

Supporting the Advancement and Resilience of Delivery Partners: How Shadowfax Uses Inclusive Employment Practices to Expand its Business

The COVID-19 pandemic contributed to a rapid rise in e-commerce and delivery services, creating labor supply challenges in many markets. Digital logistics platform Shadowfax offers fast 'hyper-local' delivery of food, pharmaceuticals and e-commerce products by linking self-employed drivers with businesses in more than 2,500+ Indian cities.^{1,2} Shadowfax has grown rapidly since it was launched in 2015, and by using inclusive employment practices it expects to increase its number of delivery partners from 135,000 to over 3.5 million by 2024.³

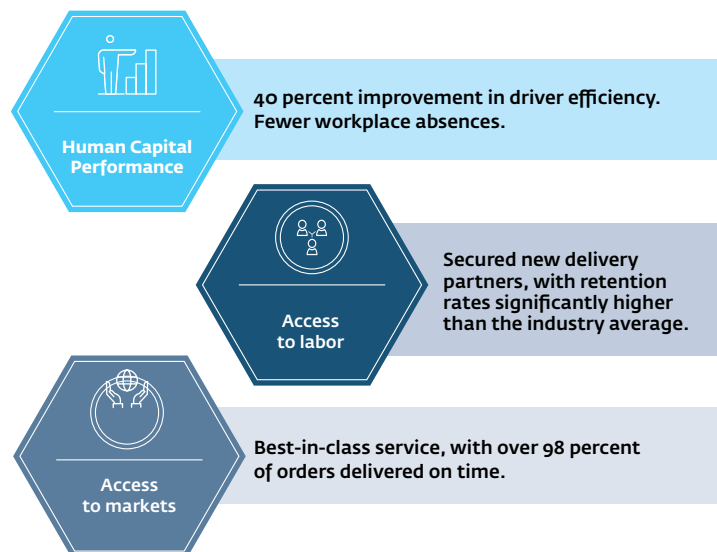


The Challenge

India's delivery sector has grown dramatically in recent years, primarily due to the expansion of e-commerce during the COVID-19 pandemic and this has increased companies' demand for last-mile deliveries. This opened entry-level job opportunities for many workers, including young people, who accounted for 85 percent of India's unemployed in 2021.

However, delivery drivers' earnings are typically low, and they have few opportunities for advancement, and this means turnover is high. Shadowfax needed to recruit and retain drivers so that it could ensure reliable, high-quality service, launch new offerings, and quickly expand to new locations.

Benefits for Business



Inclusive Employment Solutions



Benefits for Workers

Upskilling and training helps Shadowfax's self-employed delivery partners to earn over 20 percent more than those working for its competitors. Medical insurance, access to finance, and basic income support during the COVID-19 crisis supports the well-being and resilience of drivers and their families.



Creating Markets, Creating Opportunities



Industry: Digital platform offering delivery services

Founded: 2015

Size: 135,000 delivery partners in 2,500+ cities across India.

Base of the Pyramid Workforce: Predominantly low-income, low-skilled motorbike delivery workers, with an average age of 28. Shadowfax is generally the primary source of income, but it is also popular with students who work around their studies.



How Shadowfax Puts Inclusive Employment Solutions into Practice



Participation: Target recruitment

Women drivers are underrepresented in the delivery sector, so in October 2021 Shadowfax began a program targeting the recruitment of women. The company conducts outreach to female family members of male delivery partners, and via women who sort parcels in its e-commerce distribution centers. It also conducts an onboarding program dedicated to women. Shadowfax uses an order allocation algorithm that assigns shorter, daytime delivery jobs to female drivers. This makes delivery assignments more attractive and accessible for women, and provides more flexibility to manage care responsibilities. Around 250 female drivers joined Shadowfax in the first three months of its women's recruitment initiative, and now 1,500 women are active on the platform.



Advancement: Upskill

Shadowfax offers its delivery partners tailored training to improve their performance and earnings. This includes online modules to improve overall service quality, as well as targeted training that helps drivers to diversify their skills. The latter enables drivers to perform a variety of delivery types by training them in the specific requirements for the safe transport of food, pharmaceuticals, groceries, and e-commerce items. Delivery partners also benefit from opportunities to refresh their skills or build new ones through in-person, peer-to-peer learning. These skills give drivers higher earning potential and greater resilience to changes in demand for delivery services.

Although incomes vary, Shadowfax reports that its drivers typically earn 20 percent more than those working for its competitors, and half of the company's delivery partners perform more than one type of delivery service per month. Monthly earnings vary significantly, depending on the number and type of jobs undertaken, but on average, delivery partners earn \$0.98 per hour, and they work for around 6.5 hours per day. This means that drivers usually earn more than the statutory minimum wage for most types of work in India.

"We treat our delivery partners as our customers—our whole business model is built on enabling our delivery partners to make money and prosper."

Vijay Pillai, Vice President – Corporate Development, Shadowfax



Resilience: Improve access to benefits

Since 2019, Shadowfax has partnered with the insurance policy provider Acko to offer free medical insurance to all active delivery partners who complete at least five deliveries. This provides \$9,670 in accident and health cover per driver. Insurance improves delivery partners' physical and psychological well-being, and protects them from the financial shock of unexpected medical costs and lost incomes.

During the COVID-19 crisis, the company introduced basic income support of \$6.45 per day for drivers unable to work for 10-15 days after contracting COVID-19, as well as food and essential products for drivers experiencing loss of income. Shadowfax drivers also received free COVID-19 tests and vaccinations.



Resilience: Facilitate access to finance

Shadowfax's partnership with fintech company Refyne enables delivery partners to track their real-time earnings. While drivers are usually paid weekly, this partnership enables drivers to withdraw a portion of their earnings early if they need immediate cash. Refyne uses the driver's work and income record with Shadowfax to determine how much a driver can withdraw, and then this is deducted, interest free, from the driver's future earnings. This flexibility is a significant benefit for delivery partners who often face barriers accessing bank loans due to limited formal employment or credit history. Without the Refyne loan, many drivers would have to rely on a high-interest, short-term loan from a money lender to meet emergency needs.

In the second half of 2021, Shadowfax's partnership with Refyne enabled more than 100 delivery partners to access over \$30,000 in early payments.

The Benefits for Business: Shadowfax's Experience



Access to labor

Shadowfax's offerings to its drivers helped the company to attract and retain delivery partners, and meet rapid growth in demand for delivery services. Shadowfax's total number of registered delivery partners has grown to over 2 million since 2019, when it began offering free medical insurance, and its number of active monthly users doubled to over 100,000 in 2021 alone. The retention rate for delivery partners who have completed over 100 deliveries is an estimated 70 percent, in contrast to high turnover experienced by other platforms.^{4,5} The targeted recruitment of female drivers also allows the company to increase its delivery partner workforce.



Human capital performance

Shadowfax reports that measures to support its delivery partners, such as training to enhance performance and service quality, have resulted in significant productivity gains. In 2021, the company achieved a 40 percent improvement in the efficiency of its delivery partners (orders delivered per hour), which also increased the company's earnings.

Shadowfax's management says the the provision of accident and health insurance has reduced the likelihood of delivery partners needing to take extensive leave due to damage to their vehicle, an injury or illness, or related financial hardships. Similarly, the ability to withdraw a portion of their earnings between paydays has helped to build partners' financial resilience and, thus, reduced work absences due to financial difficulties.



Access to markets

Continuous driver training has helped Shadowfax to achieve 'best-in-class' service quality in the delivery industry, with over 98 percent of orders delivered within the required time frame. Consistent high-quality service helps the company offer a better customer experience and increases client retention. According to Shadowfax's management, the company's high standard of service is a central reason why 23 of India's top 25 digital commerce brands choose to work with Shadowfax.



Endnotes & Sources

¹ “Hyper-local” applies to goods delivered directly from sellers to customers within a small geographic area.

² Shadowfax also offers end-to-end logistics services for some business clients, involving tracked product pick-up, transportation, warehousing, and delivery on behalf of retailers and brands.

³ Shadowfax. n.d. Driving Action, Delivering Impact. Shadowfax website.

<https://www.shadowfax.in/social-impact>

⁴ Pathak, Kalpana and Romita Majumdar. 2020. “Delivery biz sees up to 250% spike in attrition rate”. Hindustan Times. October 12, 2020.

<https://www.hindustantimes.com/business-news/delivery-biz-sees-up-to-250-spike-in-attrition-rate/story-JCl9iyUmFWqt6RIDx4oJK.html>

⁵ Bhattacharyya, Rica. 2022. “Online delivery companies rush to hire women riders amid increasing attrition.” (April 27, 2022). The Economic Times.

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