

AIRWAY DELIVERY: A NEW BUSINESS OPPORTUNITY

Business Case Solution for the Leadership Role

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Assignment Taken

Formulate a plan for the company's drone delivery arm with the funds provided by the parent organization and personnel allotted, with the aim of achieving a break even within a year.

Case Understanding

Airway Delivery is primarily a courier company with its operations spread across India, i.e. PAN India presence. It has multiple branches spread across the country and it provides delivery services to the most pin-codes. The company's board has recently decided to enter into 'Hyper-Local Delivery Space' whereby the delivery would be made through the use of drones. The company has already secured all the necessary permissions for starting its venture of drone-based delivery. As the drone-based delivery market has a lot of growth potential (CAGR – 44% from 2023 to 2030), the decision to enter this service domain is viable and worth pursuing. As the company is in the logistics business already, so company has the expertise in the delivery systems. The business case requires the strategies to break even in one year and scale the business going gradually so that this division becomes the market leader in drone-based delivery services industry.

BCS Solution Summary

'**Hyper Local**' in simple terms is conducting the operations in the limited area with the aim to provide the fast, reliable and convenient services to the consumers. In the 'Hyper Local Delivery Model' the **speed, convenience and efficiency** is achieved. The services are usually provided within the range of tens of kilometers. Given the proper focus on the **limited geographical area**, local sellers will have the wider reach and visibility in the area served and customers will be able to have more choices and convenience. Company has decided to carry out the hyper local delivery using the drones, which has opened up some new opportunities as well as some shortcomings. Company has provided the sufficient fund to start the hyper local delivery arm. Now the challenge is to use this allocated funds optimally to achieve break even in a year and

scale up the business in coming years. The company has to create new positions in order to ensure smooth and efficient functioning. The talented and competent drone operators, technical persons and other supporting staff are needed. The company requires a robust IT and operations infrastructure to address the requirements of the delivery system. The human resource department will take care of the same. Finances of the company will be managed by finance department. The sound, effective and targeted marketing strategy is required to build the customer base and create a brand image. Moreover, a legal advisor will be appointed on demand if some legal and regulatory problem arises. Apart from this various problems arising over the period have to be addressed.

Solution

Business Plan: Establish and Scale Up the Drone-Based Delivery Business

Industry Overview:

The Global Drone Package Delivery Market is anticipated to be USD 2.1 billion in 2023 and is projected to reach USD 27.4 billion by 2030, at a **CAGR of 44.7%** from 2023 to 2030. The share of drone based deliveries in the delivery sector is projected to increase significantly. Firstly, the demand for the **speedy, convenient and contactless delivery** is increasing globally. Secondly, the corona virus **pandemic** has already accelerated its adoption. Lastly, developments in the drone manufacturing technologies means the **newer version of drones** are cheaper, more maneuverable, carry more loads and are energy efficient. Also regulators around the world are making it easy to enter in this market by introducing **business friendly policies**. Keeping all the above points in the mind, the decision of the company to venture into this segment is a sound one and will be profitable.

Company Details

Airway Delivery: Airway Delivery is primarily a courier company with its operations spread across India, i.e. PAN India presence. It has multiple branches spread across the country and it provides delivery services to the most pin-codes. The company's board has recently decided to enter into 'Hyper Local Delivery Space' whereby the delivery would be made through the use of drones. The company has already secured all the necessary permissions for starting its venture of drone-based delivery. As the drone-based delivery market has a lot of growth potential (CAGR – 44% from 2023 to 2030), the decision to enter this service domain is viable and worth pursuing.

Products and Services

- Courier Services (PAN India)
- Drone-based Delivery Services (Hyper Local Delivery Space)

Mission and Vision Statement

- **Mission:** The mission is to offer the fast, affordable and convenient delivery services to consumers.
- **Vision:** The vision is to establish a strong brand in the drone delivery segment. To become a market leader in the delivery segment and evolve into an online marketplace eventually, by using techniques of continuous process improvement and innovation. **The management principle used here is the 'Going Concern' Concept that states that a business should always be seen from a long-term perspective.**

Business Structure

The company aims to provide the consumers with the **convenience and speed** of the Drone-based delivery service in the 'Hyper local space'. The company wants to grab the market share, build brand equity and be the market leader. It wants to build the drone arms such that it would be technically sound from the start, be profitable and eventually capture the drone market.

Its business structure would have four major departments – namely **Marketing, Human Resource, IT/Operations and Finance**. The primary work of drone operations will be done by the IT department. 'Client Success' related work will be taken up by the Marketing department. The HR department has to ensure that qualified, enthusiastic, experienced, customer-centric and loyal personnel are hired by the company so that the best value-addition can take place within the organization and the work culture in the organization is employee friendly. **The management principle used here is the 'Going Concern' Concept that states that a business should always be seen from a long-term perspective.** Furthermore, specialized IT personnel will be required to address the technical specifications, issues, and advancements in the drone system and its related processes. A dedicated marketing team will be hired specifically for the drone-based delivery service line in order to make this business a profitable proposition. The balance would be made between the conventional delivery services of the company the new drone based service. Both having their pros and cons, we have the plan to use both services so that they both would complement each other.

The Business Models followed by the company include – **B2B, B2C**, as well as **C2C**. Various surveys conducted by the company and data from the company's main business suggest that if company provides all the services then it will achieve the break-even point in the minimum time possible. The drone-based delivery services will be offered in all the above-mentioned business models.

Major Objectives of Drone-based Delivery Arm

- To achieve Break-Even within first year of operations
- To grab the market share and establish the brand
- To become a market leader by continuous innovation in processes and products

Master Plan

As the company already has the pan India presence, it has got the expertise in the delivery system. Also it has the sound understanding of this sector. While starting with the business we will start with the metro cities. We have chosen **Pune and Bengaluru** for the same reason. Both cities have the problem of traffic and are major IT and startup hubs. So, it is easy for the company to recruit the skilled manpower and also acquire the high paying consumers working in the IT sector. As per our surveys and information obtained from various authentic sources, Pune and Bengaluru have an average **500000 e-Commerce deliveries each week**. We are aiming for the around **5%** of this market for first year.

Human Resource

The recruitment for the various posts will be done by the HR team. The **competent, qualified and smart** team will be selected. Further the HR team will conduct the **training programs** on regular intervals. HR team will keep the working environment **employee friendly**. Overall the human resource will be offered best working conditions and growth opportunities.

Operations

We are acquiring the **66 drones** which will be equally distributed among the two cities. The operations of the drones will be conducted from the **central control room** in the each city. The central data room and customer support unit will be established in Pune. The IT hub will be responsible for the smooth operations of the drones and will take real time decisions depending on the circumstances. The customers can place their orders through the **app, website or helpline**. The Business Models followed by the company include – **B2B, B2C**, as well as **C2C**. We will be having footprint in all these sectors so as to establish ourselves and to have more revenue streams.

Marketing

The professional marketing team will be hired by the company. We will be primarily **targeting e-commerce platforms** that don't have their own logistics. The marketing will be focused on the small businesses and mom and pop shops also. The **conventional as well as modern modes** to reach the consumers will be used. As per the changing times, more focus will be given on the digital platforms.

Revenues

As per the surveys, about **8%** of those deliveries are Pharmaceutical and other essential deliveries. We are aiming for that sector primarily. But we are also providing the services to other businesses. We are expecting to deliver the 2400 orders per city per day. With the **4800 deliveries per day** with average revenue per order at **Rs 80**, we will have daily income of 3,84,000. Which translates to Rs 1,15,20,000 monthly revenue and **Rs 13,82,40,000 annual** revenue.

Expenditures

With the expansion and purchases of 60 short range and 6 long range drones, building the infrastructure and recruiting the manpower company is expected to have the expenses as follows.

No	Title	Expenditure (Rs)
1	Drones Short Range (60*1.25K)+Long Range(6*400K)	99,00,000
2	Human Resources(Including Salaries)	5,50,00,000
3	Marketing	1,25,00,000
4	Software and other Maintenances	1,00,00,000
5	Miscellaneous	26,00,000
6	Emergency Fund	1,00,00,000
	Total	10,00,00,000

Conclusion

After studying the venture in detail, we can conclude with the current business model we can obtain the revenue to the tune of **Rs.1,15,20,000 per month**. With this we can achieve the break even after the 9th month of operation. We will have the total revenue of **Rs. 13,82,40,000**. That means we have the profit of **Rs. 3,82,40,000**. Even after paying corporate tax with the flat rate of 25% and 12% surcharge because total income being more than 10 Cr, we will pay **Rs.1,41,48,800 as tax** on our total profit. So after a year of successful operation we are expecting **net profit of Rs.2,40,91,200**.

So we can safely say that the drone based 'Hyper local' delivery segment has lot of potential. The company would thrive in the business if all the available resources are used optimally. Also the company would make a lot of profits due to increasing demand. All the departments in the company should work in tandem to make the progress. The key to the success for the company is continuous improvements, retaining the valuable workforce and last but not least satisfy the customer!