

An Overview of Courier Industry and Challenges in Last Mile Delivery

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ABSTRACT

In India, Courier Industry has evolved itself over the years. Starting from the mid-1980's to now in the 21st century – the customer now has more faith on a Courier Company than on India Post. A Courier Company has a critical role to play in the Supply Chain Management of any organization which is involved in distribution of products, raw material, semi-finished, finished goods across the globe or within India. This paper is an attempt to share the challenge and change which is being experienced in the Courier Industry in the Last Mile especially in last 5-10 years

Key Words: Courier Industry, Supply Chain Management, Innovation, Last Mile, Pick-up and Delivery, OTM, Drone's, Delivery Boy, Consignee.

INTRODUCTION:

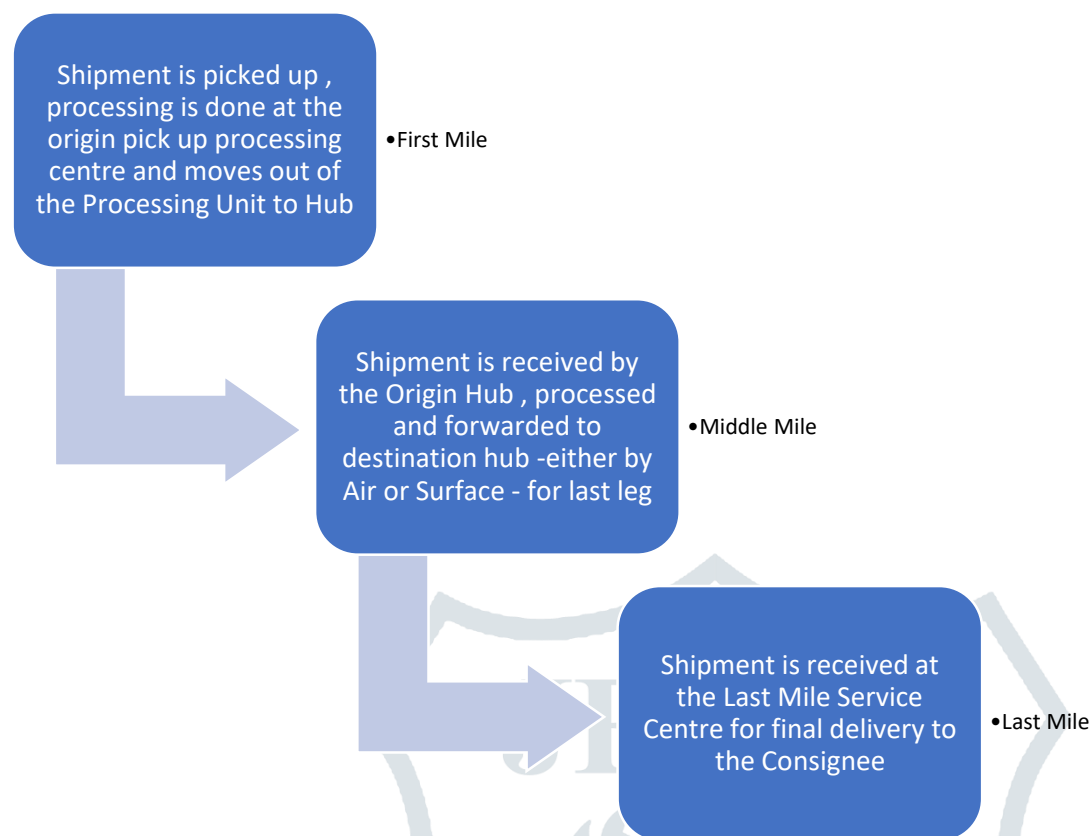
Last Mile is a term used in Courier Industry, Supply Chain Logistics and Transportation Management. Last Mile effectively means delivery boy or material moving for final destination/end customer from the last Hub.

The term "**Last mile**" has been adopted from the telecommunications industry which faced difficulty connecting individual homes to the main telecommunications network. Similarly, in supply chain management last mile describes the difficulty in transporting people and packages from hubs to final destinations. "**LAST MILE**" has become the buzz word in the Courier Industry as there is a tectonic shift in the way Courier Industry operated especially with the business shift from B2B to B2C after the e-commerce companies like Flipkart, Amazon, Snap Deal etc. setting their businesses in India. Traditional Courier Companies like Blue Dart, DTDC, On Dot Couriers, Track on etc. and Surface Express Cargo companies like Safex, Gati, Blue Dart etc. are facing a challenge in ensuring the consignee experiences highest customer satisfaction in the Last Mile.

Some challenges of last mile delivery include minimizing cost, ensuring transparency, increasing efficiency, and improving infrastructure.

Last Mile Challenge is faced both with the B2B as well as B2C segment of Courier shipments, E-commerce parcels booked online and Surface Express material. This is the last leg of the life cycle where the material/shipment is finally handed over to the intended consignee/customer

Graphically represented, Last Mile is understood as below:



In reference of last mile in the Courier Industry – there has been huge change in the way the Industry operates now from the time of arrival of the concept of Courier's in India in the 1980's.

Courier Companies are supposed to offer **Reliability, Speed, Safety, Ontime Delivery** as the buzz word for improved Service Level and better Customer Experience. **Door to Door Pickup & Delivery, Customer Service to handle any escalation, Proof of Delivery** and **Online tracking** are the features which were not experienced before by the consumer when the only option they had was India Post. Not only India but entire Globe is in the reach of the Indian Consumer through these Private Courier Companies.

1. Issues and Challenges (Indian Context)

Indian Courier Express Industry is expected to grow at 17% CAGR and is expected to be a 22000-crore industry by FY 2022. The Express Industry is classified in two parts – Surface Transportation and Air Express.

Blue Dart Express Limited, DTDC are the Air Express service providers, **GATI, SAFEX, SPOT ON, V-Trans** are the major players in the Surface segment who had set up the shop in early 80's-90. There have been some disruptions in the Air Express Industry where established Express Courier Companies like **Elbee**

Express, First Flight Courier Limited, Blaze Flash, Overnite Express and Surface Express Companies like **Pronto, First Wheels** have shut down or on the verge of closure.

Last Mile Delivery is the biggest challenge which most of the companies are experiencing now

There is a significant transformation happening in the Express Industry with the arrival of e-Commerce companies like Amazon, Flipkart and Snap Deal.

And with Zomato and Swiggy coming in the Food Delivery business there is altogether a new challenge being faced by the Courier Companies in the Last Mile. We would understand these challenges as below:

- **Manpower Availability:** In the late 1980's till about end of 90's – graduate would walk up for a job and join as a delivery staff – working up the way in the Organization on sheer hard work. Job Opportunity availability was less as dependency was only on Government Jobs (Banks, Railways etc.) and private sector was not much explored. However now, entry level at the delivery staff has got multiple job opportunity even in Private Sector. With Malls coming – a youngster prefers working in a relaxed sophisticated atmosphere in a Mall rather than slogging in the field –summer,rain, winter etc.
- **Multiple Last Mile Delivery Operator's:** In 1990's - It was only the Courier Companies which looked for the delivery staff –having a bike or two wheeler. Now Pizza Delivery Companies (like Pizza Hut, Domino's) and Food Delivery Companies like Zomato, Swiggy have the same Last Mile Delivery business model. Options have multiplied.
- **Flexible Working Hours:**In the Courier industry, there is a discipline on to the reporting of staff i.e delivery staff has to report to the office – work hours stretch between 9-11 hours to earn the basic salary as per the state government laws. However in Zomato and Swiggy - the delivery staff has the option and flexibility of reporting. The staff reports at around 1130 hrs to 1200 hrs – works during the peak lunch hours to about till 1600 hrs and goes back home. Comes back at around 1930 hrs and works till 2300-0000 hrs. Earning depends on the effort the individual is making i.e. more the staff makes a stretch, more does he stands to earn. This thing is not possible in Courier Last Mile as the B2B business model does not give such a flexibility. Most of the customer's (consignee) would be waiting for their shipments and would want an early morning delivery.
- **High Attrition:** When the Courier Industry started in India – there was not much of opportunity available in the private sector. Globalization impact was yet to be seen and felt. People looked and wanted to join a Private company which could give a comfort of security and long lasting career. However, today the world has become a global village with opportunities available at the entry level across industry. The employee have got the tendency to look for newer opportunity and leave the existing employer even when the growth offering would be just 10% from the current salary base. Risk taking appetite is more in the current generation as against what was there even some year's back. High attrition leads to high impact on the Last Mile of the courier company as they have to recruit fresh talent (who may not necessarily have the experience) – train him on the company standards and processes. Till the vacuum is filled – challenge remains in the company

- **Changing Socio-Economic Culture:** In India, earlier we had a concept of Joint family where in family was big – and there were multiple people at home. With Nuclear families becoming a norm and women also going to work in most of the Metro and Tier 1 cities – last mile delivery is facing a different challenge. Since the family is small and both husband & wife are working – there is no one at home to receive the shipments between the normal working hours of 0830 hrs to 1930 hrs. How to get the shipment delivered before 0830 hrs or have the delivery done after 1930 hrs is a major challenge being faced by most of the Last Mile Delivery Manager's
- **Seasonal Spike's:** This is a trend which has started getting highlighted in the last 3-5 years. E-commerce giants like Amazon, Flipkart, and Snap Deal have festival sales from Raksha Bandhan to Deepawali. Load factor generated and which will come for delivery is dependent on projections. Courier Companies starts building on additional manpower for the festival season. However in real terms – spikes are uncontrollable and load volume is such that the Courier companies despite the additional manpower hired are unable to manage the Last Mile Delivery. The failure is much more visible in Last Mile as Customer Complaints increase due to all purchases done on internet are primarily for festival celebrations. Absenteeism also increases in the Courier Companies as the staff also take leave/remain absent to celebrate the festivals. Thus the Service Level gets impacted two way – increase in load volume which is beyond the manageable capacity and absenteeism of the delivery staff leading to major Last Mile Delivery impacted negatively.

The established players are feeling the challenge and heat and are being forced to act differently and ensure new processes are put in place to ensure Last Mile Delivery Challenge is minimized to the maximum.

New Method of Last Mile Delivery:

Companies need to have a solution to the Last Mile challenge and work out ways and means to ensure customer expectations are met , delivery is done as per the commitment and **Trust & Reliability** factor is maintained. In today's world – customer is the King. Service Quality is of utmost importance – which ensures the survival of the Organization in the long run. Traditional way of dependence on the Delivery Boy is not going to help in the long run, hence solutions are being found.

Some of these are given as below:

- Pack Stations or Parcel Locker
- Kiryana Store
- Drone's
- Flexible Delivery Time
- Parcel Shop
- Adhoc Agent's
- Delivery Girl(s)

Pack Station or Parcel Locker is a western concept now gaining ground in India. This mode of Last Mile delivery is more useful for B2C - as the shipment is meant for an individual customer who would be away on job during the day time. Parcel Station is kept in a strategic location in a high dense population area, is easy accessible 24*7 and consignee can come and take shipment on its own. Parcel Locker can be installed even a major Metro Stations or near Malls for ease of the customer

Kiryana Store is another new option being explored by the courier companies for improving the Last Mile Delivery Performance and ensuring there is less dependence on delivery boy. Under this model – Courier Company ties up with a famous Kiryana Store of a locality which has high foot fall and has the manpower to do the Door to Door delivery of their own grocery. Courier Company hands over the load to the Kiryana Store owner and then the delivery of Last Mile is attempted, thereby reducing the dependence on delivery staff hiring

Delivery Girl's is a new concept and breaching of the border where by it was thought that only Male / Boys could be hired as a Delivery Staff. Reducing the dependence on Male Staff has given the opportunity to the Courier Companies to have an alternate on Last Mile. Since 1980's – delivery was synonymous with Boy/Male. But as is said that in adversity we find solutions, Girls going for delivery is a major solution in the Last Mile.

Flexible Delivery Time is now the need of the hour with the change in the Socio-Economic cultural aspect of the country. Hence Courier Companies – with the intent to improve the Last Mile Delivery experience have started early morning and late evening delivery, Sunday and holiday delivery. This is more for B2C deliveries of e-commerce which are residential deliveries and consignee would not be available at home during the normal day time

Drones are still in the evolution stage and trials are being done by MNC's like FedEx and UPS in USA and UK. In India, this concept has still to take shape as it involves high technological investment and also security clearances. If the current set of companies like Blue Dart, DTDC, E-kart, ATS etc. - which are in the Courier business do not explore this opportunity of delivery through Drone's and dependence remains only on delivery through manpower resources, they will continue to face challenge in Last Mile Delivery and would be outpaced by some new entrant who would come with new thought process and investment in technology.

It will not be any surprise if in some years from now we find Drone's reaching our doorstep for delivery in Last Mile.

2. Conclusion

Courier Industry was established in India in the mid-80. Since the inception, Courier Companies had a competition only from India Post. Customer had a new, refreshing experience where pick up was being done from Door, there was delivery commitment given, tracking was provided, delivery was done at the consignee door and Proof of delivery was given as confirmation. This was in complete contrast to the way India Post operated where people had to be in queue, there was no time guaranteed delivery time and no confirmation if the consignee had received the post or not.

However, with time each Industry evolves itself. And with E-commerce companies setting up business in India, there is a complete shift in how the business is operated and **Last Mile Delivery** has become a *buzzword*.

B2C delivery is for residential areas – which is a challenge as residences are found closed, couples are working and no one is there to accept the shipment where as in B2B- we had more of business delivery to be done within business hours of 0930 to 1800 hrs .

Innovation and technological development would be the key to improved Last Mile Delivery experience by investing money on drones, parcel stations etc. Dependence only on Manpower would impact negatively and may be a hindrance in smooth Last Mile Experience.

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