



## Relation between Profit and Expenses of a logistic company "Blue Dart"

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# **Relation between Profit and Expenses of a logistic company “Blue Dart”**

**BLUE DART**

**Author**

Abhishek Chaudhary

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## **ABSTRACT**

The problem of cost management in road transport enterprises is one of the most crucial ones for their efficient functioning. The enterprises functioning on the market are very different so it is important to analyze their costs structure in relation to their size. The research provides a discussion on road transport costs identification and problems related to it. The considerations are based on the background of road transport importance in transport services. Then, the research methodology consisting of elaborated questionnaire and the research sample are defined with special attention to the company's profit and expenditure structure.

## **INTRODUCTION**

Transport is one of the subsystems of the logistic system. This is the system most considered for optimization within the logistic process. Other subsystems include: order processing, stock, warehousing and packaging. Transport means goods are moved from one point to another with the help of transport vehicles. The transport of goods from factory to factory is part of the distribution function of the supplier as well as part of the procurement function of the receiver. There is lack of detailed elaborations in road transport costs in companies although many research deal with various transport cost scopes as internal and external costs of transport with relation to total costs of private transport and public transport cost of road transportation within intermodal system idea or generalized transport costs of goods in intermodal transport.

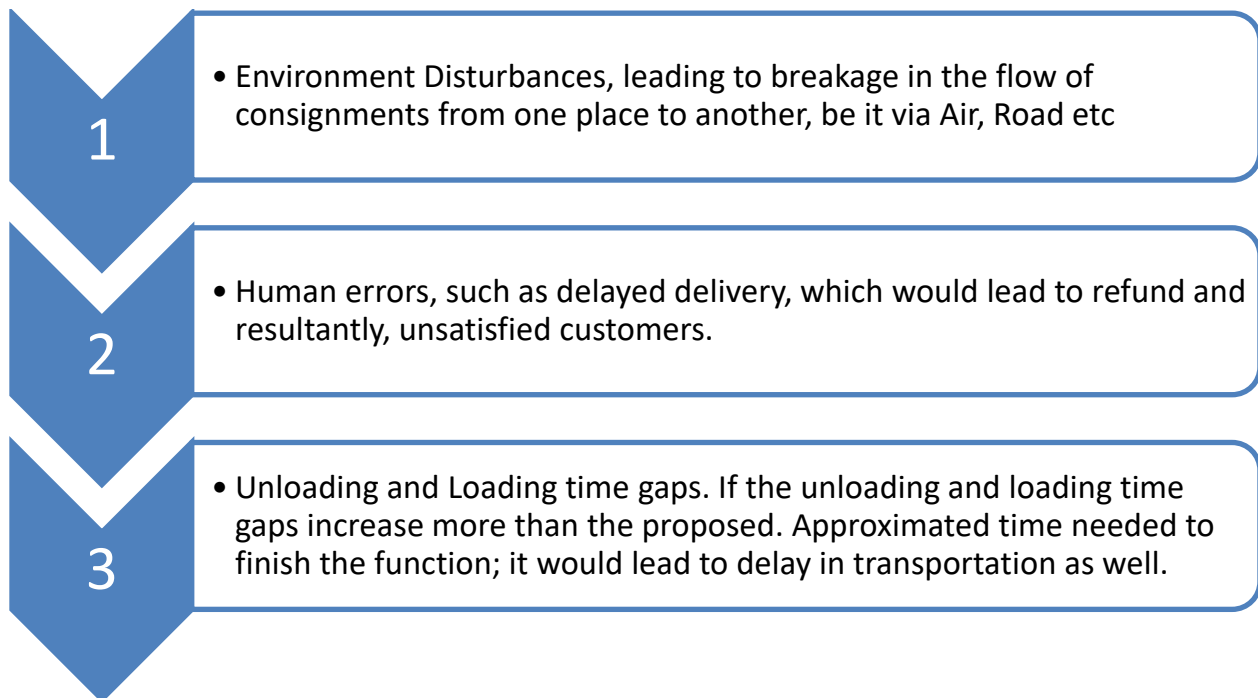
- Considering the above mentioned problems of costs identification and knowledge niche on road transport costs in enterprises, the aim of this paper is to present and analyze costs structure in road transport enterprises and discuss the problem related with different costs structure in relation to company size. The only aim of this research to analyze various costs structure in road transport enterprises is one of the main reasons of the transport companies' problems in the present turbulent business environment.

## **PROBLEM STATEMENT**

The Blue dart is an organization of logistics in commercial companies has a huge impact on their financial results. However, it is very often associated with high costs. The problem in Blue Dart is the management of logistics costs is the lack of information in the financial statements on logistics costs. These costs are included in the form of control accounts which are presented in the income statement. Effective management of costs and their reduction in various areas of company's management will have a positive impact on one of the most important indicators for assessing the activities of the company, which is profitability of Blue dart.

- Profitability is the basic information about the business operation. The problem in Blue Dart is the management of cost and the lack of information in the financial statements on Direct and Indirect costs. Comparing only the amount of profit over the years provides general information about the profitability of business conducted. The Problem with Blue dart is, there is not visible significant relation between Expenses and Profit of Blue Dart.
- **The Blue dart is an organization of logistics in commercial companies has a huge impact on their financial results. However, it is very often associated with high costs.**
- **The problem in Blue Dart is the management of logistics costs is the lack of information in the financial statements on logistics costs.**
- **These costs are included in the form of control accounts which are presented in the income statement.**
- **Effective management of costs and their reduction in various areas of companies management will have a positive impact on one of the most important indicators for assessing the activities of the company, which is profitability of Bluedart.**
- **Profitability is the basic information about the business operation. This article aims to show the impact of logistics on the ability of businesses to generate profit**
- The relation between profit and direct, indirect expenses and total expenses of Blue Dart company deals in Logistics.
- The problem in Blue Dart is the management of cost and the lack of information in the financial statements on Direct and Indirect costs.
- Comparing only the amount of profit over the years provides general information about the profitability of business conducted.
- The Problem with Blue dart is, there is not visible significant relation between Expenses and Profit of Blue Dart.

**The major problems related to Transportation and customer reach are as follows:-**



- **When a third party logistics provider is compared with a normal business firm concentrating on FMCG or other products, the former needs to imply more attention to its clients because of the direct customer relationship, which is needed for service based companies, unlike the latter which approaches intermediaries for distributing its physical products to its customers. Hence, losses can be greater when a service company is involved with its clients.**

## RESEARCH QUESTION

Our research is fits in relational type as we are taking profit as dependent variable and direct, indirect expenses as independent variable. Return on investment/expenses provides information how much profit is attributable to the assets of the entity involved. It is a tool that provides information about the effectiveness of the use of assets. It determines the ability of the company's assets to generate profit. Factors determining the rate of return on assets.

- The objective of study is only to know the relation between Expenses and Profit, whether it's direct or inverse and what should be the expenditure structure of the company?
- Is there any visible significant relation between Expenses and Profit of Blue Dart as pre pandemic trend shows significant increase in Profit due to increase in Expenses?

- **Marketing, based on its definition, is the whole idea of the business. It should not be assumed as a basic process of sales and distribution alone.**
- **The area of Logistics and Distribution of Blue dart is considered a very important sub-sector of the Marketing segment.**
- **In the current era of business, Customer satisfaction is given top most priority because customers decide the fate of the product or service, unlike earlier times where-in the sellers and distributors had a monopolistic control over the products or service.**
- **When Blue dart's profit is taken as dependant factors, many hidden flaws and facts can be derived, and thus solutions can be processed and outsourced so as to improve the overall productivity and sustainability of the Blue dart's logistic Business.**
- **Hence, the direct, indirect expenses plays a vital role in total revenue and profit of Blue dart, thus attaining overall, financial growth and significant profit.**

#### **Evaluation of Revenue Dimension of the Logistics/Distribution Department.**

- **Revenue can be defined as the Income of the company or firm. Revenue is required for the business to grow and diversify, thus enabling the business to attend to its day to day functions and objectives. The overall profitability of DTDC mainly depends upon the choice of transportation available for the company such as trucking, air or by train etc. In DTDC, revenue generation is mainly through the transportation and warehousing of consignments for its respective clients. In a normal company behavior, transportation is regarded as a cost for the company. Whereas, in case of Third-party-logistics providers, transportation is considered as a revenue earner as well as a cost for the company, since the cost incurred for hiring transportation, is thoroughly billed to the clients themselves, during the period of booking.**

#### **Customer Reach, Reaction and Satisfactory levels with the service provided.**

- **For any business to prosper and grow, it requires a source from which revenue can be derived. And for any profit-making business firm, its main source of revenue is its customers. In case of DTDC, customers are also termed as „Consignment Clients“. While a consignment is received by DTDC Premium services, it checks whether the pin code of the destination is compatible with its delivery options. After verification and approval, it will be sent to the designated location, and within the specified time period. The Time factor decides the satisfactory levels of the clients. If the consignment reaches the location within or at the specified time, the customer will be satisfied with the service and if not, a complaint is registered and the entire amount paid by the client for using the service is refunded, if the client claims for it.**

#### **Problems related to the Logistics segments/Distribution channels, such as Domestic and International Segments.**

- **The proximity of problems within the logistics department may vary but it so remains that the Connectivity issues shares a higher ground, initiating problems in the daily functioning of the company. Due to human or non-human disturbances, the performance on the delivery of goods may deteriorate, thus causing problems to the consignment holders. If such issues are recognized by the company before the actual delivery, it will be duly notified to the clients in advance. While availing delivery options like the PEP (Premium Express Products), they develop alternative solutions or delivery plans so that the consignments reach its destination in or on time. Even though such alternative solutions are implemented, it cannot be declared as a fool-proof system.**

#### **Matching Branch performance with Delivery performance.**

- **Branch Performance and Delivery performance are two diverse, yet co-related aspects. The delivery performance mainly deals with the status of the consignments. All the activities which the consignment goes through, such as transportation of the goods, delivery to the branch office, reaching the customers, can be considered as the delivery performance. The branch performance, on the other hand, includes operations performance, delivery performance, and the overall performance of the company**

#### **OBJECTIVE OF STUDY**

The problem in Blue Dart is the management of cost and the lack of information in the financial statements on Direct and Indirect costs. The Problem with Blue dart is, there is not visible significant relation between Expenses and Profit of Blue Dart as we discuss earlier pre pandemic trend shows significant increase in Profit due to increase in Expenses. When there is proper utilization of expenses it gives positive results in monetary terms. The objective of study is only to know the relation between Expenses and Profit, whether it's direct or inverse and what should be the expenditure structure of the company.

#### **Primary Objectives:- TO UNDERSTAND THE PROBLEMS RELATED TO THE LOGISTICS DEPARTMENT**

##### **1:- To understand DTDC's position – Commensurate to market area.**

- **Most of the companies consider Transportation and Travel charges as the company's incurred EXPENSES. In case of Courier companies, such as the DTDC, Transportation and Travel are filtered out as the main source of REVENUE for the company. Every business firm aims at maximizing their profits and focuses on the attainment of satisfaction to their customers with their products or service. Hence, customer satisfaction remains the main goal of DTDC as well.**

##### **2:-Problems related to international and domestic segments.**

- **DTDC is head quartered in Bangalore, having its Zonal offices in Mumbai, Delhi and Kolkata, supported by 300+ own offices and over 4000 channel partner offices spread across the country delivering over 100 million shipments every year. The**

Company has the state of the art IT infrastructure to support their operations and has built many customized applications for its corporate clients. Although a perfect, fool-proof system cannot be achieved, the proximity of discrepancies is although high for such a vast system. This in-turn leads to problems related to international and domestic segments.

## Secondary Objectives

### **TO KNOW THE SATISFACTORY LEVELS OF THE CUSTOMERS WITH A BRIEF SAMPLE BASE**

**1:-To know the satisfactory levels of the customers**

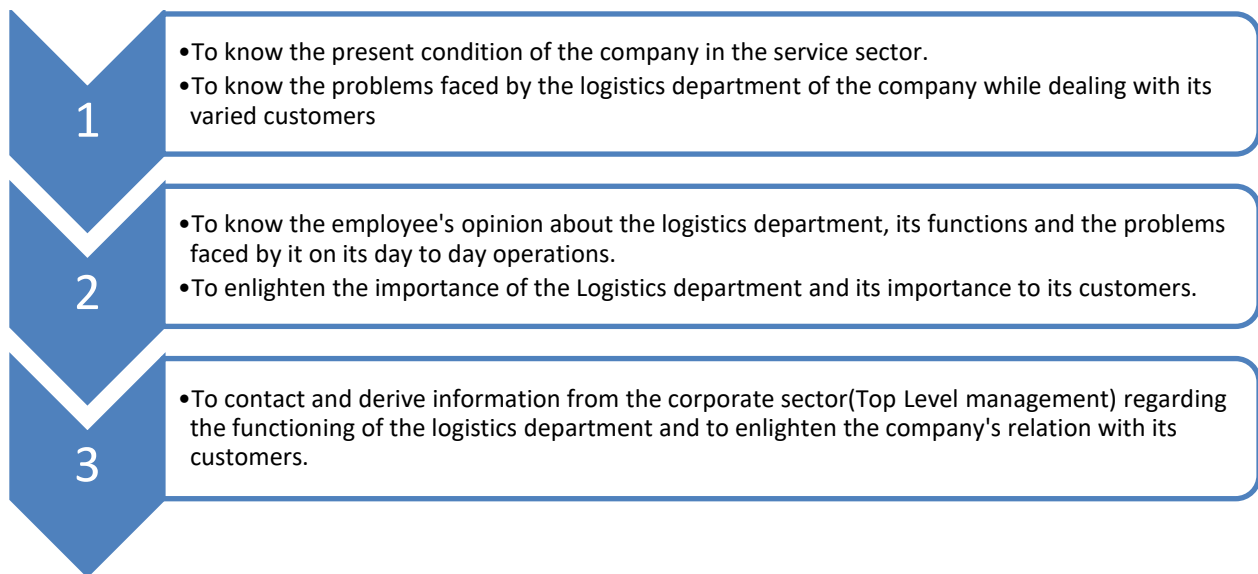
**Customer is King:-** an important saying in the market world. Customers are the primary organs deciding the fate of the products and services given out by the manufacturers and service providers. If the customers are not satisfied with the products which they buy or the services which they avail to, the survival of the business is at stake and it would be forced to accept closure, due to extensive losses.

## Research Methodology and Limitations

- **Research Plan:-** The Research plan is based on the project topic. **"The Effectiveness of Logistics, Distribution, and its relation to Customer Satisfaction"**. In order to derive the problems related with logistics, distribution and end-customer satisfaction, the Research plan for the project mainly involves direct contact with the respective employees of DTDC. DTDC is a Third-party-logistics provider, mainly concentrating on Transportation, Warehousing and Delivery of consignments from and to their clients, thus proving it to be a service based company. Services, unlike goods, are intangible commodities and hence, services should be rendered with flexibility in accordance with the type of customer. While involving in a research with a service sector company, one of the efficient ways of conducting a research is by maintaining a thorough contact with the employees of the company, as they would be most aware of the problems faced by the company. Alternative research plans, such as questionnaire distribution and Telephonic conversations would be implemented, for deeper penetration into the company's root cause of the problems, as mentioned in the Problem definitions.
- **Developing the Research plan:-**
- **The basic design for researching a Service sector company is by interacting with the employees and labourers of the company, and as such, the current research project follows a similar pattern of direct interaction, such as Personal meetings, group discussion and personal interviews. With such research patters, direct data can be derived with minimal deviations regarding the company's functionality and sustainability. In order for verifying the information derived by the methods mentioned, Questionnaire sampling technique would also be used so as to gain those date which could not be verified with the main research methods.**



## Research Plan



## Preliminary Investigation

- **DTDC is a Third-party Logistics provider, providing multiple logistics services for use by its customers. Preferably, these services are integrated by the provider. Among the services, DTDC provides transportation, warehousing, cross-docking, inventory management, packaging, and freight forwarding.**
- **The main focuses of the logistics department of DTDC are its customers, particularly prioritizing the Industrial customers and their large-scale goods, which is to be transferred by the company to the specified location by the customer and within the specified period.**
- **One of the primary issues faced by DTDC is the problem related with transportation. Since courier and logistics services function with the time factor and have clients who prefer or want their goods/consignments on time, the mode of transportation and channels are often given high rank of importance and disturbances in the channels of transportation, which includes human or non-human disturbances, can be a cause to loss of goods or revenue for the company.**
- **There exists considerable difference between the branch performance and delivery performance.**
- **Normal Courier service differ extensively as when compared to Logistics services, in which the former focuses on small-scale delivery whereas the latter concentrates more on large-scale delivery of goods to its customers, mainly the industrial customers.**

- The restrictions implicated by DTDC on certain goods/products transfer and delivery such as Explosives, Gaseous, Flammable liquids, Flammable solids, oxidizers and organic peroxides, radioactive material, Corrosives etc. Such goods or products possesses hazardous characteristics and are categorized by the IATA in the Dangerous Goods Regulation.

### Explorative Study

- Solution to a particular problem faced by any company cannot be fool-proof, although the amount of loss can be greatly reduced. Reducing cost, and at the same time gaining an average above the costs (Profit) can increase the sustainability, i.e the life of the business and hence promotes growth.
- When the scenario of DTDC is considered, the problem lies with its reach to the consignment clients. If we take a look at the root cause of the problem, Transportation and warehousing are highlighted, where-in Transportation takes up a larger share in the root cause of the problem. The issues related to Warehousing extents only to a particular limit, where the problem lies with the loading and unloading time-gaps, which would, as a result, disturb the flow of transportation. Hence, transportation remains the primary problem faced by the company.



### Questionnaire on expenditure structure of a logistics company.

**Q1. Do you think company deals in logistics should invest more in R&D?**

1	2	3	4	5
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**Q2. Do you think company deals in logistics should spend more on marketing?**

1	2	3	4	5
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**Q3. Do you think company deals in logistics should spend more on advertisement?**

1	2	3	4	5
---	---	---	---	---

**Q4. Do you think company deals in logistics should focus on youngsters in order to expand business?**

1	2	3	4	5
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**Q5. Do you think company deals in logistics should increase transportation speed by spending more on freight cost to company even if it means nominal reduction in profit of company?**

1	2	3	4	5
---	---	---	---	---

**Q6. Do you think company deals in logistics should deliver package on time even if it cause extra expense?**

1	2	3	4	5
---	---	---	---	---

**Q7. Do you think company deals in logistics should be more precise and accurate by spending on IT and software?**

1	2	3	4	5
---	---	---	---	---

**Q8. Do you think company deals in logistics should deliver fast than its competitors even if it cause cost expansion?**

1	2	3	4	5
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**Q9. Do you think company deals in logistics should spend more on direct and indirect expenses?**

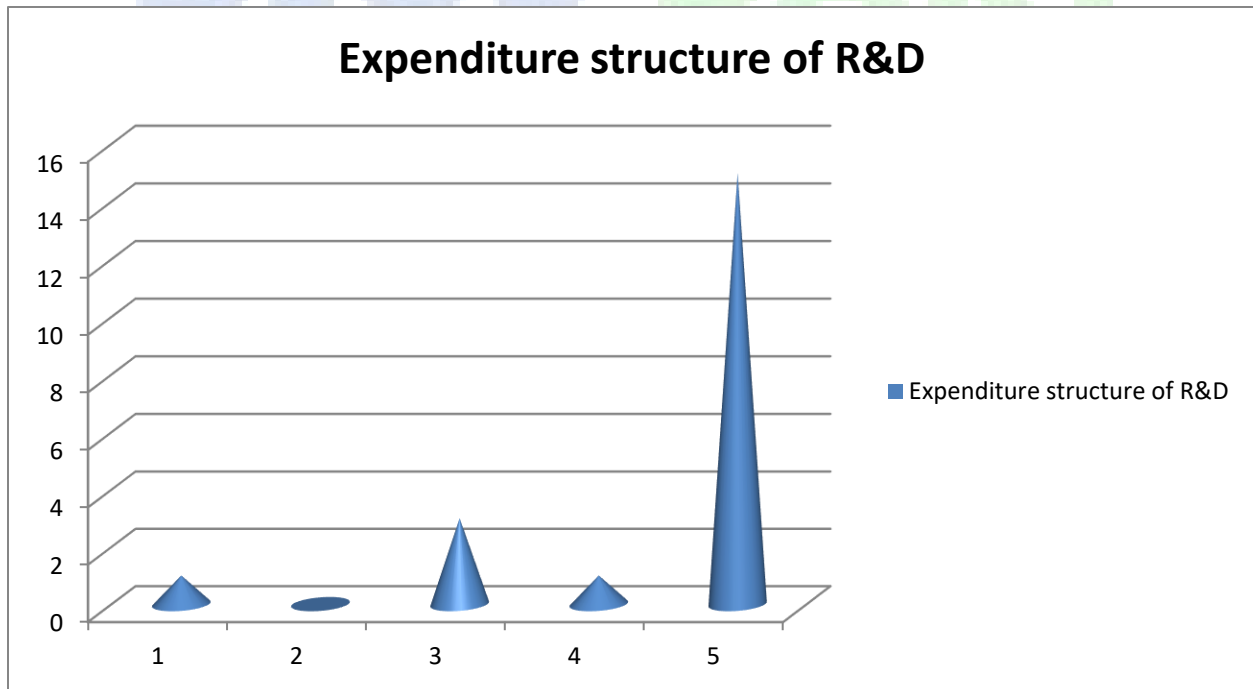
1	2	3	4	5
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**Q10. Do you think company deals in logistics should spend more in order to focus on smooth and advance supply chain management for long-term benefits?**

1	2	3	4	5
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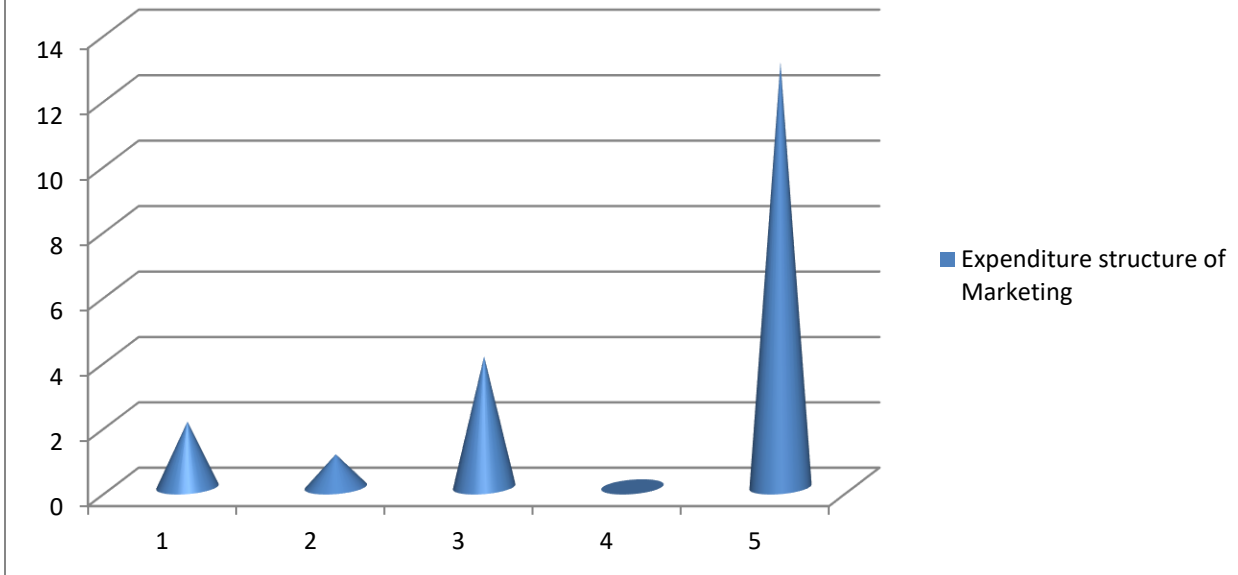
Data of each questions obtained by survey

**Q1. Do you think company deals in logistics should invest more in R&D?**



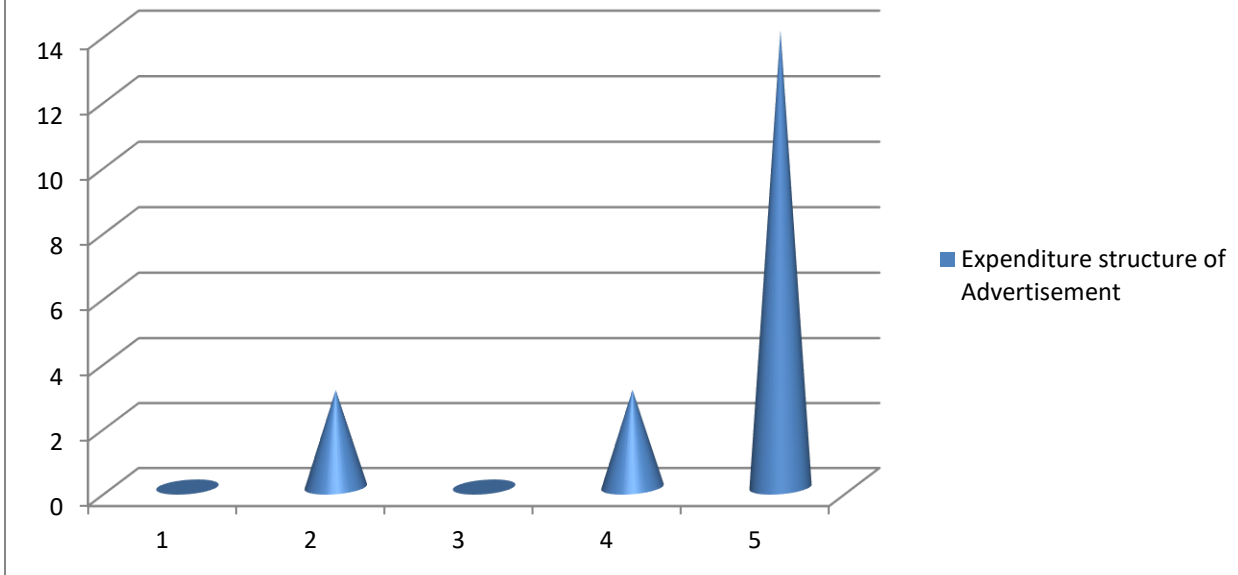
**Q2. Do you think company deals in logistics should spend more on marketing?**

### Expenditure structure of Marketing



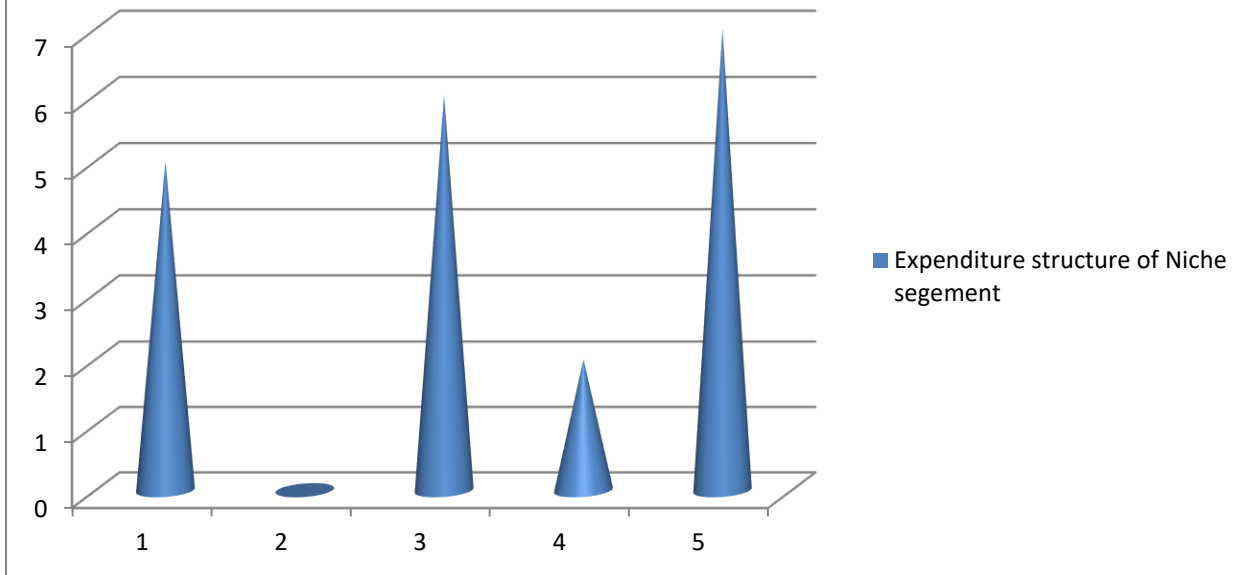
**Q3. Do you think company deals in logistics should spend more on advertisement?**

### Expenditure structure of Advertisement



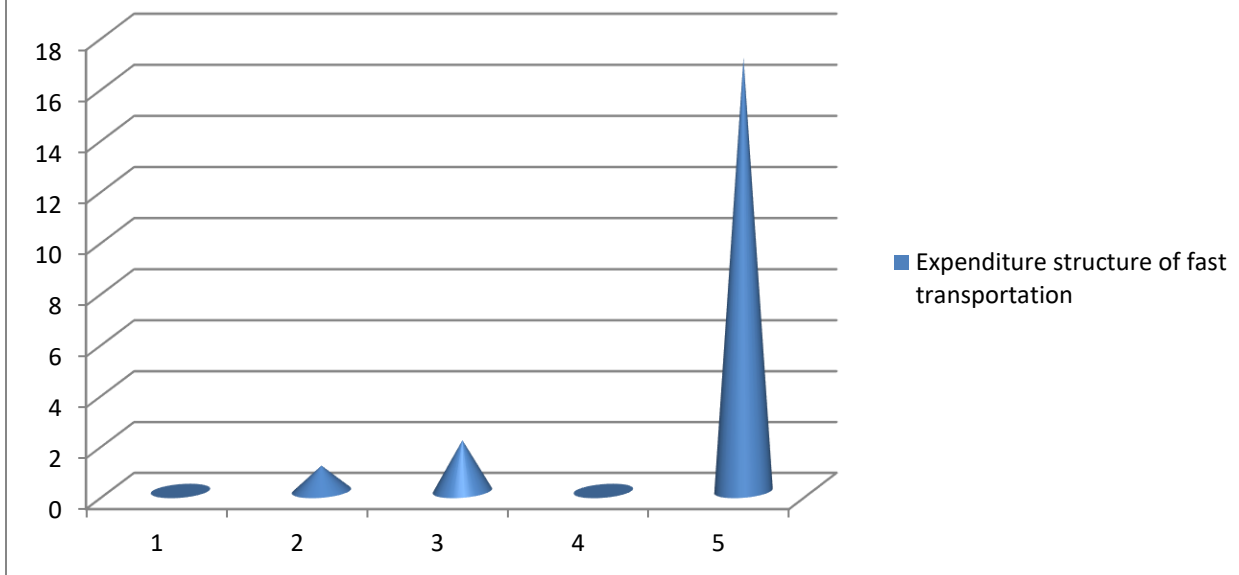
**Q4. Do you think company deals in logistics should focus on youngsters in order to expand business?**

### Expenditure structure of Niche segment



**Q5. Do you think company deals in logistics should increase transportation speed by spending more on freight cost to company even if it means nominal reduction in profit of company?**

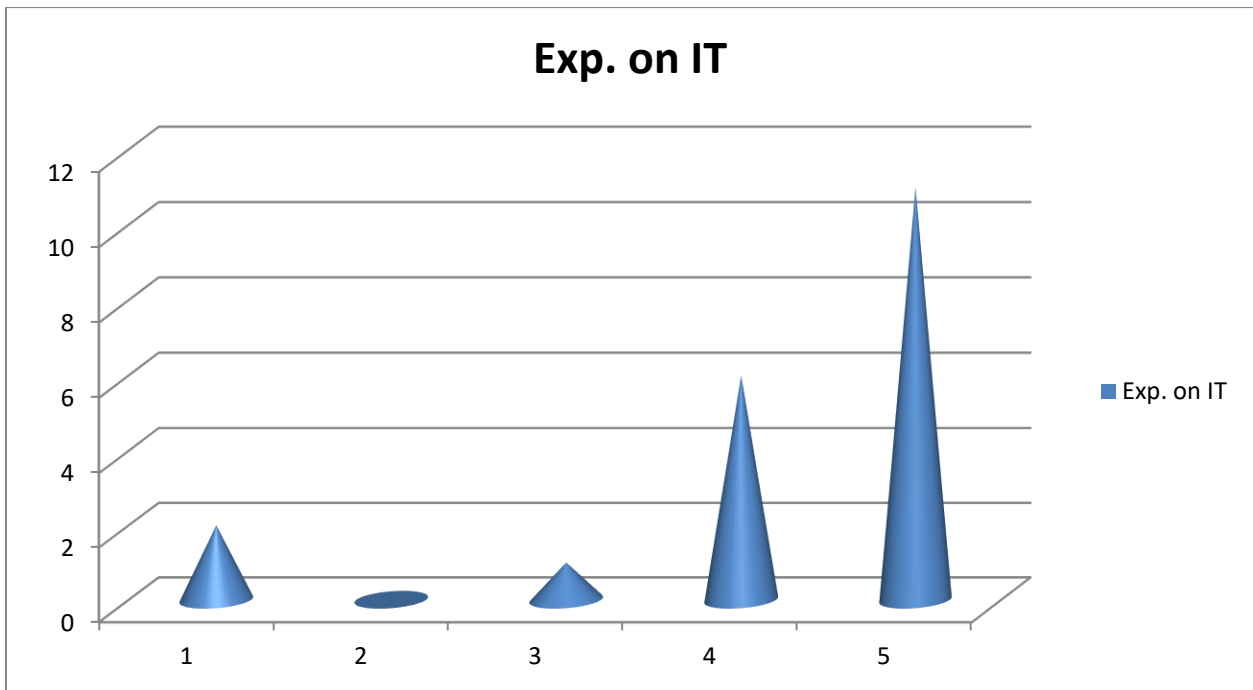
### Expenditure on fast transportation



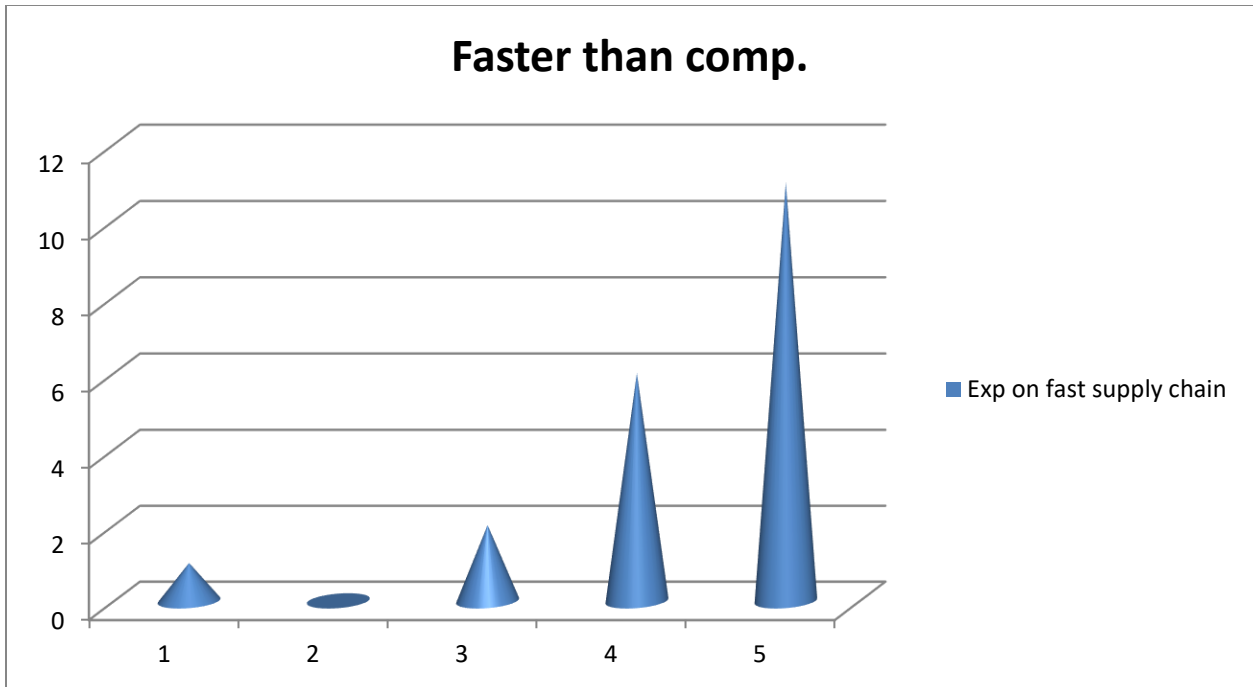
**Q6. Do you think company deals in logistics should deliver package on time even if it cause extra expense?**



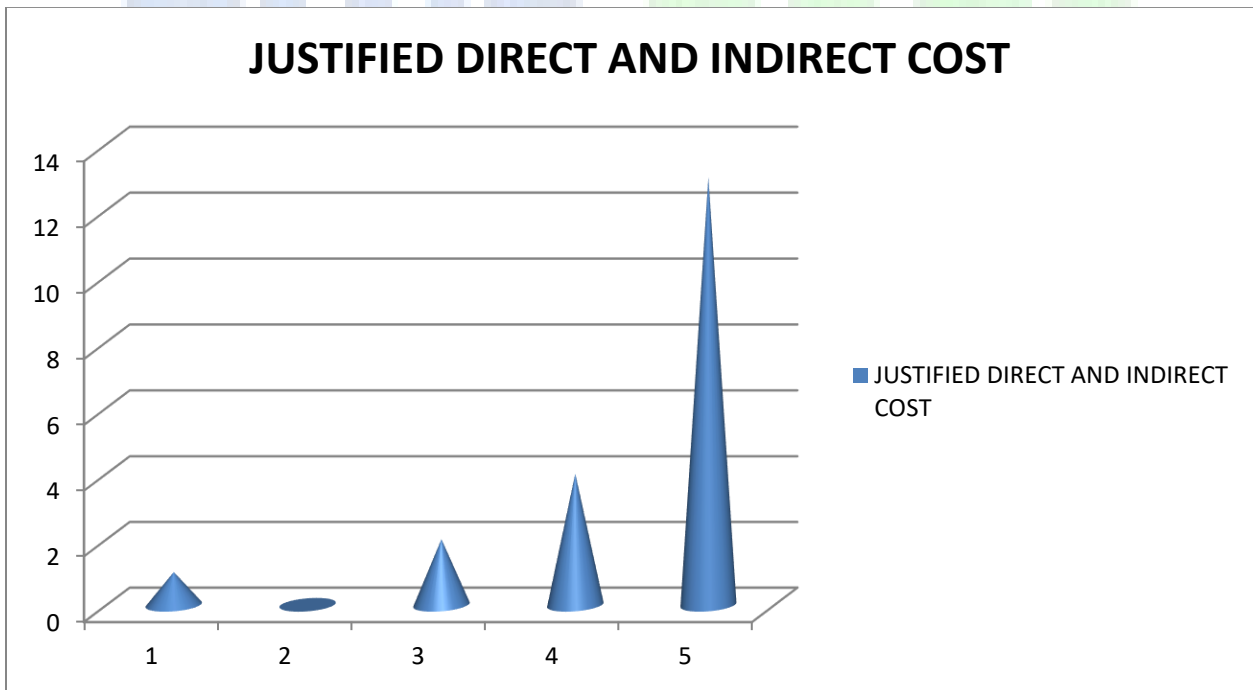
**Q7. Do you think company deals in logistics should be more precise and accurate by spending on IT and software?**



**Q8. Do you think company deals in logistics should deliver fast than its competitors even if it cause cost expansion?**

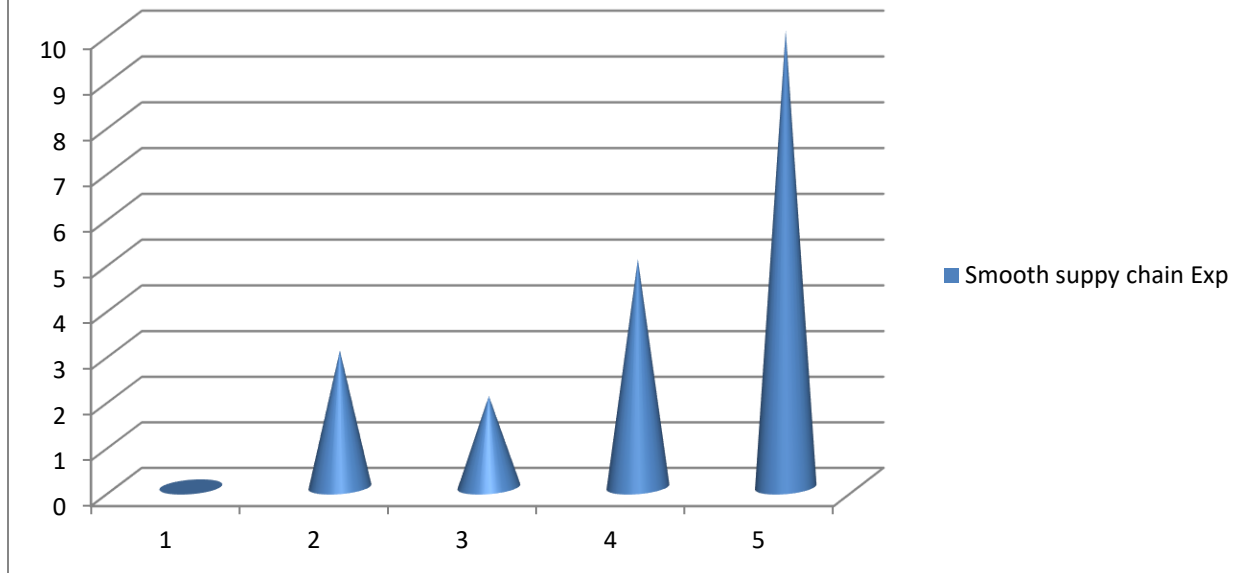


**Q9. Do you think company deals in logistics should spend more on direct and indirect expenses when there is scope of utilisation?**



**Q10. Do you think company deals in logistics should spend more in order to focus on smooth and advance supply chain management for long-term benefits?**

## Smooth supply chain Exp

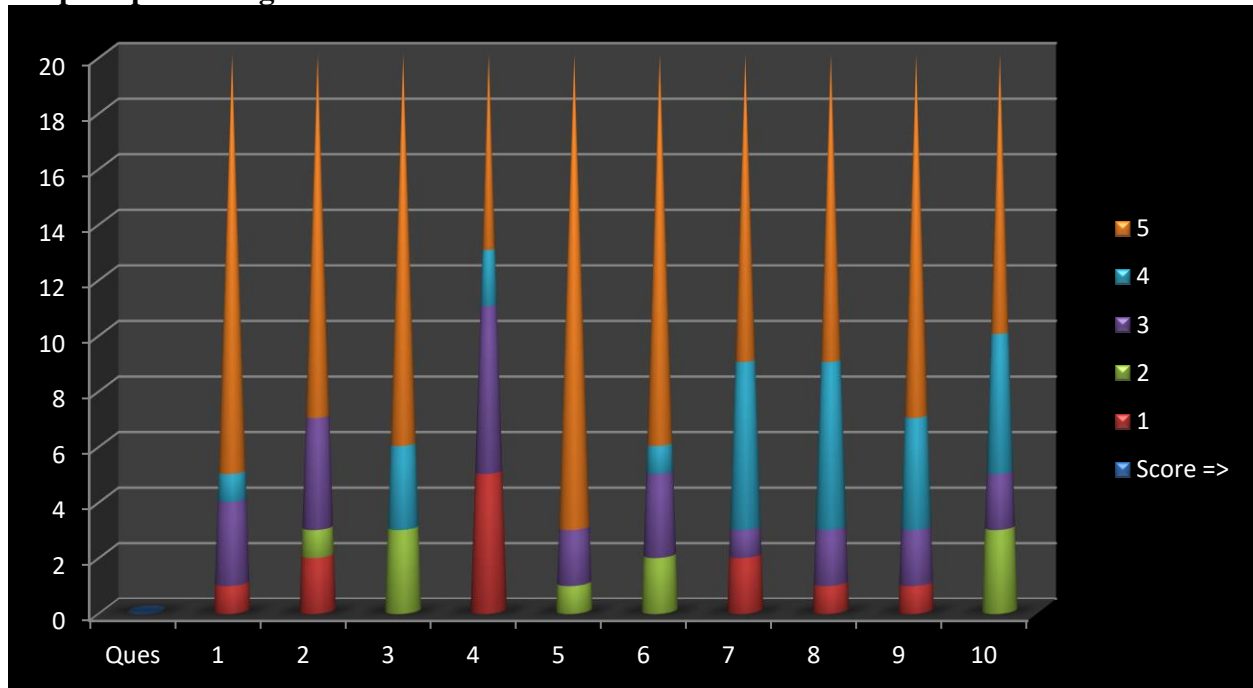


## TABLE REPRESENTING OVERALL STATISTICS

Score =>		1	2	3	4	5
<b>Ques</b>	<b>Expenditure structure</b>					
1	<b>R&amp;D</b>	1	0	3	1	15
2	<b>Marketing</b>	2	1	4	0	13
3	<b>Advertisement</b>	0	3	0	3	14
4	<b>Focus Youngsters</b>	5	0	6	2	7
5	<b>speedy transportation on time</b>	0	1	2	0	17
6	<b>transportation</b>	0	2	3	1	14
7	<b>IT expenditure</b>	2	0	1	6	11
8	<b>fast than competitors</b>	1	0	2	6	11
9	<b>justified high direct and indirect expenses</b>	1	0	2	4	13
10	<b>spend on smooth supply chain</b>	0	3	2	5	10



Graph representing overall statistics



# BLUE DART

## LITERATURE REVIEW

The organization of logistics in commercial companies has a huge impact on their financial results. However; it is very often associated with high costs. The problem in the management of logistics costs is the lack of information in the financial statements on logistics costs. These costs are included in the form of control accounts which are presented in the income statement. Therefore, in order to know the cost of logistics in the enterprise and manage them it is necessary to use additional accounts. With information on the cost of logistics in a given period one can enter the appropriate solutions that will lead to their optimization. Effective management of costs and their reduction in various areas of company's management will have a positive impact on one of the most important indicators for assessing the activities of the company, which is profitability. Profitability is the basic information about the business operation.

## Research Question

- **Our research is fits in relational type as we are taking profit as dependent variable and direct, indirect expenses as independent variable.**
- **Return on investment/expenses provides information how much profit is attributable to the assets of the entity involved.**

- It is a tool that provides information about the effectiveness of the use of assets. It determines the ability of the company's assets to generate profit. Factors determining the rate of return on assets
- The objective of study is only to know the relation between Expenses and Profit, whether its direct or inverse and what should be the expenditure structure of the company?
- Is there any visible significant relation between Expenses and Profit of Blue Dart as pre pandemic trend shows significant increase in Profit due to increase in Expenses?

### Revenue chart

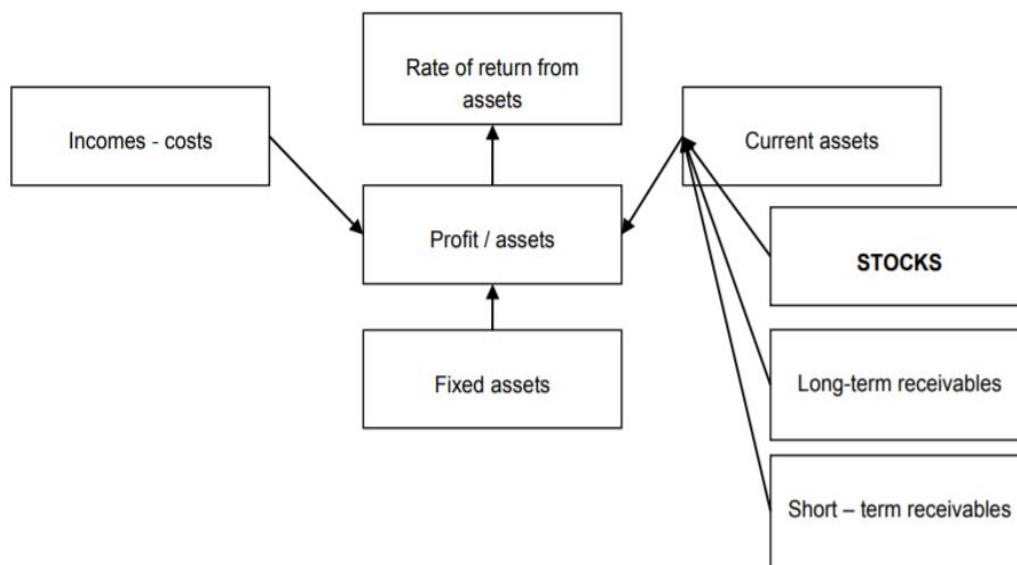


Fig. 1 Factors which influence on assets profitability

### Objective of Study

The problem in Blue Dart is the management of cost and the lack of information in the financial statements on Direct and Indirect costs.

The Problem with Blue dart is, there is not visible significant relation between Expenses and Profit of Blue Dart as pre pandemic trend shows significant increase in Profit due to increase in Expenses

When there is proper utilization of expenses it gives positive results in monetary terms.

The objective of study is only to know the relation between Expenses and Profit, whether its direct or inverse and what should be the expenditure structure of the company.

PROFIT & LOSS ACCOUNT OF BLUE DART EXPRESS (in Rs. Cr.)	MAR 21	MAR 20	MAR 19
TOTAL EXPENSES	3,135.46	3,163.49	3,055.32
PROFIT/LOSS BEFORE TAX	131.05	-47.20	128.35

### Types of cost involved

The costs of the physical flow of supplies are a very important category of logistics costs.

- They are shaped mainly by the following components: the cost of depreciation, labor costs, costs of materials, fuels and energy, other costs of flow, e.g. property tax, tax on means of transport.

The costs of inventory management are a key element of logistics costs.

The costs of inventory management are a key element of logistics costs.

### HYPOTHESIS

A hypothesis is used to explain a phenomenon or predict a relationship in communication research or in other words hypothesis is a specific statement of prediction. It describes in concrete (rather than theoretical) terms what you expect will happen in your study. According to Mentzer and Kahn (1995), hypotheses are empirically testable statements about non-observable constructs. According to Popper (1959), all knowledge in the nature of theories and laws has a hypothetical character. In essence, theories are only hypotheses that may not be true. Researchers' task is to test the hypotheses empirically and subsequently remove falsified

hypotheses. As such, the development of science can be seen as a sequence of revisions of hypotheses.

Hence, the process of scientific development, and thus our knowledge of reality, involves a sequence of trials and errors. Table below presents the table of hypothesis testing. This table provides information about the statements of the papers in which hypothesis testing is done.

<b>Ho = There is no significant relation between Profit and Expenses</b>
<b>H1 = There is significant relation between Profit and Expenses.</b>

**Financials of Blue Dart**

<b>Years</b>	<b>PROFIT or LOSS BEFORE EXCEPTIONAL and EXTRAORDINARY ITEMS AND TAX</b>	<b>Operating And Direct Expenses</b>	<b>TOTAL EXPENSES</b>
01 March 2018	211.78	1779.91	2601.61
01 March 2017	217.06	1677.94	2491.63
01 March 2016	289.92	1571.78	2292.57
01 March 2015	193.56	1517.24	2099.42
01 March 2014	187.37	1327.29	1788.75
01 March 2013	271.22	1410.23	1934.7
01 December 2011	178.88	1001.07	1334.98
01 December 2010	140.1	748.36	1011.78
01 December 2009	92.5	585.63	819.65
01 December 2008	114.78	635.92	866.3
01 December 2007	106.03	501.94	703.63
01 December 2006	77.87	426.58	590.26
01 December 2005	58.93	248.24	352.56
01 March 2005	59.28	270.05	402.47
01 March 2004	41.3	214.03	314.06

## Regression

### Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	0.956852	0.915565	0.898678	25.50622	0.915565	54.21742	2	10	4.29E-06

As we can see the value of “R square” is .915 which shows that the independent variables are influencing the dependent variable by 91.5% .

### ANOVA<sup>b</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	70544.176	2	35272.088	54.217	.000 <sup>a</sup>
	Residual	6505.675	10	650.567		
	Total	77049.851	12			

a. Predictors: (Constant), TOTALEXPENSES, OperatingAndDirectExpenses

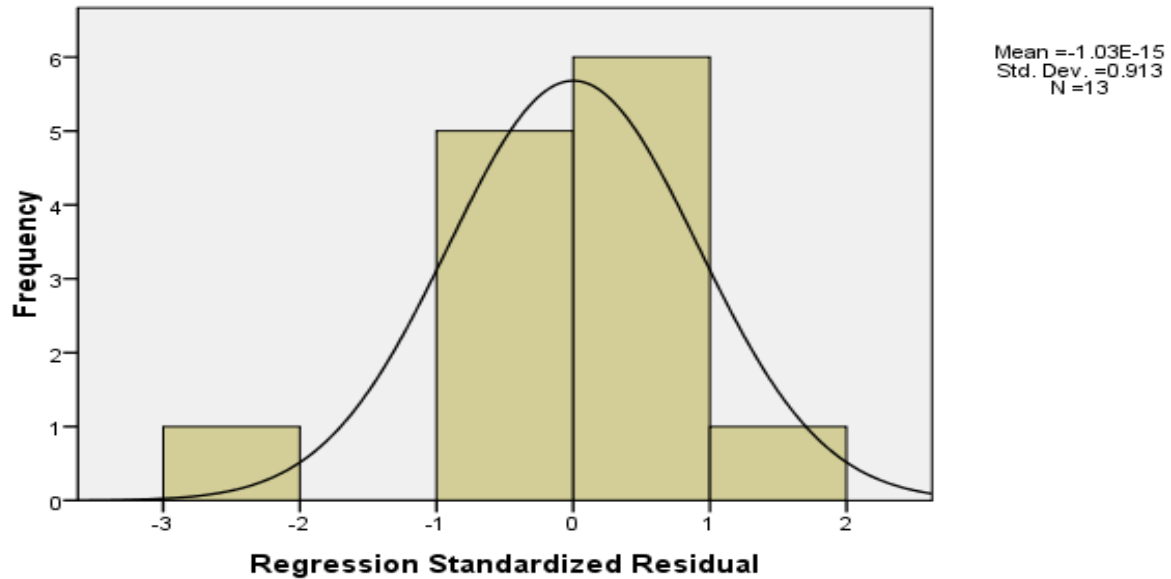
b. Dependent Variable:

PROFITorLOSSBEFOREEXCEPTIONALandEXTRAORDINARYITEMSANDTAX

The test statistic is the  $F$  value of 0.00, Using an  $\alpha$  of 0.05 .Since the test statistic is less than the critical value, we accept the null hypothesis of equal population means and conclude that it is a statistically significant value.

## Histogram

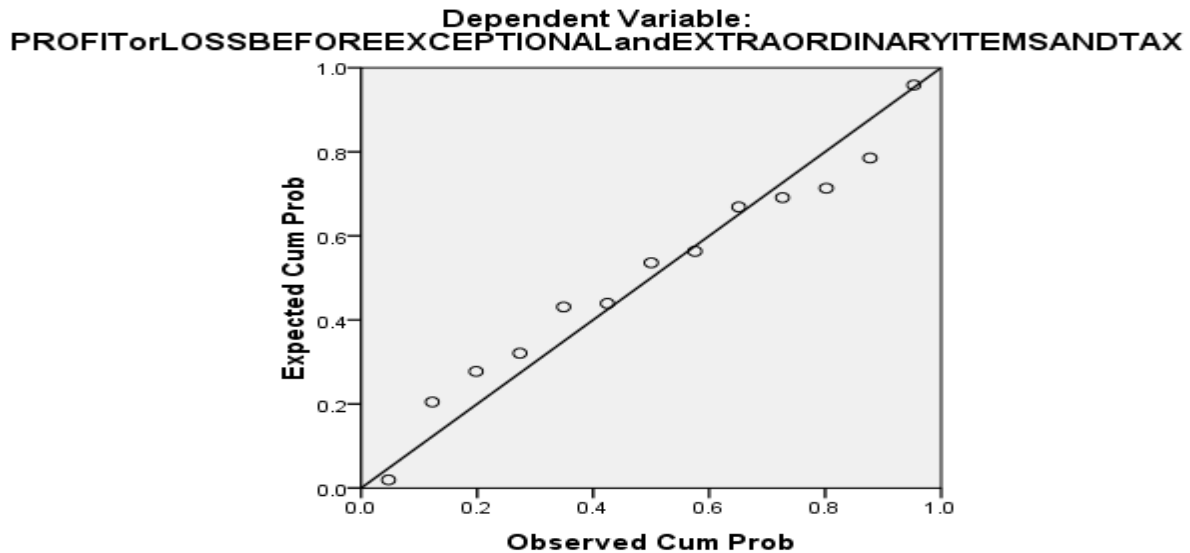
Dependent Variable:  
PROFIT or LOSS BEFORE EXCEPTIONAL and EXTRAORDINARY ITEMS AND TAX



The diagonal line (which passes through the lower and upper quartiles of the theoretical distribution) provides a visual aid to help assess whether the relationship between the theoretical and sample percentiles is linear

The relationship between the theoretical percentiles and the sample percentiles is approximately linear. Therefore, the normal probability plot of the residuals suggests that the error terms are indeed normally distributed

## Normal P-P Plot of Regression Standardized Residual



The [empirical rule](#) also known as six sigma square tells you what percentage of your data falls within a certain number of [standard deviations](#) from the [mean](#):

- 68% of the data falls within one [standard deviation](#) of the [mean](#).
- 95% of the data falls within two [standard deviations](#) of the [mean](#).
- 99.7% of the data falls within three [standard deviations](#) of the [mean](#).

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BLUE DART