishek after finding their segment and target tried to position their start-up as a service provider which will eliminate above mentioned problems in the industry by providing a platform where users can book a truck in the Delhi-NCR region from the Moovo app, website and call center. Moovo started to increase fleet of trucks with verified drivers. The service target was to send the fleet in half an hour after the request has been generated. Each service is targeted to solve a particular problem in the industry like customer grievances, finding drivers and easy access.

The Moovo's business model aimed to build a network of drivers and to get them minimum number of bookings daily so that they charged subsidised rates to customers. Currently, Moovo has more than 250 driver partners on their platform. The current annual value of transaction was more than Rs 2 crores and the venture was growing at a rate of 100% month-by-month. Their model was based on to build a network of drivers, get them minimum number of bookings daily so that they charged subsidised rates to customers, building trust with them by providing them with extra money in case they were not able to provide them with minimum number of trips daily. They aimed to achieve a self-sustaining models after this wherein drivers will get bookings daily and they will pay commission to Moovo for the bookings.

They aimed to achieve it by focusing on low carriage vehicles which were owned by an individual to remove the bossy middle men who cuts in their share from payments of drivers. They were using technology to match orders to drivers thus saving fuel cost and time of drivers and getting him minimum number of trips daily.

Moovo followed the Cash Burn Model. They were in initial stage wherein they invested funds collected through seed funding to build trust with both the drivers and the customers.

The model aimed to build a network of drivers and to get them minimum number of bookings daily so that they charged subsidised rates to customers.

They also wanted to build trust with the drivers by providing them with extra money in case they were not able to provide them with minimum number of trips daily. They aimed to achieve a self-sustaining model wherein drivers got their bookings daily and hence paid commission to Moovo for the bookings. Moovo had more than 250 driver partners on their platform. They were also focusing on interpersonal skills of the drivers and providing specific training to improve the communication with the customers. Moovo's business model was based on commissions provided by both the parties—the client who required the service and driver who got business from Moovo. The percentage was decided by considering the competition and profit factors. Moovo was growing with a rate of 100 % on each month and transacting around INR 2 crores annually.

Moovo focused on low carriage vehicles which were owned by an individual to remove the bossy middle men who cut in their share from payments of drivers. They were using technology to match orders to drivers thus saving fuel cost and time of drivers and getting them minimum number of trips daily. If they were able to get 2.5 trips daily to each driver then their model would have reached break-even.

## AREAS OF BUSINESS

Moovo used technology to connect mini-truck drivers and users and provided an easy and efficient service of freight. The company aggregated mini-trucks such as Tata Ace, Mahindra Champion, Tata 407, Eicher 14 feet, 17 feet and 19 feet trucks. Moovo ensured less idle time for drivers by making large customer base available to them. This boosted their income. With standardised and economical price clarity, customers avoided haggle with drivers for the rates.

Moovo provided a wide range of services to its customers which included relocation; furniture and home appliances movement; moving goods in and out of warehouse; custom delivery; construction material; moving any other stuffs.

Services provided by Moovo were subject to the following conditions:

1. Tolls and extra fares as applicable were to be paid by the customers.
2. Moovo was not liable to its customers for any damages, claims or costs whatsoever including any consequential, indirect, incidental damages.
3. Moovo was also not liable for any loss or damages, including any injury which customer may suffer as a result of customer's journey in the vehicles hired through the services.
4. Once someone had booked a ride, the customers and the hired vehicle owners were responsible for the dealings between them.

## KEY COMPETITORS

In Delhi-NCR 'The Porter' was the closest competitor of Moovo in terms of services and fare charges. Founded in August 2014 by Vikas Choudhary from IIT Kanpur and Uttam Digga and



Pranav Goel from IIT Kharagpur, The Porter was an online logistics marketplace. Porter had raised a Series-A funding of INR 35 crores from Sequoia, Kae-Capital and other investors. They had partnered with three strategic angel investors to guide them for next phase of growth. Their customers included brick and mortar stores, furniture and electronics stores, FMCG companies, grocery stores and e-commerce players. Within a year of operation, the company had also built a portfolio of customers which included the likes of Godrej, Reliance, ITC, Urban Ladder, Delhivery and Aramex.

The business model of The Porter and Moovo was very much similar in terms of services offered and core competencies. The customers could book a truck using any of the three mediums, i.e. website, android application or call centre. While Moovo was still in a developing stage so entire team was the one who managed the bookings on calls. Both start-ups offered real time tracking to customers using Global Positioning Service. The pricing strategy of both the companies was pre-specified on their website according to the vehicle booked. Exhibit 6.1 illustrates the price comparison of common fleet between Moovo and its competitors.

Moovo was trying really hard to reduce base fare as much as possible by using optimisation techniques to match orders, thus reducing idle time and getting maximum orders from drivers.

Both Moovo and The Porter offered client specific customisation to cater to needs of customers in a cost-effective manner. While Moovo additionally focused on on-demand logistics, The Porter helped reduce fare by using vehicles for branding as an extra source of income. The Porter promised pick-up within 60 minutes whereas Moovo promised pick-up within 30 minutes. Key areas where they overlap and hence come closest in terms of competition were as follows:

1. Go-Hathi: Another NCR-based tempo/truck aggregator provided services for transporting appliances, furniture, construction material and goods. It lacked behind the other aggregators in terms of support of funding from Venture Capitalists. (Exhibit 6.2)
2. Lets Transport: A last mile techno-logistics solution provider for intracity deliveries, Lets Transport was based in Bangalore and was described as a reliable, affordable, and professional service structured to serve businesses as well as consumers. The venture aimed at revolutionising intracity logistics, thereby allowing businesses and consumers to experience seamless logistic solutions at the click of a button. LetsTransport.in made the smart move of acquiring another new player in the industry, Shifter, a Bangalore-based mini-truck procurement service available online or on call, within just five months of establishment. (Exhibits 6.3 and 6.4)
3. Agarwal Movers and Packers: They were also one of the most trustworthy packing and moving companies in India that had been gleaming worldwide with vast experience of nearly three decades.

## INDUSTRY OVERVIEW

Relocation industry was believed to be a \$2 to \$5 billion industry in India. Following were the reasons for relocation industry boom in India:

## EXHIBITS

Exhibit 6.1 Fares Charged by Moovo

Vehicle	Capacity (kg)	Base Fare	After 3 (per km)	Waiting charges (per minute)	Transit Charges (per minute)
EEOO	500	Rs 250	Rs 12	Rs 2	Rs 2
Champion	700	Rs 250	Rs 12	Rs 2	Rs 2
Tata Ace	750	Rs 300	Rs 12/km	Rs 2	Rs 2
Tata 407	2500	Rs 600	Rs 25	Rs 4	Rs 4
14 Feet	3000	Rs 750	Rs 25	Rs 4	Rs 4
17 Feet	4500	Rs 800	Rs 25	Rs 4	Rs 4
19 Feet	7500	Rs 1000	Rs 25	Rs 4	Rs 4

(Source: Produced by authors)

Exhibit 6.2 Services Comparison

	Moovo	The Porter	Lets Transport	Go-Hathi
SERVICES	Relocation	Relocation	Business Solutions	Appliances
	Furniture and Home Appliances	Construction Supplies	House Shifting	Furniture
	Moving Goods in and out of warehouses	Perishable Supplies	Outstation trips within Karnataka	Goods
	Custom Delivery	Event Management Supplies		Construction Material
	Construction Material	Simply any logistic needs		
	Looking to move something else			

(Source: Produced by authors)

Exhibit 6.3 Fares Charged by The Porter in Delhi

Vehicle	Base Fare	Free Waiting Minutes	Waiting charge per minute	Ride Time Charge (per minute)	Hard Copy of Acknowledgement	Night Holding Charges
EEOC	Rs 200	Free for 60 Minutes	Rs 2.00	Rs 2	Rs 50	Rs 800
Champion/Ace	Rs 250	Free for 60 Minutes	Rs 2.00	Rs 2	Rs 50	Rs 800
Pick up/Dost/Super Ace/8ft	Rs 300	Free for 60 Minutes	Rs 2.00	Rs 2	Rs 50	Rs 800
Tata 407-14 ft	Rs 700	Free for 120 Minutes	Rs 4.00	Rs 4	Rs 50	Rs 1500

(Source: Produced by authors)



1. Floating population: A steep rise in moving population in India led to increased demand for relocation. For example, in NCR people did not settle permanently. They migrated to this place and frequently changed their houses because of change in their jobs and earning parity. This was evident with the rise in movers and packers firms which provided expert service in relocation rather than people doing it themselves.
2. Easy to set up: Setting up a relocation business in India was not a tough task. Tools and technologies were easily available and some of the task could even be outsourced.
3. Required minimal investment: It was an inexpensive business so investment requirements were very less. Cheap labour was available from villages and a small office setup was also lesser expensive with basic or standard facilities.
4. Short training cycle: As the industry did not require any specialised skills; resources could be trained in lesser time. This enabled the company to market itself quickly.

Residential relocation accounted for over 90 % of business for major Packer & Mover companies whereas the industrial goods relocation came next. The inter-city relocation was around 30 % and remaining 70% was within the same city.

Major challenges faced by the industry were as follows:

1. Due to rising operating costs like diesel price, vehicle maintenance, packaging cost and staff salary, the profit margins were declining.
2. Other firms, which were unorganised in market, were conducting business unprofessionally thus had negatively affected the impression of the customers. Lack of rules had facilitated individual firms' rules in P&M market. Few players only cared regarding the quality of their service.
3. The market was very volatile. For one customer, there were ten firms offering the same service. Most local players started their own business, but ended up soon.

**Exhibit 6.4 Funding Comparison**

Company	Funding Partners	Funding Amounts
Moovo	YouWeCan Ventures	Amount not disclosed
The Porter	Kae Capital	Rs 3 crores, Rs 35 crores (Series A)
Lets Transport	Rebright Partners	Rs 8.3 crores
Go-Hathi	NA	No funding received till date

(Source: Produced by authors)

**Exhibit 6.5 Current Cities of Operation**

Company	Cities
Moovo	Delhi-NCR
The Porter	Mumbai, Delhi-NCR, Bangalore, Hyderabad, Chennai
Lets Transport	Bangalore
Go-Hathi	Delhi-NCR

(Source: Produced by authors)

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