

***India's Express Service Industry..... all set for express growth***

With the global express service industry riding its growth on the wave of surge in global trade, how can the express service industry of India, amongst the largest and rapidly growing economies in Asia, be far behind? At its current estimated size of about US \$1.60 billion, though India's express industry is miniscule in terms of size as compared to that of the global express industry which was valued at around US \$149 billion in 2005, it ranks is amongst the fastest growing sectors in India and has attained a size almost equivalent to that of the Indian shipping industry. No wonder that the Indian express service industry is fast catching the attention of some of the major global players in the arena.

The express service industry in India is highly fragmented with a significantly larger number of players from the unorganised segment. Several leading global players too have a presence in India. Apart from the few players that are listed companies, not much information is available relating the other players. The Postal department too offers express delivery services. It has the widest network in terms of locations covered and is estimated to be holding a share of about 13 percent. There are no restrictions on FDI in express industry. However, the industry operates under several laws such as Postal regulations, Customs Act, labour laws, etc. The industry operates on the hub and spoke model. Since a larger scale of integrated operations does matter, lately several players of the organised segment have been ramping up their operating assets by adding fleet of cargo aircraft, commercial vehicles, branch/franchisee networks, etc. to equip themselves with ability to handle larger volumes of business which is expected to emerge inevitably on support of the sustained growth in Indian economy.

Apart from rising costs, rapidly changing technology is impacting the global express service industry the most. While the advent and extended reach of tools such as the internet and the telephone has reduced the need for formal communication, concepts like B2B and B2C holds immense potential for the

express delivery industry. With shrinking geographical and political barriers with Asian nations, share of India in Asian trade is expected to rise significantly in the coming years. According to a report of IMF, Emerging Asia contributed to around one-half of the global growth in GDP during 2004-05. Further, during 2004-05 India's external trade (including goods and services) surged by 44.2 percent and its export-import trade has grown at an impressive CAGR of 13.4 percent during the last decade driven by the opening up of the country's economy. The Foreign Trade Policy 2004-07 envisages an average annual growth rate of about 16 percent in India's global merchandise trade which speaks of potential volumes that India's express industry would be required to handle in near future. With India increasingly being recognised as an outsourcing destination, activity in the manufacturing sector is expected to rise phenomenally in industries such as textiles, automobiles, pharmaceuticals, etc. The opening of banking, insurance and retail sector too would add further boost to the need for value added express services in India. Development of infrastructure and opening of the Indian aviation sector would aid the industry.

Satiating increasing customer expectations, upgrading technology to deliver the best services, combating on the fronts of increasing cost and competition as well as expanding core activity to other services like Third Party Logistics (TPL) and Supply Chain Management (SCM) are some of the major challenges India's express service industry is expected to face in the coming years. Further, the proposed amendments to the Indian Postal Act, if enacted, pose a threat to the industry. Some of the significant changes proposed include restricting FDI in the industry, allowing Postal Department a monopoly on handling parcels weighing upto 300 gms, registration and annual renewal of players of the industry and contribution of 10 percent revenues towards Universal Service Obligation.

For in-depth analysis and CARE's view on the future of this sector, kindly refer to the exhaustive Report titled 'Express Industry in India' by **CARE Research**.

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