

Hands-on advice for the growing business... and where to find it

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## eCourier

In its first year, internet-based courier firm eCourier is set for £1.6m sales and £8m in 06/07. CEO Tom Allason explains the wiles he used to get it on the streets.



"Using the web, we cut out the telephonists. The hard part was how to cut out the controllers, too."

I got the idea for eCourier after I was jerked around by a courier firm. I was a shipbroker – straight out of college – and I had Queen's tickets, but a deal came through and I couldn't go, so I ordered a courier to get the tickets to my friends' house. I won't bore you with the details, but despite endless chasing my friends never made it to the tennis.

I suppose I could have chalked this experience down to shoddy service. But it struck me as odd that the firm

was unable to tell me where the courier was. And when I asked for proof that the package had been delivered, they said they wouldn't get a signature until the courier brought all the slips in at the end of the week.

So, more out of folly than good judgement, me and my friends started looking at the industry. We found that the flaws were an industry-wide problem. We also discovered that in a £1bn market, the largest player had a

three per cent market share and that margins among the larger players were actually lower. Our hunch was that the traditional courier firm model was not scaleable because of the central controllers who coordinate the couriers.

One of my friends, Jay Bregman, who was studying for a masters at LSE, decided to write his thesis on document exchange, using couriers as a case study. This gave us an inside track on all the "big" courier firms. We thought he would meet them and see we were really stupid. But our theorising was spot on. The trading floors were shambolic, with 90 coordinators barking orders down radios.

Our idea was to build a software system that got rid of the controllers, and matched the customer with the nearest courier automatically and send them off for delivery using the fastest route. Using the web we could also cut out the telephonists. So, our couriers would be quicker and cheaper. And customers could not only track the delivery online but get a just-in-time signature of the recipient by email. Now all we needed was a software developer and £500k in working capital.

We estimated £20k to write the software program. So we went to a guy

who built the back end at Dial-a-Cab. Two weeks later he came back with an estimate. Four years and \$8m to build. We were shattered. As he explained,



"The plan is to buy up low-margin business through acquisitions and, using our model, convert it into high-margin work."

the system needed to take account of traffic, one-way streets, the river, weather, individual courier performance and the mode of transport (bike, cycle, van). This was new territory. So we wrote up our problem and, under

non-disclosure, sent an RFP to about 15 academics around the world who specialised in logistics. To our amazement all but one responded. But how would we choose the best solution? We called up the one person who hadn't responded. Dr Cynthia Barnhard was a professor of transport research at MIT. She told us she was working for UPS and wouldn't be able to help. But desperate for feedback, we laid on the charm. "Could you help us choose the best proposal?" we asked. "I'm going to Hawaii with my family tomorrow," she explained. "At least can you tell us what we're dealing with?" we asked. She explained that most research in logistics focused on getting a package from A to B as cheaply as possible. But our problem wasn't cost. It was time. How to get something from A to B as quickly as possible.

As soon as we put the phone down we realised we'd learned more about logistics in 10 minutes than in two months of toil. But Cynthia was now in Hawaii. So we started calling up hotels. We didn't even know the island she was on. Or if she was using her maiden name. But in three days we found her. Then we started sending gift baskets. With every basket we sent a note: "We love you. Please help."

## "We started sending gift baskets. With every basket we sent a note: 'We love you. Please help'"

After four baskets she sent an email. She would read through all the proposals on the plane home if we stopped sending baskets. Her choice was an Italian university. We couldn't afford to pay her, or the lawyers, Bird & Bird, who helped to draft a contract with the PhD researchers. We were funding this on our credit cards. They agreed nonetheless.

As the university team got cracking on the code, we started to raise funds. We pitched everyone we knew: in total, we raised £412,500 from my stepfather, a colleague at my ship-broking firm, a small VC house, a business angel and other contacts, plus a £100k loan from Lloyds under the SFLGs programme. We moved into offices in July 2004. In September we hired our first four couriers and started out with a controller. We billed £1k

that month and started working on other pieces of the jigsaw. As each element went live our sales improved. The final piece of the jigsaw was the big one, the advanced information booking allocation system, which came in June.

At first, business was slow to pick up. The big breakthrough was winning some work from a US merchant bank last summer. By Christmas we had 90 per

cent of their business. We now expect to be EBITDA positive in May with gross profits of 44 per cent by the end of the year. And we haven't lost a client yet.

In September we raised another £850k from investors, including Esther Dyson, Stuart Wheeler at IG Index, and Harry Cragoe (PJ Smoothies) and we made our first acquisition. The plan is to take low-margin business and, using our model, convert it to high-margin. We have another placement out at the moment for £750k to carry out a proper marketing campaign. We believe it will take us a couple of years to gain an insurmountable lead over our rivals. And then we can start to look at nationwide deliveries. We're currently talking to eBay about B2C. The emergency dispatch market is huge, too. I haven't done it yet. But we're en route.

## Get your values right first

Anita Roddick says an ability to listen will lead to profits.

**W**hen I started The Body Shop, we engaged with non-profit organisations and they told us things the business world couldn't tell us. We listened. For us to get their approval was more important than anything else.

Working with the non-profits also made us more grass-roots. It helped us grow without losing our sense of humanity. We maintained the entre-

preneurial spirit in The Body Shop because we had no hierarchy. We gave every new employee employment packs, which enabled them to write to us directly. Everything about our supply chain was transparent, and we saw our suppliers as partners. We tried this with our manufacturing business, too. It gave us enormous flexibility in changing direction. It was so easy to do, it was like breathing.



Anita Roddick founded The Body Shop 30 years ago and retains an 18 per cent stake.