

OneVoice

DHL Magazine for Global Customers

DHL

ISSUE 1 | 2011

INDUSTRY FOCUS:

■ TECH SAVVY

COUNTRY FOCUS:

■ THE MIDDLE EAST: A HUB FOR GLOBAL TRADE

THE EXECUTIVE VIEW:

■ DEERE'S DYNAMIC



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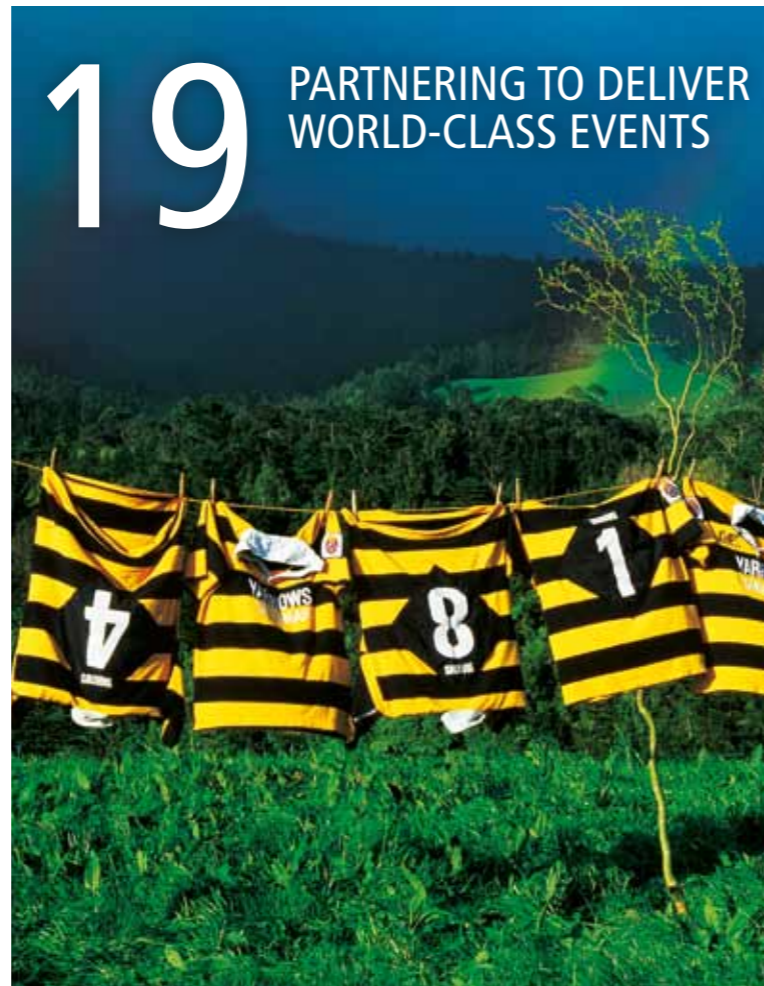
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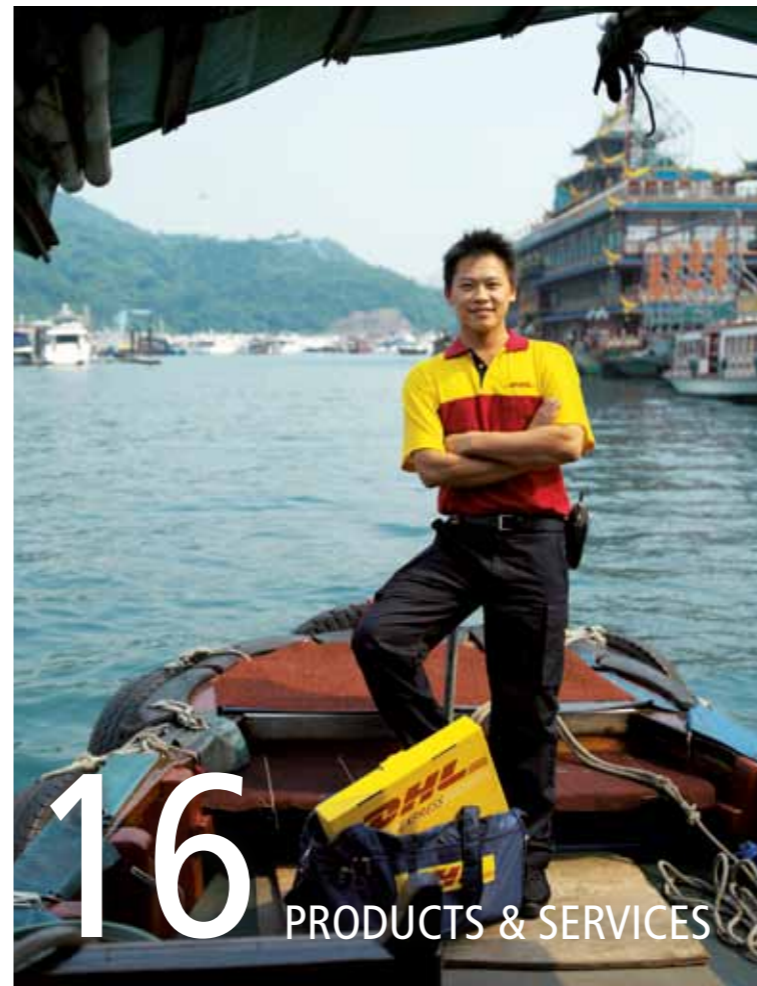
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EDITORIAL



DEAR READER,

A year full of challenge, but also reward lies behind us. Side by side with you, our customers, we emerged from the global economic crisis and saw growth continue and global trade rebound strongly towards the latter part of the year. We mastered the challenges of the volcanic ash cloud and entered an era where security in transportation moved even higher on the transportation agenda.

In 2011, we expect to see further growth, driven mainly by emerging nations – our **Country Focus story on the Middle East** presents a region that has had its fair share of issues in the wake of the global economic crisis, but has not lost any of its dynamic edge.

Speaking of edge, the **Technology sector** is one of fast, dynamic industry players and an ever-evolving playing field, as demand constantly shifts and time to market is often of crucial importance. Our focus story on **page 12** goes behind the scenes of this fast-paced industry.

On **page 4** you will find insights from **David A. Panjwani, Global Logistics Manager EMEA Deere & Company**, a leading player in the Engineering & Manufacturing industry.

It gives me great pleasure to introduce **Tetra Pak** as the winner of this year's Deutsche Post DHL Innovation Award. Turn to **page 32** for highlights of our Innovation Day and Tetra's outstanding innovative achievements.

Customers are our core focus, and, as every year, we reached out to many of you for feedback on our performance. This is especially important after such a challenging period for the logistics industry. The results are being evaluated in detail as I write, but, at first glance, I am happy to see that your overall satisfaction with GCS remains very high. In our next edition of **OneVoice** we will inform you about action taken in areas where you indicated improvements are needed, as these will have our specific focus all year.

Yours sincerely,

ROB SIEGERS
 Chief Operating Officer
 DHL Global Customer Solutions

DEERE'S DYNAMIC

As its customer base has become ever more global in recent years, John Deere has increasingly sourced globally to support its expanding manufacturing footprint around the world. Today, nearly half of the sales of this agricultural and construction equipment maker are outside the United States, and much of its growth now comes from emerging markets.

"As this dynamic increases, it makes the performance of our supply chain that much more crucial," says David A. Panjwani, Global Logistics Manager EMEA Deere & Company. "We are performing well, but we have to position ourselves even better in terms of the design of our network and supply chain, in partnership with our logistics segment leaders such as DHL, for continued growth."

By working closely with its logistics partners, John Deere has been able to turn its supply chain into a competitive advantage, especially with regard to its line of large agricultural equipment. The company does not build to stock, but to specific customer demand, and its customers expect short lead times for their orders. "We feel that, with the processes that we've designed and the partners we're working with, we do have a competitive advantage in that field and we're continuing to strengthen and improve the performance of our supply chain," he explains.

LEARNING TO SHARE

One of the things John Deere is doing better is to involve its segment leaders like DHL earlier in the process. "We're sharing information more deliberately with our 3PLs, such as the actual orders, as well as the actual demands we're placing on our materials suppliers," adds David.

By having this information earlier, this allows Deere's partners to plan and execute better. They are able to work with Deere's suppliers to ensure that the right quantity will be picked up at the right time and it also allows them to plan the most efficient routing, across the country or around the world. This additional planning horizon allows Deere and its 3PLs to optimize much better than before.

John Deere also has a sophisticated strategic sourcing program, by lane. By going through this detailed process, David's team has a high degree of confidence that not only are they choosing the provider with the most competitive pricing, but they are also getting best in class performance in transit time.

One of the key differentiators Deere looks for in a supply chain partner is their IT infrastructure. Order and route planning, visibil-

ity in transit and being proactive in managing exceptions are essential attributes for a supply chain partner.

CUSTOMIZED SUCCESS

DHL is one of Deere's largest logistics service providers, and David has found that, thanks to its integrated customer management organization, Global Customer Solutions (GCS), they are able to get a more customized approach from this large global company to meet their needs. "We're able to go to the DHL GCS leader in each of our regions and share an issue or an opportunity in this area of our business. Thanks to the GCS structure, we're able to synthesize our needs better, which allows DHL to approach that need in a more nimble and focused way," explains David.

"I think DHL has come a long way for us and this allows us to meet the needs of our customers better than we have in the past," he adds.

David cites the example of supply chain performance in Europe, where DHL is Deere's primary logistics service provider for inbound shipments to manufacturing plants in Europe, interfacing with their suppliers. He has found in the last few years that, by working much more closely together and sharing order information well in advance of the actual pick up date, DHL has more tools to work with to plan the entire inbound supply chain. "By offering our factories good visibility of what's happening before pick up and during transit, DHL is really providing good customer service along the whole supply chain," he says.

And on the back end, the analytics DHL provides allow David's team to dig deep into the performance of that supply chain. They are looking at traditional things like weight, shipment size, and cost, to see how they are optimizing the supply chain, but they are also looking at the on-time service for every single order, and then drilling down to the defects, going much deeper than in the past.

"That's a live example of where DHL is allowing our factories to have the confidence in our supply chain and as that confidence grows, we're going to be able to reduce lead times and act in a much leaner fashion, which is really the end goal: to have a supply chain as lean as possible," explains David.



WHAT DRIVES DAVID PANJWANI

I feel very privileged to work for a large global company one of whose hallmarks is *how* we work with people. What we do is very important, but we're emphasizing the *how* just as much. How we treat each other, how we treat our suppliers and how we work together, in highly aligned teamwork, to get things done.

That fits my approach to my work very well. I value the people I work with in this company very much, and the suppliers like DHL. The *how* is one of our guiding principles and provides a lot of motivation for me.



I'm also highly motivated by the growth of our company, which is very strong, and is driven largely by business outside the U.S. I'm motivated to work in the international logistics field and achieve what our factories, dealers and customers need, and make it as seamless as possible. This has been a good challenge professionally, as we've grown globally.

On the personal level, my faith and my family are what drive me. My wife and two kids are where I keep my main focus and priorities.



GETTING BETTER ALL THE TIME

As another example, he cites the supply chain into Russia, where they were having performance issues on the cycle time for their heavyweight airfreight from North America and Europe. Deere presented the opportunity to DHL and, by going through the GCS structure, DHL was again able to get the right people and tools involved, not only to get the average transit time reduced, but more importantly, to reduce the variability.

"DHL has played a key role in improving both of those aspects and the GCS structure has allowed us to get things in place in a fairly rapid fashion to address this," says David. "They've done some innovative things, such as providing us a daily dashboard where we are measuring every key leg in the transportation supply chain, from origin, through airport handling, customs clearance, and delivery to the door. Through this process and some of DHL's tools with their control tower, we've been able to identify where the bottle necks were, address those and have much more stable performance."

What David would like to work towards is to get to a point where DHL and all of Deere's providers are much more proactive, so that the process is so lean and so tight that there will be few if any issues to correct. "We know we will have achieved success when DHL comes to us and says: this is what's happened, this is what we're doing to correct it, and this is what we're doing to prevent it from recurring in the future."

The other area where David would like to see more progress going forward is in providing end-to-end supply chain visibility, across all modes and services. "When we're working with a large global logistics service provider like DHL, we'd like to get to a point where we can see the performance of our whole portfolio, whether it's heavyweight, warehousing, express, or road freight, together in one dashboard or platform, so we can manage the total supply chain better." ■

THE MIDDLE EAST: A HUB FOR GLOBAL TRADE

Trade routes between East and West have historically passed through the Middle East, and this region has once again found its role at the center of global commerce. Turkey, for example, provides a vital connection between the Middle East and Europe, through its ports and roads. Bahrain, too, plays a key role, because of its proximity to Saudi Arabia. While Dubai has become an indispensable logistics hub for more efficient distribution from Asia – via air, ocean and even road – to the Middle East, Europe, the Caucasus and, increasingly, Africa, too.

HELLO, DUBAI!

The attraction to global companies is the geographic proximity to Europe and Africa, combined with the world-class facilities and simplified administrative formalities, including a number of free zones for warehousing, cross-docking and forwarding. Nowhere is this more the case than in Dubai, part of the United Arab Emirates (UAE), where the government has invested billions of dollars to make this a regional and global trade hub. ▶



PHOTOS: THOMAS LINKEL/LAIF; PAUL SPIERENBURG/LAIF



Pivotal to this is Dubai World Central, the world's first truly integrated logistics platform, with key transport modes, logistics and value added services, including manufacturing and assembly, all in a single bonded and free zone environment. At its heart is the new Al Maktoum airport, which opened in June 2010 and is capable of handling all the latest generation aircraft, including the A380. Considered the world's largest airport by capacity, it will eventually be capable of handling over 12 million tons of cargo a year and in excess of 120 million passengers annually. Add to this one of the biggest ocean ports in the world and this is truly one of the planet's premier multi-modal logistics hub for air, sea and road.

More and more global companies, particularly in technology, automotive, aerospace, and life sciences, are coming to realize the considerable advantages of going through Dubai. It is the ideal hub for many of the Gulf countries, since you can clear customs directly in Dubai. It is also faster and more cost effective to supply the entire Middle East through the Dubai hub, thanks to the bonded facilities and seamless multimodal connections. And, with direct air connections to all major airports in East and West Africa, and DHL's innovative SeAir connection from Asia, it is also the most efficient way to get product into East and West Africa.

Enver Moretti, CEO DHL Global Forwarding Middle East, cites the example of one global multinational technology firm: "This customer used to serve East and West Africa from China through Europe; while all destinations in the Middle East and North Africa were served directly. After a three-year study, they now see the advantages of Dubai as a hub in terms of price and transit time." ▶



PHOTOS: BRYAN PEREIRA; SUSMIT DEVI/ARABIANEYE/AGENTUR FOCUS; ISTOCKPHOTO; GETTY IMAGES/GOODSHOOT RF



DISTINCT ADVANTAGE

Active in Dubai for three decades now, DHL offers the most advanced range of capabilities and far-reaching network in the region. Providing Express activities under the DHL brand, while Logistics activities are managed by a joint-venture with a local business group under the Danzas brand, DHL has unmatched experience and scope of capabilities in the region.

“We’re the only ones who offer less than truckload (LTL), full truck load (FTL), express, air and ocean, and warehousing products all at the same time,” says Craig Grossgart, DHL Global Customer Solutions VP Emerging Markets.

“And, we are the only company that can offer this multimodal service – air, ocean, trucking – all in-house, without subcontracting,” adds Enver.

DHL’s network in the region extends across 24 countries between the Middle East, East and West Africa, and Sub-Saharan Africa. “DHL is the only logistics company in the world with our own presence, own staff, in so many countries in the region, and that can offer door-to-door service with complete visibility to any of the major destinations in the entire Middle East and Africa,” says Enver.

For example, DHL’s Dubai Center of Excellence for the technology industry provides a simplified, faster customs experience for distribution in the Middle East. “It’s faster and cheaper to go through our warehouse in Dubai than to distribute directly, because of economies of scale, with multiple customer consignments in one container – it’s a no brainer!” says Craig.

Similarly, for distribution to Africa, DHL’s SeAir product out of Asia Pacific is extremely attractive. SeAir, which consists of ocean freight into Dubai and then air freight to Africa, saves customers 30% in time compared to all-ocean freight and 30% - 50% in cost over an all-air freight solution – as well as avoiding the extreme congestion in many of the ports in Africa.

And, with more and more companies rationalizing their number of vendors, the ability of one provider to handle all of a customer’s business makes DHL’s offering even more compelling. “Customers are voting with their feet and coming to us, because it is well worth it,” adds Craig.

“Our customers like the fact that we have the local presence, that we know the market,” explains Graham Borthwick, Head of Contract Logistics, DHL Dubai. In fact, as the largest importer into Dubai, DHL is so well integrated and trusted by the local authorities that the Group also acts as a consultant to Dubai customs, helping them to make customs easier, and is even piloting an e-customs system for them.

A major customer manufacturing power equipment, for example, worked with another logistics provider in Dubai, but did not have sufficient visibility or control. They switched to DHL in 2009 for the management of their inventory and distribution to customers around the Middle East. “They find they have much better visibility and control now over their inventory and business here,” continues Graham. “This is what our customers are coming to us for – they’re saying we need someone who really understands what full supply chain management is all about.”

ONE FOR THE ROAD

DHL Express, in particular, is very much the dominant player in the region, offering not only the traditional time definite air service, but also a unique road-based less than truckload (LTL) day definite service. The DHL Express road network is a bonded, inter-country solution that is one-of-a-kind in the industry. DHL moves 40-foot trailers around the Gulf Cooperation Council (GCC) and beyond, transiting countries, like an aircraft, with duty only paid at the destination, and with full visibility throughout the journey. It is more affordable than air, and just as dependable, because it is a day definite solution, with scheduled services every day.

Many of DHL’s larger Global Customer Solutions (GCS) customers – such as in the technology, oil & gas, and automotive industries – appreciate DHL’s LTL Express service, because it is scheduled and dependable. Nokia Markets, for instance, uses DHL to bring airfreight in from Asia and Europe to cross dock in Dubai, and then DHL Express moves it on a scheduled run by road to the end customer. Similarly, a number of automotive customers bring everything into Dubai by ocean, where it is held duty free, and then distributed throughout the Middle East by road.

One major automotive customer that had been having problems getting things into Saudi Arabia with a different provider, even remarked: “We never realized it could be that easy.”

“When you combine our warehousing capability with the road network and the multimodal solutions, we hold the key to the whole Middle East,” says Geoff Walsh, MENAT Road Network Manager.

PROMISING FUTURE

The Middle East, and particularly Dubai, looks set to play an increasingly crucial role in regional and global trade going forward. With world-class infrastructure, fast and convenient multimodal connections, and seasoned service providers with regional and global networks to bring it all into play, the region’s growth prospects look strong.

DHL, which has a strong lead there already with the region’s most sophisticated transport and logistics capabilities, linked to its global network, will work hard

to continue to be the preferred provider for the Middle East. Looking ahead, DHL will focus more on harnessing synergies between customers, and sharing its expertise and resources more across sectors, in order to maximize value for customers.

“With 23% growth on the rebound in 2010, we expect 15% compound annual growth over the next three years,” says Craig. The future looks promising, indeed, in the Middle East. ■

DHL IN THE MIDDLE EAST	
3000 employees	370 trucks
15 aircraft	22 gateways
634 courier vehicles	71 service centers
	58 express centers and service points

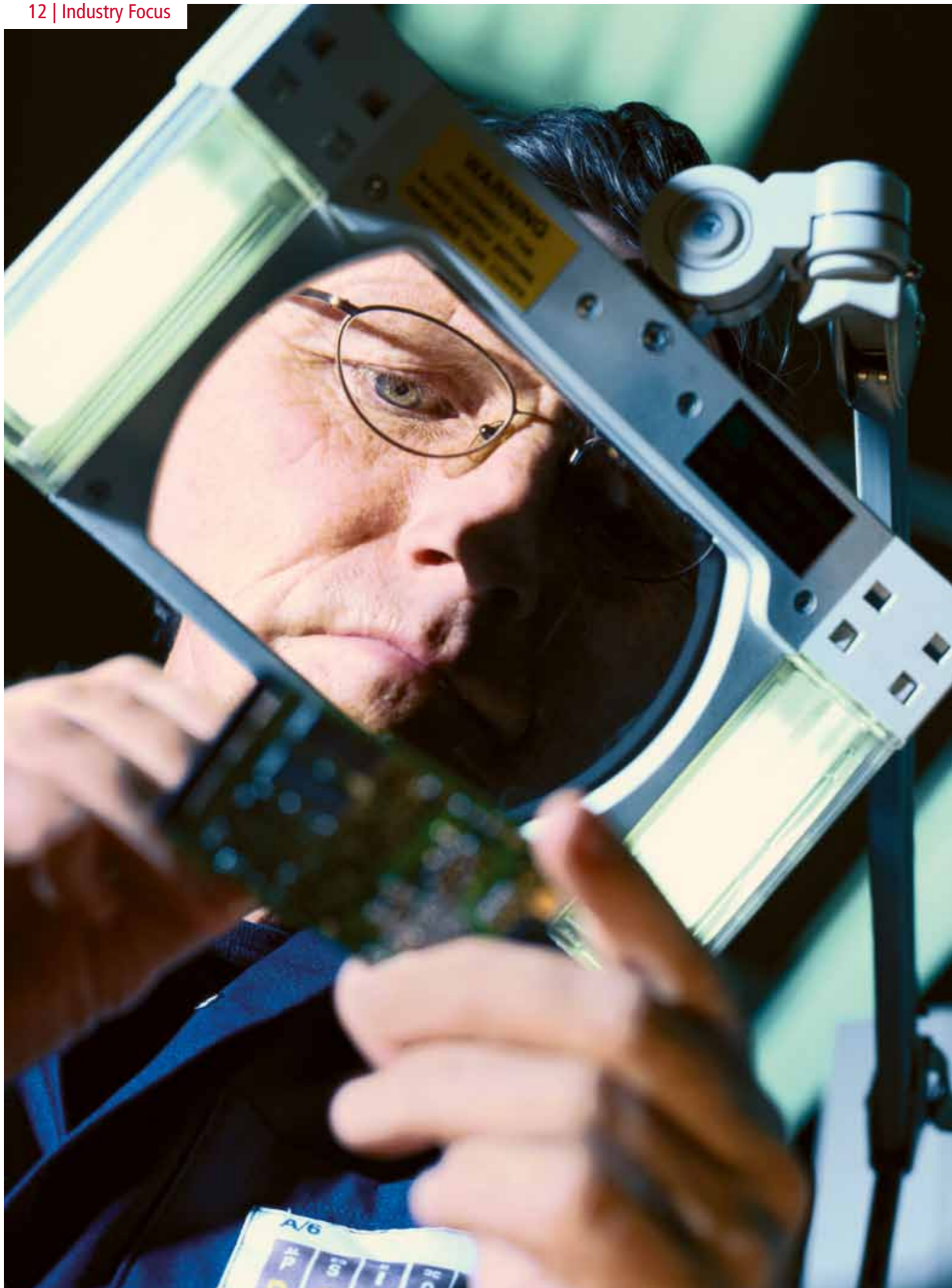


PHOTO: HOBY FINN/PHOTODISC/GETTY IMAGES

TECH SAVVY

A constant drive for faster, smaller and cheaper products, volatile and faddish consumer demand and ever-shifting supply chain needs – these are only some of the challenges that the technology industry has to tackle. An industry which encompasses a diverse range of product categories, or subsectors – from mobile devices to network infrastructure, with semiconductors, consumer electronics and PCs in between – technology moves fast and is multi-faceted. In supply chain terms, this means particular supply chain requirements unique to each subsector.

After the downturn in 2008-2009, the technology industry has bounced back, with some 15-20% growth in shipment volumes since late 2009. However, as consumer demand picked up, challenge presented itself in the form of a capacity crunch, as Tech companies sought to replenish inventories and manufacturing and transport providers struggled to bring sufficient capacity back online. While capacity constraints are easing, competitive pressures are mounting, and, in their quest to keep their competitive edge, technology companies are increasingly rethinking their supply chains as a crucial part of their strategies going forward.

TECHNOLOGY TRENDS

According to Michael Wiedemann, DHL GCS Senior Vice President Global Strategy, there are some overarching industry-wide trends that are having a significant impact on tech supply chains. These trends include low-cost manufacturing and outsourcing, direct shipping solutions, product and channel diversification, and China's "Go West" manufacturing shift.

China's "Go West" policy seeks to spread the benefits of growth inland from the south, where 90% of technology manufacturing in China is clustered along the coast around Shanghai and on the border with Hong Kong. The authorities want to extend the economic impact of this manufacturing-driven growth more widely geographically, and thus encourage plants to move westwards. The incentive for industry is a 50% savings in the cost of labor compared to Shanghai, and companies are responding enthusiastically.

"While this takes cost out of the supply chain, it also means more complex logistics, because there is limited logistics infrastructure in these areas," says Scott Allison, DHL GCS Regional Sales Director Technology EMEA. With few direct connections from these areas, getting product rapidly to Europe or the US is much more challenging. Moreover, these companies still want the same service levels from their logistics providers. DHL is harnessing its network and expertise, therefore, to come up with the most appropriate supply chain solutions for these new circumstances, even if it means upgrading the infrastructure.

Other trends include direct distribution, where companies are moving away from the traditional supply chain set-up of regional distribution centers and warehousing. Instead, goods are shipped from manufacturer to customer with as few intermediate "touches" as possible, because every touch means extra cost as well as potential quality implications.

For example, for semiconductor customer NXP, DHL is providing a direct distribution solution in which all semiconductor shipments are consolidated at one location in Asia, from where they are bulk shipped to a DHL facility in the final market, and then distributed to the customer – usually a tech or automotive manufacturer. "This drives out cost and improves quality, and is only feasible thanks to improved visibility in logistics," says Michael Wiedemann.

"It is working well," comments Marcel Visser, Director Warehousing & Distribution at NXP. "We moved to a single forwarder globally, using all DHL's services, including Express, Supply Chain and Global Forwarding, in a hybrid model, and it is proving to be a good partnership. It works well because DHL has a global reach and can provide an integrated IT environment, which is our preferred model. This solution can be applied to other markets as well."

SUBSECTOR STRATEGIES

"Technology is a broad term and the mistake that some logistics companies have made in the past is to try to come up with a one-size-fits-all technology strategy," explains Michael Wiedemann, who also heads up DHL's global technology sector community. "The supply chain for a semiconductor manufacturer is very different from that of a PC manufacturer, for instance. So, to take one strategy and apply it to the entire tech sector just will not work."

Accordingly, DHL breaks the industry down into eight subsectors with targeted strategies for each. DHL industry teams take a close look at the trends in their particular subsector and discuss their findings with their customers to determine their precise needs and ultimately create a strategy and tailored solutions that help customers stay competitive. ▶

Mobile devices, for instance, with ever-faster product cycles, resembles more and more the fashion industry, with a new smart phone coming out three or four times a year. There are big advertising budgets behind these, and managing product launches and ensuring the product is on the market in a timely manner is key to success.

Michael cites the example of a recent, very prominent mobile device launch for which DHL handled the logistics: “This was a global launch, continent by continent, country by country, with a big bang into every market, which is something even the fashion industry could learn from.”

PCs and notebooks, another subsector characterized by rapid innovation, is also a driver for improvements in supply chain efficiency, because of low margins in a competitive market. The consumer electronics subsector, by contrast, is a more traditional supply chain model, with large volumes going by bulk ocean freight, regional distribution centers and some outsourcing of warehousing.

THOUGHT LEADER

DHL’s sector approach requires a thorough understanding of the industry or subsector and the customer needs, which means getting as close to the customer’s thinking process as possible. One way in which DHL is doing this is by holding customer workshops, such as that recently organized in Singapore, with supply chain directors of 10 of the top 15 semiconductor manufacturers in the world. These customers enthusiastically told DHL: “Yes, you’re on the right track,” thus validating the approach, while also providing constructive feedback.

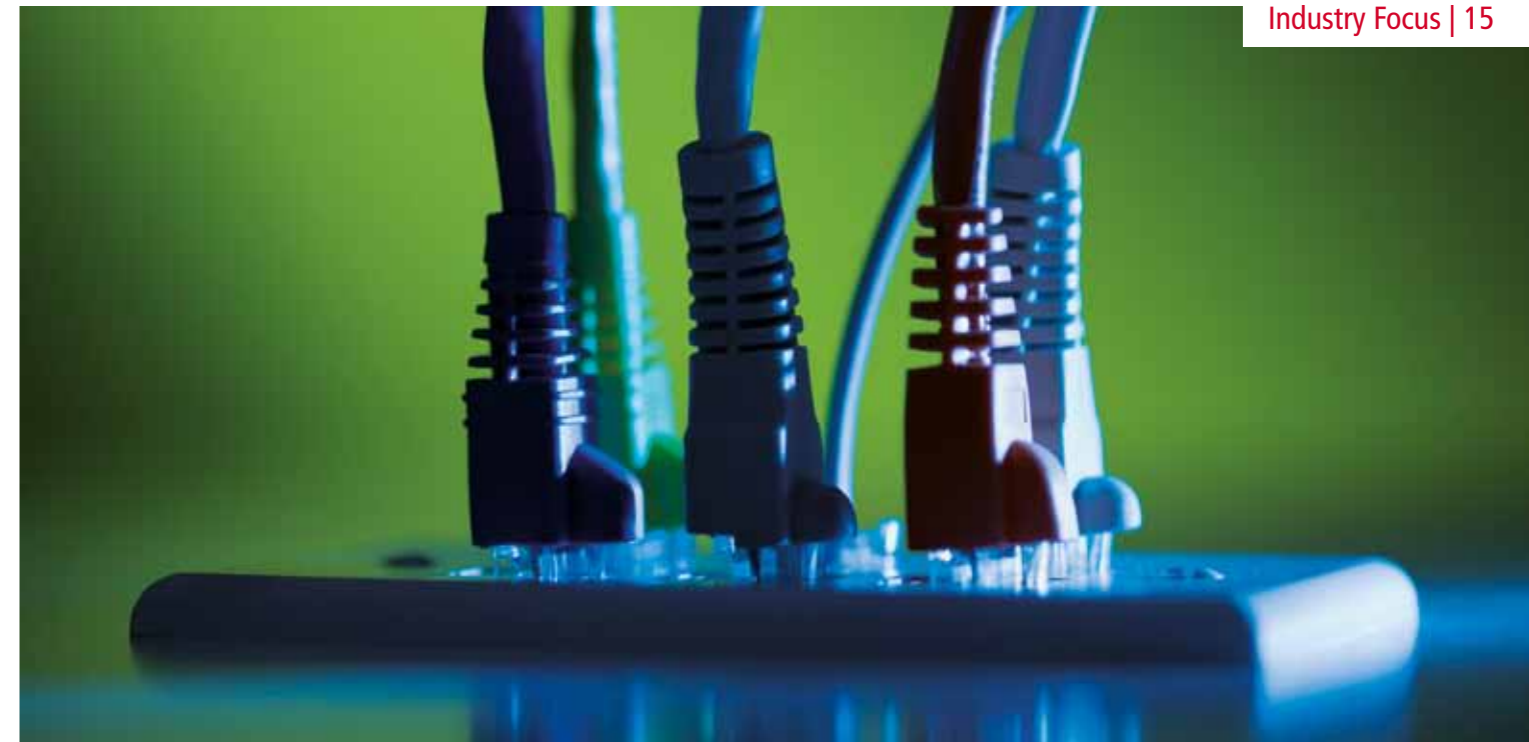
“What we’re trying to do is get DHL’s name first and foremost in their thinking when they have a question about supply chain – as the thought leader for the semiconductor subsector, with customized solutions for them,” says Scott. “As a result, customers are saying, ‘Hey, you guys really get it!’”

Similarly, DHL holds customer logistics boards with senior representatives from industry leading companies several times a year in Asia, Europe and the Americas. “We discuss, in a small forum, what keeps them awake and how we can help them better,” says Michael. “Customers appreciate this level of engagement, as well as the insight into the market and the opportunity to dialogue with their peers.”

However, beyond understanding the customer and their needs, the next level is to innovate, be proactive and come up with even better supply chain solutions. Using the example of the semiconductor industry again, DHL is trying to build a truly groundbreaking collaborative solution for this sector. Because semiconductor manufacturing tends to be clustered in the same handful of areas in Asia, using many of the same sub-contractors, and delivering to many of the same customers in the US or Europe, this sector is particularly suited to a collaborative approach.

By consolidating multiple shipments, the supply chain is more nimble, it reduces cost and complexity for the customer, and it is better for the environment. “When we presented this concept to customers, they absolutely loved it,” says Scott. “We are looking to establish ourselves as the thought leader for their industry.”

DHL’s approach also includes leveraging proven best practices, by taking an existing tried and tested customer solution and the



experience learned and applying it across an industry or subsector.

“For example, we are working on best in class inbound to manufacturing with one customer, where we manage all flows from suppliers to their manufacturing site, we coordinate the inventory, the transportation and their suppliers, to make sure their manufacturing site is running absolutely smoothly and seamlessly,” explains Michael. “This is something we can apply to other manufacturers, too, such as mobile devices and PCs, where we can reapply these learnings.”

DHL is also looking into aftermarket solutions for repair and returns, where the Group has built up a good relationship with some of the original design and manufacturing companies in this regard. DHL is working on optimizing the transportation flows, both in Europe and in Asia, with some of these partners.

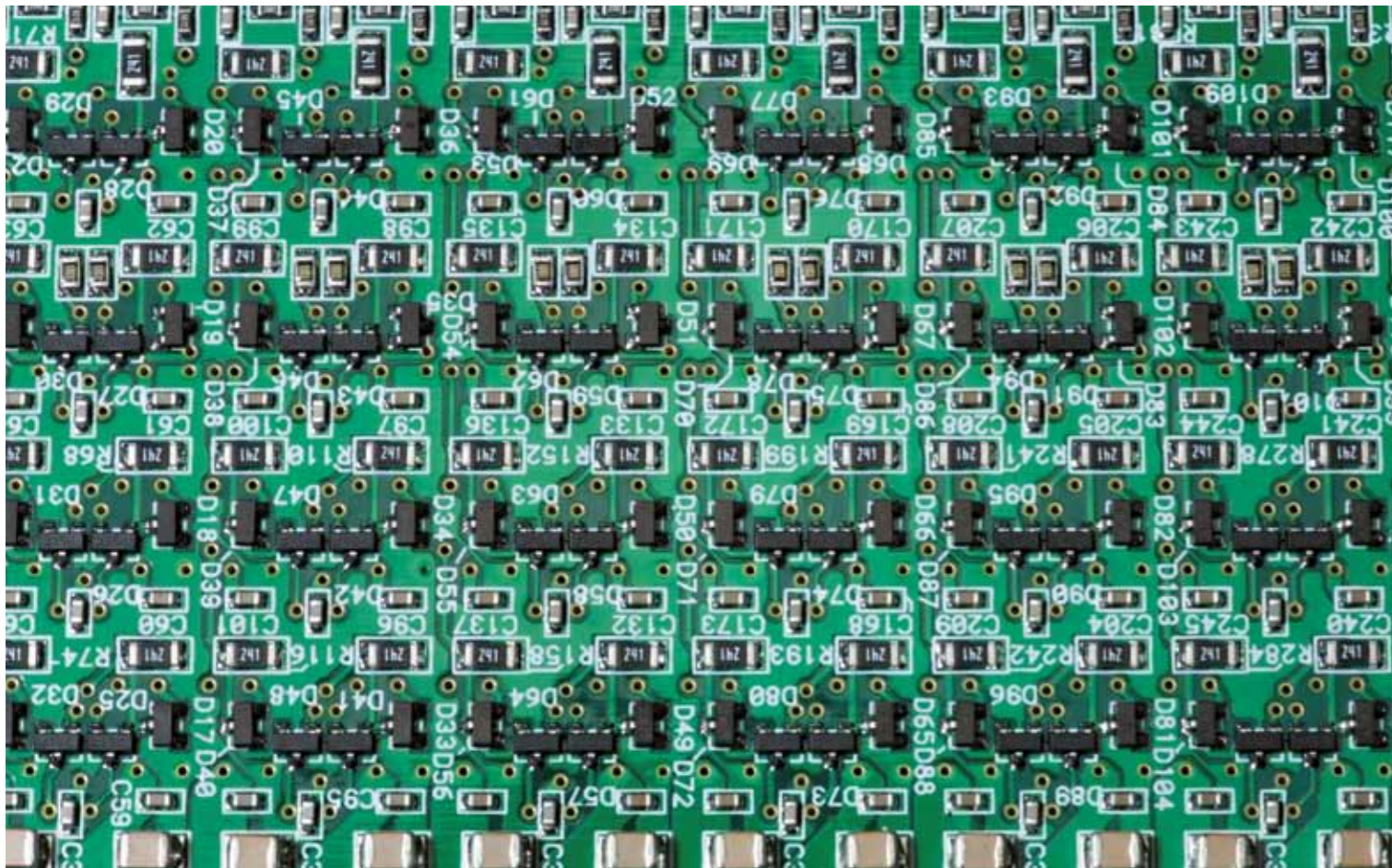
Another solution that DHL provides the tech sector is to facilitate access to challenging markets, like the Middle East, where the Group has set up the Dubai Center of Excellence. This is a solution involving all DHL business units that provides a smoother customer experience

and a reduction of two to three days in the distribution to countries in the Middle East, compared to traditional import routes (see box).

GOING FORWARD

“Looking ahead, between now and 2013, while the average growth forecast for the industry is about 5%, we expect double-digit growth, especially in mobile devices and semiconductors, as well as in original design manufacturers,” says Scott.

Michael agrees. “We see this as a faster growing sector and are planning for double-digit rates. This is because we are one of the few providers able to offer a warehousing and transportation solution across all modes, in every region of the world. It’s also because we have the tech sector and subsector expertise that these customers need.”



PHOTOS: IZAKAS SAPIRO/GETTY IMAGES/HEMERA; GETTY IMAGES/COMSTOCK IMAGES; ISTOCKPHOTO; 2007 JUPITERIMAGES



MIDDLE EAST DISTRIBUTION MADE EASY
 Worth an estimated €17 billion in 2009, the Middle East technology market is very attractive for DHL tech sector customers. However, doing business in the region can be highly complex, requiring a myriad of customs and legal documentation and thus frequent delays. With its new Dubai Center of Excellence, DHL’s integrated distribution hub for the Middle East, DHL simplifies this process for customers, saving them significant time and money in the process.

Normally, when distributing goods directly to destination countries in the Middle East, there is a customs clearance delay while letters of credit, certificates of origin or other required documentation is prepared – often taking 6-14 days when processed in Europe or Asia. However, when customers ship through DHL’s Dubai Center of Excellence, DHL makes sure customs and legal requirements are fulfilled while the goods are in transit, with an average turnaround time of one to two days. Being located directly in the Middle East also enables DHL to clear up more difficult customs questions on location and to bridge language gaps that could otherwise draw out processes even farther.



EMEA

SMART SOLUTIONS FOR SMART PHONES

For the launch of Nokia's new N8 Smart-phone, a rival to the iPhone and the Blackberry, DHL Express was charged with the exacting task of shipping the devices from factories in China and Finland in tens of different languages to dozens of operators around the world.

But DHL does much more than just deliver finished goods for Nokia: "Our work process is refined down to the last detail," explains Ari Mannikko, Manager, Strategic Accounts, DHL Express Finland, "from getting the

factory forecast message from the mobile phone factory in Finland, through correct labeling, collection and delivery of the pallets, all the way to feeding delivery details and invoice data back into Nokia's system. We also provide warehousing, inbound, repair and return, swapping phones, courier shipments, and much more."

Notably, Nokia insists on intricate security measures for its newest must-have device. "What it boils down to is that we just cannot lose any!" says Ari.



Global

NEW EUROPEAN GATEWAY BRINGS LCL ROUTES CLOSER TO ASIA

The Port of Koper in Slovenia is set to become one of the main entry points into European markets for DHL's Less than Container Load (LCL) shipments from Asia. Until now, LCL shipments from Asia have followed the northern continental route to ports such as Hamburg and Antwerp. By using the Koper Port gateway, customers will not only cut down on mileage and costs, they will also be able to cut back on their CO₂ emissions.

"Forwarding LCL volumes to Koper creates some major advantages for businesses: the ocean journey is reduced by 2,000 nautical miles and trucking costs are lowered due to the good connections from Koper to major Eastern European cities," says Hermann Ude, CEO DHL Global Forwarding and Freight.

New direct LCL services from Hong Kong, Colombo (Sri Lanka) and Singapore to Koper have also been launched.



Asia Pacific

INDIA OPENS FREE TRADE WAREHOUSING ZONE

DHL became the first global logistics company to set up a facility within the inaugural Free Trade Warehousing Zone in India. Strategically located along the main freight and industrial axis, with close proximity to ports, major roads and rail services, this site will facilitate trade in India for businesses across several industries. And DHL's first mover advantage will benefit its customers.

DHL Global Forwarding is investing US\$10 million to establish a logistics and ware-

housing facility in the Free Trade Warehousing Zone near Chennai in Tamil Nadu. According to Amadou Diallo, CEO DHL Global Forwarding Africa & South Asia Pacific: "This will streamline customs procedures and make trading easier for our customers in India. By providing sound infrastructure, this Free Trade Warehousing Zone facility will considerably improve quality standards while reducing overall logistics and storage costs, especially for companies without their own set up in India."



EMEA

WINNING GREEN POINTS WITH SIEMENS

Green products and solutions make up nearly one-third of Siemens' total revenue, making 'green' more than just a 'buzzword' for the global electronics powerhouse.

This is an attitude shared by Deutsche Post DHL, which is why Siemens has named Deutsche Post DHL their 'Most Sustainable Supplier.'

"Siemens stands for innovative strength and sustainability – this is why outstanding

achievements by our suppliers in these categories are particularly important," says Barbara Kux, member of the Managing Board of Siemens AG in charge of Supply Chain and sustainability.

"We're delighted to have been chosen for the 'Sustainability Award,'" says Rob Siegers COO DHL Global Customer Solutions. "Our long business relationship with Siemens is firmly rooted in a number of mutual goals, one of those being environmental protection."



Global

DOOR-TO-MORE CONSOLIDATED SOLUTION FOR AIR AND SEA SHIPMENTS

DHL Global Forwarding (DGF) customers now have an elegant solution for complex international distribution – Door-to-More. Since many customers have multiple suppliers and operations, it can be more cost effective to bring all the materials together in one place before shipping them. Through DHL's new service, international shipments from multiple suppliers and operations are consolidated at an export facility near origin and then cleared through customs in one go, instead of piece-by-piece.

Once the consolidated shipment arrives at its destination by air or sea, it is broken down again and delivered to multiple destinations. This saves the customer storage time and import costs, and gets products to market faster, too.

Door-to-More complements DHL's already-successful Break Bulk Express service, which consolidates urgent and time-sensitive shipments, for overnight delivery to major Asian cities, or in two to three days for other locations in Asia, the U.S. or Europe.

EMERGING MARKETS IN HEALTHCARE FOCUS



PHOTOS: MICHAL ROZEWSKI/GETTY IMAGES/HEMERA; RICK TOMLINSON

The DHL Life Sciences & Healthcare conference in Dubai put emerging markets and listening to customer needs squarely in focus.

“Talk to us, engage with us, reach out to us,” Angelos Orfanos, DHL GCS President and Global Head of Life Sciences & Healthcare, recently urged many of the sector’s key customers. The customers attending the 10th Life Sciences & Healthcare Conference in Dubai in September 2010 responded keenly, telling senior DHL representatives that they need more help with security, cost pressure, and compliance.

Drug makers’ demands are complex and growing. From million-dollar cell-counting machines to delicate biotech drugs, their products need reliable shipping. Compliance with numerous regulations across national borders compounds the complexity. Adding to the pain are cost pressures as big name drugs face growing competition from generic manufacturers. To top things off, crime and counterfeiting remain major worries.

The conference is a chance for the sector to network and share challenges and ideas in a forum of industry experts. This year, the focus was on rapidly growing and emerging markets, with workshops about healthcare in China, India and Africa. While the situation differs in each region, there are shared challenges: infrastructure and changing regulations.

Attendees also visited the Group’s facilities in Dubai, including the newly-licensed life sciences-grade facility at the Jebel Ali free trade zone. “In the life sciences sector, a warehouse is not just a warehouse,” Angelos underlined. Visitors agreed. “It was really impressive. If we had half of those facilities in Colombo, it would be great for our business!” said one new customer who ships insulin from the Netherlands to Sri Lanka.



This was the 10th Life Sciences conference, an annual event that has grown from hosting just a handful of customers to hundreds. “This is really useful, and I think it improves each year – I really feel that DHL is listening more,” reflected a customer from India. ■

PARTNERING TO DELIVER WORLD-CLASS EVENTS



“At DHL we have taken sponsoring to a new level. We don’t sponsor, we partner to make world-class events happen,” says Wolfgang Giehl, Head of Corporate Brand Marketing at Deutsche Post DHL. And the latest additions to DHL’s stable of global partnerships are World Cup Rugby and the Volvo Ocean Race. These two preeminent sporting events join established top-level partnerships with Formula 1™, IMG Fashion Weeks, and the Leipzig Gewandhaus Orchestra. ▶



RUGBY RULES

There are 15 players per side, normally including 8 forwards, 2 halfbacks, 2 centers, 2 wings, and 1 fullback.

The game consists of two 30-minute halves, with a brief half-time break. There are no time-outs, save for an injury, which is also the only circumstance under which a substitution is allowed.

The object of the game is to score as many points as possible by carrying, passing or kicking a leather oval ball toward the scoring zone at the far end of the pitch, called the in-goal area for a try (score), worth 5 points.

A 2-point conversion may then be attempted by a place kick through the uprights.

Three points may also be scored from a drop kick during play or a penalty kick, which is awarded after certain breaches of rugby etiquette.

The ball may not be passed forward, though it may be kicked forward. Players cannot be

tackled unless they possess the ball. When the ball goes out of play, a line-out results, where the opposing players line up perpendicular to the sideline and jump for the ball as it is thrown back in play. The players are even allowed to hoist a teammate into the air to better reach the toss.

Penalties, which range from tackling too high to being offside (a player further downfield than the ball) can result in either a free kick for the other team or a "scrum."

A scrum is when each team's forwards link arms over shoulders on opposite curves of a circle. A player then rolls the ball into the center of the scrum, where it cannot be touched by hand. Each team has a "hooker" in the scrum, a player positioned forward of his teammates, who tries to hook his foot around the ball and drag it behind him, so that his teammates can then kick it out the back of the scrum, where another teammate picks it up and initiates play.

"Global partnerships like these do not happen overnight, and we have been ahead of our competitors in building and shaping these relationships," confides Wolfgang. "We are proud to be associated with these global scale events because they showcase how a global logistics company like DHL is pivotal in tying everything together. Whether it is F1 cars, taking the greatest names in fashion to the runway, delivering the kit for the Rugby World Cup, or ensuring the port-to-port transportation of sailing equipment for the Volvo Ocean Race, our core competence in providing high quality logistics solutions complemented by our global network is a perfect fit in making these events happen."

What unites these seemingly disparate top global brands and events in partnership with DHL is the fact they share the same attributes: global presence and appeal, teamwork, passion, a can-do spirit, state-of-the-art technology, innovation,

and speed. But, what really brings the partnership alive is the fact that DHL is their supply chain partner. "These partnerships are living proof of our logistics expertise," says Wolfgang.

NEW ZEALAND 2011

In teaming up for New Zealand 2011, DHL and the Rugby World Cup make a great line-up. As the Official Logistics Partner for this prestigious global sporting event, DHL will share the pitch with the 20 best teams in the sport, in front of hundreds of thousands of people in the stadiums in New Zealand and billions of global television viewers. When the teams get ready to scrum in September 2011, they can be confident in knowing that all of their equipment has been delivered on time and in perfect order – including the match ball.

For the Rugby World Cup 2011, DHL will have key responsibility for ticket distribution, and will deliver express shipments and international

and domestic freight movements for Rugby World Cup Limited (RWCL) and the International Rugby Board (IRB). Thus, for the 20 participating teams, DHL will transport all equipment between the 48 training and 13 match venues in New Zealand. This means approximately 200 movements at an expected two to six tons per move and almost 30,000 kilometers to be covered during the seven-week tournament.

According to Wolfgang Giehl, the passion, teamwork and can-do spirit that characterize rugby are characteristics that can be attributed to DHL as well.

Bernard Lapasset, Chairman, Rugby World Cup Limited, comments: "The appointment of a globally renowned brand and a world leader in the logistics industry further underscores Rugby World Cup's considerable global prestige and appeal. We look forward to working with DHL over the next 12 months to further the promotion of the game around the world as the sporting com-

munity looks forward to another memorable and exciting tournament."

SAILING CLOSE TO THE WIND

Storms, gigantic waves and no sleep – the Volvo Ocean Race challenges the limits of man and material. The world's premier offshore sailing race is one of the most demanding sports in the world, and is the most recent addition to DHL's partner program.

A truly global venture, with stops at 10 international ports in the 2011-12 Volvo Ocean Race, the teams will cover 39,000 nautical miles in nine months and cross some of the world's most treacherous seas, such as Cape Horn, on their way from Alicante (Spain) to Galway (Ireland) via Cape Town (South Africa), Abu Dhabi (United Arab Emirates), Sanya (China), Auckland (New Zealand), Itajai (Brazil), Miami (USA), Lisbon (Portugal) and Lorient (France). And, with a cumulative audience of over 1.6 billion, the 2011-12 Volvo Ocean Race is

the "royal class" of sailing events.

Competitive sailing on the open ocean requires similar qualities to those that drive performance at DHL, such as teamwork, precision, speed and can-do spirit. In addition, with environmental research programs running throughout the event, the Volvo Ocean Race fits perfectly with DHL's GoGreen global sustainability strategy.

As Official Logistics Partner to the Volvo Ocean Race, DHL will be responsible for the complete logistics management of the race. This includes ensuring the safe and timely port-to-port transportation of cargo and sailing equipment by air, sea and on land, from pick-up of the teams' cargo at any given venue to on-time delivery of the containers at the next race village, customs clearance and warehousing solutions, as well as worldwide express services. Full tracking & tracing will be available for the cargo in transit.

"We are extremely happy to announce DHL as our Official Logistics Partner," says

Knut Frostad, CEO Volvo Ocean Race. "The race needs a reliable partner and we look forward to working with DHL on the unique sporting and logistical challenge that is the Volvo Ocean Race."

The next Volvo Ocean Race will start in the Spanish port of Alicante in the autumn of 2011 and finish in Galway, Ireland, in the summer of 2012.

EXPANDING OPPORTUNITIES

While DHL's five global partnerships for 2011 are exclusive arrangements, they also provide visibility opportunities that other customers in the sector can harness. For example, automakers may wish to associate themselves with the Formula 1™ partnership, while a retailer may be interested in opportunities related to the Fashion Week partnership. To explore ways to leverage the potential of DHL's global partnership program further, customers should get in touch with their DHL customer manager. ■



EMPOWERING GROWTH IN EMERGING MARKETS

With the world's economic engines of growth shifting to emerging markets, DHL has identified three main barriers limiting their potential to power the global economy to recovery: high customs costs, slow market liberalization and underdeveloped distribution channels.

The International Monetary Fund's World Economic Outlook recently pinpointed 12 emerging 'hotspots' with a greater growth potential than the main economies of the developed world combined – these include Brazil, China, India, Korea, Mexico, Russia, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey, and the United Arab Emirates. However, a closer look at supply chain logistics in these economies is vital to ensure that they can deliver on their growth promises in the short and longer term. Moreover, as fast-growing emerging companies from these 'hotspots' expand their global footprint, they are seeking supply chain best practices to assist in their expansion.

As the global market leader in logistics, DHL plays a key role in facilitating trade between more than 220 countries and territories, including each of the key emerging economies. Based on its first-hand experience in these economies, DHL believes that, to accommodate anticipated growth, emerging markets will need to rapidly increase network capabilities along all

modes of transport infrastructure, speed market liberalization and free trade zone development, and slash customs costs.

"In Asia Pacific, almost 15% of supply chain costs are still related to customs and regulations procedures, compared to just 3% in Europe," explains Richard Owens, CEO, DHL Global Customer Solutions, Asia Pacific. "As logistics is the backbone of world trade, easing the movement of goods and services via better logistics processes, infrastructure systems and government policies in these markets will allow emerging markets to reach their goals on schedule."

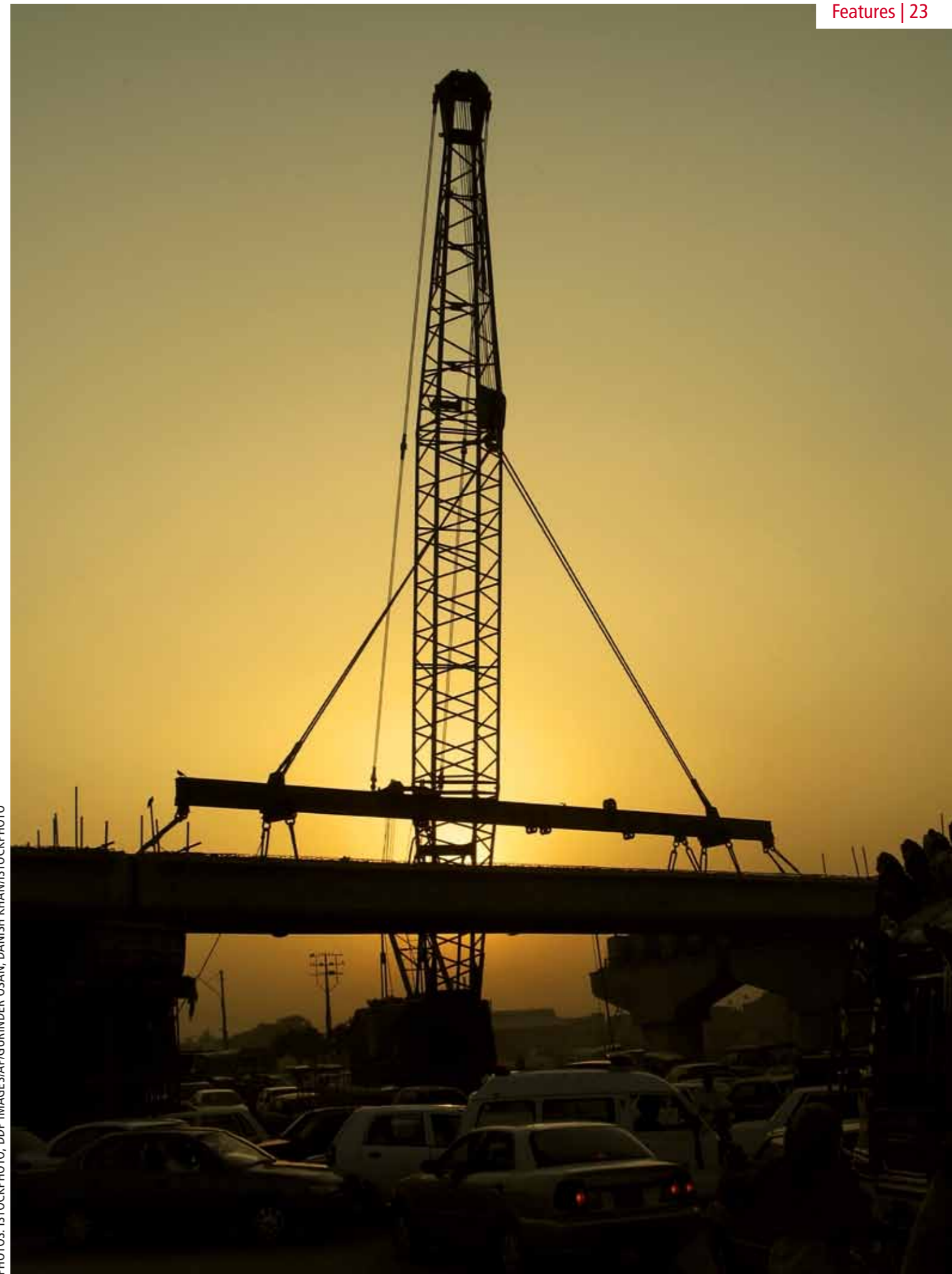
SUSTAINABLE DEVELOPMENT

At the same time, rising growth further accelerates CO₂ emissions and governments, corporations and consumers are increasingly demanding green solutions. The logistics industry is a key contributor to CO₂ emissions, and DHL, which aims to improve the carbon efficiency of its operations by 30% by 2020, has made sustainable logistics a priority.

"For long-term success, emerging markets need to put sustainable supply chain

solutions high on the agenda," says Richard. "From moving diverse cargos and commodities to supporting energy-related projects to complex customs clearance, the logistics industry can play a critical role in enabling emerging markets to continue their upward trajectory in regional/global integration by supporting, investing and expanding logistics capabilities ahead of the demand curve."

To maintain a competitive edge in this changing environment, companies doing business in emerging markets should partner with an experienced logistics provider. In a 3PL survey conducted by DHL in 2006, over 80% of respondents indicated that they rely on providers such as DHL to gain local market knowledge as they expand their operations into emerging markets such as China. Since then, the number of companies that rely on DHL to design their supply chains has risen – and continues to rise – especially in markets such as India, Vietnam, the Middle East, Latin America and Russia. ■





ENTER THE 'GOLDEN ERA' OF INFRASTRUCTURE SPENDING

PHOTOS: JACKSON LOWEN/THE NEW YORK TIMES/REDUX/LAIF (2); SUN ZHONGNAN/CHINA FOTOPRESS/LAIF

The Engineering & Manufacturing (E&M) sector has bounced back from a pounding in 2009, when demand dried up, inventories were slashed (some E&M customers reduced inventories by 80%!) and growth ground to a halt. In 2010, growth returned with a vengeance, powered by the twin engines of low interest rates and billions of dollars in government stimulus spending around the world.

“Historically low interest rates, coupled with massive government stimulus schemes, have led to a tremendous amount of infrastructure development, particularly in Asia and other emerging market economies,” explains Chris Jensen, DHL GCS Senior Vice President and Global Industry Director Engineering, Manufacturing & Energy. “One large global heavy equipment manufacturer calls this the ‘golden era’ for the world economy, and we agree.”

Spending, which is happening across the entire gamut of infrastructure, including investment in roads, rail, airports, schools, hospitals, and the energy sector, bodes well for DHL’s E&M customers. “We’re expecting significant growth in the sector, particularly

in China and India, of a double-digit and even 20-30% magnitude,” adds Chris.

OPTIMIZATION IN CHINA

In China, infrastructure growth is expected to continue on this upward trend for decades, driven by massive development projects. By 2025, for example, China expects some 350 million people to be added to the urban population, with 220 cities of more than 1m people. This will require investment in an estimated 1 million kilometers of new roads, 170 mass transit systems, 97 new airports, and 37 billion-sqm of general floor space (equivalent to two new Chicagos!).

In response to this feverish pace of development, during the past three decades, one large global heavy equipment manu-



facturer has grown from a single sales office in China to its impressive footprint of today, including eleven manufacturing facilities, three research and development centers, nine offices and two logistics and parts centers.

To better integrate this expansion into its already-complex network in China, this company called on DHL to optimize its supply chain. Over the course of six months, DHL reengineered the company’s inbound, outbound and domestic movements in China. DHL succeeded in simplifying the manufacturer’s network, optimizing the flows, and reducing the number of touch points in the supply chain, along with the associated logistics costs.

“DHL partnered with us to deliver a best-in-class supply chain optimization in China, and the resulting improved efficiencies will make us more competitive,” says a company representative. “DHL’s expertise was crucial in helping us to navigate through uncharted territory, including on the regulatory side.”

Darren Plested, DHL GCS Vice President E&M AP, adds: “What differentiates DHL is that not only can we provide world-class consultancy, but we can also execute on what we propose.”

TOWER OF POWER

Another major player in China planning to double its revenue there by 2020 is a global electronics component supplier. This company, which has long had an important pres-

ence in China, has enlisted DHL’s help in streamlining its operations there to be more cost-effective.

DHL implemented a cross-business unit control tower, which is unique in that it handles all inbound and outbound flows in China and the rest of Asia from all of DHL’s business units – Global Forwarding, Express and Supply Chain. DHL is using its Supply Chain Integrator (SCI) tool as the control tower’s backbone, and the result has been very encouraging.

“Our client has efficiency targets in their supply chain of a minimum 5-6% per year, and contractually, they expect us to share in delivering that efficiency savings, putting our skin in the game,” explains Darren. “The upshot is, we’ve been overachieving, delivering double-digit percentage savings for the client globally.”

The control tower gives this company total visibility while increasing efficiencies throughout their operations in China and the rest of Asia, and now the manufacturer is looking to scale it up to Europe and America as well.

SUSTAINABLE FUTURE

“Not only was 2010 a great year, but we’re expecting a sustainable level of growth in this sector for a number of years going forward, largely driven by the pace of development in China and India,” adds Chris. ■





ILLUSTRATION: JANINA KOSSMANN

HARD FIGURES, SOFT FACTS

When looking for a good investment, investors increasingly focus on a company's sustainability. Union Investment's Michael Schmidt explains how this is measured, and where Deutsche Post DHL stands in the sustainability stakes.

There is a definite trend in today's capital markets. More and more investors link sustainable investments not just with social, ethical and environmental indicators. They are also aware of the economic dimensions. Some 3.5% of the assets invested with German banks are now managed sustainably. That figure is set to grow.

Investment analysts and investors agree that sustainability plays a key role in risk management. A new qualitative approach is now being used alongside the largely quantitative assessment models applied in the past. Relying on financial indicators, the basic model remains a core component of risk management, but this is now being supplemented by a set of sustainability criteria which serve the long-term assessment of a prospective investment.

Businesses are now being judged from many angles. This has come about because the risk analysis models of yesterday are no longer reliable in our globalized assets market. Analyses focus not just on short-term economic indicators, but on companies' internal and external relationships: their attitudes towards employees, customers and suppliers, their environmental performance, and not least their interaction with investors. This allows a company's complex activities to be incorporated into a risk management analysis. The information revealed serves in providing investors with an image of the company that goes beyond the usual financial figures. It is the only reliable way to combine hard figures with soft facts to give a holistic picture of the overall risk.

SUSSING SUSTAINABILITY

To assess sustainability, analysts look at factors like working conditions and environmental programs. Let us say a company operates in an emerging economy and uses child labor to keep production costs down. At first glance, that might seem a good move in terms of securing profit. It could be construed as a wise business decision, at least on the surface. But scratch below that surface, and such business practices soon become a source of ethical and environmental concern. In many cases, they can mean real trouble: apart from the highly image-damaging consumer boycotts that often ensue, the legal consequences involved can sometimes lead to hefty fines. These in turn can spark a very negative reaction on the stockmarket, something a basic risk analysis would rarely reveal.

GOOD BUSINESSES, BAD BUSINESSES

So how can investors spot a sustainable investment? One good methodology is the

best-in-class model used at Union Investment, albeit in modified and dynamized form. Investors accept that not only is there no such thing as a 100% sustainable portfolio, and it is not really the aim. They opt for the sector's 'best in class' in sustainability. Picking out the top-ranking businesses makes a sustainable investment more balanced.

It also means investors can influence company developments, because, apart from regular talks with company representatives, it calls for transparent and accountable voting policies at shareholder meetings. And, in some cases, for shareholder presence and targeted speeches. With the best-in-class approach, investors have a proactive impact on the companies they choose to invest in. These are already well on the way to a more sustainable business model, but the process is then accelerated.

DPDHL AND SUSTAINABILITY

As a logistics services provider, Deutsche Post DHL operates in a heavily cyclic sector, and one in which environmental issues play a key role. In the next few years, the industry will face even stricter emissions regulations. DPDHL has been quick to respond in this regard, and has long had a sophisticated environmental management system in place. And, on the social responsibility front, the Group also wins points with lighthouse projects that focus on targeted promotion of social projects in developing countries, equal opportunities, and employee development.

At Union Investment, we see sustainability issues moving further up investors' agendas. ■



MICHAEL SCHMIDT has been head of portfolio management at Union Investment since 2009. A banker, economist and CFA Charterholder, he previously worked in asset management at Deutsche Bank



PHOTOS: ISTOCKPHOTO (2); PETER ARNEKE



SEVEN KEY DEVELOPMENTS WILL SHAPE A SUSTAINABLE LOGISTICS INDUSTRY

- **Logistics counts – it is not a commodity**
Logistics is a business of strategic importance in the move towards a low-carbon economy.
- **Technological change will arrive through a concerted drive from companies, governments and financial institutions**
Given the higher price tag attached to new technologies, mutual support by key players is essential.
- **Collaboration will increasingly be seen as an enabler to attain sustainability. Even competitors will cooperate more closely**
As carbon reduction becomes a priority for suppliers, customers and logistics providers, cooperative business models will expand along the supply chain.
- **Business models of logistics companies will change as sustainable innovations open up new opportunities**
A number of sustainable logistics technologies and concepts will also provide new ways for logistics companies to do business.
- **CO₂ labeling will become standardized**
CO₂ labels allow customers to compare green products. Transparency will raise customer confidence when making climate-friendly choices.
- **Carbon emissions will have a price tag**
Reducing carbon emissions will become part of a business accounting and decision-making process. This will increase the demand for a price to be attached to CO₂ emissions.
- **Carbon pricing will lead to more stringent regulatory measures**
Companies will only accept a price tag on carbon emissions if governments ensure a level playing field.

Deutsche Post DHL releases report on green business trends and the logistics industry

According to a recently-released report, the pursuit of sustainability will transform the logistics industry, both in terms of its business model as well as the range of advanced solutions and technologies that will be used by logistics service providers. This is one of the key conclusions drawn by the study, "Delivering Tomorrow: Towards Sustainable Logistics," which Deutsche Post DHL published in October 2010, as a follow-up to the 2009 Delphi Study on 10 top future trends.

The new 150-page report concentrates on green logistics and the future of the industry and identifies key developments for the years to come. The study is based on in-depth research and contributions from international experts, as well as a representative survey of 3,600 business customers and consumers worldwide.

"We want to take a significant step forward towards improving carbon efficiency

and do our part to facilitate a low-carbon economy," says Frank Appel, CEO of Deutsche Post DHL. "Our objective with the study is to show how business innovation and green demand can drive a carbon-efficient industry and lead to a low-carbon economy," he continues.

"The study provides valuable insights into how our industry can achieve this goal," adds Frank Appel. "Sustainability, especially the reduction of carbon emissions, is already a central aspect of our business and an integral part of our corporate strategy. Customers worldwide increasingly demand greener logistics and are thus the best indicators for us that we are on the right track."

In fact, Deutsche Post DHL was the first logistics company worldwide to commit to a carbon efficiency target – 30% improvement by the year 2020 compared with 2007 – and was the first logistics company to offer carbon-neutral shipping services.

THE LEADING ROLE OF LOGISTICS

According to the study, the logistics industry will be key to comprehensive carbon reduction efforts in most sectors due to its unique expertise and positioning along the supply chain. Some 63% of business customers believe that logistics will become a strategic lever for CO₂ abatement. Therefore, in addition to its strategic economic importance, logistics will increasingly be seen as essential to achieving lower carbon emissions across the economy. Moreover, companies rated best-in-class in terms of environmental, social and governance practices tend to outperform low-sustainability companies.

What is more, as customers, policy-makers and companies begin to realize that logistics services and expertise are key to providing sustainable solutions, logistics will no longer be viewed as a commodity, where offering the cheapest solution rules. The leading logistics companies will be those that possess the unique value proposition of providing sustainable services.

The study also shows that a meaningful degree of carbon reduction can already

be achieved within the logistics sector without waiting for major technological breakthroughs. "The logistics industry can achieve significant carbon reduction results today by making distribution networks more efficient, using the right modes of transportation and by managing load capacities and routes more efficiently," explains Frank Appel.

GREEN GROWTH

More broadly, the report notes that, while many still see a contradiction between economic growth and environmental protection, sustainable business policies can actually enhance profitability, and will even be a prerequisite to long-term success for most companies in future.

The study also shows that carbon pricing mechanisms will accelerate a market-based dynamic toward more sustainable solutions. Once there is a real price tag attributed to carbon emissions, the environment will be an integral part of investment decisions. Customers in Asia, in particular, are ready to accept that sustainable solutions may mean higher prices, the study shows.

This is consistent with Deutsche Post DHL's own experience in recent years, where demand for its CO₂ neutral shipments almost quintupled from 2008 to 2009 – from 145 million to 704 million.

The study on sustainable logistics was developed with support from a number of authoritative external experts from such institutions as MIT, Potsdam Institute for Climate Impact Research, National University of Singapore and the *Technische Universität Berlin* along with numerous experts from Deutsche Post DHL. Some of the Group's customers, including Fujitsu, Henkel, HP, Unilever, and Walmart, also contributed to the report.

To learn more about the importance of sustainability to future success and to download a copy of the report, go to: http://www.dp-dhl.com/en/logistics_around_us/trends/sustainable_logistics.html



LLP: AN INNOVATIVE LEAP IN SUPPLY CHAIN MANAGEMENT

DHL has taken supply chain innovation to the next level, with its Lead Logistics Provider (LLP) concept. Under LLP, DHL manages the end-to-end logistics process for strategic customers that use multiple DHL services and other forwarders and carriers. LLP is a total supply chain solution for large global customers, where LLP manages the customer's other logistics service providers to optimize costs and performance management.

"As an LLP, we sell cost savings," says Joeri Kuik, Head of DHL's Global LLP Services. DHL's LLP team analyzes a customer's supply chain and then comes up with a proposal to optimize this in four main areas: cost, assets, performance, and carbon. This includes an optimization roadmap identifying ways to integrate more processes and reduce waste in the supply chain, along with standardized or customized modular service offerings, depending on the complexity of the supply chain requirements.

"Besides guaranteeing cost savings, the value we deliver is also about taking the burden off a customer's shoulders and enabling them to focus on their core activities, while we take care of their logistics and transportation requirements, which is our area of expertise," continues Joeri. "In the end we earn money by delivering services that

really make the difference to a customer, the so-called 'delighters,' such as proactive exception management."

BEST DEAL APPROACH

"Customers are looking for a partner who can support them in achieving continuous optimization with flexible and scalable global operations, as well as in taking over risks and providing innovative ideas," adds Joeri. LLP shows customers how their lives can be made easier, while unlocking additional value, by outsourcing end-to-end supply chain management. What is more, in an environment of ever more complex supply chains, LLP also provides seamless process integration and single platform support on the IT side.

In the end, however, it all comes down to the bottom line: "The LLP framework is a sustainable business model, with a gain-share incentive structure," explains Joeri. "The more savings we achieve for the partner, the more money we make." This is achieved through DHL's "Best Deal" approach, in which a certain percentage of the supply chain services are provided by DHL, while also working with other logistics providers, to ensure a benchmark.

The incentive structure consists of three phases of savings: **guaranteed**, **target**, and **potential**. In the first phase, DHL commits to a minimum level of guaranteed savings, which, if not achieved, will be refunded; generally this equals the cost of setting up an LLP, which is normally

2-5% of revenue under management.

In the second phase, on top of the guaranteed savings, there are target savings of 10-15%, which DHL estimates can be achieved, based on its experience and know-how, along with any required changes on the part of the customer.

The next level of potential savings can only be achieved if there is a "DNA fit" between the companies and both partners really go the extra mile – including through changes in management and organizational structures, as necessary – to achieve above 20% savings.

NEUTRAL PARTNER

Critical to the success of the LLP structure is DHL's neutral partnership with the customer. Based on this neutrality, any provider can be incorporated into the set-up, including 3PLs, freight forwarders, direct carriers, brokers, and so on. This neutrality is ensured through the gain-share set up as well as by the commercial agreement.

At the same time, this neutrality does not exclude DHL's own services, which is what distinguishes an LLP from a 4PL. The difference is that, as Lead Logistics Provider, DHL is also using its own network – DHL's value proposition is to offer a 4PL structure combined with its global DPDHL offering. In this way, DHL is also offsetting and sharing risks.

"There always needs to be a continuous flow of benefits back to the customer," emphasizes Joeri. "Our primary focus is

delivering improvements on behalf of customers – not increasing the use of the DHL network."

He adds: "This is the next step in the evolution of a forwarder, of providing value added services, and moving into the role of managing or conducting this supply chain."

CUSTOMER SUCCESS: AIRBUS

In 2008, Airbus awarded DHL its global transport management program, based on the Group's LLP concept. Airbus, which was juggling some 200 logistics service providers around the world and thousands of transactions a week, was looking to achieve significant efficiencies and savings. Under the program, which went live in January 2009, LLP (within Airbus named as "Lead Transport Provider") is responsible globally for managing all inbound to manufacturing movements, from all suppliers and sources, so that Airbus can focus on its core activities and strategic, important projects.

LLP built a reliable and integrated transport network for Airbus that includes a complete global transport management system with total visibility. LLP is responsible for streamlining the transport of materials from suppliers around the world to Airbus manufacturing facilities by means of air, ocean, and road freight, along with express, as well as providing customs and other value added services. These include a help desk function for all inquiries, as

well as reports and KPIs, and invoice auditing.

Crucially, the agreement includes minimum cost savings guarantees.

Joeri adds that the plan is to harvest all savings within three years. "After 2011, we will need to reinvent again, in terms of further savings that can be achieved and what new elements we can bring to Airbus to add further value."

THE STORY CONTINUES

Another success story is about a major player in the Pharmaceutical industry whose global import and export shipments are managed via three LLP Customer Centers worldwide. These Customer Centers take care of every aspect of day-to-day operations on behalf of the customer. The value DHL intends to deliver to this renowned customer is in providing end-to-end visibility of the supply chain, improving global trade compliance and a reduction of costs in the supply chain.

"There are many more stories to tell," says Joeri. Each customer has different needs and requirements and, even though parts of each solution are standard, the rest is flexible and customizable to meet and exceed a customer's requirements and simplify their lives.

With several new wins in different regions and from different industries in the last few months of 2010, and new challenges and opportunities to look forward to, Joeri sees a positive outlook ahead. ■

APPRECIATING INNOVATION

DHL INNOVATION AWARD

DHL INNOVATION AWARD

Will we even need logistics in the future? How can brands be effective in these difficult times, and what are consumers looking for? Can China and India sustain their rates of growth, and what will that mean for trade flows? Are new technologies making us safer, or more vulnerable?

These were just some of the questions panelists and participants were grappling with at the most recent DHL Innovation Day, under the theme: 'Space for Solutions.' In addition to panel discussions on the impact of growth in China and India on logistics, logistics security, and the futuristic topic of dematerialization, DHL Innovation Awards were also bestowed on the most innovative customer, employees and scientific researchers, during the day-long event held at the DHL Innovation Center near Bonn this past December.

DHL Solutions & Innovations' objective in organizing this annual Innovation Day is to promote innovations in the field of logistics, to highlight the significance of innovation for Deutsche Post DHL and the logistics field, and to dialogue with and get feedback from customers, partners, experts and employees on innovation.

"Future-minded, innovative logistics solutions are one of our top priorities and I am glad to see that our customers and employees feel the same way," says Frank Appel, CEO of Deutsche Post DHL. "With our DHL Innovation Award we want to promote new developments and practical solutions and,

at the same time, highlight our pioneering role in the logistics industry."

A WORLD OF CHANGE

Brian Garret Schuur, Product Designer at the Dutch design agency Freedom of Creation, put the rather provocative question forward of whether there would continue to be a need for logistics in future, during the panel discussion on dematerialization. The audience was shown items created by 3D printers, which print out physical objects. The technology is at an early stage, but it is already used for things like resin-based prototypes, in which designs are built layer by layer. In a world where physical objects can be created on the spot, this indeed raises questions about the evolving role of logistics.

In a keynote speech on innovation in times of change, psychologist Stephan Grünewald mapped out how brands have evolved in line with changing consumer needs. The heroes of the individualistic 1980s look quite different from brand strategies in times of crisis. Now, firms are adopting strategies to reassure people and give them a sense of empowerment.

During the panel discussion on merchandise flow in global trading with China and India, it was clear that a range of strategies is essential in adapting to a changing world. The continuing growth of India and China entails changes to the logistics landscape, and logistics firms will have to be prepared to work closely with these nations if they are to share in the growth. Logistics companies will also have to accommodate

changing international trade patterns.

Another challenge will be to attract future employees in India and China to the logistics business. Moreover, while players from established logistics regions such as the United States and Europe currently dominate the market, Chinese logistics service providers are likely to play an important role in future.

Cargo safety, which is a key concern in trade worldwide, was also discussed. From mobile phones to cameras, as the technology in use becomes smaller, the value of each unit of cargo, from pallets to containers, rises, as does the need to secure it. "A pallet of mobile phones is now worth the same amount as a pallet of gold," said Thorsten Neumann, Head of Security CEMEA, Nokia, and Chairman of TAPA, Europe, Middle East and North Africa.

Reviewing the increasing crime rate in freight transport, he cited that more than 1% of commercial vehicles have been the victim of crime, ranging from attacks to checks by fake policemen. He told listeners that some 70% of these crimes suggest insider knowledge and that the key is awareness (see box interview).

RECOGNIZING INNOVATORS

DHL Innovation Day is also about recognizing the most innovative ideas and approaches for logistics solutions designed for use in the real world of business.

The most innovative customer award is presented to companies that have implemented one of DHL's process or product innovations in the early stages of develop- ▶



"AWARENESS IS KEY TO SECURITY"

THORSTEN NEUMANN, CHAIRMAN OF TAPA, EUROPE, MIDDLE EAST AND NORTH AFRICA, EXPLAINS HOW FIRMS CAN STAY AHEAD OF CRIME.

How is crime changing in logistics?

Well it is important to remember that 70% of cargo crime suggests insider knowledge or insider information. That means the source of crime can come from your own organization, or at least had contact with your organization. So, the question is, how to mitigate this risk, without interrupting business, or making it more expensive?

Is it possible to improve security without paying more?

Better security does not mean more costs; it means more awareness. When people think about security, they always worry about another badge or access card. But that's only a small part of security. Creating awareness and changing mindsets is the most important thing for a successful risk mitigation process.

How do you keep people aware over time?

It is a challenge. But continuously spreading the message is the key. I always compare things to daily life. Each day when you leave your home, you lock the door; it's a habit. And that's the kind of habits we need to achieve.

So it is all about habits?

Yes. Security is about awareness. The key thing for security is not to burden people, but to help them realize that we want to create a safe and secure environment. We also have to involve them, so it's not just about another barrier, another check.

And how do you win the employees over?

For example: if you lose your mobile phone in a restaurant, you lose everything, your calendar, your photos, all your personal data. All this data is visible to the person

who stole your phone. And that's the thing to remember for companies, too. So its about making people aware of things like this.

Is crime changing?

Yes, absolutely. We believe internet crime will be substantial moving forward.



WHAT'S BEHIND TETRA PAK'S PIONEERING SUCCESS?

TETRA PAK WAS THE WINNER OF DHL'S MOST INNOVATIVE CUSTOMER AWARD 2010 FOR ITS PIONEERING REGIONAL DISTRIBUTION CENTER IN CHINA, ESTABLISHED IN PARTNERSHIP WITH DHL. "A BRAVE STEP," SAID DPDHL CEO FRANK APPEL IN PRESENTING THE AWARD TO STEVE WYATT, VICE PRESIDENT TETRA PAK TECHNICAL SERVICE.

What prompted Tetra Pak to take such a bold step?

China is the fastest growing market for Tetra Pak and we have started sourcing of some parts locally in China. We have seen a shift of our business away from Europe to Asia. And China is a market with a very high future potential.

Did it take a long time to commit to the idea?

The honest answer is we started thinking about this already back 2006. In the beginning we were quite hesitant about whether it would work or not and it took us quite a bit of detailed analysis before making the final decision to proceed. We had never tried outsourcing physical warehousing before. But the major risks were more related to the combined process with a bonded and non-bonded warehouses, the complicated trade-flows and the complicated customs procedures in China. Of course we understood that this would be a bit risky, but it also had a high potential of being successful.

It was brave to take such a new step into the unknown.

We studied a lot of other outsourcing projects that had not been so successful. That gave us a long list of checkpoints about what to do and not to do – and we followed that very closely. We also made sure to keep our Regional Distribution Center in Singapore up and running until we had made sure that everything was working as intended from Shanghai. We also had a very thorough and sequential rollout plan to all markets to make sure we had stability every step of the way.

So it's important to do your groundwork?

Yes, it is. But on the other hand, you don't want to close the process of innovation up too much. If we'd been very closed-minded



about out-sourcing or worried about stock values, these types of projects might never happen.

Presumably, you had to convince a lot of people before this could go ahead.

Well, at Tetra Pak it is part of our culture that we very rarely turn down a good plan. If someone says 'we need to create this new market' or 'we need to increase our capacity in that area', if it's a good plan, we will do it. It's the same with innovation. We try not to turn ideas down.

So, a good plan is what counts?

Yes. But it is also important to plan beyond the day that the innovation goes live. You have to think through the day when you really will get where you want to be with the innovation. That means thinking beyond day one – how will it be on day 300, or 600? That way, you'll set it up in the right way from the start. Innovation is one thing, but how you're going to deploy it is another! You have to think far enough ahead.

ment, so-called "early adopters." Tetra Pak is DHL's first customer to have established a Regional Distribution Centre in Shanghai, China, to cover its operations in Asia. Working with DHL, Tetra Pak set up a sophisticated Regional Distribution Center (RDC) in Shanghai combining bonded and non bonded warehouse solutions for the company's spare parts business.

DHL Supply Chain Japan employees Keinosuke Miyazaki and Keishi Yamada were recognized for developing the "Heavy-weight Returnable Container" and the "Air Protector." Patents for both these developments are pending. The container is designed to protect large shipments by fusing together two sheets of urethane, which is an environmentally friendlier alternative to plastic. The Air Protector safeguards sensi-

tive shipments, such as IT servers, from damage by using specially designed air pillows.

Professional inventors were also recognized for their work, such as Dr. Stephan Mayer for his invention of a flexible conveyor system. The module-run machine ensures that even if a malfunction occurs, the system can automatically find an alternative route, rather than stopping to operate completely. And, Professor Helmut Baumgarten won the Senior Scientist award for his life's work, having influenced logistics in many roles over the last decades. ■





PREPARING NEPAL

GARD was recently rolled out in Nepal, a geographically isolated country with a challenging mountainous terrain and relatively poor infrastructure, which is prone to earthquakes, floods and landslides. In the event of a natural disaster, relief delivery by air is extremely important, making airports crucial.

The first step was to train DHL warehouse and operations experts on-site in GARD methodology at Pokahara airport. This included such skills as how to assess surge capacity and logistics requirements, looking at factors like forklift and pallet truck availability, warehouse space, and staffing needs. These new trainers then used their knowledge to draw up standard operating procedures (SOPs) for relief surge management, and produce templates for implementing GARD at other airports.

The next phase consisted of training local representatives of the Nepalese government and military, police, airport and customs staff, and NGOs like the World Food Program (WFP). These trainers-to-be worked with the GARD team on a surge assessment of four domestic airports and then on a joint assessment at Kathmandu International Airport.

“Disaster cannot be prevented, but good preparation and organized communications are crucial in protecting lives and property,” says Ashok Regmi, Nepal Army Engineering Directorate.

Nepal’s GARD certified airports are now ready to respond to any relief surge, and have a toolkit of templates for future preparedness programs. Its new experts can do the contingency planning and liaise with national disaster management authorities in the relief supply chain. They also have the skills to plan and lead a GARD team in assessing and building relief surge capacities at other airports.

SUSTAINABLE ASSISTANCE

Susanne emphasizes that GARD helps people to help themselves: “From experience, we know how airport logistics work when disasters strike. We want to pass this expertise on. With our global presence, we are familiar with national structures and can offer help anywhere in the world to assist UN relief efforts. And, like the DRT, GARD uses our core business expertise in a humanitarian setting.”



READY FOR DISASTER

When earthquakes, tornadoes or floods hit, the international community usually rallies to help. However, local airports often struggle to cope with the surge of relief aid. With DHL’s Get Airports Ready for Disaster (GARD) program, readiness is the new response.

“Our DHL Disaster Response Teams have years of experience in affected areas,” says Frank Appel, CEO of Deutsche Post DHL. “We know that a high level of preparedness and efficient logistics can be vital to handle the amount of incoming support from other countries after a natural disaster hits.”

More effective disaster preparedness is the idea behind GARD, which was developed in partnership with the United Nations Development Program (UNDP). GARD is a preparedness training program for airport personnel, government employ-

ees and NGOs in disaster-prone countries.

GARD was launched in 2009 and piloted successfully in Indonesia. “It all started with a project with UNDP in Indonesia,” says Susanne Meier, Vice President of Deutsche Post DHL GoHelp, DPDHL’s disaster management program. Handling huge volumes of food, hygiene and medicine kits challenges most regional airports,

so the team sought high-risk areas where DPDHL could apply its logistics expertise along the disaster relief supply chain. “We wanted to avoid the bottlenecks that snarl things up once relief starts arriving,” says Susanne.

GARD now stands alongside the Disaster Response Team (DRT) in DPDHL’s disaster management program. “Focusing on preparedness, GARD builds on experience gained in around 20 DRT deployments, and complements the Group’s disaster management efforts,” says Joachim Keppler, Program Manager GARD.





Global

DPDHL RANKS HIGH IN SUSTAINABILITY LISTINGS

The Carbon Disclosure Project (CDP) recently singled out Deutsche Post DHL for particular praise for its transparency about its carbon footprint and its strategies to mitigate climate change. DPDHL was also highly rated by the FTSE4Good Global and Dow Jones Sustainability indices.

The CDP indices monitor 2500 of the largest companies according to their carbon reporting and strategic and operational approaches towards tackling climate change. Deutsche Post DHL came second in CDP's

rankings, with 97 out of 100 possible points in the Carbon Disclosure Leadership Index. CDP also put DPDHL in the top 10% of its 'Carbon Performance Leadership Index.'

"The excellent rating by the CDP shows that we are on the right track with our GoGreen environmental protection program," said Frank Appel, CEO of Deutsche Post DHL. "As the world's leading logistics services provider we are constantly working to improve our efficiency, so that we can offer our customers the best sustainable logistics solutions."

PHOTO: ISTOCKPHOTO



EMEA

NEW VEHICLES OFFER INCREASED SUSTAINABILITY

Representatives from MAN, Iveco and Mercedes-Benz were on hand when Deutsche Post DHL recently tested and compared new 26-ton heavy trucks from these manufacturers.

"The results will enable us to allow the fuel consumption and CO₂ emissions of heavy trucks to have an even greater influence on procurement decisions in the future," explains Gerd-Dieter Benzing, Management Spokesperson

for Deutsche Post DHL Fleet.

The Deutsche Post DHL vehicle fleet consists of some 73,900 vehicles and interchangeable containers in Germany alone, including about 51,300 operational vehicles. In a fleet of this size, if the fuel consumption per vehicle can be reduced by even the smallest amount, this will have a huge impact on the fleet-wide fuel consumption. This means both cost savings and lower CO₂ emissions in the environment.



Global

VOLUNTEERING TO MAKE A DIFFERENCE

Whether it was renovating school buildings, working with children with disabilities, planting trees, collecting garbage or donating blood, DHL employees across the world took advantage of this year's Volunteer Day to contribute to their communities in a real and practical way. This is one more way DHL fosters its three corporate responsibility pillars – GoTeach, GoGreen and GoHelp.

Held over a period of 11 days in September, DHL Volunteer Day 2010 attracted some 30,000 employees, customers and business

partners in a record 100 countries, with individuals generously volunteering their time for a variety of local community projects.

"We are committed to giving back to the communities in which we operate," says Amadou Diallo, CEO, DHL Global Forwarding, Africa and South Asia Pacific. "DHL Volunteer Day has been an annual platform for our employees and business partners worldwide to participate in activities under our corporate responsibility programs and we thank them for their continued efforts."



EMEA

EUROPE'S FIRST 3.5-TON ELECTRIC TRANSPORTER DELIVERED TO DHL

Deutsche Post DHL received Europe's first 3.5-ton transporter with an electric engine at the International Automotive Show in Hanover this past September. Another nine vehicles will be deployed as of 2011 in parcel delivery at various locations in Germany, including Berlin, Bonn, Düsseldorf and Hamburg. DPDHL uses some 2700 vehicles that promote climate protection and reduce CO₂ emissions and supports the further de-

velopment of electric vehicles for use in logistics. "Iveco has long made a name for itself in developing alternative engines. For over 20 years, the company has been testing and producing gas and hybrid vehicles. With its extensive transport network, Deutsche Post DHL is an ideal partner for testing the vehicles in an operational setting," says John Venstra, Head of Sales and Marketing at Iveco Magirus AG.



Global

GOGREEN WINS INTERNATIONAL ENVIRONMENTAL PRIZE

Deutsche Post DHL won third place in the international environmental competition ÖkoGlobe (Eco Globe) 2010 in Cologne, Germany this past September. GoGreen, the Group's environmental protection program, was honored in the category of mobility projects and vision.

"The GoGreen program from Deutsche Post DHL is an integrated approach to improving energy efficiency in the logistics industry," the jury declared. The jury added that the

company has recognized the significance of climate protection and its own responsibility in this matter, thus benefiting the environment as well as humanity in general.

The award underscores the high level of environmental awareness at Deutsche Post DHL. "The fact that GoGreen won third place shows that we are on the right path to logistics that are more environmentally-friendly and even more efficient," says Katharina Tomoff, Vice President of Deutsche Post DHL GoGreen.



»IT IS A GREAT EXPERIENCE TO BE ABLE TO USE MY CAPACITIES TO HELP OTHERS.«

Pedro Calvo, Flight Engineer at DHL Aviation and volunteer with the DHL Disaster Response Team

Natural disasters pose a growing threat. The fast, efficient distribution of aid saves lives. As a world-leading logistics company we can utilise our logistical expertise to help people in disaster areas. On 27 February 2010, one of the most powerful earthquakes in the past 100 years shook the Chilean city of Concepción. Working together with seven other volunteers in the DHL Disaster Response Team, Pedro Calvo assisted the Chilean disaster response agency ONEMI at Santiago and Concepción airports. Within eight days we arranged the packing of total 10,300 relief bags containing 206 tonnes of aid. The team's commitment helped ensure that water and food was brought quickly to the people affected.

GoHelp. Deliver help – assistance in case of a natural disaster.

www.dp-dhl.com/responsibility

