

DOUBLE ESPRESSO



A strong coffee with Tom Allason and Jay Bregman, founders of eCourier.co.uk. By RICHARD LOFTHOUSE

Getting a package from A to B as fast as possible requires a courier, and the courier business in western Europe is a massively competitive mature sector with low profit margins. So it's no gold mine for budding entrepreneurs – or so everyone thought until two young men called Tom Allason, now 26, and Jay Bregman, 27, founded eCourier in 2004, recently renamed eCourier.co.uk. Allason had the idea following a disastrous courier experience when he tried in vain to courier time-sensitive tennis tournament tickets to friends, all of whom had taken the day off work for the event but waited in vain for the tickets. “Everything that could have gone wrong went wrong,” he recalls.

Initially Allason thought that the problem lay in inferior management. However, wading through the arcane subject of logistics showed a different solution to the couriership problem. The winning formula came as a result of research done by Bregman. The two first met at Dartmouth University. Later, when Bregman took his masters degree in media at the London School of Economics. With Allason's idea of a courier start-up in mind, he made document exchange the subject of his thesis.

“We discovered two very important facts,” says Allason. “First, that no one has more than 3% of a €1.5bn industry [in the UK], and secondly that the larger a courier company gets, the less profitable it is.”

In other words, it wasn't behaving like a mature sector despite being tooth-and-claw competitive.

“A large courier company is like a trading floor,” says Allason. “Most orders come in by phone, they are then handled by a controller and a coordinator. The coordinator has to figure out which courier to despatch to a job, but with often imperfect information. The proportion of admin to turnover increases as the process gets larger and more complex, so the leading courier company in the UK has a profit margin of about 1% despite charging the same as a mom-and-pop



Fully loaded:
Tom Allason
and Jay Bregman

DATA FILE: eCOURIER.CO.UK

Business founded	September 2004, London
2006–7 sales	€8m
Start-up money	€750,000
Product	same-day courier services
Sales channel	field service team and word of mouth
Marketing spend	€360,000 in 2006–7

operation. The mom-and-pop operation might achieve 25%.”

Allason wanted to get the whole process online in real time, backed by software that would balance every possible variable from traffic to weather conditions to GPS-equipped drivers to maximise the efficiency of each order, constantly re-calibrating itself with the outcomes to get better over time. This would lead to a “super-economy of scale” permitting rapid consolidation of the sector, smashing it to pieces in the process, a business model that “hadn't changed for 25 years”.

But it wasn't easy. First they were told that the software would take four years to build and cost €8m. So they turned

instead to the universities, tendering their problem to 14 logistics departments, 13 of which replied. The answers were unreadable and full of jargon, so to judge between them they went in full pursuit of the one person who didn't respond, Dr Cynthia Barnard of MIT. She turned them down but relented after being sent four gift baskets while on holiday in Hawaii. She studied the proposals on her return flight and recommended two universities in Italy, Calabria and Lecce. One would develop the necessary algorithms, the other the software.

“Italy! Logistics! This was the last thing we expected,” laughs Allason. But it worked. He and Bregman raised €750,000 in one month, a quarter in the form of a bank loan and the rest from contacts and family. He won't say what the software cost but “it wasn't as much as you'd think”. To raise the money, however, they had to give away 75% of the ownership.

The business began with a fleet of four vehicles in September 2004, but it was slow going at first because the software wasn't operational until the following summer. 2005 was the turning point, but since then Allason has raised an additional €7m in order to effect the rapid consolidation of the sector that might otherwise occur at his expense by someone else copying his model. His other priority is to rebrand the company to build a presence and become “distinctive”.

Presently 85% of bookings are online, against a sector average of 5%, and all eCourier couriers can be watched by customers in real time on the internet as they move across the map. The result is a gross profit margin of 44% with further economies of scale likely as the company gets bigger. Allason reckons he has a lead of 2.5 years over the competition, so acquisition-led growth will be the name of the game.