

Messenger Service

Vital Information

Start-up Investment -

Low - A home based operation using personal automobile. Less than \$200.

High - Hire several drivers, buy or less vehicles, set-up office. \$50,000 and up.

Break - even time - 30 to 60 days

Estimate of Annual Revenue and Profit

Revenue \$20,000 - \$700,000

Profit (Pre-tax \$18,000 - \$200,000

This Market is Immense

One thing is for sure the more technology we develop and the faster it works, the less time we have. We recently saw this ad in the Yellow Pages under Messenger Services: "Panic Deliveries" One of the Fastest Surest Delivery Services in the Area. This really describes the market well. Everybody is in a panic to get all types of things from point A to point B. And both companies and individuals are willing to pay a price.

One of the factors that will continue to drive this business is the lack of dependability of the U.S. Postal Service. A few years ago you could be 95% sure that anything mailed First Class would get to its destination the next day if it was in a radius of about 150 miles. And it still works, or shall we say at least 30 - 50% of the time.. But who can live with those odds. And the beauty is that the Post Office can almost guaranty you that their service is getting less and less reliable.

While the Fax machine has taken much of the market from the U.S. mail, it really

only works for letters and other written material, that are from one to two pages. Legal and other documents, payrolls, deposits, proposals and a host of other written and other matter are best entrusted to a local delivery service that can get to its destination in a few hours. Even UPS and Federal Express do not provide this service.

In our market survey we determined some of the following needs (and a great many more which cannot be listed here) for fast local delivery services: Attorneys who absolutely had to get the documents to their clients (or from client to attorney); Doctors offices to labs; all types of businesses sending proposals to another business; (sometimes items had to be taken to the airport to be put on a plane only to be met in another city by yet another delivery service), businesses now are also using delivery services on a regular basis to get payrolls, accounting documents, etc. to other in-town and even deposits to the bank.

Delivery services will operate in a specific geographic area which may encompass a large metropolitan area or a rural area stretching 60 - 100 miles. Delivery time is generally within a few hours. Fees will depend on many factors and ranges from a minimum of about \$12 to around \$30 per delivery. However, companies who will utilize the service of a delivery service on a daily or several times per week basis will be able to obtain better rates and this ongoing business can be a boom for a delivery service.

How to Find New Customers and Keep Old Ones Happy

You should put your initial marketing efforts into finding corporate business, especially business that will require your service on an ongoing basis. Finding a large company with name recognition will also help much in finding other customers. Direct marketing, advertising and, most importantly, calling on companies both in person and by phone will all be good sales approaches. Initially zero in on a relatively small geographic area for your customer base. This will make it easier to cover a lot of ground and to provide fast service as you find clients.

You are selling a service, reliability and speed. You are really selling yourself. You will need stationery and an attractive flyer/brochure. A local printer will be able to provide your promotional material. Select prospective customers from the Yellow Pages, or if affordable through the purchase of business mailing lists. Send your material and then follow-up by phone and in person.. Call on the decision makers which will be primarily secretaries and office managers.

Since owners of new businesses never have enough time or money, the personal

sales approach can only be used for larger companies. To reach smaller companies direct mail and advertising will be most effective. Advertising in business related publication and the classified section of your local newspaper should prove to be very worthwhile. Most newspapers have a "Business Services" Heading in their classified pages. A listing in the Yellow Pages as soon as your budget can support it is a must.

Since most companies do not have a department that specifically deals with transformation and delivery, this task is often undertaken by employees whose main responsibilities lie in a different area. Besides the wages the companies pay to these employees, they pay them benefits which will range from 20% to 35%. Thereby an \$8 hourly wage becomes \$10.50 and so forth. Use this factor in your sales presentation.

It is most important that you keep your customers happy, especially the initial ones. They will give you a good reference for future business. A periodic newsletter which can be as little as one or two pages will help in keeping good customer relation. A quick phone call from time will be most effective in keeping you in touch with your customers especially as your business grown and you will have drivers to assist you.

Operating Your Business

This business is an ideal home-based business. Your tools are a phone, an answering service, and a car. As the business grows and employees are added an office outside the home will become more desirable.

Many messenger service which primarily operate in the downtown areas of the largest cities use bicycles. In most cases, however, a reliable automobiles is a must. A telephone answering service that can reach you by beeper will be most effective. As soon as affordable a car phone would be a great benefit by saving unnecessary trips. Having excellent knowledge of the best and fastest routes in your city is important. Since you will spend a lot of time in your car and as such will become a "professional driver", make sure you will drive safely and not incur traffic violations. Your car should be well maintained. A breakdown could create major problems.

Owner operated Messenger Services have extremely high profit margins, up to 90% of revenue. If you want to grow, however employees or independent contractors will be required. This will significantly increase your revenue, and likewise decrease your percentage of profit. If you hire employees and they use their own

car and have an accident you and your insurance company will be liable. If you acquire company vehicles the cost of insurance will be prohibitive especially in certain areas of the country.

This business lends itself ideally to hiring Independent Contractors. You pay them a fixed percentage of the delivery fee such as 50% and they will be fully responsible for transportation, insurance, travel expenses, etc.. Most likely they will also work harder since their profit potential is that much higher.

While your initial geographic area of delivery may be relatively small the more you grow and the more contractors or employees you have the larger that area can become. Probably anything up to a 3 hour driving range will be quite feasible.

Most owners of new business will be so hungry for new business that they may consider any piece of business to be quite worthwhile. As your business grows and you acquire special knowledge both about general management techniques as well as specialized knowledge about your specific business, you will want to watch all areas and factors that will effect expenses and efficiency. High efficiency produces high profits.

Most of your customers, certainly your corporate clientele, will require credit. This area needs close watching. Bills must be sent out promptly and should be paid within 10 to 30 days. Many businesses will cut off customers who are more than 30 days overdue, but there rarely is any rational in carrying any business past 60 days.

Resources

Industry Association

Association of Messenger Services, Inc.
270 Madison Avenue
New York, NY 10016
212-532-8980

For additional information helpful in setting up your new business, information about licenses, permits, the legal structure of your business, taxes, insurance and so much more refer to the

Business Start-Up Fact Finder Manual