

# Blue dart express limited management essay



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BUSTER**

On a late summer afternoon in May 2012, Ketan Kulkarni, Vice President and Head of Blue Darts Marketing, Corporate Communication & Sustainability division, was working on the proposed future plans of marketing strategy in his plush office in Blue Dart's head office in Mumbai. He had a meeting scheduled with Tulsi Mirchandaney, Managing Director and Accountable Manager for Blue Dart Aviation to discuss the company's plans to address the intense competition and growing challenges of the express industry.

Looking outside through the clear windowpanes, Ketan thought about the Blue Dart's remarkable journey. Blue Dart was the leading express company in India, engaged in door to door pick up and distribution of packages, documents, and shipments in India and overseas. In its first decade since its inception in 1983, Blue Dart became the dominant player in the courier industry and in the next decade it surpassed all the competition and became South Asia's premier number one express company in air and integrated transportation, distribution and logistics.

In India, Blue Dart was one of the very few companies providing an array of services in air express (both domestic and international through DHL), air freight, ground and charters. It was a one stop solution for any logistical requirement. Blue Dart enjoyed a 45.9% market share and gained a significant increase in both, volumes and value. In the 'ground' segment, the company garnered a market share of 12.4%.

Blue Dart not only offered secure and reliable delivery of consignments, but also managed to deliver impressively on the financial front with the help of its widespread infrastructure network and aggressive growth strategies. Rs.

10 billion in annual revenues was a remarkable landmark for any logistics company. Blue Dart managed better, leaping over the 11-digit barrier to record Rs. 14. 89 billion in top line during FY2011.

The company was established with a vision to be the best and set the pace in the express air and integrated transportation and distribution industry, with a business and human conscience. Through high quality and professional service, and use of sophisticated technology, the company was committed to meet and exceed customer and stakeholder expectations profitably.

With a dedicated air and ground network optimized by cutting-edge technology, Blue Dart's core competence was in the business of superior express delivery services, maintaining reliability levels of 99. 96%. A people-first company, Blue Dart continued to deliver value to its stakeholders through its people philosophy and corporate governance, based on distinctive customer service, business ethics, accountability and profitability.

The marketing strategies were of utmost importance for any company to become and to remain a market leader. Tulsi Mirchandaney summed up the marketing strategy of Blue Dart in India and outside in just five words - "Care - Customer Addition, Retention & Empathy". However, against the backdrop of volatile economic scenario of 2011, global economic crisis, and company's declining profits in 2012, the company needed strong and aggressive marketing strategies to hold and further strengthen its market leadership position. Ketan came out of his reverie as thought of the future marketing strategies and wondered whether the will be enough to meet

2012's target, especially when the profits declined by around 20% in the first quarter of 2012. With a cup of strong coffee in one hand, he started thinking about how to make Blue Dart grow faster and which marketing plans the company should implement to handle the multiple challenges.

## **Company History**

In November 1983, three young entrepreneurs, Clyde Cooper, Tushar Jani and Kushroo Dubash identified tremendous opportunities in India's expanding exports market and came up with an idea of delivering small packages and samples. On that date, Blue Dart was established in a space of 200 square feet under a staircase, with a capital of Rs. 30, 000. Grit, determination and hard work propelled the young company from sorting and delivering a few dozen packages outside Mumbai airport on that first night, to handling nearly 200, 000 shipments each day. In a study conducted by Dhristi Strategic Research Services in 2007, Blue Dart emerged as one of the strongest brands in India with amongst the highest top of mind recall. In its early days, Blue Dart forged ties with Gelco Express International, UK to introduce an international air package express service from India and thus enhance the value offered to its customers. In 1993, foreseeing the potential in India, Blue Dart decided to shift focus from international to domestic service. It went on to become the first Indian courier company to conceptualise domestic on-board couriers with a guaranteed 10: 30 am delivery to major metros.

In 1994, the company went public with an IPO of 2. 55 million shares. In the same year Blue Dart launched its multi-modal, premium package delivery service DartApex™ (Air Package Express) and COSMATII™, an advanced

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tracking and ERP system that redefined the industry. In that year, too, Blue Dart Aviation, a 100% subsidiary of Blue Dart Express, was incorporated and became the first private company to receive government approval for the operation of cargo aircraft in the country.

In 1995, Blue Dart Aviation acquired two B737 aircraft and developed SMART (Space Management Allocation Reservations and Tracking), the first cargo reservations systems in India. The following year, Blue Dart launched the first jet express airline and also became the first express company to receive an ISO: 9001 Certification. 1995 was also momentous because in that year Blue Dart crossed Rs. 100 crore (US\$ 25 million) in turnover for the first time. 1997 witnessed the launch of domestic charter operations and the signing of interline agreements with international airlines for distribution of bonded cargo within Blue Dart's network. Today, these have extended to 26 operators and include bonded warehousing and transshipment facilities. In 1998, the company developed India's first Load and Trim software for its aircraft, reducing handling time by 80%.

In 1999, Blue Dart moved to its state-of-the art administrative, technology and operations Super hub and Headquarters, the Blue Dart Centre, in Mumbai. In 2001, a third Boeing 737 was added to the Blue Dart fleet. A year later, Blue Dart entered into a sales alliance with global leader DHL Express Worldwide. Today, DHL owns 81.03% stake in the company.

In 2002, Blue Dart was re-certified to the new global ISO 9001 - 2000 standards for " Design, management and operations of countrywide express transportation and distribution service within the Indian subcontinent and to

international destinations serviced through multinational express companies". Blue Dart was one of the few Indian companies to get this certification. Blue Dart signed a pioneering alliance with the DHL Worldwide Express, the leading international air express company. Blue Dart also crossed 1, 00, 000 shipments per day.

The fourth aircraft joined the fleet in 2004 and Blue Dart became the first private operator in India to receive approval from the Director General of Civil Aviation (DGCA) for undertaking heavy maintenance D-checks on its aircraft. Two B757 freighters - the first in the Indian skies - joined the Blue Dart fleet in 2006. In an effort to fortify its unique capability of offering the entire gamut of end-to end distribution solutions, Blue Dart launched its ground express service - Dart Surface Line in September 2007 and inducted the third B757 freighter.

In 2008 Blue Dart completed 25 years of facilitating trade and commerce. The land mark year also saw the launch of twenty-five new products and services to its customers.

By 2011, Blue Dart's infrastructure comprised a fleet of three Boeing 737 and four Boeing 757 freighters operating each night to the 7 main metros in India and offering a revenue payload of over 370 tonnes per night. It owned a flotilla of over 6, 272 vehicles, 365 facilities including 7 aviation hubs and bonded warehouses, 56 domestic warehouses and 12 express hubs delivering excellence. [1]

## **Current Operations**

Blue Dart offered express air and integrated transportation, distribution and logistics services and as part of the DHL Group accessed the largest and most comprehensive express and logistics network worldwide. It offered an entire spectrum of distribution services including international air express, freight forwarding, supply chain solutions and customs clearance.

Blue Dart was the largest player in the domestic segment of documents and non-documents with 26

per cent market share in terms of tonnage. In terms of overall (domestic plus overseas) market share, it was the largest express company in India with a share of about 45.9 per cent. The company had a turnover of Rs 14.89 billion in 2011 and has had an annual growth rate of about 50 per cent while the industry growth rate has been hovering around 35 per cent. The company had showed a tremendous growth over the years (see Exhibit 1 and 2).

The core function of Blue Dart was the physical transportation of a shipment from its origin to the destination which was performed by the operations department. The distribution system followed the "hub-and-spoke" concept, i. e., shipments picked up at a particular origin location were transported to the nearest hub, which in turn routed these shipments to the hub to which the destination location was attached. The destination hub routed the shipment to the specific destination location where the staff delivered the shipment to the consignee. (see Exhibit 3)

Blue Dart offered secure and reliable delivery of consignments to more than 35, 900 locations in India and to over 220 countries and territories worldwide through its integrated air support and ground network group company - DHL Express. In 2011, Blue Dart operated through 1, 342, 677 sq. ft. of facilities and carried over 988. 5 lacs domestic shipments and over 8 lacs international shipments weighing over 423, 000 tonnes.

Administratively, the company was organized into regional centers at six major cities namely, Ahmedabad, Mumbai, Delhi, Chennai, Bangalore, and Calcutta. Each regional center was responsible for a number of branch locations under which there were area locations. The company currently had around 7, 800 employees.

Each major branch had a team of operations personnel who managed the entire network, transportation and tracking of shipments. They also liaised with airline and transportation agencies and took care of scheduling out-bound couriers. Other responsibilities of the operations department included routing, sorting, security checking, fleet management, and customer billing. Commercial functions like finance and marketing were centralized at the head office in Mumbai. Its international out-bound gateways functioned at Dubai, Singapore, London, and Mumbai. The in-bound international gateway was at Mumbai which received packages from London, Frankfurt, Singapore, and Dubai.

[1] -Company history was referenced from Blue Dart's 19th annual report.



## **The Express Industry – Structure, Overview and Developments**

The express industry was a key enabler in facilitating trade and commerce because of the time-sensitive nature of most goods and the increasing demand for reliability, efficiency and speed. The Indian logistics industry was growing at a steady pace. The growth in this industry was largely driven by increase in trade, government policy reforms, increased spending on infrastructure, and the overall economic growth driven by the domestic consumption and growing affluence.

The demand for express services was surging with each passing year and customer expectations had also risen tremendously. Today, the Indian express industry provided integrated, value-added, time-bound, door-to-door delivery of documents, parcels and merchandise. It supported industries such as electronics, telecommunication, IT, banking, retail, auto-components, textiles and apparels, gems and jewellery and pharmaceuticals. Moreover, with India recognized as an outsourcing destination, manufacturing sectors such as textiles, automobiles and pharmaceuticals were likely to witness increased activities in the medium to long term. In order to maintain competitiveness, companies operating in these industries were expected to outsource their logistics requirements to third-party logistics service providers and concentrate on their core-competency of manufacturing and marketing.

Furthermore, the opening up of banking, insurance, telecom and retail sectors had increased the demand for value-added express services in India, as these were major user industries.

“ The courier industry in India has expanded its horizon to provide a wider range of services. Whereas it started initially as a service provider for the document and samples demand of industry, it is now viewed as an important part of the supply chain for industries, which demand speed, reliability, security and just-in-time distribution. Though this market is still in its infancy in India, it is growing.”

Tulsi Mirchandaney, Senior Vice President, Marketing and Projects

According to Anil Khanna, Managing Director, Blue Dart, the growth in the Indian economy and the overall economic scenario, fuelled primarily by domestic consumption, was promising. The Indian economy was poised to record growth between 7 and 8 per cent in the financial year 2012. The Indian organised Express Market (a part of the overall logistics market) was about 4500 crores<sup>2</sup> and expected to grow at a CAGR of 17%<sup>2</sup>. This included organised Air Express and organised Ground

Express which for 2011 were estimated at 2000 crores<sup>2</sup> and 2500 crores<sup>2</sup> respectively. This in itself was a strong indicator of the potential of the express industry.

However, the logistics industry in India still remained largely unorganised and fragmented. The industry faced several challenges like high logistics costs, inadequate infrastructure, capacity constraints, low usage of technology, complex tax laws, over regulation, policy issues and lack of skilled manpower. The need for the highest levels of efficiencies still existed.

## **Competitive Edge: Building IT for Business Agility**

Blue Dart's Information Technology (IT) infrastructure remained one of its key differentiators and enabler to values. Blue Dart was always in the forefront of technology and its technology innovations played a key role in the company's premium positioning and in bringing global standards to the Indian customers' doorstep.

### 2 - AT Kearney figures from Blue Dart's 2011 Annual report

Blue Dart became an important part of the supply chain of many companies by providing integrated services. Blue Dart's in-house IT team constantly developed technology solutions over the past seventeen years. Such has been the ramifications of these offerings that more than 79% of Blue Dart's regular customers used it actively. These Home grown innovations included COSMAT II™ (the tracking and ERP system), TrackDart™ (monitoring shipment status), MailDart™ (tracking shipments over e-mail), InternetDart™ (memory bank for shipments), PackTrack™ (tracking software for medium and large customers), ShopTrack™ (tracking and CRM tool for e-business portals), ImageDart™ (online download of proof of delivery challans/documents, to speed up the customer's bill process, waybill issuance capability, customer directory, data upload and download of tracking information). The company also provided economical packaging that facilitates customers' sending documents at a price that includes door-to-door delivery service within India. These innovation solutions enabled the weaving of thoughtful information management to the logistics business.

With this advanced technology support Blue Dart delivered door-to-door to over 13, 000 locations in the country with an in-house team of experts to handle inter-state regulatory requirements. Quality levels were at 99. 95% and were monitored daily. Blue Dart's IT infrastructure strengthened both its business and marketing strategies.

## **Blue Dart's Marketing Strategies**

In 2011, a combination of new product launches and tactical shift in focus across sectors helped Blue Dart register growth in spite of an overall slowdown in the economy. For instance, in order to lessen the impact of the slowdown in client verticals such as automobile and realty, it consciously improved its focus on sectors such as health sciences and the spare parts segment of the auto sector. It also built on its exposure to high-growth segments such as e-commerce and SMEs and high-growth potential Tier-II and III cities in 2011. These put together helped the company grow its revenues and profits by about 34 per cent and 42 per cent by the end of quarter 3 in 2011.

On various other fronts the company provided multitude marketing strategies.

## **Product Offerings**

A combination of the right product mix helped Blue Dart build strong brand loyalty over the years. Blue Dart offered a range of products and services that could be customised to address individual requirements. Blue Dart's core business was domestic door-to-door and integrated (air and ground) express distribution. Each product has been developed with a customer

centric approach. The products were proficiently supported by cutting-edge technologies.

Blue Dart offered express, air freight, ocean freight, supply chain solutions, customs clearance, project handling, freight forwarding, and charters through its synergies with the three DHL Business Units - DHL Express, DHL Global Forwarding and DHL Exel Supply Chain.

Air Express segment included Time Definite Solutions (Domestic Priority 1030, Domestic Priority 1200, Dart Apex 1200) and Day Definite Solutions (Domestic Priority, Dart Apex, Dart Surfaceline). Packaging Solutions included Express Pallet, Smart Box - Ground Express, Time Definite Delivery, etc. The company also offered Cargo Solutions like Airport to Airport, Interline and Charters besides offering Festive Solutions and discounted Student Solutions.

A recent addition to Blue Dart's product portfolio was Import Express. It was the only service of its kind in India and offered door-to-door facility for importing shipments from over 200 countries.

## **Services**

Blue Dart presented a range of services: Domestic Priority - a fast reliable service for non-commercial documents and non-documents. Dart Apex supported reliable commercial distribution and supply chain requirements. Dart Surface line - a reliable and secure surface option, and an airport to airport option - included charter of aircraft for large volumes and urgent shipments. (See Exhibit 4)

Blue Dart also offered some of the best services such as free computerized proof of delivery, real time tracking, regulatory clearance and free pick up from the location of the customer. The most used features were real time tracking and Money Back Guarantee (MBG) offered on specific shipments.

The express services offered domestic priority for non-commercial domestic documents and small packages under 32 kilos. Freight services included domestic, early morning airport-to-airport deliveries to the seven metros in India. Charters also offered carriage of urgent and large volumes to eighteen airports in India and four international airports in the region.

Solutions like Temperature Controlled Logistics (TCL), Dart Surfaceline Plus, Point to Point (P2P) and a host of value added services like Demand Draft on Delivery (DOD), Freight on Demand (FOD), Freight on Value (FOV), Cash on Delivery (COD) etc. represented tailor made services for specific industry requirements.

Blue Dart was in the process of rolling out several sector-specific, innovative products and services in a phased manner, in line with specific needs and requirements of different industries like BFSI, Pharmaceuticals, IT, Consumer Durables, FMCG, Automotive, Retail, Textiles, Telecommunications etc.. These products provided the much-required flexibility to the shipper and consignee.

## **Pricing**

Though Blue Dart's offerings were known to be reliable, these were offered at a very high price compared to that offered by competitors. In India, where huge section is of middle class buyers, this pricing strategy was awkward.

However, Blue Dart maintained the view that for customers, aspects like service quality, consistency, responsiveness and reliability were of paramount importance because these dimensions directly impact their business outcomes. Blue Dart held the view that when customers experience optimal service with Blue Dart, they do not mind paying a premium for these products.

## **Connecting with Customers**

In such a competitive industry, Blue Dart tried to differentiate itself from its competitors by establishing its core focus on strengthening customer relationship and on making more effective use of the 4800 plus vehicles as mobile touch points.

Blue Dart always made a conscious effort to create a bond with its customers. Perhaps, because of this, the brand became synonymous with value, quality, speed, efficiency, responsiveness and service excellence.

Blue Dart constantly rolled out promotions for its customers to keep them updated on our various offerings. Blue Dart successfully ran a loyalty programme - Blue Points: Returns to provide customers value while making shipments through Blue Dart. As part of the its ONE-RETAIL focus, the company regularly ran a retail store promotion drive across the country. Company had a dedicated team of specialists who provided the expertise for customs as well as regulatory clearances at all States within the country, to support seamless service to the customer.

## **Customers Growth Strategy**

Blue Dart's strategy was to focus on existing customers to scale up existing relationship. There was also a special focus to select high potential clients by offering them a lot more than what Blue Dart has been traditionally offering them. This strategy was expected to not only lead to revenue enlargement, but also to give an army of loyal customers.

## **Positioning**

Blue Dart's positioned itself to offer a consistent, premium, standardized quality of service. Its competitive advantage was driven by its extensive and consummate domestic network which was linked by some of the most advanced communications systems. Blue Dart was focused on carrying packages as its prime business, rather than as a by-product of a passenger airline. Blue Dart also had a dedicated self-sustaining aviation system to support its services, with its own bonded warehouses, ground handling and maintenance capability.

Blue Dart envisioned itself as a 'warehouse in the sky' creating a niche segment in supply chains that demand critical deliveries, low inventories and reliable and timely distribution. Blue Dart was now strategically positioned as the market leader in the air express segment. It also had an aviation system with an in-house ground handling and maintenance capability with stringent security and quality norms. Blue Dart also invested extensively in technology for integration, data flow and customer software for greater customer convenience and efficiency.



## **Promotion**

Blue Dart was not known to be aggressive advertiser, but as aggressive marketer. Blue Dart tried to focus on the total customer experience - the brand tangibles such as the retail outlets (service counters), vehicles, signage's, etc, as well as the intangibles at the customer contact point. The company emphasized that the personal touch was essential and thus has also strengthened the areas of customer care centres. Blue Dart's promotion method was to create a strong emotional connect with customers, in order to achieve brand strength, saliency and equity. Even its TV commercials and print ads tried to connect emotionally with customers.

Blue Dart's prime communication vehicle was PR and direct mailers, with support from a large sales force across the country to directly engage the customer.

## **New Areas for Business Growth and Expansion**

Blue Dart already had an aggressive market share plans which aimed to increase its market share both in air and ground express divisions. For this, Blue Dart would have to grow faster than the industry. Blue Dart already identified some growth levers. One of these was adding lot of new products. The company has been regularly introducing new products such as the latest Go Green carbon neutral service and it intends to continue.

The other growth lever was the sectorial focus. There were certain sectors that do not get impacted by a slowdown - sectors like health sciences and the spare parts segment of the auto sector. Demand for streamlined supply chains from the auto, pharma, hitech and retail sectors was expected to

drive growth. Thus, Blue Dart was detecting opportunities and offering sector specific solutions, which had and would help in the overall growth strategy of the company.

Third, Blue Dart was focussing on verticals which were high-growth verticals like e-commerce. The company also identified small and medium enterprises (SMEs) as another growth lever and efforts had been underway to tap this segment across industry verticals, aggressively. For a company, which has probably focussed more on our large customers, SMEs thus offered an tremendous opportunity.

Finally, the company was looking at geographic expansion. It intended to reach out to those towns and cities where it currently did not have any presence. Also, prior to this, in smaller cities, the company was more focussed on the in-bound side. It then realised that a lot of these tier-II and tier-III cities had a lot of out-bound potential. These provided additional opportunity for business expansion.

Blue Dart planned to continue to focus on transit time improvements, and strengthening channels to gain further market share.

## **Looking ahead**

Blue Dart has been able to differentiate itself and achieved scalability due to its focus on technology right from the early stages of its business. It was reflected in the way the company moved its products, in a manner which was more cost-effective, more fuel-efficient and more environment friendly.

However, Blue Dart Express' net profit declined by 19.47% in the March 2012 quarter. Blue Dart faced the challenges of increase in fuel cost, inadequate infrastructure, and increasing competition. But of these the biggest challenges was Infrastructure of both air and surface.

“Space at airports, airside and city-side infrastructure were often inadequate. In addition, parking bays, air-side/city-side access and traffic congestion adversely impact costs as well as service quality. Air express companies were constrained by the sizes of the facilities at the airports, as they have remained the same while the loads have increased many folds. It was estimated that though 70% of the freight transportation in India was through roads, National Highways constitute merely 2% of the total road network in India. Fuel prices were also a concern. In an industry, where space was a highly perishable commodity, any disruption in services, due to either natural disasters or manufactured reasons, affects us adversely, as the day's capacity inventory was lost forever.”

Ketan Kulkarni, Vice President and Head of Blue Dart's Marketing, Corporate Communication & Sustainability division

In addition to above problems, Blue Dart also faced a tough competition from multiple courier service providers. (See Exhibit 5 and 6)

Thus an aggressive business and marketing strategy was the need of the hour. How Blue Dart would rise to the occasion remained to be seen. With this thought, Ketan Kulkarni was wondering how Blue Dart can further differentiate itself and would remain a market leader in the coming years.

## Exhibit 1 – Financial Summary of the last five years (Rupees in Lacs)

(Source: – Blue Dart’s 2011 Annual report)

**Particulars 2007 2008 2009 2010 2011****Particulars****2007****2008****2009****2010****2011**

Income from Operations

80, 872

97, 446

90, 523

1, 14, 741

1, 48, 960

Other Income

311

1, 071

760

532

2, 426

**Total Income**

81, 183

98, 517

91, 283

1, 15, 273

1, 51, 386

Total Expenditure

68, 083

84, 935

80, 150

99, 324

1, 31, 338

Operating Profit

13, 100

13, 582

11, 133

15, 949

20, 048

Interest (Expense)

40

50

55

1

0

Gross Profit

13, 060

13, 532

11, 078

15, 948

20, 048

Depreciation

2, 403

1, 657

1, 776

1, 922

2, 160

Profit Before Tax

10, 657

11, 875

9, 302

14, 026

17, 888

Taxation

3, 664

4, 140

3, 232

4, 589

5, 664

**Profit After Tax**

6, 993

7, 735

6, 070

9, 437

12, 224

Equity

2, 376

2, 376

2, 376

2, 376

2, 376

Reserves

29, 354

36, 811

42, 605

51, 765

63, 438

Gross Fixed Assets

25, 692



28, 562

30, 036

32, 544

39, 326

### **Net worth**

31, 730

39, 188

44, 981

54, 141

65, 814

### **Book Value**

133. 72

165. 15

189. 57

228. 17

277. 37

ROCE (In percentage)

37. 13

33. 63

22. 24

28. 3

29. 83

## **Exhibit 2 – Income and Profit trends from 2007 to 2011**

## **Exhibit 3: Shipment Movement from Pick up to Destination**

## **Exhibit 4 – Services by Blue Dart**

### **Domestic Priority 1030**

A guaranteed door-to-door time definite delivery of shipments by air the next possible business day by 10: 30 hours, targeted at time-critical business-to-business needs.

### **Domestic Priority 1200**

A guaranteed door-to-door time definite delivery of shipments by air the next possible business day by 12: 00 hours, targeted at time-critical business-to-business needs.

### **Dart Apex 1200**

A guaranteed door-to-door time definite delivery of commercial shipments by Air that require regulatory clearances and specialized handling on the next possible business day by 12: 00hrs, targeted at time-critical business-to-business needs.

## **Dart Surfaceline**

Blue Dart's premium ground express service provides economical, door-to-door ground distribution solutions.

## **Smart Box**

A convenient door-to-door service for cargo in two sizes – 10 kilos and 25 kilos, available on air and ground express modes

## **Smart Truck**

An intelligent pick-up and delivery vehicle that combines a number of innovative technologies including a route planner.

## **Exhibit 5 – Competitors**

### **TNT Express:**

TNT Express is the key leader not only in the Indian market, but also in the international market in the sector of global express services. They ensure timely and safe delivery of parcels, freight and document