

April Article

Shyp: Behind the Packaging of a New Reality

Recently named one of the world's 50 most innovative businesses by Fast Company Magazine, Shyp has been an influential force in completely revamping the entire process by which items are transported across the globe. The startup was founded in 2013 in San Francisco by a trailblazing trio of tech-savvy entrepreneurs: Kevin Gibbon (CEO), Jack Smith and Joshua Scott. The dream is to become "the new global standard in shipping" by stamping out the drudgery of packing, queuing, and cross-checking carrier rates for the best deal. Shyp is fundamentally software-driven, relying heavily on its free iOS/Android application through which customers from San Francisco, New York, Chicago or Los Angeles may solicit its services on-demand. After snapping a photo, a courier is dispatched and guaranteed to arrive within 20 minutes. The objects are then taken to the nearest warehouse and packaged for travel in the most cost-effective way.

Shyp undoubtedly provides a frictionless alternative to shipping goods, but just how financially feasible is its pricing from the consumer's standpoint? Assuming transport rates are to be minimized for each echelon of delivery speeds, the total cost TC in USD will contemplate three components: $TC=5P+I+\min(\text{carrier rates})$. The first one is the USD 5 pickup fee charged per package, the second component is applied depending on the irregularity of the size and fragility of the contents (ranges from USD 0-25) and finally the last

portion is the lowest rate across major carriers of the likes of FedEx, UPS and USPS. In essence, the surcharge for delegating the hassle of packing, standing in line or waiting for an order label is $5P+I$. Considering the prominence of e-commerce and the chaotically filled day many workers face on a daily basis, spending at most USD 30 per package is not only appealing as it saves an appreciable amount of time but also irresistibly tempting as it adds a very scarce resource to current quotidian life: simplicity. From Shyp's perspective, charging shipping retail rates is a win-win situation: clients do not need to pay a premium on top of the carrier prices they would independently face and Shyp can make some revenue off of bulk purchase discounts.

According to CEO Kevin Gibbon, Shyp is not in direct competition with local messenger services. The on-demand shipping company fosters what could be called symbiotic relationships with some of the longstanding carriers like FedEx and UPS. FedEx provides its expertise in both national and international last mile deliveries while Shyp places a steady stream of high-volume purchase orders. In December, a partnership with eBay was announced. The idea is to enable sellers to effortlessly deliver their goods to buyers without the need to pay the USD 5 fee. Although Shyp currently does not compete with the aforementioned carriers, it is not the only app-based firm that offers facilitated shipping services. Two noteworthy

competitors would be Roadie and Shipster. Roadie has the downside of not being able to offer specialized couriers since it hires a willing and conveniently located individual within the vicinity of the order while Shipster is essentially Shyp's younger and smaller brother.

Like all startups, Shyp has seen its fair share of challenges but has been quite successful in overcoming most of them. The privately owned company's main difficulty arose in the Miami market where it was confronted with language barriers set by a large Spanish-speaking community. It has since then withdrawn itself from the city to reassess future viability.

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