Road

Q&A: Kargo chief business officer George Oliver and chief product officer Peter Novak

Yangon-based startup Kargo was founded in 2016.

The firm's mobile app and dashboards connect truckers directly to firms with freight orders on a platform providing price competition and transparency in an otherwise opaque industry rife with inefficiency.

Logistics operators have high hopes for the app, which has the potential to improve backhaul, link small-scale farmers directly with shipping services and lower logistics costs for companies across Myanmar.

Myanmar Transport Infrastructure Monitor spoke to chief business officer George Oliver and chief product officer Peter Novak about Kargo's growth, incorporating Myanmar trucking slang into UX and how the service is expanding.

You've said previously Kargo's focus is on the smaller trucking operators, why is that?

Most of the Myanmar trucking industry is made up of smaller operators who own a fleet of between three and 20 trucks, although we've met a couple of companies who own up to 100 vehicles.

The smaller guys are far more reliable, and easier to contact directly.

Mostly, they are just sitting by their trucks waiting for a broker to call them with an order.

In these transactions, the broker is taking a 10% cut from the driver side. They aren't connected to the big firms or taking part in tenders.

How easy is it to sign them up?

Our head of trucking goes to the different truck gates and talks to the guys.

The way we sign up drivers is ask what their brokerage fee is, and explain we won't charge them anything – the fee is taken from the customer's side, where there's desperate demand for more trucks.

There's also a learning process for the drivers on how best to utilize their vehicles.

Myanmar has one of the lowest rates of utilization in the region.

So we say, look you're doing a bit of work at this price, but if you cut your price slightly you'd have double the amount of orders and therefore more flow and more money.

Often they're not particularly price sensitive and they want more flow.

We're required to take registration details, license details and a picture of the truck, although we're developing a more rigorous system for checking.

How much of the business is matching foreign firms to local trucking firms?

At the moment our business is 75% B2B and 25% B2C.

Within the B2B component about 50% of it is matching foreign companies with local trucking operators.

Initially it was skewed more toward foreign firms, but now the other half is large joint venture or local firms that are trying to be at the forefront of their industry and understand what we are and what we're offering.

You see Myanmar firms making huge efforts to become more transparent, and Kargo's service allows a business owner to compare different shipping companies, see the different bids and see why his firm is picking this or that company.

All the data is there, if anyone wants to look back at a job and see how many bids there were and who was chosen.

We're now paying everyone through bank transfer so there's no cash involved, and that digitizes a lot of the logistics work for firms.

Has the language barrier been an issue?

We had to translate the app into Myanmar, which we did through a professional translator.

But then the truck drivers had difficulty understanding it because it was written using very officious Myanmar language.

So our local staff worked with the drivers to make a Myanmar trucker app, which uses terms that the guys in the trucking industry use for different things. So the whole UX is designed for them.

Are there difficulties handling problems during orders, for example drivers getting lost or clients not being there?

Right now we handle things 50% online and 50% manually over the phone.

Sure, there might be an issue with a driver going to the wrong gate, or the gate is locked.

What we're doing now is building our own address system for Myanmar.

At the moment we get given addresses that simply say it's X road, no. X, but the road can be kilometers long.

So as soon as we get the right spot we add the exact geo-location of that address the system.

It's almost creating a shadow address system for Myanmar and every journey we complete makes it stronger.

How many clients do you have placing orders?

We have eight main core clients who've been very helpful.

They see the problems in the logistics industry and that it's slowing down business and stopping them from growing as fast as they could be.

Working with firms that we already have a relationship with means they can help us design the system as we go along.

There's hundreds of things we can improve, making it more user friendly, for instance, or

improving the graphics. So it's very important have feedback from early adopters.

We're now building out a pipeline of customers that include big international logistics companies.

But you don't want to go to one of the largest global firms in an industry and then not be totally ready.

We've got 550 trucks, and we probably use half of them regularly.
You need to be very careful about taking the correct number of orders. Right now we are conservative, we tell clients, this is what we can do, and we can progress in stages.

Can you give an example of how the service has expanded?

Users can start putting batch orders in. Many of them work off an excel spreadsheet of logistics jobs, so the idea is that they can give that to us and upload it.

Then rather than doing it order by order they can post 50 orders in the morning and there will be a separate round of bidding for each order.

Right now we're doing batches of around four because we want to provide a proper bidding service for each, and we want four or five suppliers bidding for each order. But we'd like to get to the 50 stage.

With a batch of four we can guarantee we have enough truckers that are active enough and that's the real key, to have enough truckers to ensure consistent and reliable pricing.

The next thing is answering truckers request to see how much they lost the bid by, so they can better know their market.

It's an easy thing to do, because we have all the data and the more time goes by the richer

and more accurate the data set will be.

How competitive is the pricing on Kargo?
We undercut most suppliers. At the beginning we might be a tiny bit more expensive, because we need to gain the trust of the fleet we're building.

Also, truckers are used to quoting prices based on a broker taking 10%, and so it takes an adjustment for them to quote in an environment where no-one is charging them anything.

Are any of the truckers you use international firms?

We're signing up the international trucking firms now, and some of those guys have high-tech vehicles, such as refrigerated "reefer" trucks.

We have helped ship mangos for clients during season, but the international truckers are a bit more expensive.

However, as we grow our client base to include more sophisticated clients we'll then be able to create fleet to service them.

Right now there's no point in signing on every truck in Myanmar but not sending them business.

How many of the orders are Yangon based?

Most of our jobs are in Yangon, and we've just started orders from Yangon to Mandalay.

The plan is Yangon, and then the Yangon – Mandalay route, which is around 70% of the logistics market, then Mandalay – Muse followed by Yangon down to the Thai border.

After that it's the routes from Mandalay to smaller destinations. We've already done Yangon up to Taunggyi taking rice and machinery.

Could you give us an idea of the number of orders a month and the value of those orders?

We have about 120-150 orders a month.

For B2C it's about K30,000 per truck in transactions and for B2B it's quite variable.

We have K100,000 to K150,000 per truck, but for the orders from Yangon to Mandalay that's at K27,000 a tonne.

So as the Yangon-Mandalay business grows and we take bigger and bigger loads the monthly figure for B2B is going to rise.

A lot of the logistics operators are hopeful Kargo can help secure backhaul on routes where right now a lot of trucks are coming back empty, is that possible?

We already have clients that are driving empty trucks past each other on the Yangon – Mandalay highway, and [offering backhaul] is somewhere we'd be really competitive.

But the technology behind that is quite complex, because you need to know where the truck is when it's up there, and have live bidding with enough flow.

The worst thing you can have is for someone to log on and the app crashes or doesn't work.

We only have one or two chances to make a mistake and we haven't used those yet, so it's something we'll build to.

What other challenges are you dealing with?

One issue is that there's no way to buy cargo-in-transit insurance.

You have to rely on a trucking supplier reimbursing you if something happens to your shipment en route, which they do usually do.

But for big loads companies understand that they take that on the chin.

What we're working on with domestic and international-standard insurers is a standard written policy for cargo insurance up to $100,000, which we'll offer to customers booking an order through Kargo.

We're hoping to introduce that in the next few months.

The next big jump after that is to create a Kargo group policy for our truckers, who already have 3rd party insurance but that doesn't insure them fully.

For example, it doesn't provide business interruption insurance if a truck breaks or something else happens.

In markets like the US you've had city officials endorse similar apps, is there hope of government support for Kargo?

We planning to go up to Nay Pyi Taw to make introductions.

The regional head of Uber, has been a great help. Uber was invited into this market and they've really blazed a path that's allowed us to exist.

What are the plans for later on in Kargo's development?

The next thing is how to make our drivers' lives easier and help grow their businesses, because without a strong Myanmar trucking industry we can provide a real fleet service.

Part of that is truck financing. There's no system of analyzing creditworthiness here right now, but if you have a truck fleet owner with 40 orders a day you can show that he has a flow of orders, and that can help him access financing, hire purchase and leasing.

Another example is servicing, working towards a system where you fulfill a certain number of orders and get perks, such as a free brake

service.

For the B2C service ultimately we want small-scale farmers to be able to access the service and cut out the layers of middle-men and get their goods shipped themselves.

But it will be a while before we're there.