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Building a courier service company with IT

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XDel Singapore spent on sophisticated technology even while it was small. Its growth post-investment looks like money well-spent

XDel Singapore is a courier services company that has grown from being a two-man operation generating revenue of S$35,000 (US$26,150) in 1993 to a cross-border e-commerce and logistics solutions provider pulling in S$7.2 million (US$5.4 million) in 2020.

While "courier services" is often associated with delivery personnel on motorcycles zipping through traffic, XDel achieved growth by spending on technology. Some S$500,000 were spent in the first 20 years to build the IT infrastructure, with another S$1.5 million invested since 2012.

The S$2m amount spent on IT might appear disproportionate for a firm of XDel Singapore's size, but the management was of the opinion that it needed to do business in a similar manner to large courier players such as DHL, and this could only be accomplished through the extensive use of sophisticated technology.

INVESTING IN IT

A large part of XDel's value proposition comes from Application Programming Interface (API) integration, which allows multiple applications from separate entities to "talk to each other". XDel built an in-house IT team that could customise its system to fit the client's needs and specifications.

While that ostensibly made life easier for XDel's clients, it also represented an opportunity for XDel to secure a steady revenue stream.

"We do not charge them for carrying out the integration, but as part of the agreement to do it for them, they must offer us a certain business volume," explains **Eddie Lee**, XDel's Director of Sales & Marketing. "Also, when there is such integration, the likelihood of customers switching to another vendor due to reasons like price is reduced."

XDel also licensed from a Singaporean government agency its AI-powered Vehicle Route Planning (VRP) software, which helps couriers plan the most effective routes to their destinations. "My couriers still retain the freedom to modify their routes according to their experience, because the VRP system can sometimes lead them to take more convoluted paths," he explains. "But if there are unforeseen mishaps, such as accidents along an expressway, the system is able to guide couriers to take an alternative route.

"At the same time, customer service staff would be alerted, so that they can inform the affected customer about the delay."

The use of such advanced software had also made XDel Singapore's operations far more dynamic – new jobs could be added to a courier's job list as and when they were received, such that the courier could collect and deliver a new item if in the vicinity. Otherwise, the courier could bring the item back to the office where the operations team would process and task it to another courier.

This was possible as the VRP system could identify a courier's location based on the address of his delivery destination. Being able to estimate the duration between deliveries using the distance between successive delivery jobs also enabled the company to perform live monitoring of delivery progress, thus reducing the possibility of its couriers skiving. The data from delivery activities is analysed to identify areas with the highest volume, or the busiest times, to better plan for recruitment, deployment, and route planning.

NOW WHAT?

In February 2021, XDel Singapore gained Logistics Service Provider (LSP) status as part of the government-backed Pick Network, which allowed individuals to collect their online purchase parcels anytime at a conveniently located locker station managed by it. Lee believed that XDel's tech-savviness played a part in it becoming one of a handful of local courier companies to receive the LSP stamp of approval, since not many local outfits had API integration capability.

With the local business on track, Lee is looking to expand beyond Singapore's borders. XDel had ventured into China by delivering ecommerce shipments for Alibaba's Taobao e-commerce platform but stopped doing so after finding it unprofitable. Should the company be looking other markets? Or in fields XDel has not ventured into yet?

This is an adapted version of the SMU Case, "XDel Singapore: Using Technology to Deliver Simplicity". To see the full case, please click on the following link: https://cmp.smu.edu.sg/case/4906.

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