

DTDC Couriers: a real example of innovative distribution

With a very modest investment of Rs. 75,000 (roughly US\$ 2000), Subhasish Chakraborty founded DTDC Couriers in 1990 with its first office in Bangalore. A year into the business made Subhasish Chakraborty realize that he had to deal with three critical issues- first, huge capital outlays to emerge as a global courier company. Capital however was difficult to come by – external commercial borrowing. Further venture capital funding was virtually absent and prime lending rates at banks averaged 18%. The second issue was manpower was generally untrained and lacked grounding in management best practices. Therefore, any service venture would have to be supported with robust processes and rigorous training. The third one was need for a network that beat competition in both geographical spread and density to compete with Skypak, Blue Dart, fly-King or other large courier companies. With these factors in consideration, Subhasish Chakraborty decided to adopt a franchisee model for expansion. However, such a model had never been tried in the courier industry and skeptics prophesied that franchisees would foul ‘delivery’ – the critical element for success in the courier business. Even so, Subhasish remained convinced that this was an effective model and based his conviction on three basic philosophies: The franchisee selection was straightforward and robust. Once DTDC had zeroed in on a particular locality for expansion, it advertised in leading newspapers and called for formal applications. Short listed prospectives were invited for an interview. Franchisees were chosen not on the amount of capital they possessed, the value of their real estate or prior knowledge of the business but usually by the sole criteria of possessing a burning desire to succeed in life. A rigorous training period which delved into minute details of the service readied the franchisees for business. All franchisees were controlled through a regional branch with a typical branch controlling 30~35 franchisees in a particular geographical area. The BD team regularly visited the franchisees to keep a tab on the quality of service being provided. The franchisees collected packages from the customers and delivered it to the regional office which then ensures the onward movement and delivery to the consignee through franchisees at other end.

DTDC’s value propositions during deliveries are less expensive than the competition in the organized courier market, more efficient in delivery than the semi-organized courier services, inclusion of small towns and semi-rural areas in its delivery web while most courier companies restricted themselves to major towns and cities, and DTDC franchisees were conveniently located close to most corporate offices. DTDC’s franchisee model was a phenomenal success and the number of franchisees increased from 250 franchisees in 1992 to over 3710 franchisees in 2005. The company expanded into small towns in semi-urban and rural India; to cite an example - DTDC was the first courier company to set shop in Kashmir, which had witnessed an exodus of businesses in the 90’s due to militancy. Growth saw revenues growing from

a meager INR 5.2 million in 1990-91 to INR 1.2 billion in 2004-05, making DTDC one of the largest courier companies in India.

Questions:-

- a. Explain, how management of Channel members & physical distribution are successfully integrated into the company's success story?
- b. "The distribution system of DTDC couriers differs strategically than that of traditional system & systems of competing companies". Justify this statement from the above case-let?