

GATI: ACHIEVING QUALITY EXCELLENCE IN SHIPMENT DELIVERY

Soumyajyoti Datta and Rohit Kapoor wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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Version: 2019-08-22

On July 6, 2017, Sudhir Murarka, general manager, Process and Quality at Gati, received a call from the senior manager of Customer Care, who expressed his concerns regarding the 231 complaints about the delay in the delivery of the shipments booked under the recently launched premium express scheme. He also wondered if the system was under control and if the defect percentage was within the tolerable limits. Headquartered in Hyderabad, Gati was a popular logistics service and supply chain solutions provider in India. The company had built its reputation on the timely shipment of goods without damage across India and to some of the world's leading hubs. Just five months ago, the company had launched a special scheme based on market research applicable to places in central and northwestern parts of the country. For an increased price, the company, guaranteed the shipment of goods within 72 hours of order picking.

The message Murarka had just received from the Customer Care department detailed the weekly count of the complaints received (see Exhibit 1). He wanted to figure out the loopholes in the scheme that were leading to these complaints and wondered if the delivery process was under statistical control. He was completely engrossed in finding a solution to streamline the delivery process and wondered if they had achieved a target defect proportion of 0.0005 per cent.

LOGISTICS SECTOR IN INDIA

The logistics industry in India was a US\$16 billion¹ industry, employing about 22 million people and contributing significantly to the country's growth.² The industry ensured an efficient flow of goods and materials across all domestic and commercial sectors. It had witnessed rapid growth, driven by an increase in infrastructure, technology, and demand requirements of both customers and service providers. The key challenge for the industry in 2017 was to provide cost-efficient and effective services to other commercial sectors and individual customers. The Indian logistics sector was comprised of inbound and outbound portions of the manufacturing and service supply chains. According to a recent study by Deloitte, the Indian

¹ Indian currency is INR = Indian rupee (₹); INR₹ = 0.016 US\$ on April 17, 2018. All currency amounts in this case are US\$ unless otherwise stated.

² "Logistics Sector," Make in India, accessed May 7, 2019, www.makeinindia.com/logistics-sector.

express industry, supported by the logistics sector, would witness a compounded annual growth rate of 17 per cent to reach US\$7,680 million by 2023.³

India, being an emerging economy, was focused on upgrading its infrastructure and service levels to ensure more efficient and cost-effective delivery of goods at reduced risk. According to the World Bank, India placed 39th in the logistic performance index among 150 countries in the world. The industry faced a number of challenges in the lack of proper integration in transportation networks, inadequate storage infrastructure, lack of information technology, differences in regulations at different stages as well as from different government bodies, dependence on semi-skilled labour, and a dearth of institutions to impart professional training. In addition, other issues such as lack of proper warehousing and distribution facilities were particularly detrimental for transporting perishable and fragile items.⁴ The investment opportunity in port and shipping logistics, including initiatives like the Sagarmala Project⁵ amounted to \$23.2 billion.⁶

Relying on a good logistics network and infrastructure, the supply chain sector had been heading for a revolution due to the introduction of a goods and services tax (GST), changes in foreign direct investment (FDI) and government spending policies, logistic services, and government campaigns such as Make In India.⁷ The growth in the industry, along with the booming logistics services, had a cascading effect on all the areas of trade.⁸ Firms like Future Supply Chain Solutions had procured almost \$2 billion from local and foreign investments.⁹ Last mile cargo solutions through multi-modal transport and free trade warehousing zones (FTWZ) provided ample benefits for storage and distribution. Maharashtra, Gujrat, and the National Capital Region (NCR)¹⁰ were fast emerging as the major hubs facilitating end-to-end logistics and supply chain solutions.

GATI—THE JOURNEY SO FAR

Our values are the key driving forces that help us align our organization towards customer sensitivity and deliver beyond customers' expectations. They encompass our attitude, behaviour, action, and delivery promise.¹¹

Mahendra Agarwal, founder and chief executive officer (CEO) of Gati

Since inception in 1989, Gati had been driving its growth on the logistics excellence it provided to its clients. After several rounds of deliberation, the company had arrived at the name "Gati" which traced its roots to a Sanskrit word meaning speed and direction. The firm was currently one of the market and knowledge leaders in the logistics and supply chain services sector in India. The company provided third-

³ Anirban Chowdhury, "Express Industry to Grow to Rs 48,000 Crore by 2023, Says Deloitte Study," The Economic Times, April 18, 2018, accessed May 7, 2019, <https://economictimes.indiatimes.com/industry/services/retail/express-industry-to-grow-to-rs-48000-crore-by-2023-says-deloitte-study/articleshow/63814298.cms?from=mdr>.

⁴ "Indian Logistics Industry – Challenges, Opportunities and Future Prospects," Jayem Logistics, accessed May 7, 2019, www.jayemlogistics.in/indian-logistics-industry-challenges/.

⁵ The Sagarmala Project is a strategic initiative of the Government of India. It is customer-centric and focuses on setting up new ports and coastal economic zones, modernizing ports, and linking these ports to road, rail, and air networks.

⁶ "Ports & Shipping: Maritime Transport in India Handles 95% of the Trade by Volume," Invest India: National Investment Promotion & Facilitation Agency, accessed May 7, 2019, www.investindia.gov.in/sector/ports-shipping.

⁷ Make in India, launched in 2014, is a popular initiative taken by the Government of India to boost the manufacturing sector and transform India into a major global manufacturing hub.

⁸ Rohini Singh, "Supply Chain in India: On the Brink of a Revolution," India Briefing, March 21, 2018, accessed May 7, 2019, www.india-briefing.com/news/supply-chain-india-scope-investors-16384.html.

⁹ Ibid.

¹⁰ National Capital Region is a coordinated zone of several districts of Uttar Pradesh, Haryana, Rajasthan, and Delhi. Coordinated by the National Capital Region Planning Board, it was formed in 1985 to ensure smooth development and to control land usage policies.

¹¹ "About Us: Vision and Values," Gati, accessed May 7, 2019, www.gati.com/about-us/vision-and-values/.

party logistics consulting as well as supply chain services including express distribution. Gati primarily served nine distinct industry verticals including e-commerce, healthcare, engineering and electrical hardware, fast moving consumer goods, electronics, apparel and lifestyle goods, high technology, publishing, and automotive goods. Their innovative service included express distribution and supply chain solutions. A substantial amount of the business came from the logistic services it provided to customers. Focusing on their logistic services and core competencies drove the company's growth. Gati provided a wide range of logistics support, including excellent warehouse support, to ensure timely delivery of goods in most parts of India. The company was one of the pioneers in introducing the practice of printing the delivery date on the docket and guaranteeing money back in case of late delivery.

In a recent press meeting, Mahendra Agarwal had said, "The company has set itself an ambitious 2020 target of delivering one million packages every day, while ensuring zero delays and zero damages."¹²

Gati also had a dedicated wing to accomplish social and environmental goals with particular focus on improving education, healthcare, skill development, community development, and disaster management.

The company believed in providing innovative services. For the apparels and lifestyle industry, Gati had formulated a comprehensive "stock2shelf" service, which involved predicting the need at the retail store, computing the stock needed at the feeder warehouse, and eventually supplying the desired stock within the given timelines. This service proved particularly beneficial to the retail outlets at mega shopping malls. For the automobile industry, the supply chain was quite mature and provided customized VMI¹³ solutions. For the books and periodicals section, its services ensured confidentiality of the documents and prevented piracy and disposal of sensitive information. It had also launched reverse logistics schemes for the electronic goods industry. The e-commerce industry also contributed a significant amount to its revenue.

Focused on becoming the market leader, Gati was one of the main driving forces that revolutionized warehousing in India. The company had developed 32 modern warehouses¹⁴ with a space of over 13 million square feet across the country, delivering almost 80 million packages every year. Its large modernized and secure logistics parks operated 24 hours a day, 365 days a year. These parks encompassed a 60- to 80-foot concrete docking area and had standard truck height loading platforms for easy material-handling. In addition, they also included high-quality heavy-duty floors; well-designed crossdocking platforms supported with efficient ergonomics; 24x7 power supply; a 16-foot cantilevered shed and an industrial shed to enable loading and unloading in all atmospheric conditions; onsite staff residences and rest rooms for drivers; and surveillance for fire and safety. Gati also maintained an optimal fleet size of 6,132 ISO-certified vehicles to manage pickups, transshipment, and delivery of cargo ranging from one metric ton (MT) to 15 MT. These vehicles were weather-protected and GPS-enabled, had low carbon emissions, and were technology-efficient. On average, the fleet traversed 600,000 kilometres per day across 1,100 dedicated routes with 48 hubs or mega hubs. Through 391 delivery gateways, 622 scheduled destinations, and an effective network, the company connected almost every part of the country. Gati had also been actively focused on route optimization, hub selection, and process improvement activities—to improve its service quality and strengthen its hub-and-spoke model. The company provided multi-modal shipment services, including air service at a reasonable price and shorter time for valuable air-worthy cargo through 54 state-of-the-art air hubs across the country. The company had also launched Gati Art Express, Gati Café, and Gati Academy to improve its service spread and delivery quality.

¹² "Founder and CEO's Message: Founder & CEO's Review," Gati, accessed May 7, 2019, www.gati.com/about-us/founder-ceos-message/.

¹³ VMI stands for vendor managed inventory. This concept means that a buyer provided certain information to the supplier, and the supplier managed the inventory of the buyer at the buyer's point of consumption.

¹⁴ Some additional details about Gati's business can be found at www.gati.com/.

PREMIUM EXPRESS DELIVERY OPERATIONS

On short notice, the pilot version of the premium express scheme was launched on February 5, 2017. The company had plans to take it to the national level if the pilot was successful and had also made a small investment to upgrade its existing infrastructure to give shape to this scheme. However, it did not recruit new employees to improve the quality of service. To benefit from premium express, the customer had to either call or e-mail Gati and make a request stating the delivery location, weight and type of goods, need for packaging help or not, and contact details. Under the express scheme, the call was always received by a manager who immediately registered a request ID and assigned a booking associate to the pickup point. Once at the customer's location, the booking associate received the goods, checked the details, and completed a docket against the request ID. Packing was done by either the customer or the booking associate according to the premium details reported at the time of raising the request. This process was different from the general scheme where the customer could make the decision after the booking associate arrived. The booking associate received the payment from the customers through credit or debit cards or in cash, and issued a receipt against the docket. The booking associate then carried the shipment to the nearest hub for dispatch. The company had invested in a smart algorithm-based decision support system to guide the booking associate toward the nearest hub based on multiple criteria, such as proximity to the pickup point, available capacity in vehicles en route to the destination, and the schedule of vehicles going toward the destination.

Once the dispatch hub received the shipment, the shipment details were entered into the system and an alert with a unique alert ID was generated. Then the shipment was sent overland on the appropriate route or to the cargo department of the closest airport. The shipment was then received at the transshipment centre nearest the destination. From there, the shipment went to the appropriate hub and was subsequently delivered to the given address using the vehicles of the local vendors—the company had collaborated with local vendors to carry the shipment from the hub to the delivery address. Management expected sufficient demand under this scheme to outsource the last mile delivery rather than invest in capacity expansion of the existing fleet. Once the shipment was received at the precise delivery address mentioned in the alert, the delivery person issued a proof of delivery (POD) countersigned by the recipient party and submitted it to the transshipment centre via the hub. The staff at the transshipment centre manually entered the details about the date and time of delivery, the person who received it, and similar details to track the shipment in the system. Then, the electronic version of the POD was sent to the corporate office, and the transaction was closed.

At the launching ceremony, Agarwal, the CEO, had said to the media,

We continue our endeavours to serve the nation with higher quality. The premium express service will surely contribute towards the economic boom in this part of the country. We have checked our processes and system. The shipments would reach the destination at an average timespan of 33.5 hours post pickup, not including the extreme cases.

CONCERNS FOR GATI

The company aspired to further growth but faced key challenges such as occasional random interventions like accidents, slow movement of the fleet due to inclement weather, network or system failures, and others. Also, its newly launched high-speed premium logistics services had proven difficult to implement.

Management Issues

Pawan Jain, the founder of the company, continued to be its chairman. He was assisted by his family members who followed the traditional principles of doing business. The entire leadership team was guided by orthodox principles in all decision-making activities and in delegating authority and responsibility. The company's schemes and actions were also micro-managed. The key people in management had predefined incentives and most often exhibited a lackadaisical attitude. Despite management's attitudes, the company invested in a great deal of advertising and launched the express scheme in a short time. Eventually, this translated into high demand for the service.

Operational Bottlenecks

Gati also faced a few operational challenges. The trucks dedicated to this special scheme lacked proper maintenance, and the company had already outsourced the last mile delivery to local vendors who had smaller scale operations. Consequently, the company's performance was greatly dependent on the performance of the local vendors. In some cases, these vendors did not operate at an acceptable level due to either vehicle or labour shortage. Furthermore, the new scheme was a premium service which meant higher costs for the customers, but no standard operating procedure was in place to standardize the process. Another issue was the delay in loading and unloading of shipments, which was being done in the same way as the general shipments.

Human Resources

The staff who had joined recently were deployed for the scheme. They had low motivation because their incentives were not linked directly to the premium service, and because they lacked adequate training, these employees were less proficient handling the computer systems. Also, they were less agile and less punctual because of poor health or due to their observance of various cultural festivals.

Inefficient Reporting Practices

Delays in the premium service were due to inefficient reporting practices. Paperwork was redundant, and the customer or the booking associate completed the pickup process manually, which resulted in errors. Some cases of fraudulent activities were noticed in the last month, and the matter was taken up by the board. At most of the key points in the delivery system, the data entry was done manually, which was time-consuming and also prone to errors.

THE DECISION-MAKING PROCESS

Murarka joined Gati in October, 2016. He held a graduate degree in mechanical engineering and an executive post-graduate degree in logistics and supply chain management from a business school in Paris. Prior to joining Gati, he had worked for 16 years in various roles in three industries—logistics, information technology, and healthcare. He had good credentials in quality management including the Six Sigma Black Belt certification. Previously, he had attended many workshops and training sessions dedicated to quality control in both India and abroad.

He turned on his laptop and looked at the weekly count of complaints that the Customer Care department had sent. The e-mail also gave a summary of the shipment deliveries for the last week from which he learned that the deliveries were made in 38.5 hours on average with a standard deviation of 7.8 hours. The matter had escalated to the managing director, and he knew that management was quite stringent in all issues related to quality of service. He also knew that he would be able to build his image as a competent quality professional at Gati if he could address the problem well. However, he was not directly a part of the core team that planned the premium express scheme. He was also not familiar with most of the members of the core team who had proposed and signed off on the scheme.

However, Murarka was aware of the entire process and the systems that supported the new scheme. He tried to recall some of the modules and case studies he had been exposed to during the quality training sessions. Based on his experience, he tried to list 10 probable causes for the delay in the delivery of the shipments. He wrote an e-mail to all the regional managers, staff, operations managers, quality engineers, and the ground staff at the warehouses and at the hubs apprising them of the situation. He asked each of them to highlight what they thought were the reasons for the delay in delivery and to reply by the end of that day (see Exhibit 2).

While he stared at the weekly count of the complaints, he said to himself, “Two hundred and thirty-one in five months is too much!” He kept mulling over the plausible causes responsible for the delay in delivery. He was not confident the system was under statistical control.

EXHIBIT 1: WEEKLY COUNT OF COMPLAINTS—GATI'S CUSTOMER CARE DEPARTMENT

| SI No. | Sample size | No. of complaints |
|--------|-------------|-------------------|
| 1 | 200 | 14 |
| 2 | 200 | 8 |
| 3 | 200 | 13 |
| 4 | 200 | 18 |
| 5 | 200 | 15 |
| 6 | 200 | 5 |
| 7 | 200 | 12 |
| 8 | 200 | 17 |
| 9 | 200 | 21 |
| 10 | 200 | 20 |
| 11 | 200 | 9 |
| 12 | 200 | 7 |
| 13 | 200 | 5 |
| 14 | 200 | 11 |
| 15 | 200 | 21 |
| 16 | 200 | 14 |
| 17 | 200 | 10 |
| 18 | 200 | 3 |
| 19 | 200 | 4 |
| 20 | 200 | 4 |

Note: SI No. begins with the oldest week (1) and ends with most recent week (20).
Source: Developed by the case authors.

EXHIBIT 2: CAUSES OF COMPLAINTS ACCORDING TO GATI EMPLOYEES

| SI. No. | Probable cause | Count |
|---------|--------------------------------|-------|
| 1 | Less agile | 5 |
| 2 | Delay In loading and unloading | 41 |
| 3 | Fraudulent customers | 14 |
| 4 | Rely on vendors | 108 |
| 5 | Outdated trucks | 10 |
| 6 | Low computer literacy | 8 |
| 7 | Redundant paper work | 2 |
| 8 | Lack of SOP | 93 |
| 9 | Improper data entry | 16 |
| 10 | Leadership | 3 |

Note: A respondent may have highlighted two or more probable causes. SOP = standard operating procedures.
Source: Developed by the case authors from company files.