



Same-Day Delivery and the Messenger Courier Industry:

A Profile of the Less than 24 Hour Delivery Industry and its Value

The courier industry is an integral part of the American economy, providing transportation of packages, medical supplies, bulk materials and documents among businesses and corporations in the United States and beyond. What distinguishes the expedited courier sector from other components of the delivery supply chain is the emphasis on less than 24 hours, just-in-time delivery of packages based on customer demand. There are roughly seven thousand courier companies that make up this multi-billion dollar sector.

1.1 Profile of the Courier Industry

1.1.1 History

The courier industry has long held an important place in American commerce and been involved in pivotal moments in our nation's history such as westward migration and the gold rush. Wells-Fargo was founded in 1852 and rapidly became the preeminent package delivery company. The company specialized in shipping gold, packages and newspapers throughout the West, making a Wells-Fargo office in every camp and settlement a necessity for commerce and connections to home.

Shortly afterward, the Pony Express was established to move packages more quickly than the traditional method, which followed the stagecoach routes. The success of efficient deliveries on the Pony Express route has been credited with keeping California in the Union during the Civil War. It also illustrated the demand for timely deliveries across the nation, a concept that continued to evolve with the railroads, automobiles and interstate highways and that has emerged into today's courier industry.

1.1.2 Typical Courier Firm

Courier businesses are small businesses and have a long history of positive influence in their communities. Firms typically employ about 25 individuals, who receive good salaries and benefits, and utilize up to three times that many independent owner-operator drivers annually. There are more than seven thousand small businesses that make up the multi-billion dollar same-day courier industry.

1.1.3 Goods Moved

Couriers pick up and deliver important business documents or packages that need to be sent or received quickly either locally, regionally, or nationally. Couriers also deliver items that the customer is unwilling to entrust to other means of delivery because they are either time-sensitive or require specialized individual handling, such as medical supplies, blood, machine parts, and even organs for transplant.

1.1.4 Business Model

The business model for the courier industry is particularly dependent on independent contractors, which are used in addition to its dedicated employee resources. The nature of the industry, with

its on-demand, often unscheduled delivery model, requires a varying number of courier drivers on any given day and time of day to complete a set service.

To meet their customers' demands, courier services contract with competent, ambitious, and responsible individuals on an 'as needed' basis to service their community every day. These independent owner-operators pick up and deliver letters, important business documents or packages that need to be sent or received quickly within a local area. Couriers and messengers also deliver items that the customer is unwilling to entrust to other means of delivery due to its sensitive and fragile nature, such as medical supplies, blood, machine parts, and even organs for transplant. Because these items are transported according to the customer's own timetable and often times these shipments are time sensitive, the owner-operator business model allows courier companies to staff each day of work appropriately.

1.2 Value of the Industry

The existence of the same-day expedited delivery service is vital to the economy and just-in-time nature of the U.S. We have become a nation dependent on last minute delivery and supply. There are very few industry segments that can wait until tomorrow for vital parts and supplies.

1.2.1 Businesses that use couriers

While there are many industries that use courier services, certain industries critically depend on couriers for expedited same-day or less than 24 hours delivery on a daily basis. Biomedical labs and analysis centers use couriers to retrieve and deliver samples for testing and evaluation. The manufacturing industry relies on couriers to distribute parts to keep their plants operating smoothly. Financial institutions must transfer multiple documents every day between branches and processing centers. Law firms must deliver confidential documents on very strict deadlines and use couriers to ensure rapid delivery. Pharmaceutical distributors utilize couriers to transport medications to hospitals and nursing homes daily. These are just a few examples of primary customer market – each courier company, dependent on their expertise and regional needs, has a unique customer market profile.

1.2.2 Importance of 24 hour delivery

Same-day delivery is crucial for time-sensitive materials, such as important electronic parts or medical samples. Due to the critical need, fragility, confidentiality or bulky size of items, these packages cannot be slotted into the existing FedEx or Postal Service delivery times for next day or two day delivery; they must be delivered according to the customer's schedule and specifications. Organs must be delivered in a certain timetable in order to be viable for transplantation, medical specimens delivered for testing can be the most useful to the patient if results are available quickly, and legal documents are often prepared and delivered to the client or judge on unforgiving deadlines.

For these types of goods, courier service is the only form of delivery that does not jeopardize the item delivered or the business involved. Owner-operator drivers are a key part of the same-day delivery practice as they provide the ability for flexible scheduling and ensure a courier will always be available for a customer delivery.

1.2.3 Value of competition in the sector

Courier firms provide an invaluable service because the “big four” (DHL, UPS, FedEx and USPS) in the delivery business simply do not provide same-day delivery services uniquely designed to meet specific individual customer needs. Expedited delivery firms also prevent the big four from having a complete monopoly on deliveries that must be completed in a short period of time. This competition, both among couriers and with the big four, has greatly increased the quality and professionalism of the industry, while also ensuring reasonable rates for customers. These 7,000 plus small businesses also help to keep the pricing competitive and the big four honest. Additionally, the courier industry consists almost entirely of small, locally owned and operated businesses, ensuring that revenue is retained within the community served, rather than siphoned off by a multi-national corporation.

1.3 Safety and Security Procedures

Due to the nature of many of the services the courier industry provides, such as transporting controlled narcotics, publicly traded companies pre-published financial data and blood and organ movements, most independent owner-operator couriers obtain the proper training and abide by chain of custody requirements that ensure the safety and security of every shipment channeled through the same-day pipeline.

1.3.1 Professionalism

Industry surveys indicate that 99 percent of owner-operator drivers are professional drivers. These drivers are also vetted prior to being offered a position. Often times this includes safety and TSA guideline knowledge, geography and even logistics questionnaires to ensure safe practices and compliance with TSA guidelines. Drivers must have a valid operator’s license in good standing with the state of issuance, and comprehensive insurance that is up-to-date. Also, most states require that couriers take training courses prior to becoming a commercial vehicle operator, which means only qualified, safe and committed professionals make the final cut to become contract couriers. The business model works as a self-policing mechanism, where only safe drivers become career employee drivers or contracted owner-operator drivers.

1.3.2 Safety

While our industry is not regulated, per se, by the normal standards of government-instituted regulations, we do meet increasingly rigorous training and safety demands. This can be seen in our 100 percent safety record - to date, there has not been a single incident that compromises our homeland security. The industry primarily accepts billed payments and does 99 percent of their business with shippers that are “known” to them, both of which drastically reduce the ability for an individual to use a courier service to deliver explosives or biochemical agents, since there is a traceable record set by the transaction.

Our customers entrust us with the delivery of extremely fragile and sensitive items and as such, set the security level according to that particular package. A customer recently arranged for independent owner operators to undertake a week of specialized training to prepare for a delivery involving transgenic mice that have the potential to foster breakthroughs in cancer research, whereas a delivery of a simple letter does not demand the same level of commitment and background checks. The marketplace regulations, in addition to our high levels of professionalism, have served as a layered approach to security that has worked exceedingly well.

1.3.3 Technology

Most packages are monitored and tracked via advanced electronic communication devices. Couriers are in communication with dispatchers via two-way electronic devices, such as Nextel phones or Blackberries, to verify locations and status of operations. This communication further ensures that packages and security guidelines are accounted for, reducing the opportunity for tampering or a gap in the security of the supply chain.

1.3.4 Chain of custody

One of the features of the courier industry is that the delivery has a complete chain of custody, which prevents tampering or other malicious or dangerous activities. The employee drivers and contracted owner-operators obtain the package from the customer and typically retain sole control of that package throughout the delivery process, ensuring the package remains intact and unscathed until its arrival.

1.3.5 Known Shippers

Couriers also provide a rush or direct from shipper to consigned service that is conducted on a business-to-business transaction model. As such, nearly 99 percent of businesses requesting deliveries are repeat customers, and “known” to the courier company, have a long-standing relationship with the courier firm and use the same physical locations for their transactions. This further reduces risk and adds a layer of security in the courier delivery supply chain.