

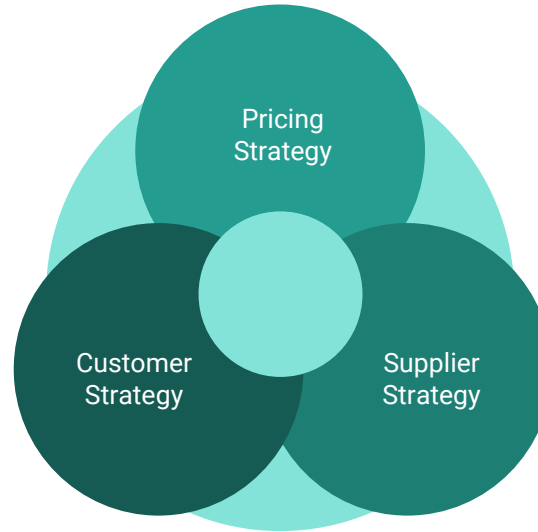
Courier Analysis

Postmates Case Study

Ivy Pan

Executive Summary

- Price discriminate on certain days and times
- Increase deliveries during off-peak times
- Offer different pricing options based on vehicle types as well as number of items

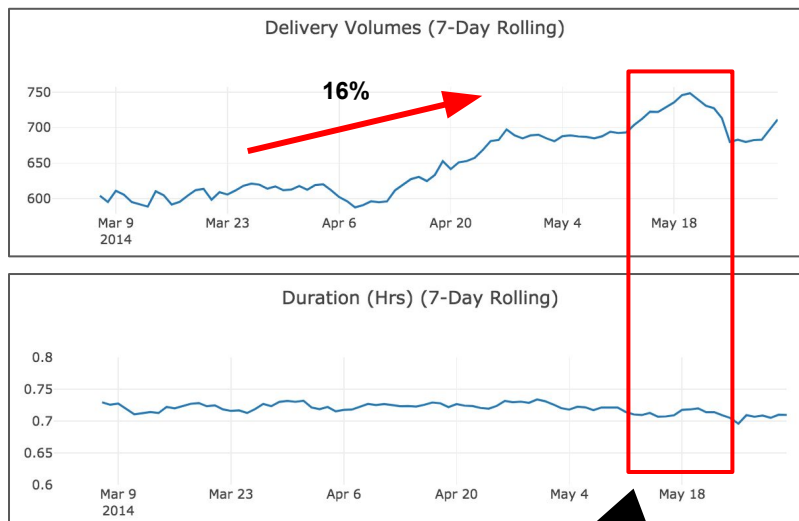


- Reward loyal customer base through a rewards program
- Acquire new customers and incentivize one-time users through package deals and other offers

- Bring in less popular suppliers through discounts and partnerships
- Leverage geographical data to target new areas of businesses
- Improve logistics operations

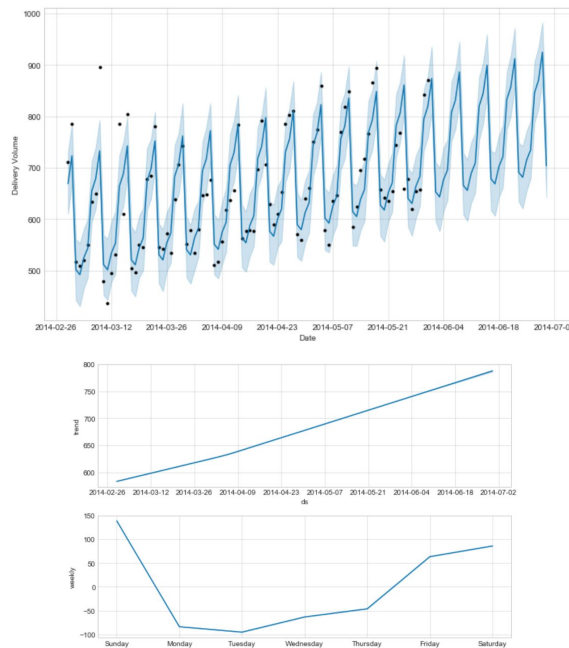
Overall Trends in Delivery Volumes

Postmates' delivery volumes indicate an upwards trend from the beginning of April as well as the ability to keep up with increased demand



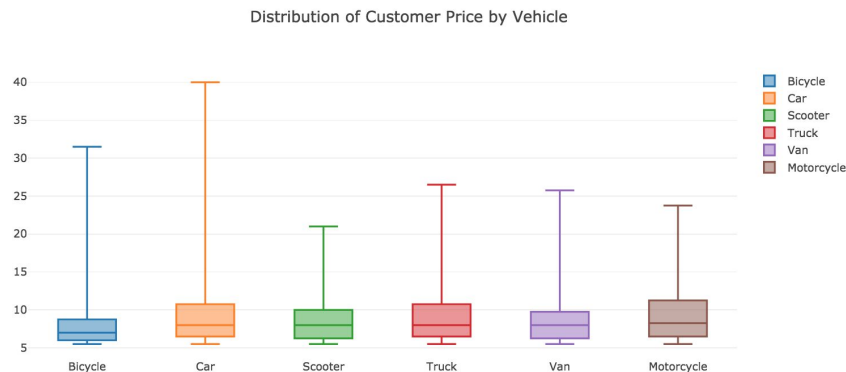
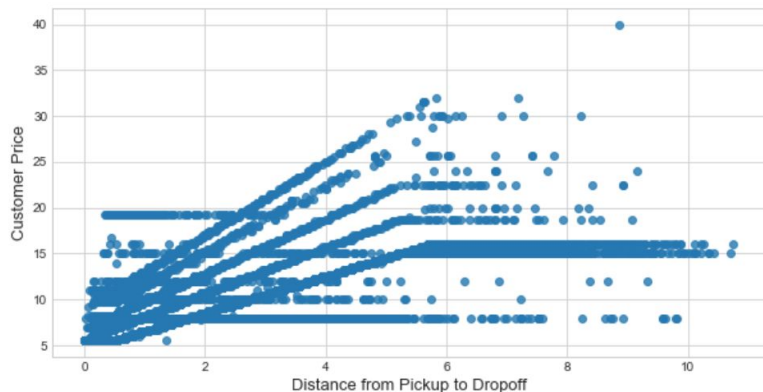
While demand peaks, duration remains relatively constant

Forecasting Use Case



Pricing Strategy: Overview

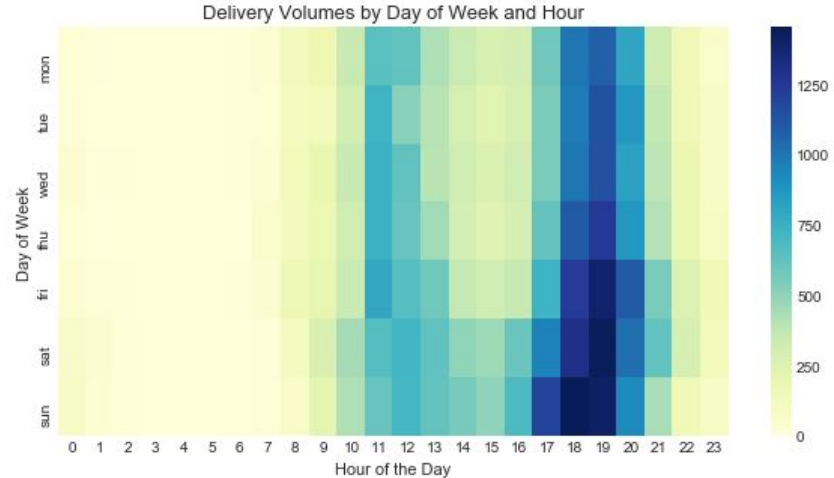
Postmates' current pricing strategy is directly correlated to the distance from pickup to drop-off even though the nature of the business allows for more diverse pricing opportunities



- Customer prices do not vary as much from vehicle types even (median price for bike: 7, median price for car: 7.99) even though there is much higher overhead for cars (including gas, tolls, and ability to carry more goods)

Pricing Strategy: Time Components

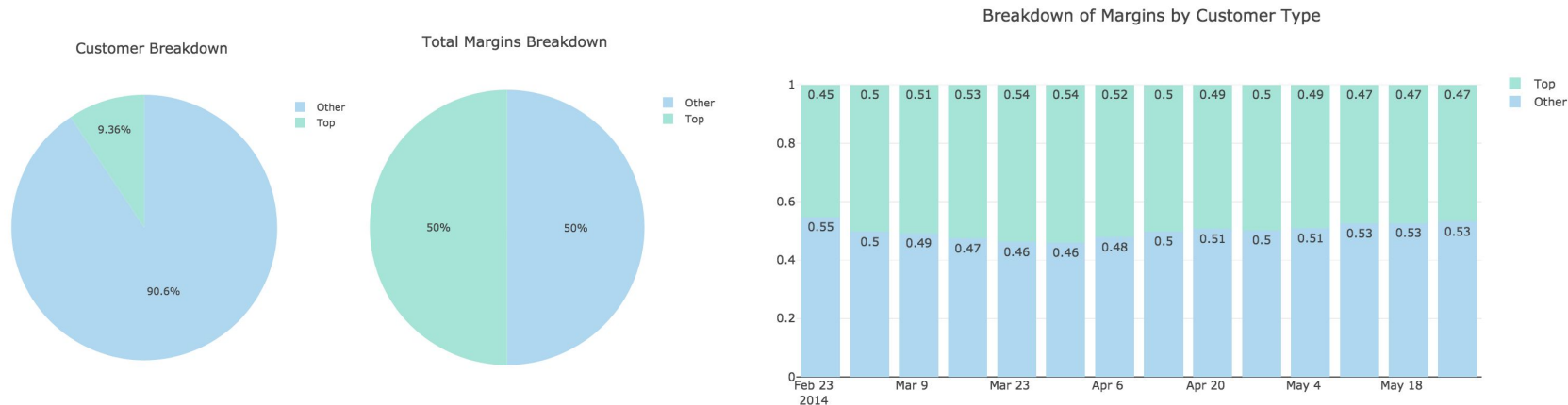
Postmates' most popular times of usage are Friday to Sunday around in the evening around dinner time followed by the early afternoon around lunch time; however, customer prices remain relatively constant throughout the day



- Demand is 2x higher at 7PM than around 12PM
- Consider implementing dynamic pricing at various times throughout the day to increase profits while keeping in mind fierce competition during popular times (lunch and dinner)
- Incentivize deliveries during off-peak times through daily/hourly deals and coupons
- Increase supply of couriers during night shifts to capture less competitive customers and businesses

Customer Strategy: Customer Profile

The top 10% of customers are responsible for over 50% of the total margins earned as well as deliveries from March to May 2014, indicating an imbalanced customer base



- The top 10% of customers are frequent customers who place ~5-6 deliveries a month
- Offer a points or loyalty program to reward loyal customers while provide incentives to get non-frequent customers (especially one-time users) to continue using the service (discounts on initial package deals or referrals)

Customer Strategy: Margins and the Cost of Credits

While only ~28% of all deliveries within the 3 months were paid in Postmates credits, those deliveries resulted in an overall ~90% loss in potential revenue from customer fees (mostly due to courier compensation)

	Theoretical	Actual
Total Customer Price	\$502,556	\$410,207
Total Margins	\$103,324	\$10,975

Assumptions:

- Margins = Customer Price - Courier Price
- Postmates credits cover the customer costs
- When Postmates credits > customer price, assume for analysis that customer price is 0 but Postmates still needs to pay the courier resulting negative margins

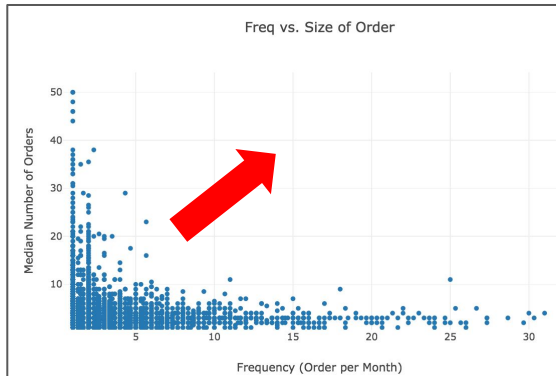
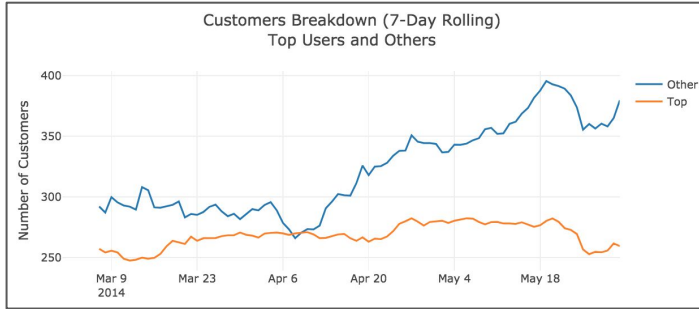
Customer Breakdown



- Out of the ~14,000 unique customers within the 3 months, 50% are credit users and 46% are just one-time users, highlighting the lack of a strong profit-generating customer base
- One-time users alone have **cost** Postmates > \$10,700 mostly due to negative margins from credits applied, therefore representing the most cost inefficient group of customers who use the service only once (most likely due to a promotion or sign-up bonus)

Customer Strategy: Trends

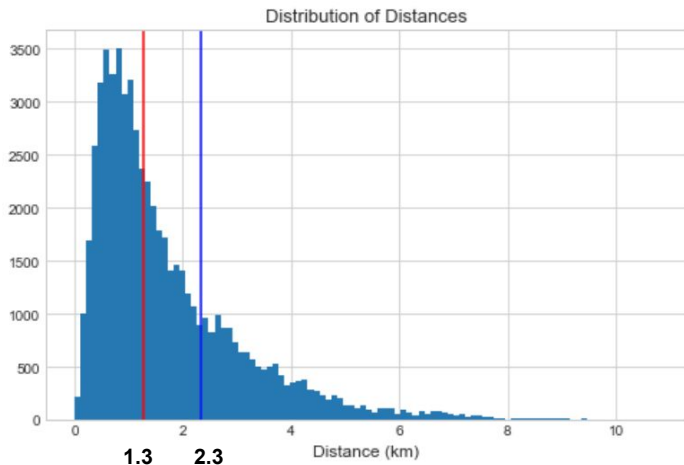
While Postmates is rapidly growing its customer base, it struggles to grow its base of loyal and frequent customers who are more profitable



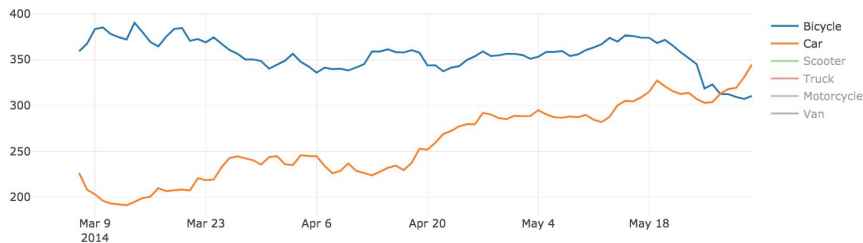
- In order to increase profits, Postmates needs to focus on customer retention strategies in addition to customer acquisition strategies
 - Match customers to couriers of their choice
 - Offer discounts on certain goods (breakfast deals on off-peak times for business customers)
- Maximize the area under the curve for median number of orders and frequency of orders by taking advantage of car usage during deliveries
 - Deals on bulk orders or points system for frequent orders

Supplier Strategy: Overview

Similarly with the customer population, Postmates supplies are also highly concentrated within the top: < 3% of suppliers are responsible for ~50% of orders, with 15 zip codes responsible for 95% of all orders



Deliveries by Vehicle



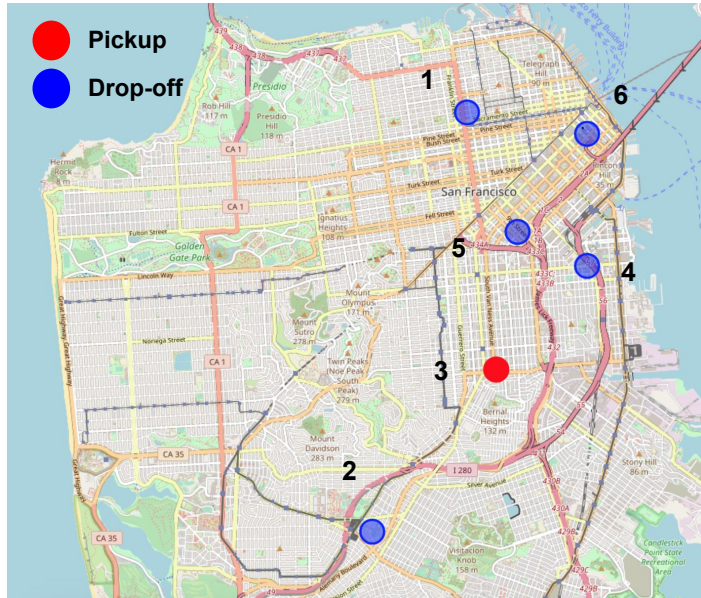
Bicycles and cars comprise
~95% of all deliveries

- While ~50% of orders are made within 1.3 km between pickup and dropoff, the top 25% longest distances generate ~36% of potential delivery revenue
- With the increase of deliveries made by car, Postmates can expand its potential boundaries of service for San Francisco and reach customers who are further away from the central area

Supplier Strategy: Logistics Inefficiency

Because suppliers are mainly concentrated in central SF, couriers often have to make multiple stops in that area throughout the day to drop off items in neighboring areas, leading to inefficiency routing and other hidden costs

Example: Courier Route from 94110
Sunday 4/13/2014, 7AM to 10PM

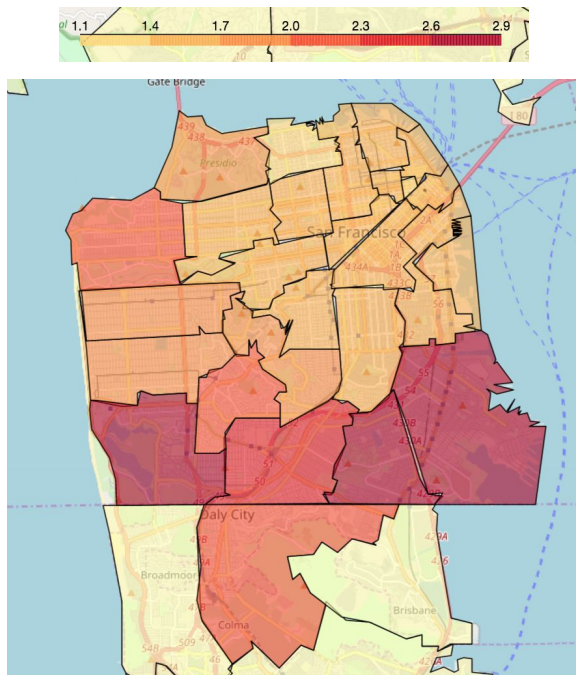


- Out of the 23 deliveries the courier made on that day, 6 of them involved picking up orders from the most popular zip code 94110 (Mission District)
- However, courier clearly has an inefficient route that makes them return to the Mission District 5 times throughout the day each time picking up ~3 food items by car
- Consider using network analysis to optimize the path taken by couriers or institute larger chunks of time where items can be dropped off within the same neighborhood

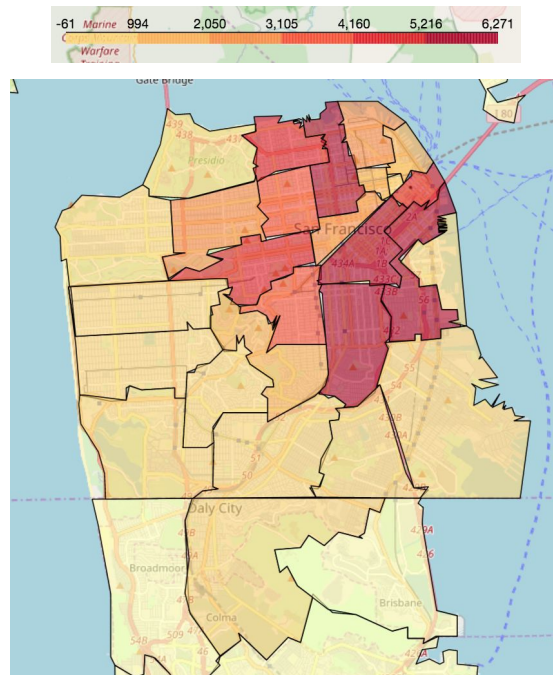
Supplier Strategy: Geographical Opportunities

Pickups and drop-offs are concentrated within central SF; however, the margins for delivery are greater in the outer neighborhoods

Median Margin per Delivery



Delivery Volume



Inverse