

'Customer satisfaction drives branding'

INTERVIEW

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Economic slowdown puts pressure on a company's margin forcing it to cut costs. Wiser from its experience in 2008-09, Blue Dart Express is now better prepared to protect its margin, says its Managing Director Anil Khanna. It increased focus on sectors like pharmaceuticals, FMCG and automobile spare parts, which are not so affected by the slowdown.

How has 2012 been for you? Shifts in traffic mix.

The year 2012 has been tough. In a slowdown, the demand drops, pushing up inventories and customers opt for cheaper services, marking a shift from air express to ground express, from ground express to full truck load; also from air freight to sea freight. We experienced the same in 2008.

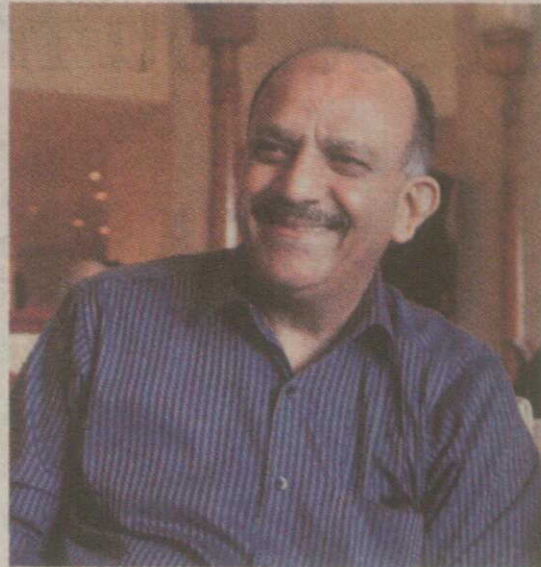
How was your margin affected in first nine months?

Protecting margins was tough. We focused on cost controls but not at the cost of services to our customers. Also, we ensured that morale of our people remained intact.

Any examples...

We renegotiated with vendors, asked for better rates. We approached land-lords for deferments of hikes in rentals which became due as per contract.

At the same time, we drew up plans to increase our market share in air-express and ground express segments by focusing on sectors like pharmaceuticals, FMCG and automobile spare parts not much hit by



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**ANIL KHANNA, MANAGING DIRECTOR,
BLUE DART EXPRESS**

all, the market is used to certain schedules.

DHL has 75 per cent stake in Blue Dart and DHL is also present through its subsidiaries. Any clash of interest...

No clash. Our core business is door-to-door express business. For warehousing services, we have DHL Supply Chain (DSC), a separate company. DHL Express provides international door-to-door.

We have a clear understanding. For transportation business that DSC has or gets, Blue Dart has the first right of refusal. For warehousing that Blue Dart generates, DHL has the first right of refusal.

Under compelling situations where DSC cannot take a warehousing work, or Blue Dart can't take a transportation job each can look at other players in the market.

How important is branding?

It is important. But Blue Dart believes it is the customer satisfaction that drives branding. So, our glow signs, staff uniforms, vehicles are of a certain standard.

portation cost shoots up.

In mid 2012, Blue Dart started linking fuel surcharge to Brent crude instead of WTI. Why?

We had earlier found that price of air turbine fuel (ATF) and WTI (West Texas Intermediate) crude moved in the same direction. In 2011, we found ATF and Brent moved in same direction, while there was no correlation between ATF and WTI. So, we linked our surcharge to Brent.

Express Industry Council of India, of which you are a part, has moved the Competition Commission against fuel surcharge charged by airlines...

The problem is airlines' fuel surcharge is not transparently linked to ATF. There should be a transparent mechanism so that customers get to know how and on what basis, the fuel surcharge moves up or down. For Blue Dart's customers, the surcharge movement is visible — WTI is published on a daily basis.

Do you use a lot of belly space in other passenger aircraft?

As a total percentage of our line-haul, it is insignificant as we have our own aircraft.

We use other commercial airlines in places where we don't fly. As a proportion of our total air cargo handled, it will be less than even 10 per cent of total cargo. And that is critical for us. For an express cargo service provider, it is vital to have control on network.

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Earlier, your services were Blue Dart, now Blue Dart DHL. Is there a sequel to this?

It was because customers were not aware that we are one firm.

They did not know that Blue Dart was domestic and DHL international. So, we are now together. Also, both brands were equally strong.

One key recommendation (by McKinsey) was that in India Blue Dart brand was as strong as DHL and, therefore, the Blue Dart brand must remain intact.

Many MNCs diluted the Indian brands after acquisition. But, in our case, both brands share equal space.

As a per cent of total value of a product, what is the transportation cost?

It varies across sectors, based on the kind of transportation service used to the value of product, from a minimum of one per cent and to maximum 10 per cent. When low-value products are shipped by express companies, or air express, obviously the trans-