

YouthActionNet®

CASE STUDY SERIES

Torpedo Mensajeros:

Envíos rápidos, confiables y 100% sustentables.

A partnership between:



GEORGETOWN UNIVERSITY

School of Foreign Service
Global Human Development Program



Introduction

This is one of a series of case studies produced by students enrolled in the Global Human Development Program at Georgetown University through its partnership with the International Youth Foundation. Students enrolled in a course exploring the role of social enterprises and social entrepreneurs were paired with young leaders of social ventures identified through the IYF's YouthActionNet® program. The students were given the assignment of analyzing the venture's assets, successful methodologies, and opportunities for investment to increase impact. Through this experiential learning process, the student consultants gained hands-on experience and exposure to the needs of social enterprises. The ventures, too, benefited from student insights into their strengths, areas for growth, and recommendations for enhancing their impact and sustainability. The Georgetown practicum is part of YouthActionNet's larger efforts to partner with institutions of higher learning around the globe to integrate social change into the academic experience and career interests of students.

International Youth Foundation

The International Youth Foundation (IYF) invests in the extraordinary potential of young people. Founded in 1990, IYF builds and maintains a worldwide community of businesses, governments, and civil society organizations committed to empowering youth to be healthy, productive, and engaged citizens. IYF programs are catalysts of change that help young people obtain a quality education, gain employability skills, make healthy choices, and improve their communities.

www.iyfn.net

YouthActionNet®

Since 2001, YouthActionNet, a program of the International Youth Foundation, has provided founders of social ventures, ages 18 to 29, with the training, networking, coaching, funding, and advocacy opportunities they need to strengthen and scale their impact. These young social entrepreneurs have pioneered innovative solutions to critical local and global challenges, resulting in increased civic engagement, improved health, education reform, economic opportunity, environmental protection, and more inclusive societies. Our work is carried out through a network of 23 national and regional youth leadership institutes that collectively support over 1,350 young social entrepreneurs globally.

www.youthactionnet.org

Global Human Development Program at Georgetown University

The Global Human Development Program of Georgetown University is home to one of the world's premier master's degree programs in international development. An innovative, academically rigorous skills-based graduate program, the Master of Global Human Development degree prepares the next generation of development professionals to work with public sector agencies, private businesses, and non-profit organizations that advance development. Through coursework, extracurricular activity, and practical fieldwork experiences, our graduates develop the insights, skills, and experiences necessary to become leaders in development and make a difference in our global community.

<https://ghd.georgetown.edu>

INTRODUCTION

Meet Ricardo Escobar, founder of Torpedo Mensajeros

A website designer by trade, Ricardo Escobar spent nearly a decade working with a Silicon Valley-based design and marketing company. He was known as ‘MacGyver’ due to his affinity for adapting to every aspect of the business, and he was soon responsible for handling Chilean operations from website design and marketing strategy to office administration and business development. However, something was missing. He felt stifled – a lack of creative agency and stimulation generated an urge to do something tangible that contributed real value. Simultaneously, he was driven by the desire to create a better country for his 7-year-old daughter to grow up in – to improve the congested roads and polluted skies that surrounded him in Santiago.



In 2015, Escobar travelled to Europe where he was inspired by the proliferation of successful eco-driven enterprises. Building on his existing love of cycling, he arrived at the idea of establishing a bicycle courier company in Chile. He returned home and founded Torpedo Mensajeros (“Torpedo Couriers”) in April of the same year. Living up to his reputation for resourcefulness, he singlehandedly powered the organization through the first six months of operation, managing client development, invoicing, and delivery. Escobar’s passion and commitment to the project led a close friend to provide him with seed funding in December 2015, allowing Torpedo to truly establish its roots through legal registration and the procurement of office space, invoicing software and cargo bike attachments.

Torpedo Mensajeros is clearing up Chile’s roads...and its skies

The Problem

Chile is facing a rapidly escalating environmental challenge in the form of air pollution. Santiago, in particular, is regularly ranked among the worst cities in the world with respect to air quality, smog and traffic congestion.¹ In 2015, the situation deteriorated to such an extent that the government declared an environmental emergency in the city and its surrounding metropolitan area, marking the first time that such an extreme measure was put in place since 1999.² The consequences extend beyond grave environmental concerns – air pollution also has severe negative impacts on health, productivity and well-being. According to UNEP estimates, air pollution costs Chile’s health sector over \$670 million annually. It is also directly associated with at least 127,000 emergency health consultations and over 4,000 premature deaths due to respiratory illness in the country.³

¹ <https://hbr.org/2014/01/chiles-attempt-to-reduce-traffic-congestion-meets-the-law-of-unintended-consequences>

² <http://time.com/3930737/santiago-air-pollution-emergency/>

³ <http://www.ccacoalition.org/en/blog/chile-takes-action-air-pollution>

Simultaneously, Chile is confronting the pervasive issue of high youth unemployment rates. Young people represent one of the largest sub-sections of unemployed individuals overall. According to World Bank and OECD data, Chile's youth unemployment rate in 2017 was 17.4%, nearly three times the overall unemployment rate of 6.9% for the entire population.⁴ Persistent youth unemployment can have debilitating effects on both individual socio-economic mobility as well as the overall long-term growth potential of a country. Further, a large percentage of the youth that do have work are employed through the informal sector, often lacking job satisfaction, benefits and social security rights, leaving them vulnerable and prone to shocks.

The Solution

Torpedo Mensajeros is a sustainable bicycle courier service aimed at simultaneously reducing traffic congestion and averting carbon emissions while providing fair, engaging, and sustainable employment avenues for Chilean youth. To achieve these goals, the organization leverages the following three key pillars:

- *Client satisfaction:* Externally, Torpedo's operations are hyper focused on ensuring maximum efficiency in service delivery. The organization invests significantly in building tight-knit relationships with their clients through customized service offerings, personalized client communication and engagement, and client investment in the mission of their organization.
- *Care for messengers:* Messengers form the crux of Torpedo's operating model, and ensuring their health and well-being is critical priority for the organization. In addition to offering living wages, insurance coverage, and flexible working hours, Torpedo works towards creating a supportive and engaging environment where employees are well-rested and invested in the success of the company and its mission.
- *Environmental sustainability:* Environmental sustainability is at the core of all of Torpedo's activities. In addition to the pollution-reducing effects of replacing motorbikes, cars or trucks with bicycles for logistics and delivery, the organization intentionally uses only environmentally-friendly products and materials in its packaging and bicycle care products.

“This job makes me feel like a valuable piece of the new social machinery we’re trying to create. I’ve never worked at a place where care for the people is so high.”

Eduardo Barrera, Bike Messenger at Torpedo Mensajeros

⁴ <https://data.oecd.org/unemp/unemployment-rate.htm#indicator-chart>



3 Key Pillars



CARE FOR MESSENGERS

- Living wage
- Flexible working hours
- Priority to health, engagement, safety and investment of messengers

CLIENT SATISFACTION

- Close tight-knit relationships
- Customized service offerings
- Clients' investment in the mission
- Personal touch



ENVIRONMENT

- Awareness on environmental sustainability
- Use of environmentally-friendly products in bike-care and packaging

OPERATIONAL MODEL

Structure

Torpedo Mensajeros is a micro for-profit social enterprise, employing eight employees in total (in addition to Escobar). The company has one full-time employee who provides support to day-to-day operations, client management, and deliveries, as well as seven part-time bike messengers. Torpedo has a relatively flat management structure, with Escobar heading client acquisitions, relationship management, logistics, and administrative duties.

Torpedo's sole revenue source derives from package delivery. As of 2018, the organization has a base of 143 clients, 85 to 95 percent of which are recurring customers. Micro enterprises and small businesses constitute a large percentage of the company's clients, comprising 36 percent and 38 percent of Torpedo's client list, respectively. Sixteen percent of client organizations are medium-sized enterprises, while nine percent are large establishments.

Torpedo employs a tiered pricing structure that determines the delivery price based on the distance and the delivery type requested (these include express 2-hour delivery, same day, next day, and fixed hour delivery packages). This pricing strategy allows Torpedo Mensajeros to achieve a 50% profit margin on each delivery. From the profits generated, 70 percent are allocated to the bike messenger, while the remaining 30 percent is divided into two portions – one that covers overhead costs and another that is reinvested into the business. The organization is currently operating a little below its break-even point: while the business is currently earning enough to cover its wage and operating costs, Escobar does not yet receive compensation for his work.

Accountability/Governance

Torpedo's governance structures and processes are currently centralized through Escobar. Owing to its relatively small scale and flat management structure, all employees report and are accountable to Escobar. It is worth noting that while a friend of Escobar provided seed funding in return for a 15 percent equity in the business, the day-to-day operations and management decisions lie solely with Escobar.

Torpedo is also highly accountable to its clients since (i) the majority of its revenues stem from repeat clients and (ii) a large proportion of its new clients are introduced to its services through word-of-mouth and recommendations from current and former clients. As a result, the organization places a high priority on ensuring client satisfaction through on-time delivery, consistent communication, and efficient payment mechanisms.

Ways of Working

Torpedo Mensajeros does not currently have a formal set of processes that dictate work. Escobar is crucial to the success of the organization, responsible for operational decisions, resource allocation, and performance reviews.

The secret sauce of the venture—what sets it up for both success and sustainability—is in being able to harness the team's shared love of cycling to achieve the company's social vision. Torpedo goes a long way to ensure that its messengers do not lose their passion for cycling. It does not allow messengers to work more than five hours a day, four times a week, otherwise, as Escobar notes, “[cycling] will just feel like work.” To compensate for these reduced hours, Torpedo ensures that its

messengers are well compensated – bike messengers for Torpedo Mensajeros currently earn twice the hourly minimum wage in Chile.

Safety is also a primary concern for the organization. To ensure their protection, newly hired messengers are required to attend road safety training sessions held either by Escobar or another experienced employee. This initial safety training is supplemented with a guidebook on safety procedures as well as monthly follow-up sessions. Torpedo also pays for full insurance coverage for each of its messengers and employees.

KEY ASSETS & SUCCESSFUL METHODOLOGIES

Entrepreneur

Ricardo Escobar is the heart of Torpedo Mensajeros, and one of its strongest assets – since its inception in 2015, the organization has learned, transformed, and grown as a result of his commitment, leadership, and passion. The organization exists due to his ability to identify an existing gap in the market and his courage to risk everything in pursuit of his vision. Through the ups and downs of Torpedo’s evolution, Escobar has led by example, and has demonstrated that he is willing to do whatever it takes to sustain the business and realize its social and environmental mission.

Escobar’s belief in the values underlying Torpedo’s three key pillars sets the tone for the entire organization. This emphasis has created a culture where employees feel valued, motivated to perform, and part of a larger movement. It has also generated solid and lasting client relationships based on communication, trust, and quality. Escobar has a firm and ambitious vision for the long-term growth and scale of the organization, while maintaining a clear and nuanced understanding of the potential challenges and constraints involved in getting there. His direction, drive, and influence are essential components of Torpedo’s service model.

Environment

Since environmental sustainability is a core part of both its mission and operating procedures, Torpedo Mensajeros is well positioned to leverage the broader shift towards environmentally friendly policies, programs, and initiatives in Chile. In an attempt to address its growing environmental challenges, Chile has implemented several initiatives at the national and local levels aimed at reducing emissions and mobilizing citizens toward mitigating the effects of air pollution. For example, between 2014 and 2016, the government introduced a number of policies aimed at pollution reduction, including a vehicle emissions tax and a tax relief for imports of environmentally friendly vehicles.⁵ At the municipal level, Santiago initiated the Santiago Respira campaign aimed at decreasing emissions of particulate matter by 60 percent⁶.

By aligning itself with these programs, Torpedo could potentially increase its visibility, develop meaningful partnerships with private and public-sector stakeholders, and access new sources of funding. With the introduction of simple environmental impact metrics (e.g. the carbon emissions avoided with each Torpedo delivery), the organization can boost marketing efforts, brand recognition, and client acquisition, particularly of larger multinational clients with ESG screening

⁵ <http://breathelife2030.org/breathelifecity/santiago-chile/>

⁶ santiagoospira.gob.cl/

mandates. As the organization continues to grow and scale, its environmental focus could allow it to tap into carbon finance programs to fund its expansion efforts.

Efficiency

A key asset of the company lies in the efficiency gains it can offer clients by ensuring that packages arrive on time. While traditional delivery companies still dominate the logistics and delivery industry in Chile, their use of cars and trucks for package delivery, combined with the problem of road congestion in Santiago (ranked tenth in the world in terms of rush hour traffic⁷), often results in delayed package arrival. Torpedo Mensajeros' use of bikes allows it to circumvent traffic and deliver packages on time to its clients.

Further, while there are currently companies in Chile that use motorbikes to deliver packages, this further exacerbates the carbon emissions and air pollution that the country is aiming to alleviate. Moreover, messengers at these rival organizations are often tasked with motorbike maintenance, which tends to be expensive. Torpedo's provision of cycles allows its messengers to retain the entirety of the income they earn.

Torpedo Mensajeros' bike delivery system is not only cost-efficient for both the company and its bike messengers, but also a sustainable, environmentally-friendly alternative to both traditional delivery companies and motorbike delivery systems.

CONCLUSION

In 2018, Torpedo Mensajeros stands at a crossroads. Weathering several growing pains, the organization expanded steadily through 2016-17 (at times achieving monthly sales growth rates of up to 20%) and has formed a strong base of recurring clients. However, it faces uncertainty regarding future financing channels to further scale and sustain its operating model. Despite these unknowns, there are several markers that indicate Torpedo's significant potential for future growth and impact. The organization's proven track record of delivering high-quality and efficient services with high levels of customer satisfaction, as well as its distinct messaging and differentiated value proposition compared to its immediate competitors offer a strong proof of concept regarding the viability of its operating model. The planned inclusion of electric cargo bikes will significantly expand both Torpedo's existing delivery radius as well as its bulk cargo weight capacity, allowing the organization to target new and larger customer segments. Finally, the potential to leverage current macro-trends towards emission reduction and environmental sustainability in Chile presents a huge opportunity for Torpedo to scale its operations and magnify its impact.

⁷ <http://money.cnn.com/2017/02/20/autos/traffic-rush-hour-cities/index.html>

FURTHER INFORMATION ABOUT TORPEDO MENSAJEROS

- [Torpedo Mensajeros Website](#)
- [Torpedo Mensajeros Facebook Page](#)
- Twitter: [@torpedochile](#)
- [Torpedo Mensajeros LinkedIn Page](#)
- [YouthActionNet Fellow Profile of Ricardo Escobar](#)
- Blog: <http://www.torpedomensajeros.cl/blog/>
- YouTube Channel: <https://www.youtube.com/channel/UCAI9p7XtnEJdtqrEkqVssfg>

AUTHORS

Francine Claire Fernandez
Master's Candidate, Global Human Development Program
School of Foreign Service, Georgetown University
ff250@georgetown.edu

Gayatri Pillai
Master's Candidate, Global Human Development Program
School of Foreign Service, Georgetown University
gp503@georgetown.edu

Made possible by:



LAUREATE
INTERNATIONAL
UNIVERSITIES®