

## Order from chaos

### STARTUPS TACKLE ORGANIZING INDIA'S ROAD LOGISTICS INDUSTRY

India's logistics market is worth as much as US\$160 billion, and road logistics is a major player in it.<sup>1</sup> Yet most road logistics participants—truckers, transporters, retailers, and mechanics—complain of an inherent trust deficit, likely because of the opaque network of middlemen and small operators. As a result, the industry often faces acute inefficiencies: fragmented ownership, demand and supply mismatch, low utilization, low pricing, low returns, and low wages. High broker commissions and a lack of transparency don't help, either.

However, India's road logistics industry seems ripe for consolidation through digital transformation. A host of road logistics startups are taking on the challenge of managing inefficiencies by trying to organize this largely unorganized sector. They're doing so by using technology—and data. In addition to enabling digital freight-matching, they are also creating new business models.

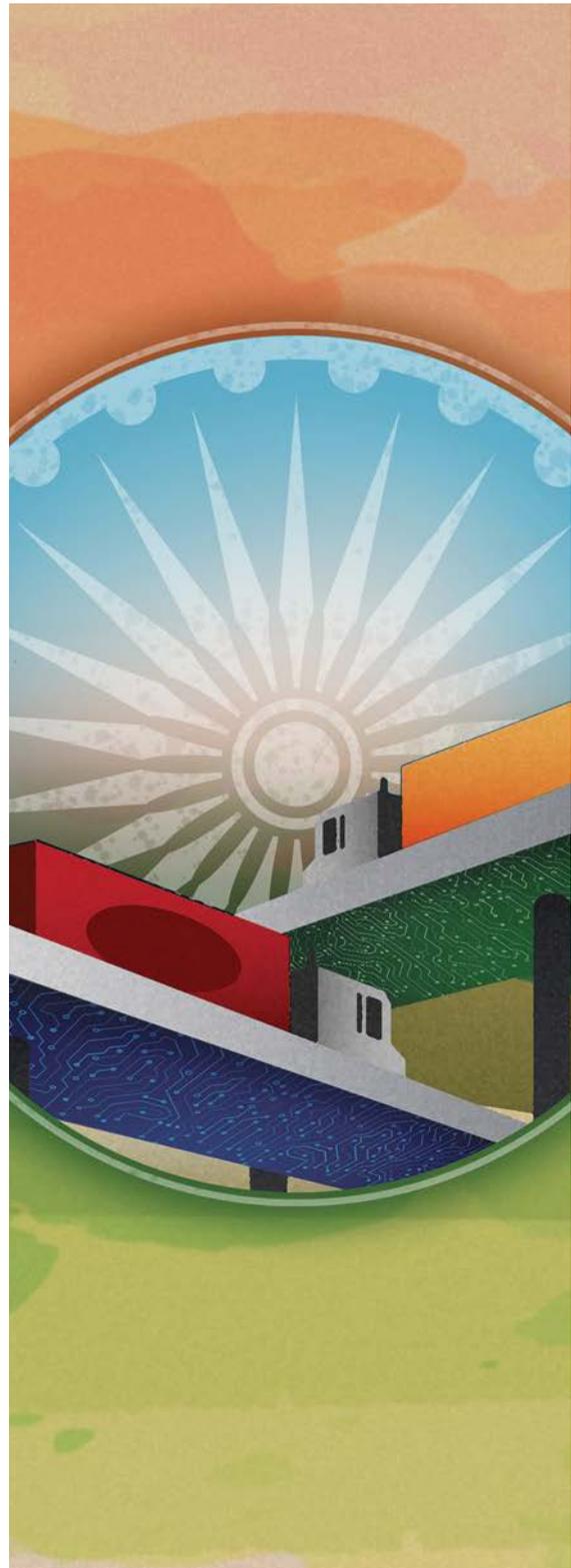


FIGURE 1

## Models to address the core business problems

- 1 Asset heavy + working capital heavy**

These startups own and control their own fleets and directly contract with shippers, creating the need to fund working capital. This model allows the highest level of control in meeting stringent service levels and turnaround times. Rivigo's core logistics offerings are an example of this model.
- 2 Asset light + working capital heavy**

These startups do not own trucks, but contract directly with shippers to fulfill shipments. This model involves some level of quasi-ownership—trucks that are exclusive to the platform in exchange for minimum payment guarantees. The Blackbuck freight platform and Rivigo Freight use this model.
- 3 Asset light + working capital light**

These startups neither own trucks nor take working capital risks. They are “digital brokers,” doing the same function that traditional middlemen perform, but with technology and at scale.

Source: Doblin, accessed January 8, 2020.

For example, value-added service platforms, operating either as standalones or as part of freight-matching marketplaces, could collect granular data on vehicle use, maintenance patterns, and even driver behavior. This data can then enable services targeted at truckers. For instance, some startups have been applying machine learning and predictive analytics on truck usage and maintenance records to predict when a part is likely to break down. This could enable preventive maintenance, saving truckers time and money.

Our analysis reveals the emergence of primarily three types of startups, each seeming to use a different mix of asset ownership and working capital risk to address core issues (figure 1).

As technology opens new pathways to success in India's road logistics industry, many traditional intermediaries such as transporters, retailers, and mechanics appear to be coming under threat. They will likely need to scale on the digital maturity curve by building and/or buying capabilities that work for them. To do so, they should consider:

- Maintaining an innovation portfolio that balances core, adjacent, and transformational innovation initiatives
- Including investments that proactively create value in growth areas that are new to the company
- Using multiple types of innovation (not just new product innovation) to create new customer experiences and businesses ●

To learn more, read the full report, *A time of reckoning: Road logistics in India*, on [www.deloitte.com/insights/india-road-logistics](http://www.deloitte.com/insights/india-road-logistics).

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*page 178*

1. Jayajit Dash, "India's logistics industry to be worth \$215 bn by 2020-21: CARE Ratings," *Business Standard*, October 20, 2018.