meesho DICE CHALLENGE

BUSINESS TRACK

OPERATIONS MANAGEMENT : SELF PICKUP

Operations Management Landscape In India

India's logistics and supply chain sector is largely unorganized, dominated by local and regional players with limited geographic reach. These small-scale operators often face challenges in scaling their operations due to infrastructure constraints, lack of access to technology, and high entry barriers. Meesho aims to bridge these gaps by leveraging the untapped potential of these local logistics entrepreneurs, integrating them into a cohesive national network.

Introduction to Valmo

Valmo, an initiative by Meesho, represents a bold step towards transforming India's fragmented logistics landscape. Launched as a portmanteau of 'Value' and 'Movement,' Valmo is designed to remove entry barriers for local and regional logistics players, enabling them to contribute to a national logistics solution. This initiative aligns with Meesho's vision of creating an integrated, tech-driven logistics network that optimizes the supply chain, bringing significant cost efficiencies and operational enhancements. By tapping into the latent capacity of local delivery services, Meesho is able to bring down its overall shipment costs, which have already decreased by 5%+ since the launch of Valmo.

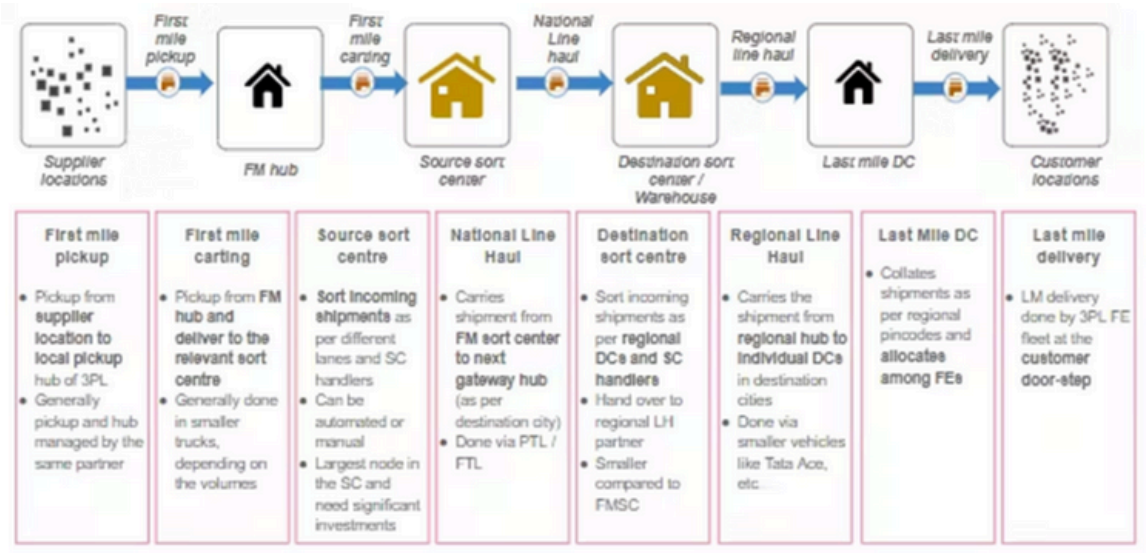
Nodes in Valmo's Supply Chain:

i) First Mile Pickup Hub: The initial node in a national logistics network where shipments are collected from sellers or suppliers. This hub is typically managed by local logistics partners, who are responsible for picking up goods from various locations.

ii) Source Sort Center: Warehouse where shipments, after being collected at the First Mile Pickup Hub, are aggregated and sorted based on their final destination. This node plays a critical role in organising and streamlining the flow of goods across the network. At the source sort center, shipments are processed in bulk, categorised according to their destination regions, and then directed onto the appropriate line haul routes.

iii) The Destination Sort Center: It functions similarly to the source sort center but is located closer to the final delivery point. This node receives shipments from the national line haul and sorts them according to specific last-mile delivery areas. The destination sort center is crucial for preparing shipments for the final leg of their journey, ensuring that they are correctly sorted and routed to the appropriate last mile delivery center.

iv) The Last Mile Delivery Center: The final node in the logistics network, responsible for dispatching shipments to the end customer. This node is the most labor-intensive and complex part of the logistics process, as it involves navigating local routes, handling multiple deliveries, and ensuring that shipments reach customers on time. The last mile DC is typically operated by local delivery partners, who often work with limited resources and infrastructure.



Objective

Design a self-pickup model to improve customer convenience & reduce cost

Self-pickup, a logistics model where customers collect their orders from designated pickup points, has gained significant traction in countries like China, where it has become a mainstream option for millions of consumers. The model's success in these markets has been driven by its ability to offer cost savings, increased convenience, and operational efficiencies. As Meesho continues to focus on reducing costs for the end consumer, the adoption of a self-pickup model could play a crucial role in achieving these goals.

i) Cost Reduction: One of the primary benefits of self-pickup is the significant reduction in last-mile delivery costs, which are often the most expensive and complex part of the logistics chain. By shifting the responsibility of the final leg of delivery to the customer, Meesho can avoid the high costs associated & these savings can be passed on to the customers, enabling Meesho to offer even more competitive pricing, which aligns with its mission of making products more affordable for consumers.

ii) Increased Convenience: Self-pickup also offers increased convenience for customers, who can choose a pickup location and time that best fits their schedule. With a network of conveniently located pickup points, customers can collect their orders while commuting, running errands, or during other daily activities, eliminating the need to wait at home for a delivery. This model empowers customers by giving them control over when and where they receive their orders, enhancing the overall shopping experience.

iii) Fulfillment Benefits: From a fulfillment perspective, self-pickup streamlines operations by reducing the number of failed or missed deliveries, which can be costly and time-consuming to manage. Orders destined for pickup points can be consolidated, reducing the complexity of route planning and increasing the efficiency of the entire logistics network. This model not only improves operational efficiency but also reduces the carbon footprint associated with multiple delivery attempts, contributing to more sustainable logistics practices.

Challenges

1. **Customer Adoption:**
   - Awareness: Ensuring customers are aware of and understand the self-pickup option.
   - Behaviour Change: Encouraging customers to shift from traditional delivery to self-pickup can be difficult, especially if they are accustomed to home delivery.

2. **Operational Efficiency:**
   - Location Selection: Identifying and setting up conveniently located pickup points can be challenging, especially in remote or underserved areas.
   - Storage Management: Efficiently managing storage space and ensuring timely order availability while minimising storage costs.

3. **Customer Experience:**
   - Accessibility: Ensuring that pickup locations are accessible and convenient for all customers, including those with disabilities or limited mobility.
   - Pickup Time: Managing customer expectations regarding pickup times and handling issues related to missed pickups or delays.

4. **Cost Management:**
   - Operational Costs: Balancing the costs of running and maintaining pickup centers with the savings from reduced last-mile delivery expenses.
   - Incentives: Designing effective incentives to motivate customers to choose self-pickup while maintaining profitability.

5. **Logistics and Coordination:**
   - Integration: Integrating self-pickup into existing logistics and order management systems.
   - Coordination: Coordinating between various stakeholders, including logistics partners and pickup center operators.

Expectations

Required Output: Prepare a presentation summarising your findings/recommendations. Your presentation should be clear, concise, and visually engaging, demonstrating your strategic thinking and problem-solving skills.

3-Slider Submission Round:

1. Understand Meesho's customer base and evaluate their propensity to opt for self-pickup.
   - Which customer segments are most likely to opt for self-pickup? What key factors would drive a customer's decision to choose self-pickup over home delivery?
   - What types of users would be less inclined to opt for self-pickup, and why?

2. Identify the right touchpoints to make users aware of the self-pickup option.
   - What are the most effective channels to raise awareness about self-pickup?
   - How can Meesho ensure that users fully understand the benefits of self-pickup? What messaging or content strategies can improve user comprehension and encourage opt-in?

3. Evaluate and analyse models of other Indian and global companies in the e-commerce, quick-commerce, and grocery sectors that offer self-pickup.
   - Which companies have successfully implemented self-pickup, and what strategies have they used?
   - Conduct outside-in research to gain insights into best practices and potential pitfalls for implementing self-pickup in the Indian market.

Detailed deck submission (8-12 slides)

*include the deliverables of Round 1 in the final 8-12 slides

4. Explore interventions Meesho can deploy across the user journey to improve self-pickup conversion.
   - At what stages of the user journey should self-pickup be promoted to maximise opt-ins?
   - What incentives (e.g., discounts, loyalty points) could be offered to increase self-pickup adoption? How can behavioral nudges (e.g., reminders, default options) be used to encourage self-pickup?

5. Define the location and operations of a Self pickup center

- What criteria should be used to select locations for PUDO centers to ensure accessibility and convenience? With the help of data in Appendix, determine the duration for which an order can be held at a PUDO center before it is returned to origin?
- What creative ideas can be implemented for the design and function of pickup points (e.g., lockers, partnerships with local businesses)? Are existing DCs sufficient or should we bring in different types of partners?

6. Design the unit economics for Meesho's self-pickup model, considering key cost components and potential savings.

- How should the overall unit economics be structured, factoring in storage costs, last-mile cost savings, and incentives? How should Valmo allocate payments to the owner of the distribution center (DC) for managing shipments?
- What portion of the cost savings from avoiding last-mile delivery should be passed on to the customer versus retained by Meesho? How should user incentives be designed to balance customer adoption with maintaining profitability?
- How much can this initiative contribute to either growth or profitability of Meesho? How should we measure it?

Assumptions

1. Assume a city of area 200 Sq Km with 12 DC.

2. Average Volume handled by each DC ~ 700 & typically employs 12-14 delivery personnel.

3. A 250 Sq Foot Shop is available for rent at around ₹10000. (40 rs per sq feet). This is borne by the DC.

4. AOV of Meesho ~ ₹350 , Last Mile Cost breakup (₹4.2 DC processing, ₹14 LM Delivery)

5. With 1 day increase in speed of delivery to user, RTO (return to origin) for Meesho increases by 1.5%

Please make any other necessary assumptions & state them clearly in your solution.