

## **Mumbai's Dabbawala Lunch Delivery System Offers an Intriguing New Distribution Model for Life Insurance Companies**

Mumbai, like most large cities, attracts a large number of people from the surrounding communities looking for work. Back in the 1890s there were no fast food restaurants or diners, so if workers didn't bring their lunches to work with them they would have to go hungry. Mahadeo Havaji Bacche, an entrepreneurial visionary from North Maharashtra, decided to start a lunch delivery service utilizing some of the unemployed youths from neighboring villages. His idea was to pick up the lunches at each of the worker's homes, deliver them to their jobs, and then return the lunch boxes back to their homes to be re-used the next day. The delivery boys were called "dabbawalas" which literally means "the carriers" because of the tin lunch boxes used by the workers.

If this seems incredibly labor intensive it's because it is. However, what is truly remarkable is that the dabbawala service is still utilized today in its traditional form, serving over 130,000 lunches per day delivered by a team of 5,000 dabbawalas. Most of the dabbawalas are illiterate and many don't even speak the same language. Using only bicycles and trains, a cryptic coding system that is painted on the can lids to identify addresses, and an inspiring dedication to results, this service has not only survived but thrived.

An excellent article in "The Edge" by Emily Tan in January 2011

<http://www.theedgemaalaysia.com/sports/181274-what-harvard-is-learning-from-the-mumbai-dabbawalas.html> provides a comprehensive overview of the dabbawala system, beginning with the remarkable fact that they caught the attention of Forbes magazine in 1998 when it was discovered that the dabbawalas qualified for a "Six Sigma rating of 99.999999, which means less than one out of every six million deliveries goes amiss." The Forbes article triggered a barrage of documentaries and profiles all touting their remarkable achievements. "Academic interest in the dabbawalas continues unabated. The Harvard Business School recently introduced its case study titled 'The Dabbawala System: On-Time Delivery, Every Time' as part of its MBA curriculum."

How do they do it? Logistically, the dabbawalas rely on a series of transfers with one group picking up the lunch tins around 9:00 AM and delivering them for sorting at a train station around 10:00. Another group of Dabbawalas board the trains for delivery throughout the city around lunch time. They are retrieved later that afternoon and the process is reversed for the return home. However, strategically there are a number of interesting factors that contribute to the dabbawala's success.

According to Stefan Thomke, co-author of the Harvard case study, "initially (we) assumed that the secret was in the operating system, in the way the Dabbawalas managed material and information flows. But it turns out, much of their success can be attributed to their human resource system – the way they hire, develop, manage, and reward people. It's an organization built around people, not around technology. It is very different from the organizations that our students study every day. It challenges their assumptions about the drivers of performance. The Dabbawala system works because of its people not because of technology or sophisticated management."

Even more revealing is an observation by Gerry Powers, managing director for TNT Malaysia, a global document and freight delivery company that employs over 75,000 people operating 26,000 road vehicles and 47 aircraft in 200 countries. Powers confessed to being both humbled and inspired by a

presentation by Manish Tripathi, founder and chairman of the Dabbawala foundation. “Technology is a wonderful thing, but sometimes I do wonder if we overcomplicate things. We have to remember that we are basically a people business and should not let bureaucracy make us difficult to deal with in any way. If you take care of your people, they will drive the service, drive the growth and benefit the customers. So if my employees are not happy, I am nothing”.

The dabbawala system has been analyzed by much brighter minds than mine so I won't repeat what has already been written. Interested scholarly types can read numerous articles that cite the dabbawalas as a prime example of management guru Michael Porter's Five Forces Theory.

<http://www.rediff.com/getahead/2006/jan/25dabba.htm>

On the other hand, there are some interesting parallels to the insurance industry that are too good to ignore.

Let's start with our own industry's more than century old delivery system. Remember debit insurance and those captive agents who went door to door collecting premiums every month? Although this used to be the mainstay for virtually every life insurance company, most companies have abandoned this approach for being too expensive, too difficult to grow, and unprofitable. Everyone seems to have moved “upscale” to more middle market consumers and traditional products and distribution, leaving this lucrative and ignored market to a few stubbornly persistent debit companies.

There are excellent reasons why so few debit companies remain today, but the most compelling is because the use of manpower to physically perform duties that can be done more accurately and cheaply using technology makes no sense, especially when that manpower is put to better use selling new products.

Yet given this logic, one has to ask why the dabbawala system still exists today. Certainly the reasons that justified its creation are no longer valid: there are plenty of hot lunch alternatives available to office workers in Mumbai and plenty of alternative delivery methods thanks to the internet.

Part of the answer lies in the dabbawalas' own resistance to change. This also helps explain why the system has persisted as well as why it hasn't grown as much as it could have. For example, if you want to take advantage of the dabbawala service you either have to ask a friend to tell their dabbawala or else you can track down a dabbawala and ask him yourself. An English website was created [www.mydabbawala.com](http://www.mydabbawala.com) to allow people to request lectures on the dabbawala system but you still can't sign up for their service on-line. Their only advertising is word of mouth. There was an initiative to generate additional revenues by having the dabbawalas distribute corporate fliers or samples along with their lunch deliveries but their schedules were so tight that even a minor deviation threw everything off. Even the obvious benefits of connecting dabbawalas by cell phone have been met with resistance.

A resigned Manish observes that “in some ways they are right. It's the dabbawala himself and his commitment that matters, not the technology or qualifications”.

Anyone who has managed a captive field force has most likely dealt with similar resistance to change.

Yet there is an upside to the dabbawalas stubbornness that isn't as prevalent in our industry. They are extremely proud of their profession and garner a lot of respect from the community. In fact, they are all required to wear a Gandhi cap as a universal means of identification in the crowded rail stations and

streets of Mumbai. According to Manish, “everyone recognizes the white Gandhi hat worn by the dabbawalas and they respect us for the work we do. They also know not to stand in our way.”

They are so committed to performing their duties that their operational motto is “error is horror” and they intentionally employ redundant workers to ensure that they have adequate backup in response to the inevitable unforeseen delays. In one famous example, Prince Charles requested to meet with the dabbawalas in 2003. In response to his invitation the dabbawalas replied: “Dear Prince Charles, we are unable to meet with you at your hotel as we will be delivering tiffins. However, if you will come to the train station at 10:00 AM we will be sorting the tiffins and will be able to meet with you then.”

Prince Charles ultimately met them at the train station as they requested.

This is the sort of dedication and commitment that we all aspire to achieve both in our home offices as well as with our distribution. For more insight into how this dabbawala culture has evolved in this manner it’s helpful to understand more about the way their system is structured.

“The Harvard case study notes that when the dabbawala organization first started, one dabbawala would be in charge of an area and would hire 15 to 20 delivery boys. But in 1983, the dabbawalas moved to an owner-partner system based on a profit-sharing model. Each area is now run by groups of about 25 members who manage their own finances, customers and operational activities.

“Each dabbawala is capable of collecting up to 20 dabbas a day – but this is the maximum. Usually in a group, each dabbawala will collect less so that if a dabbawala is sick the others can compensate. New dabbawalas are hired only to replace a member or when there are too many new customers in an area.

“Turnover for the dabbawalas is nearly non-existent. If a dabbawala wants to leave, he has to find someone else to take his place. New members are recruited only from the 30 or so villages around Pune; many are relatives or friends.

“If someone wants to become a dabbawala, he will be on probation for six months on a salary. After which, if he wants to be a member and the others accept him, he will have to invest 10 times the expected monthly income in the group’s business.” After that, rather than pay a salary, every single dabbawala is a shareholder and receives an equal share of the income.

It’s noteworthy that despite resisting all efforts to change for more than 100 years, the single dramatic transformation in the organization involved changing the way their representatives were compensated and incented. In fact, their original method bears a close resemblance to the life industry’s agency distribution model.

This point can’t be overemphasized. The dabbawala system defies all conventional rules of execution yet achieves an effectiveness that is beyond the reach of even the most sophisticated organizations. Their entire system is built upon a foundation of tradition that defiantly resists any new technology or change initiatives. The fundamental problem that the dabbawala system was intended to solve no longer exists yet their business continues to thrive. In fact, after all these years, the *only* significant change the dabbawalas have put in place was to move from a regional representative model to an owner-partner system.

Crazy– but it’s hard to argue with results. It’s worth considering the possibility that a similar cooperative approach to life insurance sales could work under certain circumstances, despite the fact that it runs counter to everything our current sales process is based upon.

But consider what we’ve achieved with our current approach. High first year commissions and low renewals reward sales rather than service. Our aging field force confirms that the next generation is not particularly tempted by whatever we’re currently offering. In fact, recent research indicates that Generation Y looks at work as a chance to do some good more than an opportunity to make a lot of money. The internet and social media offer alternative distribution channels that could continue to erode traditional sales. And a significant portion of the population knows they need more life insurance, yet only a small percentage will ultimately buy more this year – and while most of them prefer buying their insurance from a representative, they feel more confused about insurance *after* meeting with an agent than they did before!

Again – it’s hard to argue with results.

One final contribution to the dabbawala’s success is their unity. According to Manish, “the dabbawalas’ homogeneity is one of their strengths. We are all one family. We eat together and we pray together.” This sense of community has emerged without monetary incentives, slick technology, nurturing work environments, or a culture of creativity or innovation. Instead, by fostering an environment of ownership, dignity, and responsibility – coincidentally, the very qualities that are necessary for a life insurance sale to occur in the first place – the dabbawalas have been able to unite and ignite their “members’” passion to achieve. Perhaps there is some truth in Dan Pink’s theories about what motivates people? [http://www.loma.org/content/public/documents/lic/licarticle\\_sep10.pdf#zoom=100](http://www.loma.org/content/public/documents/lic/licarticle_sep10.pdf#zoom=100)

It’s no wonder the dabbawalas have inspired millions of business executives from around the globe. The combination of a culture of commitment combined with their incredibly accurate execution makes a compelling story. However, the dabbawala system isn’t universally applicable. In fact, it only works in Mumbai due to the city’s extensive rail system. In the same way, adopting a cooperative approach to life insurance distribution is unlikely to replace our current process, although it could certainly enhance it. However, the recent success of companies still incorporating the traditional debit distribution model makes a case for looking towards our past for answers to our future. Ironically, the dabbawala system offers the best of both worlds – a fresh new approach to sales that relies upon a system that has been unchanged for many years.

There may be no such thing as a free lunch, but the dabbawala system is arguably the most efficient means we’ll get to having it delivered.