



Issue in Focus

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Using the ‘Crowd’ to Deliver Packages

This brief discussion of an “Issue in Focus” contains candid observations and opinions from staff members of the Office of Inspector General.

You know those cars with goofy-looking pink mustaches attached to their grills? They’re part of the Lyft ride-sharing network, and their fuzzy pink fronts are among the most recognizable emblems of a potentially disruptive shift in the way people and stuff move from here to there. Through Lyft, ordinary drivers can [effectively turn their vehicles into taxis](#), giving inexpensive rides to strangers who find them with a few taps of a smartphone app. Lyft is just one of several similar services that are exploding in popularity and becoming a serious threat to traditional taxi and limousine services.

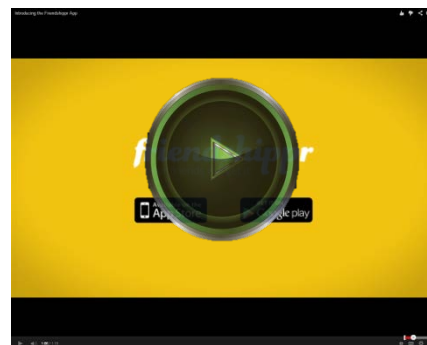


A parallel phenomenon is emerging in the package delivery space. Tech-savvy upstarts are rolling out ambitious plans to use amateurs to deliver packages and merchandise more quickly and cheaply than the Postal Service, FedEx, and UPS. This new class of logistics, known as crowdshipping or crowdsourced delivery, doesn’t require processing facilities or fleets of trucks, and can be scaled quickly and cheaply. The movement is still in its early stages. As it matures, it may have profound implications for the Postal Service.

What Is Crowdshipping?

Crowdshipping is a subset of the larger “crowdsourcing” movement. Essentially, crowdsourcing involves the use of technology to marshal a large group of people to accomplish something. Think of Wikipedia, which is written and edited by tens of thousands of volunteer contributors. In the delivery space, there’s a spectrum of self-described crowdshippers. [Some](#) have truly transformative models, enlisting people who are already traveling from points A to B to take a package along with them, making a stop along the way to drop it off. Others are incremental innovators who employ technology and social media elements to steer deliveries to a bunch of independent deliverers. They’re not all that different from traditional courier services, which have been around forever.

While some crowdshippers [pitch themselves as social networks](#), where deliverers would participate mostly for social reasons, others are much more commercially oriented. Take startup [Zipments](#), for example. It's a same-day (or often same-hour) courier service that targets small businesses and charges as little as \$10 to use an app or website to request a delivery, select a specific courier, track the status of orders, and rate the courier's performance.



Video 1: Friendshipp

<http://www.youtube.com/watch?v=9NwE9X5Kv48>

Some brick and mortar retailers are using crowdshipping to give their websites a leg up on Amazon. When a customer buys, say, a box of diapers and requests same-day delivery, a crowdshipping company that partners with the retailer would tap one of its drivers to pick up the diapers at the store and drop them off at the customer's home. Big retailers realize that the bulk of their potential customers are within 5 miles of their stores. By partnering with a crowdshipper, they can turn their vast networks of physical stores into distribution hubs for online purchases, giving them a competitive advantage in the race for same-day delivery. That's the idea behind Deliv, a California-based crowdshipper that [inked a deal last year with shopping mall giant General Growth Properties](#) to provide same-day delivery for the retailers in its malls.

Who actually agrees to deliver these packages? The profiles of crowdshipping drivers are all over the map. At Zipments, 95 percent of couriers are professional delivery folks with more than 4 years of experience. Other services like RideShip and Deliv use regular people who are just looking for extra work. Some services vet drivers extensively, others don't at all. Regardless of the model, there's apparently decent demand for these roles. When Deliv put out ads for drivers, it got more than 30 applicants per position.

There's also a fair amount of interest from investors in these types of businesses, most of which offer their services in a small number of cities. Last year, Deliv and Zipments raised \$7.85 million and \$2.25 million, respectively. The expectation is that as soon as a crowdshipper proves the viability of its model, a lot more money will flow into the space, allowing more startups to expand nationwide. As such, this sector seems likely to change quickly and dramatically in the next few years.

Giants Walmart and DHL Toying with Crowdshipping

While most crowdshippers are startups, some big name companies also are dipping their toes in the water. Walmart raised a lot of eyebrows last March when it said it was [mulling a plan to outsource some of its deliveries to its own customers](#). In-store shoppers would deliver packages on their way home from the store to people who bought items at Walmart.com. In return, in-store customers would get a discount for their delivery efforts, which would essentially cover the cost of gas. The company said

the idea was still in its early stages, and that any actual initiative was a year or two out. The idea was greeted with some [skepticism](#).

Last fall, logistics giant DHL announced a pilot last-mile crowdshipping service in Stockholm called MyWays. People who make online purchases and are interested in “flexible delivery” would be able to specify their delivery time and place, and the fee they’re willing to pay for it. The request uploads to a smartphone app, where potential deliverers in Stockholm can see it and decide whether they’re willing to pick up the package at a DHL facility and take it to its final destination for the price indicated by the buyer. The service targets drivers who regularly commute past a DHL facility and are interested in earning a little extra money.



Video 2: bring.Buddy
<http://www.youtube.com/watch?v=fwhbij0tDyw>

This comes a few years after DHL floated its “bring.BUDDY” network for crowdshipping. Under that model, smartphone users would carry parcels a short distance along their regular commute, then drop them off at the next contact point, where other “buddies” would pick them up and move them along until they reach their final destination. DHL’s [video explains the service](#).

Pie in the Sky?

Although crowdshipping sounds exciting and innovative, there’s no shortage of potential problems with many of these models:

- **Damaged packages** – What if packages entrusted to a deliverer don’t show up or are damaged. Who is responsible?
- **Privacy concerns** – Major retailers sharing the home addresses and shopping habits of customers with everyday strangers may rub a lot of people the wrong way.
- **Additional costs** – For some models there may be a lot of extra costs, such as insurance, lawsuits, training of employees, and customers to properly employ the delivery system, printing directions for delivering customers who don’t have GPS or smartphones, and plastic bags or other protective materials to protect packages from the weather. Given this, would it cost more than it’s worth?
- **Package delays** – How often will it happen that the guy who planned on delivering a package on his way home from work gets waylaid at the office, or gets stuck in traffic, or forgets that he had to go to his kid’s baseball game? Will amateurs prioritize their deliveries over their other commitments?

- **Safety** – Would big box retailers that allow customers to deliver packages screen their customers for convicted criminals? It's easy to see how one or two well-publicized attacks or robberies could scare a lot of people off.

What Might Crowdshipping Mean for the Postal Service?

Obviously, if crowdshippers crack the code of same-day delivery, and can do it for less than the Postal Service, UPS, and FedEx, it could eat into local package delivery volume, particularly in major metropolitan areas. The more market share crowdshippers gain, the worse it would likely be for the existing package business — one of the biggest areas of growth for the Postal Service in recent years.

Could the Postal Service jump into the crowdshipping fray? That may be far-fetched. There are a lot of potential issues, including legal questions, liability concerns, and reputational risks. But if crowdshipping takes off in a big way, the Postal Service may need to find new, creative ways to do business.

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