# SURFLOGH WP 6 BUSINESS MODELS

## Groningen Case Study:
## *Go-Fast Fietskoeriers en Stadslogistiek*

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# CASE STUDY : Groningen, Go-Fast Fietskoeriers en Stadslogistiek

## 1. Introduction/Background

The case study surrounds the establishment and subsequent development of a bicycle logistics provider in the City of Groningen. Peter Rugge is the founder of the start-up company *Go-Fast Fietskoeriers en Stadslogistiek*. At first Go-Fast focussed on providing a bicycle courier service for local businesses in Groningen, offering a safe and sustainable alternative for courier services. During the project however, Go-Fast broaden-out its operation into developing other logistics concepts, both B2B and B2C.

## 2. The City of Groningen

Groningen is the 6th largest city in the Netherlands with 230,000 inhabitants, and also the largest municipality and the economic engine of North Netherlands. Groningen is growing with 20,000 new homes and 15,000 new jobs by 2020. Coping with that growth is an enormous task. Our most important starting point is that we strongly adhere to our compact and healthy city policies. This means we absorb the growth for housing largely in (inner) urban areas and important (large) urban facilities will be provided as much as possible in or near the city centre.

Groningen is a leader when it comes to the most bicycle-friendly city in the Netherlands. The way the city of Groningen is spatially planned tempts everyone living here to cycle instead of drive. As a result, 72% of all journeys within the city limits are undertaken on foot or bicycle. The city centre of Groningen is almost completely car-free. The Groningen municipality has been constructing more and more 'cycling-highways' to make it easier to travel quickly through the city without having to wait for cars or stop at traffic lights.

As a result of declining populations in the rural areas, residents in these locations depend more and more on the city for education, work, leisure and other services. Meanwhile the residents in the city face an increasingly busy city centre. Every day as many people come to the city as live here. Groningen has 140,000 jobs, a growing number of start-up companies and 100,000 pupils and students attending education.

In 2020 Groningen was announced the healthiest city in The Netherlands according to Arcadis, a Dutch civil engineering group who published a ranking of the healthiest cities.

## 3. Policy Framework

In 2014, the municipality of Groningen signed the National Green Deal Zero Emission City Logistics (GD-ZES). We have thus declared ourselves in favour of emission-free city logistics by 2025. Three years later in 2017, the Groningen Urban Logistic Focus Group was established. The Focus Group meets three to four times a year under the chairmanship of the Municipality of Groningen and consists of representatives of the Groningen City Club, Koninklijke Horeca Nederland, market entrepreneurs (CVAH), business associations TLN and Evofenedex, VNO-NCW MKB Noord (SME representative), the University of Groningen and EnergyExpo.

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Together with the Groningen Urban Logistics Focus Group, we drew up and signed the Groningen Sustainable Urban Logistics Covenant in 2018. This sets out how we will work towards a liveable, safe, accessible and attractive city centre, with emission-free city logistics as the ultimate target by 2025.

In March 2021, the plan "Space for Zero-emission City Logistics" was drawn up by the city council of Groningen. The plan contains measures that contribute to the ambitions of a liveable, safe, accessible and attractive city. To this end, we will expand the time frame area for deliveries in 2022, with loading and unloading times being further restricted to between the hours of 5.00am to 12.00 noon. In this way we give pedestrians more space in a larger area at busy times and ensure a more attractive city centre. This expanded time frame area coincides with the zero-emission zone that will start in 2025 and in principle only allows clean trucks and delivery vans.

Current policy rules

- National Framework.

This implementation agenda was signed in February 2021 and provides a uniform framework for Dutch municipalities and the business community to prepare and establish a ZE zone for city logistics in the Netherlands. As such it specifies what municipalities must do to set up a ZE Zone for city logistics. The National Climate Agreement (2019) states that 40 Dutch cities will introduce a Zero Emission Zone (ZE Zone) from 2025. The implementation agenda forms the national framework for the future ZE zone for urban logistics in the city centre of Groningen.

- Current regulated area with time frame (5.00-12.00 hrs) for logistics

- Current exemption policy

The current exemption policy contains 3 categories of exemption.

1. Annual exemption without time limit (CAT1)
2. Yearly exemption with time limit (CAT2)
3. Occasional exemption (CAT3)

City distribution exemptions are granted under the following conditions.

a) if the truck or delivery van is zero-emission powered, or
b) if the applicant demonstrates that distribution cannot take place within the time frame for deliveries. In this case, an exemption is only granted when the distribution takes place with a delivery van.

Future policy rules

- Expanded regulated area with time frame (5.00-12.00 hrs) for logistics by 2022

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- Camera regulation and camera enforcement by 2022

Effective enforcement is an important condition for the expanded regulated zone and the zero-emission zone. ANPR cameras will be installed on the access bridges and roads of the city centre, simultaneously with the expansion of the window times area. The ANPR cameras automatically read all license plates.

- New exemption policy rules by 2022

The aim is to have a strict exemption policy under the motto: "no, unless". We will apply tailor-made solutions for each logistics flow. Exemptions will remain possible for entrepreneurs and carriers who are dependent on logistics traffic outside the window times for their business operations. We only grant these exemptions if there is really no other option. The size of the vehicle will soon play an important role in the conditions for exemptions. This concerns, for example, length and axle load restrictions, (mandatory) driving routes, loading and unloading areas.

- Zero-emission zone for logistics by 2025

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## 4. Go-Fast Fietskoeriers en Stadslogistiek

Go-Fast Fietskoeriers en Stadslogistiek was founded in 2016 by Peter Rugge and has been operational since January 2017. The company now employs seven people and is steadily growing. Go Fast offers a range of bicycle courier and city logistics services with the use of modern transport bicycles (Larry VS Harry Bullitt Cargobike with 400 litre Radical Design Cargobag) and two accompanying trailers: a Surly Bill trailer with 800 litre Radical Design Cargobag and an electrically supported NüWiel e-trailer with 1m3 convoy box.

Go Fast's bicycle services focuses on the first, last and only mile for companies within the city of Groningen as well as a large part of the wider municipality, including the villages of Haren, Hoogkerk and Eelderwolde. This gives clients the opportunity to distribute their product emission-free and enables Go Fast to bundle thin flows and distribute local products. By bundling goods from different parties in one load (up to 150 kilos) and removing the expensive and time-consuming "last mile" for the entrepreneur, costs and time can be saved.

**Surflogh pilot**

In the search for smart city logistics applications, the municipality of Groningen (Urban Development Department) and Go-Fast Fietskoeriers & Stadslogistiek joined forces in the Surflogh Pilot 'Local and Incidental Flows'. Go-Fast bicycle couriers made an inventory of potential stakeholders, in order to connect paying participants and to analyse the work performed. This was with the aim of building on a profitable city logistics service. The Covid-19 pandemic however has had a major impact on this project, because the initial focus on B2B deliveries, shifted much more to B2C deliveries.

**Collaboration with Stadlogistiek hub**

In terms of capacity, the bicycle is quickly at its maximum. A city logistics service will therefore have to use other means such as an electric delivery van to be able to offer a complete package. The restrictions on a bicycle are too constraining when a company needs to be unburdened from logistical issues. Therefore Go Fast has entered into a partnership with Jan de Jong Movers by the name of Stadlogistiek, which serves as a shared hub platform. Both parties now provide delivery services for municipalities and other governmental organisations, hospitals, schools, retailers, printers, designers, brokers, web shops, bakeries and various other catering businesses in and around the city centre. The vision of both entrepreneurs is clear: contribute to a more sustainable logistics in and around the city of Groningen and as such work towards reducing as much as possible transport related pollution in the city centre.

Go-Fast does not work as a subcontractor for other (large) logistics companies. Go-Fast does however have the option of arranging national shipments through its own hub. There are three types of services offered by Go-Fast:

1. The "First mile". Products are transported by bicycle transport from a distributor in the city centre to the Stadlogistiek Hub, where they are collected by an external party for transport to recipients outside Groningen.
2. The "Last mile". An external party brings goods from outside Groningen to the Stadlogistiek Hub. From the hub, the goods are transported by bicycle transport to recipients in the city centre.
3. The "Only mile" Products shipped from a city distributor to a recipient within the city boundaries. This transport only takes place by bicycle.

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Within these three concepts, there is collaboration with different types of companies.

- Collaboration with Stadlogistiek. Thanks to this collaboration, Go-Fast has storage space and transhipment facilities that are carried out by the staff of Jan de Jonge Verhuizingen.
- Collaboration with local entrepreneurs. Local entrepreneurs are important customers for the first-, last- and only mile services.
- Collaboration with national operating retailers. The hub can be used effectively through cooperation with national operating retailers. This ensures that these retailers do not require delivery vans or trucks to drive in the city centre. E-commerce purchases from these retailers can be delivered directly from the Stadslogistiek Hub to the customers' home, which means fewer traffic movements in the city centre.
- Collaboration with (inter) national delivery services. This collaboration ensures that businesses in the city centre can send all shipments via Go-Fast. Local shipments are delivered same-day. The national shipments are picked up by bicycle courier from the city centre and then picked up by the (inter) national delivery service at the Stadlogistiek Hub for further shipment.

Operations have been made easier with the development in the first quarter of 2021 of a customer portal that increases the user-friendliness of the Go Fast services. This creates the possibility to transport the entire outgoing transmission flow zero emission to the hub (a first mile service). Every shipper in the city of Groningen has the opportunity now to have all shipments transported out of the city emission-free. The planning software and method used is not solely restricted to use in Groningen, but can also be used in other cities, hence opening up the possibility for upscaling.

## 5. Critical Elements in the Go-Fast Operation (i.e. the Business model)

Previously outlined in the case study have been the policy context and the key operations underpinning the Stadtlogistieks/Go Fast hub and delivery services. Presented below are some of the key learnings as to the critical factors that lead to a successful commercial operation, i.e. the business model.

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## 5.1 Elkington's Triple Bottom Line (3BL)

This is a common theme coming out of a number of the Surflogh pilots, Elkington's (1999) idea that economic, social and environmental goals need to be pursued simultaneously. In many senses however, Go-Fast is the clearest example: the whole 'success' of the venture is intrinsically tied into all three of these elements, and future prospects dependent upon persuading potential clients to have a similar outlook to business. Nevertheless, whilst bicycle logistics has all these ideals, taken together it does mean that the economic business case comes under pressure. Key individuals' motivations therefore, need to be more than just financial.

## 5.2 Bottom up verses top down

The Groningen pilot provides interesting insights into the bottom up v top down issue (Cowie and Fisken, 2019). The City of Groningen through the Surflogh project initiated and funded the early stages of the pilot in a top down approach, and clearly set the expectations of what was to be achieved by sustainable logistics. This met with only limited success, with the specific initiatives ceasing after the pilot stage. Where real success has been achieved however is with the link up with Stadlogistiek, i.e. beginning to link into existing supply chains (bottom up), which has created new possibilities such as offering storage space and the use of an electric delivery van for larger shipments. This leads directly into partnership working….

## 5.3 Partnership Working

In this case, the partnership between Go Fast and Stadlogistiek is central to the whole operation, with the sharing of warehouse space and the clear sharing/division of responsibilities between larger items being delivered by Stadlogistiek electric van, and smaller items handled by Go Fast. This is also bearing fruit in terms of expanding the business, as it is allowing other business relationships to be developed and hence extending the possibilities of opening up a national delivery service rather than one locally based on Groningen. Such upscaling is key to enhancing the economic viability of such concerns in the medium and longer term.

## 5.4 Localisation of Freight

This is an area that has received very little, if any, attention in the academic literature with reference to green urban logistics. Nevertheless, this was a key component of the Groningen pilot project, certainly in the early stages. Whilst as highlighted that met with only limited success, this does not mean it should be disregarded as a critical element in the Go Fast Operation. It remains one of the cornerstones of the company's approach to business (i.e. the only mile), and with recent developments regarding policy (see later section on future developments) and issues arising out of the Covid-19 situation, is an area that offers great potential.

## 5.5 Policy: Creating Shared Situational Awareness

During the course of the Surflogh project, it has become evident that the commercial success of urban green logistic operators is strongly tied to progressive policy measures in the area of green urban logistics. Nevertheless, Kiba-Janiak (2017b) found that local authorities cannot successfully implement such measures without a high degree of cooperation with other stakeholders, and such cooperation is more likely to be forthcoming where long and meaningful working relationships have been established. What this may tend to suggest therefore, is that a proactive policy requires a high degree of consensus, otherwise what results is conservative policies in urban logistics. Within Groningen, this has been partly overcome with the signing of the Sustainable Urban Logistics Covenant in 2018, which in turn has made signatories more receptive towards the imposition of green logistics

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measures. It has also created what Quak et al (2016) identified as the idea of a shared situational awareness (Kurapati et al, 2012) to the urban freight context, and goes some way to overcoming the often conflicting goals of stakeholders which represent a significant barrier to bringing about any real change (Gammelgaard, 2015).

## 6. Future prospects and current constraints

The city of Groningen is on the eve of major changes. The city centre is becoming more crowded, the number of inhabitants is growing and the number of shipments to both private individuals and companies is significantly increasing due to the rise of the on demand economy. At the same time, the city must remain liveable. The city of Groningen is therefore committed to creating more space for pedestrians and cyclists in the centre and has announced stricter policies for logistics. This means that new ways must be found to supply the city in a smart, clean and safe way. A joint objective is to find a smart emission-free alternative for certain incoming and outgoing transport flows in the city of Groningen.

Go-Fast City Logistics is a unique service in Groningen that is in line with the developments in e-commerce, combined with the current 'support local' trend. This places the company in a very good position to take advantage of some of the opportunities that will open up over the coming years. By making 'same day delivery' the basis, this meets consumer needs and places the service offered at an advantage over regular parcel services. The collaboration with Jan de Jong removals in the Stadlogistiek hub makes the operation more complete and effective. Because Go Fast works entirely with zero emissions, it can be seen to be ahead of its time and very much in line with the future vision of the municipality of Groningen.

## 7. Closing Discussion and Summary

Of all of the Surflogh pilots, the Groningen pilot in many respects most closely resembles the concept of City Logistics. To clarify, city logistics focuses on the inter-dependencies between citizens' welfare, the logistics system and the public administration of urban logistics policies (Cardenas et al 2017). The clear driving force behind this is the National Climate Agreement (2019) that requires 40 Dutch cities to introduce a Zero Emission Zone (ZE Zone) from 2025. This has required the local authority to take a pro-active approach to urban logistics, an area that has traditionally been lacking in public administrations. Nevertheless, experience on the Surflogh project suggests this is still an area for concern, and that freight related knowledge and skills still need to be considerably developed in the public sector. The direct experience from Groningen however would further suggest that the returns from doing so can be considerable i.e. a lot can be achieved.

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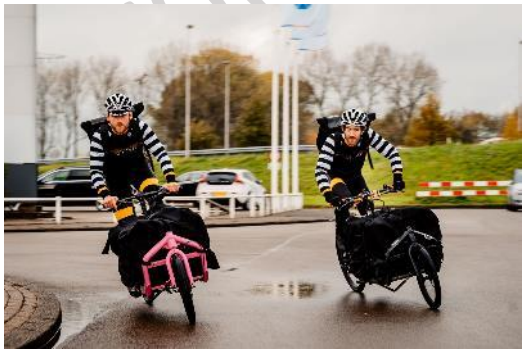
STAD LOGISTIEK



## APPENDIX 1 – SURFLOGH BUSINESS MODEL CANVAS

# SURFLOGH BUSINESS MODEL CANVASS

City pilot: Groningen

Date: 19th Feb 2021

### Value Propositions

**Why should a client use the offered delivery service?**

- Shop owner: contribute to reducing traffic in inner city; good shopping climate. More reliable delivery times. Support other local businesses. Reducing congestion.
- Transport company: saving time (and money!) by not entering the inner city and its small streets with a big truck. Reducing congestion.

**What alternatives do customers have?**

- The current situation is the alternative for the UFC's. Right now the shippers and shop owners/café owners have direct contact. And this situation is hard to compete with, because it is a third party interfering in direct business.
- Entrepreneurs often do not include the time savings, often only the immediately visible costs count for them.

**Does the current value proposition meet customer needs fully?**

- Initially not, because Go Fast could not offer national / international shipments at that time.
- Now there is a complete service package for shops. In addition, there are now offers for shops in collaboration with Stadlogistiek.

**What is the mechanism through which pricing policy is determined?**

- The national companies determine the price that Go Fast must use. Go Fast must be slightly below the national standard, otherwise nobody will switch.
- Collaboration with a national party (Storeshippers) that concludes national contracts. There is a margin for Go Fast per delivery.

**To what extent is price used to manage demand to match capacity?**

- With the price and service level it is hard to compete with the big traditional delivery services. The hub initiatives need to adjust their price level to get business, and still work with a profitable business case. This will only work with a solid customer base.
- Big customers are needed, with many deliveries on one route.

### Customer Segments

**What customers and customer segments are mainly served?**

- Local shops.
- (Inter)National retail chains
- Public institutions (Forum, library etc)
- Subcontractors for local courier services

**Who are the most important customers?**

- Retail chains, Retailers
- Forum Groningen

**Are there any other potential markets in which the current value proposition could be offered?**

- More shops could be connected to the hubs.
- Construction and maintenance companies could start using consolidation and delivery services.
- Introducing return flows for packaging materials again (no business model, happy customers instead)
- Medical transport : medicines from pharmacies, urine samples, blood samples etc.
- Municipal post and courier service

### Customer Relationships

**What kinds of working relationships do customs expect and how does the company maintain these?**

- Reliable deliveries (the right goods at the right time)
- Same day or next day delivery
- No extra costs
- Personal contact and open communication, always avoid surprises

**In terms of the most important customers, what kinds of business relationships are their operating under?**

- Retail chains: it's hard for ruin a viable business
- Distinctiveness through same day delivery, you simply sell more.

**How is the value or benefit that is created for customers communicated to the wider business community?**

- Visits to shops to offer the cargo bike delivery service
- Using local network
- Posts on social media – visibility on LinkedIn
- Contribution of Go Fast to meetings on logistics with shopping street organizations.
- The added value was shown in action for 12 months (cargo bike delivery instead of deliveries by vans. Visibility on the street.

### Channels

**What are the most critical elements in the service provided?**

1. Costs
2. Reliability
3. Flexibility
4. Urburden

**Are the clients the final customer?**

- No.

**What would need to change to allow the current value proposition to be offered in other markets**

- First step is that the hub initiatives talk to other markets, and show what they can offer. The following step would be to find funding to developing and testing new delivery concepts together with some willing companies of these new markets.
- The product must already be there, otherwise customers won't bite
- Awareness, aware of the overarching goal> a clean world and a liveable city.

**Is there an identifiable 'critical mass' in terms of a customer base?**

- Minimum of business for 1 full time job. (40 hrs)

### Key Partners

**Who are the most important business partners? To what extent therefore, would a partner be describe as a 'customer' or as a 'partner'?**

- Stadlogistiek > partner
- Storeshippers > partner
- Bringly > partner
- Rituals > customer
- Local shops > customer
- Forum > customer

**Are all partners viewed as being equally important to the business?**

Yes, keeping relationships good is important. Incidentally, one partner delivers more than another. But they are treated the same.

### Key Activities

**What are the key competences and key activities within the business? How does each contribute to the value proposition?**

Competences:

- Emission free and congestion free deliveries
- First mile, last mile and only mile delivery service by cargo bike for small shops
- Value is added in Green image, local to local economy, same day delivery
- Focus on local image by national retailer

### Policy Perspectives

**What are the main policy documents relating to urban freight in the area concerned?**

Municipal:

- Environmental plan Groningen: The Next City
- City centre plan: Space for you
- Voluntary Agreement on Sustainable Urban Logistics (Covenant)
- Coalition agreement city board
- Draft Plan Zero Emission Urban Logistics: enlarging time window area (2022) and introducing ZE zone (2025)
- Exemption policy time window area (revision in 2021)
- Sustainable procurement policy

National:

- Green Deal ZES (Zero Emission Urban Logistics)
- Climate Agreement
- National Urban Logistics Implementation Agenda

**What current restrictions are in place with regards to deliveries?**

- Time window 5.00 12.00 hrs. for deliveries in main shopping and entertainment area

**In addition to restrictions there are measures to stimulate bundling and ZE and to avoid congestion.**

- Exemption for entering time window area after 12.00 hrs. for bundling goods and zero emission vehicles.
- Vehicles over 3.5T are allowed to drive and load/unload on the bus lane in the city centre to avoid the small streets.

**To what extent does the value proposition (current offering) mitigate against these restrictions?**

- Cargo bikes are allowed to enter the restricted zone.
- ZE vehicles can get a dispensation to enter the restricted zone whole day.

**Are there any revenue streams available under state provisions.**

- The Green Fund subsidies ZE vehicles. Exemption policy are paid from the income from the granted exemptions.
- we cannot recover the costs that we incur from supervision and enforcement. The income from fines for violations go to the national government.

**To what extent is the local authority engaged with the city centre business community/business group/organization??**

The city centre community is organized in two main organizations:

- GCC (shop owner organization)
- Besides that there are about 20 street organizations for the entrepreneurs.

The local authority has good contacts with GCC and KHN, these organizations also signed the local covenant and are in light contact with the municipality about pilot projects and future measures. There are also good contacts with some street organizations to discuss about the (future) logistics measures and the consequences for the (local) entrepreneurs. The shops and cafes have been brought in contact with suppliers and transport companies to discuss about logistics.

### Cost Structure

**What are the main costs and the main cost drivers? How are cost acquired? E.g. overhead v running costs.**

**Main cost drivers:**

- Personnel hour
- Rent location / storage
- Backoffice support for planning routes
- Materials (bikes, boxes, clothes) and maintenance
- Insurance

**Overhead vs running:**

- At first 80 20
- Current 50 50
- Hour rate: pay roll €19,95/hour and independent courier €18/hour

With 50 50 ratio a healthy business case is possible.
There's a potential ratio of 25 75 (in future with more big, steady customers and permanent couriers)

### Revenue Streams

**What are the main sources of income (and does this match with the most important customs**

- Shops pay for the deliveries
- Storeshippers pay for deliveries

**How is the income generated (is there any evidence of the 20/80 rule)? Are there any secondary revenue streams? (e.g. 3PL services)**

- Hard to say if the business case is approaching the 80/20 rule:
- small client base, looking for stable and big clients.
- There is at least one big stable client via Storeshippers, responsible for circa 60 70%.

**To what extent do revenue streams match cost drivers?**

- Fully

**What are the main financial risks in the current revenue model?**

- Not enough (stable) customers
- Hiring personnel (fixed charges)
- The training of new staff, long training period (two to three months), the entry to become a bicycle courier is very high.

### Key Resources

**To what extent are the labour skills that are employed specialized or general? If specialized, how are these skills maintained over time?**

- The couriers need to know how to act/behave with a cargo bike in the city. Cycling skills on cargo bike.
- The couriers need to know the big codes in the city.
- The couriers need to know how to work with planning and routing software.
- The couriers need to work with strict protocols
- The couriers need to know how to communicate with the customers.
- Long application time of approximately 2.3 months. Then maintained by work in action.

**What are the main capital requirements and how do these contribute to the value chain?**

- Costs: Vehicles (cargo bikes / ZE vehicles), Personnel costs, Physical Hub location
- Income: Payment per delivery / parcel, Payment for warehousing goods, Payment for additional services

**IT – tracking systems, interface with partners, how are IT systems managed, and what more could be done?**

Go Fast works with a planning application in which the Storeshippers customers (Rituals) submit their own shipments. The shipments of the local shops are put in this system by the Go Fast courier. The sorting process is done manually, which can be improved by automating the process.

**Profit distribution – where profits are made, to what extent is this paid out as dividend and to what extent is it retained profit?**

- Low profit levels, with all profit being retained in the business; the owner receives a paid salary.