



INNOVATION AND MARKETING PRACTICES- SUPPLY CHAIN MANAGEMENT

Indian courier industry and Innovation- its antecedents, understanding customer expectation and future expectations

AUTHOR: SANJEET WALIA: Having 28 years+ multi-functional experience in the Indian courier and logistics Industry with expertise in channel management, operations, sales and revenue management. An individual with a go-getter approach and with a mindset of believing the only certain point of life it being uncertain.

(Research Scholar-JNU/RS/2020/MGT035),

B. Com (Honours): University of Jodhpur

M. Com: University of Jodhpur

PG Diploma in Business Management: Symbiosis Institute of Business Management

Research Guide: DR. PARVEEN CHAUHAN

HOD- FACULTY OF MANAGEMENT AND COMMERCE, JAGAN NATH UNIVERSITY, NCR,
HARYANA.

Place: New Delhi (India)

Grant Information: This is a personal work done self by the author with no grant what so ever being received in completion of this paper.

ABSTRACT

India was a closed economy till the phase of liberalization started in 1991 which allowed business access to individual owners and set up private companies. Postal was one such industry which was under the control of Government. Starting from the mid-1980's to now in the 21st century – the customer now has more belief 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. Time, Speed, Transparency, Reliability is what the customer expects from a courier. This paper is an attempt to share the Innovation's which have been taking place in the Courier Industry in India over the past 30 years and if the “innovation” acts as a differentiator for future. Primary survey through google webform questionnaire was used to have a customer perspective

Key Words: Courier Industry, Supply Chain Management, Innovation, Last Mile, Drone's, Parcel Locker, Digitalization

1. INTRODUCTION:

What do we understand by Innovation? For a layman it would mean something new – which could be by way of a new product, goods or services

Innovation comes from the Latin *innovationem*, noun of action from *innovare*. The Etymology Dictionary further explains *innovare* as dating back to 1540 and stemming from the Latin *innovatus*, pp. of *innovare* “to renew or change,” from in- “into” + *novus* “new (*source internet*)

According to Merriam Webster, the word Innovation is defined as “the introduction of something new”. As a second definition Merriam Webster says Innovation is “a new idea, method, or device: NOVELTY”

Jay Fraser in his article “Etymology of Innovation” (*source Internet*) has reinforced the fact that, Innovation differs from improvement in that innovation refers to the notion of doing something different rather than doing the same thing better. We can therefore conclude that an innovation may be something that is evolutionary without ever being something new.

Peter Drucker puts “Innovation is the specific function of entrepreneurship, whether in an existing business, a public service institution, or a new venture started by a lone individual in the family kitchen. It is the means by which the entrepreneur either creates new wealth-producing resources or endows existing resources with enhanced potential for creating wealth.

Schumpeter, Joseph A. explains Innovation as the “carrying out of new combinations” that include “the introduction of new goods, new methods of production, the opening of new markets, the conquest of new sources of supply and the carrying out of a new organization of any industry”.

Everett Rogers, defines innovation as “An idea, practice, or object that is perceived as new by an individual or other unit of adoption”

According to Kanter, innovation includes original invention and creative use and defines innovation as a generation, admission and realization of new ideas, products, services and processes.

Multiple definitions on Innovation bring out the common factors which can be related to innovation – original, novelty factor or being new. Some scholars have taken improvement in processes, product and technology also as part of innovation.

In reference of Innovations in the Indian Courier Industry – there has been significant change which each one of us would have felt and also observed.

If one sees through the prism of history, courier existed even in the ancient Indian civilisation – where harkara and dhoots used to travel across kingdoms taking the message of the Royal Courts and Kings for their neighbouring kingdoms.

Arrival of *Private Courier Companies* in India in the late 1980's itself was an **Innovation**- something new to offer by way of Services as till then the only choice Indian consumer had was of India Post. Set up by the Britishers between 1764 to 1766, India Post started services between Madras, Kolkatta and Mumbai to handle the business communications of the East India Company.

Have we not experienced going to Post Office, standing in a queue for purchase of a **POST CARD** or **INLAND LETTER** and then being put in the **Letter Box** so as to send it, which would take 7-10 days to reach its destination with no confirmation of delivery, acknowledgement or receipt of the letter by the intended consignee/receiver? This was the experience of Individual Customer.

As per the data available on web – **India Post covers 19100 + Pin Codes** in India through its Post Offices. Being a Government Organization, it is easy for India Post to spread its geographic wings on its own as the social welfare factor comes into play. Indian Post operates through an approximate count of 154,965 post offices (data as of 31/03/2017), of which 139,067(89.74%) are in rural areas and 15,898 (10.25%) are in urban areas.

As per information available on the website (www.indiapost.gov.in) - At the time of independence, there were 23,344 Post Offices, which were primarily in urban areas. The network has registered a seven-fold growth since Independence, with the focus of this expansion primarily in rural areas. On an average, a Post Office serves an area of 21.56 Sq. Km and population of 7753 people.

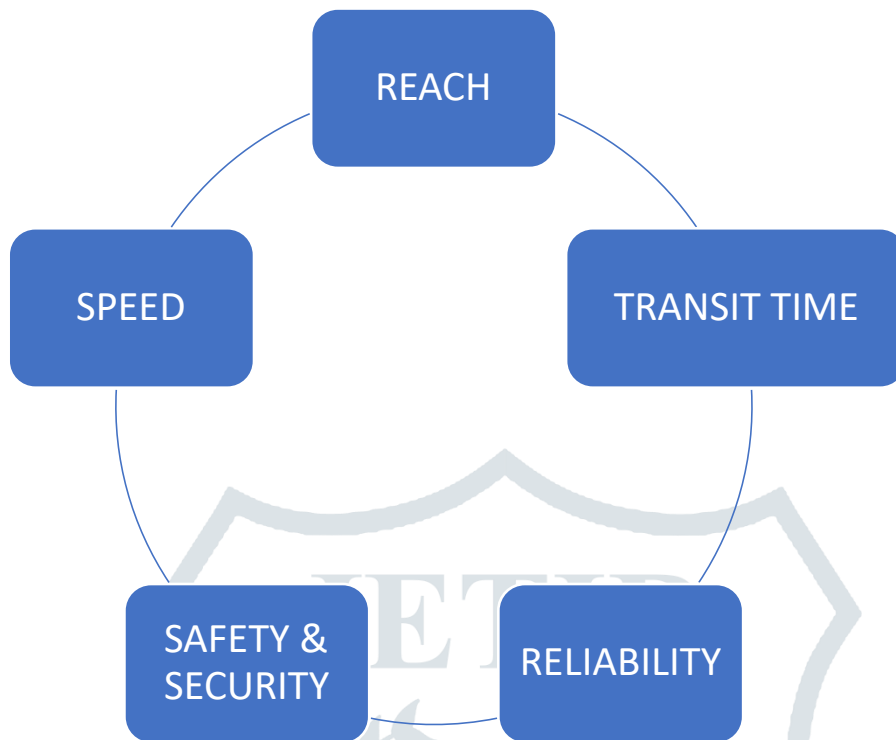
With such a vast network and reach across the country, why was India Post not able to leverage its strength? Indian economy was opening up, new businesses were being set up across industry like telecommunications, transportation, entertainment, pharmaceuticals etc. Infrastructure upgradation happened with production increasing due to set up of new factories in new locations and states. Government- central as well as state came up with new incentives of tax holiday. Yet this opportunity was not correlated with business opportunity by India Post. How did the opening up of the economy lead to business expansion of private courier entities but India Post was unable to take advantage? The answer lies in as simple words – lack of innovation by way of leadership approach as well as work flow process implementation.

For those in businesses and small traders there was the **local angadiya**- where movement of high value goods and critical letter's, cheques, drafts and even Cash happened on good faith. **Angadiya** service was especially used by diamond merchants of Surat. However, there was no organized set-up or player which could cater to the requirements of Indian business and Industry. Connect with the foreign world was almost negligible. Mode of communication was limited to connectivity through the landline where network was limited and mostly the spread was only in major cities and tier one towns. Urgent communication used to be happening through tele-grams.

1990's brought about a change with the gradual opening of the economy and India opting for the "globalization" came the change – way of doing business and communication underwent a sea change – with the advent of Indian Courier Companies in the Air Express segment like Skypak, First Flight Courier Limited, Blue Dart Express Limited, Blaze Flash Couriers Private Limited, Overnight Express etc. and entry of multinational's like TNT India, DHL, Aramex, UPS etc. in mid/late 1990's. In the Surface Express the foundation was set up by GATI and SAFEX – and these two players continue to dominate the Surface segment but with new additions of Blue Dart Express Limited and Spot-on

These Private Courier Companies brought in **Reliability, Speed, Safety, On time 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** were 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 was in the reach of the Indian Consumer through these Private Courier Companies. Understanding the requirements under changed business dynamics and catering to the customer expectations through innovative, aggressive business-oriented customer centric approach paid dividends to these private players and they had the market share shift happening from India Post.

Courier Industry has been built on the below fundamentals:

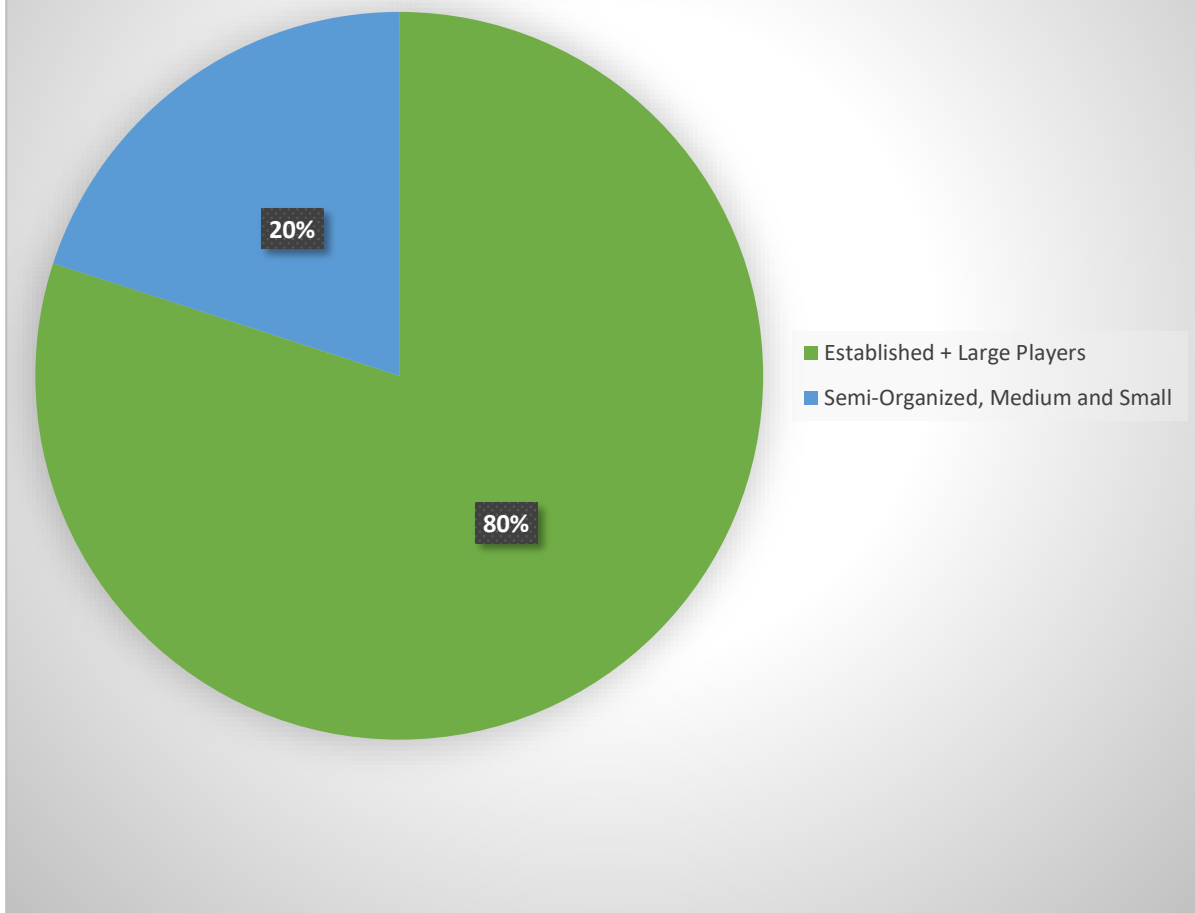


Come 2020 – and despite the high entry cost of setting up the network across the length and breadth of the country which acts as a barrier, there has been a major transformation in the industry with new players setting up the shop, old established players falling down the wayside not able to sustain and continue due to increasing cost pressures, unable to cope with the changing dynamics of the industry.

2. Issues and Challenges (Indian Context)

Indian Express Industry is one of the fastest upward growth bound market globally yet the share of Indian Express industry is less than 2% of the total global market. This industry grew at 15% CAGR over the past 5 years and was estimated to be INR 22000 cr in FY17 and continuing with the same projected growth calculation it is estimated to be around INR 44000 crore by FY'22. Despite the challenges of Covid-19, the Indian express industry showed signs of continued growth for the simple reason that there was a significantly higher movement of health and safety related items like masks, sanitizers, PPE kits, oxygen concentrators etc. followed by the fact that the lockdown ensured people moved to online shopping for essential purchases.

Indian Express Industry- Revenue Share Split



Source: Deloitte Analysis: Indian express industry-2018. Indian Express Market = INR 22,000 crore

Blue Dart Express Limited, DTDC are the only two major Air Express courier service providers from the 1990's which continue to lead. **GATI, SAFEX, BLUE DART, SPOT ON, V-Trans** are the major players in the Surface segment who had set up the shop in early 80's-90's. 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. This primarily is due to the fact that these companies did not view *INNOVATION* as part of the futuristic growth plan.

Customer's – SME, large corporate houses, trader's or individuals have the similar expectations. Want reach to the remote corners of India, price has to be low, speed is the essence with 100% tracking from the point of pickup till delivery. Business shift has happened from being a movement of B2B to now B2C. Industry which started in mid-1980's with moving documents like important official communication, cheque books, hard copy of share application forms, blueprints, high-value cheques and drafts etc. experienced a challenge with e-mail making its mark, the banking industry also coming in with concept of RTGS and NEFT which minimised the high value cheque and draft movement across cities within India, share trading moving towards the demat concept leading to zero movement of share applications forms. Industry-both Air as well as Surface- which was largely

B2B and business revenue generation was from Auto, Pharma, IT, Reality saw a tectonic transformation with Mobile Manufacturers and Banking & Financial Service Industry leading the path of giving thrust to the revenue generation for the courier industry as India experienced the power of plastic money and credit/debit cards becoming a normal.

Last mile delivery which was limited to distributor, dealer's, sub-agents, corporate offices had to adjust to making delivery across residential colonies, apartments and society of individual household where came in the challenge of address being accurate or not, in some locations same address for multiple houses, and in tier 2 , tier 3 towns the address was completely missing.

Further significant transformation happened in the Express Industry with the arrival of e-Commerce companies like Amazon, Flipkart and Snap Deal. Introduction of GST has further led to Courier Companies work with a new mind set.

Easy internet and data availability and its spread to the remotest corner of India has led to a shake up within the Express Industry with technological and digitalization a key for survival for any player in the industry. New start-ups like Delhivery, E-Com Express, Rivigo have further acted as a major disruptor for the established players to work on development of the technological advancement and offering new solutions to the consumer.

The established players are feeling the challenge and heat and are being forced to move the path of bringing in new technologies and compete with these start-ups who have been the disruptor and changed the way of doing business. Businesses which were set up early in the 1980's will have hindrances and obstacle in today's world if **Innovation** is not part of the Managements' vision. Companies which do not keep pace and do not imbibe **Change, resist innovation as part of the Culture** are surely to be outpaced by data driven, technologically paced new start-ups where every leg -First Mile to Last Mile has technological input's as the Key Driver rather than the traditional way of doing business.

Such has been the drive to achieve Customer Satisfaction that Express Companies are going to the extent of **geo-fencing** the address of the receiver/consignee. This aspect holds true primarily for B2C business where a customer has ordered a shipment through mobile on any of the E-Commerce Network like Amazon, Flip Kart etc. Not a factor to the western and developed world , since India is developing on the infrastructure, cities are expanding and we have locations where locating an address can be a challenge due to "unregulated kachi colony/haphazard house address of the location" – geo fencing effectively means while doing the delivery for the First Time – the delivery boy will ensure that he updates nearby prominent place/mark so that when the order is repeated by the same customer next time, the house is easier to locate and order is not returned by way of "address not found/address not locatable". This kind of approach to Last Mile and have enhanced Customer Experience with lesser return of the shipment making the shipper as well as the receiver as satisfied lot -was not even imagined even till five-six years ago.

How did BLUE DART become an unchallenged market leader in the Indian domestic courier segment? Its founders had the far vision and were bold enough to adapt to newer practices, invest on the Flying Birds (own Aircrafts) and then sustain it.

On the other hand, there were me-too approach -follow the leader action of bringing in their own aircrafts by Elbee and First Flight Couriers. Both of them suffered huge losses and ultimately had to wind off. As stated earlier in the paper, Schumpeter, Joseph A had explained Innovation as the "carrying out of new combinations" that include "the introduction of new goods, new methods of production, the opening of new markets, the conquest of new sources of supply and the carrying out of a new organization of any industry". Blue Dart set the example and benchmark for the Industry which remains unconquered and unchallenged till date as no other Courier company has been able to establish the Aviation wing of its own and rely on private commercial aircraft for connections.

Technological Changes and “NOVELTY” – New Method of doing the same



In the First Mile – till few years back the concept was of pick up staff going to the field and cutting manual consignment note, bringing it to the office, doing data entry to ensure the customer started having a visibility of the shipment – now the process has evolved where data is transferred by the shipper online to the Courier Company and has pre-printed bar coded airway bill pasted in the shipment , the pickup staff reaches the shipper with a OTM (On the Move handheld device) , does the scan at the shipper’s door and real time update is available to the shipper as well as the consignee on the status of the shipment pickup time.

In the Middle Mile – Easy availability of cheap labour and technological advancement a high-cost area, Indian courier organizations did not invest on the upgradation and adopting newer technologies. Result – dependency on primitive methods, not moving with time led to extinction of well-established players from the industry competition map.

Lot changed post 2010 – once the B2C segment start evolving and new start-ups flushed with venture capitalist funding disrupted the existing pattern and started setting new rules of the game forcing the established players to work and adapt newer methods. On a primary survey done with existing employees, manager’s and industry experts Delhivery and E-com Express have installed 20+ auto sorter, Blue Dart has 10 and DTDC has 6.

In the Last Mile age old industry practice was delivery being done on manual run-sheet and sign/stamp/date being taken at the delivery end and then once the delivery staff came back to the office, delivery updation used to be done in the office by office-based supervisor. There was a lag time from the point of actual delivery to the time of updation which could be anywhere from 2 to 6 hours. However, this shifted to delivery now being done through On the Move device (OTM) where signature is taken on a mobile device and real time up-dation happen. Shipper need not chase the customer service desk for days to get a confirmation of the delivery date and time as the status is getting updated real time.

To summarise, Indian courier industry even today is highly dependent on human being. From the time of pickup till the time of delivery entire chain is dependent on the human factor which leads to multiple errors and dilution in service level with respect to the customer expectation. Any organization which brings in efficiency on the “human” factor, improves on the technological control, eliminates risk to the maximum, streamlines process through innovative steps will be way ahead of the competition.

3. Methodology

A 20 days online survey was undertaken from 1st January to 20th January 2022, to have a view of what the consumers expectations are of the necessity of innovation in the Indian express courier industry. The statements designed were based on the Likert rating scale. Multiple questions were put to the respondents who were targeted randomly by me through the online survey method. Due to the pandemic impact, face to face meetings and survey mechanism have given way to the online survey method which itself is an innovation in the field of research data collection.

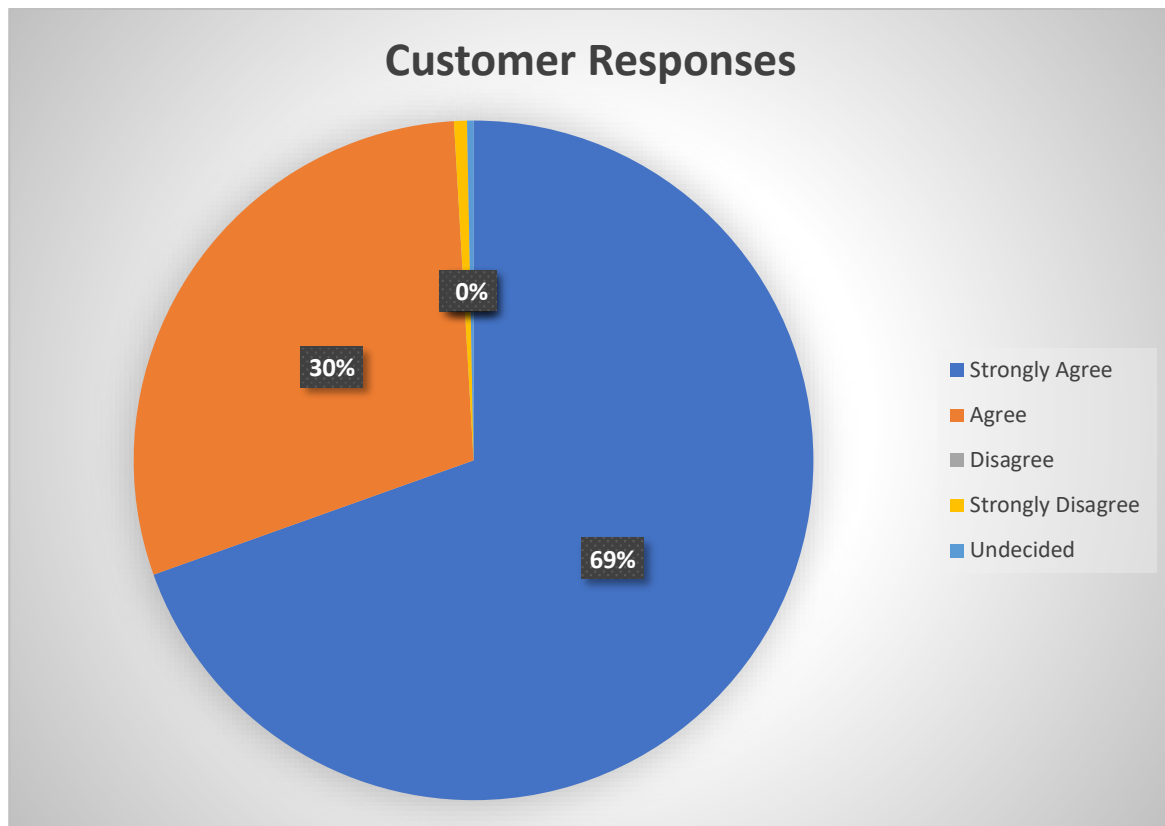
Indian Courier industry is in a growth phase and innovation in process, adapting to the digitalization is the key to success for the companies operating as express courier service providers?

325 responses

Strongly Agree	226
Agree	96
Disagree	0
Strongly Disagree	2
Undecided	1

The responses received signify the customer expectations in the modern world. They would want to align with a company which is highly adaptable to advanced technology, digitalization and innovates to deliver better customer experience.

Of the 325 responses received – an overwhelming majority of customer - 226 (69%) strongly agreed to the fact that Indian courier industry is in a growth phase and innovation in process, adopting to digitalization would be the key to their success in the near future. 96 consumer’s (30%) agreed to this point. This makes 99% of the respondents expecting their service provider to be delivering service with digitalization and innovation as part of the service portfolio.



3.1 Questionnaire Design: Five-point Likert Scale was the base for measurement where 1 was Strongly agree to 5 being Undecided.

3.2 Demographics: From the age to the educational qualification to the understanding of the profile of the respondents, questions were designed to have a view of the respondents across segments of the society. Respondents were from all over India

4. Policy Implications & recommendation

As per an article in Economic Times dated 18th April 2018 - Indian express industry is expected to grow at a compounded **annual growth rate of 17% and reach INR 48,000 crore by 2023**, according to an independent study led by Deloitte.

The report titled '**Indian Express Industry-2018: A multi-modal play in building the ecosystem**' forecasts this growth as being primarily driven by the growth of cross-border and domestic e-commerce in India, and significant demand from the small and medium B2B segment. The report highlighted that with the rise of new age business models and SMEs, and economy on the path of revival, there has been a considerable focus on improving India's logistics performance. It also indicated that the industry grew at 15% growth rate over the past five years and is estimated to be worth Rs 22,000 crore in FY17. In FY17, the express industry contributed Rs 3,000 crore in service tax and Rs 2,000 crore in custom duties besides direct taxes around employment creation.

The study attributes e-retail to be a major growth driver for the industry with over 1.3 million shipments from this sector shipped daily. It contributed Rs 5,000 crore in FY17 to the Indian express industry.

"The express logistics landscape is undergoing a huge transformation due to the need for time bound delivery services to complement the growth of trade. As a key enabler of trade, the industry will also support and benefit from the e-retail boom in India. We also anticipate the express industry to provide a significant boost to India's employment base to increase to 26 lakhs. Regulatory and policy changes, and infrastructure enhancements will also give a much-needed fillip to the industry, which will positively impact the growth of other sectors," said Vijay Kumar, chief operating officer, Express Industry Council of India

Most of the recent innovations happening in the Indian Industry is primarily due to B2C business – with the e-Commerce giants like Amazon and Walmart owned Flipkart going overboard to meet/exceed the customer expectations. There are multiple developments happening on innovating various Operation Processes which will lead to better Customer Experience

- **Parcel Locker Shop:** This is a way to ensure deliveries are done faster and as per the convenience of the customer. A very prevalent method in the West, this concept is fast gaining ground in India and we can see Parcel Locker Shop being installed in prominent malls, metro stations and Commercial Business establishments
- **Proof of Delivery (POD) Scan:** From a time where hard copy POD was a necessity – now the dynamic shift has happened where the POD is scanned at the destination through the OTM itself. This saves the cost of transfer of hard copy POD and also the manpower involved. This concept is more to Surface Business.
- **Drones:** This is a new concept which is at a very nascent stage. Tests are being done across the world to check the efficacy of this innovation.
- **Auto Sorter:** This eased the way sorting of document and parcel was done at the Middle Mile eradicating the dependence on Manual Labour. One auto sorter can process and sort 4000-7000 shipments per hour bringing in efficiency
- **Smart Trucking:** A revolutionary trend much different from the traditional way of trucking, this is a concept which is fast gaining ground and has brought improvement in transit time, reducing driver work load and fatigue leading to reduction in accidents and less damage to the goods.
- **GPS guided Delivery Route:** As is the case with app based , cab aggregators where routes and destination stop is guided on the map, courier companies are also employing software based delivery route mapping technology so that the delivery staff at the last mile has less of challenge reaching the correct address, is accurate and effective on the delivery
- **Digitalization of the payment:** Since the shift has happened from B2B to B2C, the delivery leg involves ecommerce parcel delivery where cash has to be collected at the time of delivery. Courier companies have made a swift move to accepting payments through Digital Wallet instead of physical cash.

However, there have been certain Policy decision at the Central Government level related to how the multinational e-Commerce companies should operate in the Indian contest which has created a sense of uncertainty and can lead to stoppage of development activity / future investment in the area of technological development

5. Conclusion

Customer ties up with an express courier service provider to fulfil the need to have speed in delivery backed by reliability and the differentiator being adaptability to modern technology and innovative processes which lead to a better customer experience. Any new technological advancement needs capital investment and also faith from the Investor / Promoter. Needless to say, such Innovations have the capability to disrupt the way business is done traditionally. Leaders with long term vision and capability to take risk would always push for changes which have a long-term positive impact on the processes, benefit the society at large.

Any new Innovation as the potential of a cultural shift which can have a lasting impact on an organization which has been run traditionally. It is only the risk-taking appetite and ability to adapt to Change which makes a Leader go for such investment which can bring in NOVELTY and improve the way business is being done

Innovation would not be only the technological aspect but the Management Approach towards business and adaptability to do business the *NEW WAY*. Traditional and conservative approach would lead to be a bottleneck where start-ups led by young entrepreneurs are shaking up the business model. This essentially means Management and Leadership has to develop its thought

process with more pragmatic approach towards People Management and Development balanced with high intake and adaptation of technology

For some more time to come, Indian courier industry will remain high human intensive unit – manpower development would always be the key for the success of the industry as well as the organization specific concerned. Innovative training mechanism would be the need of the hour to build the organization to high service quality delivery set up.

Those who resist change are swept away by the change. ***Innovation would be the Key.*** This paper is a small effort which could be a base for more evolved studies to have much better insight on how Innovation would be key differentiator to achieve and build successful business model. While have kept only the Indian courier industry in context of this paper, globally also the industry success would be based on adaptability to newer technologies and digitalization.

6. References

- Merriam Webster, Source Internet
- Jay Fraser in his article “Etymology of Innovation”
- Various articles on Courier Industry (Internet)
- The Economic Times – Dated 18th April 2018.
- Schumpeter, Joseph A., 1883–1950 (1983). *The theory of economic development: an inquiry into profits, capital, credit, interest, and the business cycle.* Opie, Redvers, Elliott, John E. New Brunswick, New Jersey. *ISBN 0-87855-698-2. OCLC 8493721*
- Rogers, Everett M. (2003). *Diffusion of innovations* (5th ed.). New York: Free Press. *ISBN 0-7432-2209-1. OCLC 52030797.*
- *Innovation in American Government: Challenges, Opportunities, and Dilemmas.* Brookings Inst Pr. 1 June 1997. *ISBN 9780815703587.*
- Wikipedia
- <https://www.indiapost.gov.in>
- <https://www.wikipedia.org>
- Deloitte Analysis: Indian express industry-2018.