

DHL TECHNOLOGY SECTOR NEWS UPDATE

Issue 1 | 2011



SOLUTIONS

FEATURE ARTICLE | P.4

FINE-TUNED PROPOSITIONS

For a fast-paced industry like technology, a targeted sub-sector approach is called for that addresses the specific supply chain requirements of each distinct product category, such as semiconductors or mobile devices.

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INTERVIEW WITH JOHN GATTORNA

Supply chains need to be aligned to particular customer behaviors, is the message from this industry thought leader and respected author.

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DEAR READER,

Welcome to the first edition of the DHL Technology Sector News Update.

In this fast-changing global economy, it is important for us to remain flexible and to fully utilize the Group's strengths and our industry insights to keep up with future trends and our customers' changing requirements. It is with this in mind that the DHL Technology Sector has been developed. As part of Deutsche Post DHL's Strategy 2015, the objective is to deploy the broad expertise of all DHL divisions and our geographic reach to provide our customers with a simplified approach and sustainable solutions.

I am pleased to kick start DHL Tech News, which serves to provide you updates on the latest trends in the Technology industry, as well as the expertise and solutions that our DHL global network can offer to help you stay on top of the game in this fast evolving sector.

Keep a lookout for our first global DHL Technology Conference, to be held this year from June 7–9 in Frankfurt. The conference is an excellent networking platform and offers the opportunity to exchange ideas, solutions, and discuss challenges based on the latest industry trends. You will be hearing from keynote speaker John Gattorna, a key thought leader in the field of Supply Chain management. In this issue, Gattorna shares his perspectives on how supply chains need to be aligned with customer behaviors.

Our feature article looks at our value proposition and strategy for the Technology Sector, including our focus on eight sub-sectors. We have highlighted the investments made in areas such as after-sales Technical Services, established cost savings measures in our customs process through our Center of Excellence in Dubai, and addressed high security demands from our customers with our High Value Freight product.

Enjoy reading our first DHL Tech News! Your comments and suggestions are most welcome – perhaps we can share them at our Technology Conference this June.

Best regards,
Ken Allen
CEO
DHL Express



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TECHNOLOGY TRENDS

New supply chain approaches are giving tech players a leg up on the competition

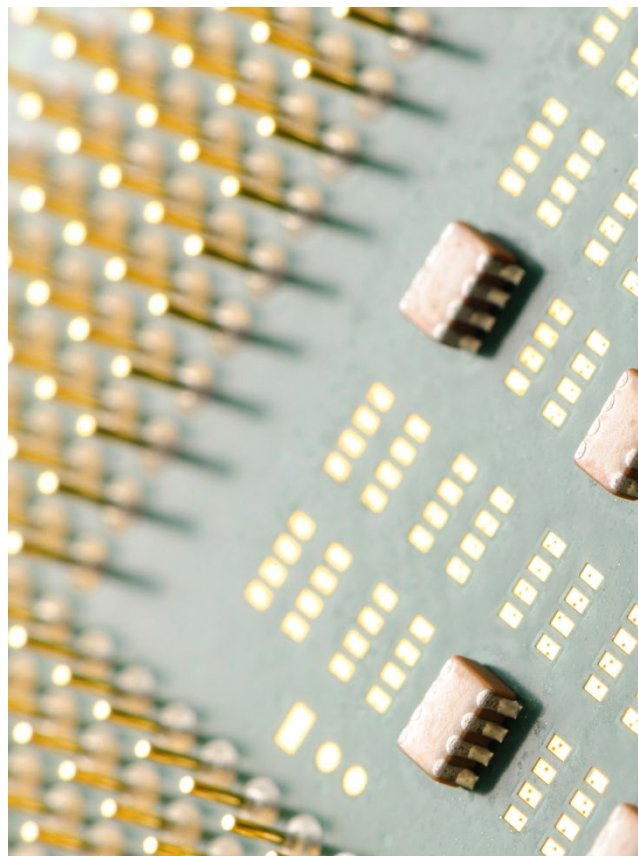
A constant drive for faster, smaller and cheaper products, volatile and faddish consumer demand, and ever-shifting supply chain needs – these are just some of the challenges facing the technology sector. With the return to growth last year, competitive pressures have been mounting, and technology companies are increasingly rethinking their supply chains as a crucial part of their strategies to gain a market edge.

According to **Michael Wiedemann, DHL GCS SVP Global Strategy**, there are some overarching industry-wide trends that are having a significant impact on tech supply chains, such as global consolidation and a continuous push to new, lower cost outsourcing regions.

One trend, in particular, that is helping some companies regain their edge is direct distribution. In contrast to the traditional set-up of regional distribution centers and warehousing, under this supply chain model, goods are shipped from manufacturer to customer with as few intermediate “touches” as possible, because every touch means extra cost and potential quality implications.

Semiconductor manufacturer NXP, for example, relies on DHL to provide a direct distribution solution to give it a leg up on the competition. “This drives out cost and improves quality, and is only feasible thanks to improved visibility in logistics,” says Michael.

“It is working well,” comments **Marcel Visser, Director Warehousing & Distribution at NXP**. “We moved to a single



provider 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 en-

vironment, which is our preferred model. This solution can be applied to other markets as well.”

The continual pressure to cut production costs is driving another cross-industry trend, namely: China's “Go West” manufacturing shift inland, to lower cost regions. With some 90% of technology manufacturing in China clustered along the coast around Shanghai and on the border with Hong Kong, the authorities are encouraging companies to move westwards, to extend the economic benefits more widely geographically. The incentive for industry is a halving in the cost of labor and companies are responding enthusiastically.

“While this takes cost out of the supply chain, it also means more complex logistics,” notes **Scott Allison, DHL GCS SVP Technology**. DHL, therefore, is harnessing its network and expertise to come up with the most appropriate supply chain solutions for its customers in these demanding circumstances.

DOUBLE-DIGIT DEMAND

While growth prospects for the technology sector are upbeat, only those companies with the most nimble and innovative supply chains will be in a position to fully harness the opportunities in this increasingly competitive environment.

“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,” confirms Scott.



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“Supply Chain is a key enabler to develop our business”

Customer Value: Revenue and Growth

“Supply Chain has to optimize / balance needs and costs reflecting the dynamics of the Technology Industry”

Customer Value: Cost Efficiency & Flexibility

“Supply Chain has to simplify our business and provide us full control on execution”

Customer Value: Simplification & Control

EIGHT TECH SUBSECTORS

Mobile Devices – Producers of handsets, accessories and providers of mobile network services

Networks – Makers of telecommunications infrastructure

Semiconductors – Makers of semiconductor chips and processors

Consumer Electronics – Entertainment and audiovisual devices

PCs & Notebooks – Single user computing systems

Enterprise Computing – Servers and storage systems

Imaging & Printing – Makers of printers, scanners and related document production equipment

EMS & ODM – Design and manufacturing of electronic components and equipment

FINE-TUNED PROPOSITIONS

DHL's Strategy 2015 sets out an industry sector management approach in which DHL works with customers to optimize the value proposition for specific industries. Along with Life Sciences and Energy, Technology is one of three prioritized sectors under the strategy. However, for an industry like technology, an even more fine-tuned sub-sector approach is necessary to address the supply chain requirements of its distinct product categories.

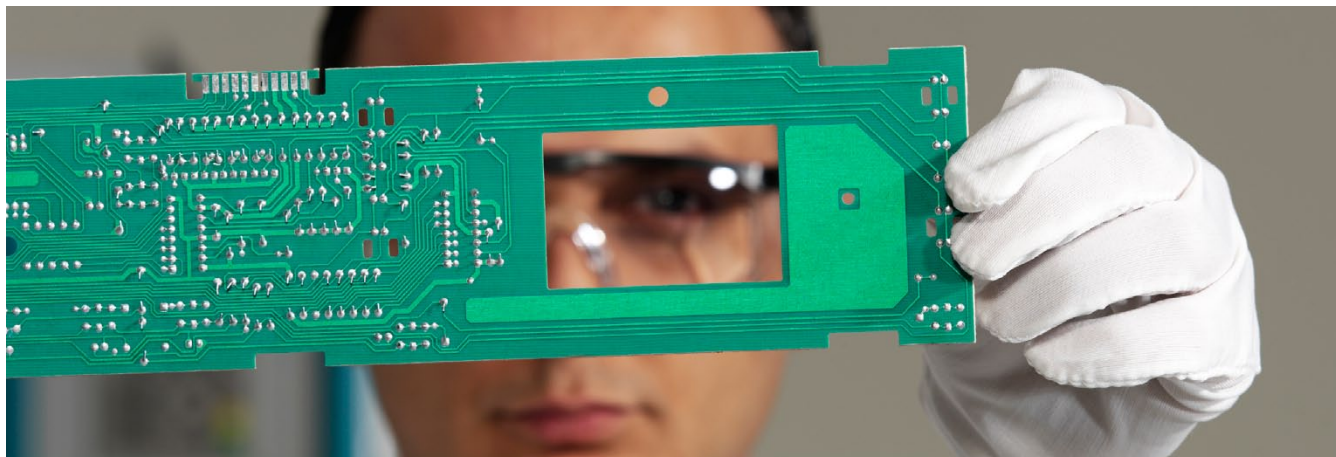
The technology sector is comprised of a diverse range of product categories, or sub-sectors – from mobile devices to network infrastructure, with semiconductors, consumer electronics and PCs in between. When it comes to a supply chain strategy for the sector, therefore, one size does not fit all.

PRECISION-GUIDED APPROACH

“The supply chain for a semiconductor manufacturer is very different from that of a PC manufacturer, for instance,” says **Michael Wiedemann, SVP Global Strategy, DHL GCS**. “So, to take one proposition and apply it to the entire tech sector just will not work.”

This is why DHL breaks the industry down into eight sub-sectors with targeted strategies for each. DHL industry teams study the trends in their particular sub-sector and discuss their findings with their customers to determine their precise needs and ultimately create a strategy tailored to help them 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. Michael cites the example of a recent, very prominent mobile



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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 sub-sector 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 sub-sector, 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 sub-sector and the customer needs, which means getting as close to the customer's thinking process as possible.

To this end, DHL holds targeted workshops and customer logistics board meetings with senior representatives from industry leading companies several times a year in Asia, Europe and the Americas. “The discussions are all about logistic challenges and how DHL can support with supply chain solutions,” says Michael.

“Customers appreciate this level of engagement, as well as the insight into the market and the opportunities to dialogue with their peers,” he adds.

“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 their industry, with customized solutions,” says Scott Allison, DHL GCS SVP Technology. “As a result, customers are saying, ‘Hey, you guys really get it!’”

CUSTOMER VALUES DRIVE SOLUTIONS

Providing flexible, cost efficient and simplified solutions based on customer needs is paramount in supporting customers in growing their business in new markets. The **Dubai Centre of Excellence**, new **Repair & Return services** and the **High Value Freight Security** solution are just a few examples of DHL's strong commitment to solutions for the technology sector (see solution focus).

This is also the driving force behind DHL's first **Global Technology Conference**, taking place in Frankfurt, June 7-9, 2011 (see box).

DHL TECHNOLOGY CONFERENCE JUNE 7–9, 2011, FRANKFURT

As a dynamic and fast-growing sector, the technology industry has been singled out for special focus under DHL's Strategy 2015.

The objective behind DHL's first Global Technology Conference is to provide a forum for knowledge sharing and networking, where key decision makers and industry experts from the technology sector can exchange best practices and discuss supply chain challenges and solutions.

Frank Appel, CEO of Deutsche Post DHL, will join us for the meeting, along with other senior DHL representatives and leading industry experts. The guest keynote speaker will be renowned supply chain thought-leader **John Gattorna**, whose most recent book, **Dynamic Supply Chains**, is making company executives reconsider conventional supply chain wisdom.



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On the second day, breakout sessions will focus on the key industry sub-sectors, looking at trends and solutions for each of these distinct market segments. Topics include Security, Trends in Distribution, Zero Defects, Repair & Return Solutions, Emerging Markets, as well as supply chain forums with Distributors and Electronic Retailers.

For more information, go to:

→ www.dhltechconference2011.com



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Supply chains are driven by people.

INTERVIEW WITH JOHN GATTORNA

SUPPLY CHAIN ALIGNMENT IN A DYNAMIC MARKETPLACE

Supply chains need to be aligned to particular customer behaviors, insists industry thought leader John Gattorna. This is the synthesis of over 25 years of research and field-testing by this cutting-edge thinker and respected author in the supply chain management field.

Too many corporations today, according to John Gattorna, are wedded to a one-dimensional mindset about supply chains: they think of them as a “cost sink,” where you take cost out when you have problems. And too many logistics providers stick to a one-size fits all approach to their customer base.

“What I’m trying to get people to understand is that supply chain is not a one-dimensional set of processes.”

“What I’m trying to get people to understand is that supply chain is not a one-dimensional set of processes,” he says. John calls the new mindset he is advocating “dynamic supply chain,” whereby good supply chain management has two dimensions: yes, you can reduce cost, but you can also increase customer satisfaction, increase sales revenue, and increase margins – if you align the supply chain dynamically with your customer base.

“Quite frankly, businesses out there today are lost; they’re guessing,” he laments. “As markets become more volatile, you need to be a lot more insightful in terms of how you

develop your business capabilities to respond to this dynamic marketplace.”

PEOPLE ARE THE ANSWER

Most of the best-known corporations today think that they are going to be saved by technology, along with better asset utilization, and improved processes. John maintains that there is a diminishing returns effect on how much you can achieve through process reengineering and lean techniques.

His premise is that it is actually people that drive supply chains – people at the front end, called customers; people at the back end, called suppliers; and people in the enterprise itself. To go to the next level of performance, you’ve got to start to understand people’s behavior.

This means you start by getting to grips with the range of different buying behaviors of your customers and re-segment your markets accordingly. Over 25 years of researching and working in this field, John has found that there are about three to four dominant buying behaviors in any given marketplace for any sector, and addressing these will cover about 80% of your market.

To this end, supply chain leaders should work with marketing teams to segment customers by behavior—for instance, some may be driven by relationships and trust, others are looking for the lowest cost, a third segment is looking for quick response and doesn’t really want any relationship, and then there may be a smaller segment looking for innovation.

Once you understand this, you establish multidisciplinary teams around each defined customer category. You set up a



At DHL we have applied John's approach in certain regions to respond to aggressive revenue and profit targets by systematically aligning our internal support functions with distinct buyer behavior segments. Specifically, we looked at tangible and intangible factors that directly influence a customer's choice of a third-party logistics provider. We then reverse-engineered the delivery system to align with each customer's preferred buying behavior. As a result, DHL's share of wallet and profitability immediately improved, enabling us to maintain our leading position in the market.

Stuart Whiting, VP Global Head of MNC – DHL Express

relationship-driven supply chain, you have a lean supply chain to deliver low cost with standard processes, and a third type for always delivering quickly, albeit at a premium. And you stop trying to please the 10% that cannot be pleased.

PROOF OF CONCEPT

John's insights have had a significant impact on the bottom line of a number of companies. For instance, he relates the story of a big insurance company in England a few years ago

that was losing money. The new CEO brought John in, and over the course of three years, he helped the CEO change his understanding of the marketplace, change the channels, change the products, and change the senior leadership team. As a result, over those three years, the company went from a loss of £250 million to a profit of £250 million – a £500 million turnaround. Similarly, faced with ever-changing customer needs, product commoditization, unique global requirements and new, low-cost competitors, a leading global PC & Notebook producer in the U.S. recently invited John to meet with its senior vice president for supply chain. Based on John's dynamic supply chain principles, the company has since embarked on a three-year process to segment its supply chain response capabilities.

“As markets become more volatile, you need to be a lot more insightful in terms of how you develop your business capabilities to respond to this dynamic marketplace.”

Its redesigned supply chains are adapted for cost optimization, delivery speed and product choices that customers value, while aligning internally across all functions to execute against this vision.

John has had comparable successes in Brazil, Greece, the UK, the Middle East, and South Africa – just about every region of the world.

What's the key to turning his dynamic supply chain concept into reality? “It's all about meeting the individuals who are influential in the organization and convincing them of the merits of this approach,” he explains. “They're the ones who have to be able to convert customer insight into successful implementation.”



DR. JOHN GATTORNA, GLOBAL SUPPLY CHAIN “THOUGHT LEADER” AND AUTHOR

John Gattorna heads his own advisory business for companies around the world, Gattorna Alignment Pty Ltd., and is a professor at the Graduate School of Management at Macquarie University in his hometown of Sydney. After Accenture acquired his first consultancy business in 1995, he spent seven years as managing partner Asia Pacific at the firm, then known as Andersen Consulting. A frequent keynote speaker at conferences around the world, his latest book is **Dynamic Supply Chains: Delivering Value Through People** (Aug. 2010).

SAVING TIME AND MONEY ON REPAIRS & RETURNS

After sales technical solution for the tech industry



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DHL's new Technical Services offering provides an after-sales service solution for the technology industry, including repair, return and warranty management services.

For service logistics, the product typically goes through four transport legs – from customer to field warehouse; then to repair facilities; then back to field warehouse; and, finally, back to customer – all of which can take weeks or even months. The integration of repair into the distribution model means eliminating two legs of transport, saving time and money.

“What we’re offering is a solution that integrates the vast majority of that repair activity into the warehouse, rather than sending it out for repair,” explains **Kerry Mok, DHL Supply Chain SVP, Service Logistics and Technology**. “This means faster turnaround of product, while cutting handling and transportation costs.”

“DHL is already the largest Service Logistics provider globally, and this includes the provision of a wide range of

aftermarket solutions for these customers,” adds **Ray Ridyard, DHL VP Service Supply Chain Development**. “We are able to integrate the repair into our extensive global network of more than 1200 facilities, thereby reducing touchpoints, inventory, handling and transport costs – and, thus, an associated reduction in CO₂ emissions.”

By integrating the repair process into the DHL Service Logistics Network, DHL provides a number of valuable benefits to customers, including lowering transportation costs by 15–20%, as well as minimizing inventory sent for unnecessary repairs, shorter repair cycles, and reduced number of providers, for total expected cost savings of some 20–25%.

CUSTOMER SUCCESS

One of the largest automated teller machines (ATM) suppliers in the UK relies on DHL to look after the maintenance of its 3,300-strong network of cash machines and keep the currency flowing for its partners, which include local shops, community centers, pubs and council offices. DHL uses a central location to store 110 different product lines, including the delicate parts that are integral to the successful operation of ATMs.

When a fault is reported, a DHL engineer assesses the problem and requests replacement parts, which are sent using DHL's nationwide logistics network. This enables engineers to keep ATMs in service and meet a four-day turnaround time for repairs. Moreover, DHL's customized solution is fully scalable and can cope with peaks in demand, including the busy holiday period, when retailers' sales and cold weather combine to dramatically increase the number of breakdowns.



TOTAL VISIBILITY AND SIMPLICITY WITH DHL'S COLLECT & RETURN

Whether you do your own repair in-house, outsource to a repair vendor, or rely on DHL's Technical Services offering, DHL offers a Collect & Return solution that will make your life easier, according to **Julia Daehne, DHL Global Head of Industry Solutions**. “Not only does DHL handle the pick up and return, but we also provide the web-based Electronic Logistics Platform (ELP) for booking, tracking and total visibility, along with dedicated customer support, and can even arrange packaging deliveries so your end customers don't have to,” she explains.

When it comes to after sales, time is of the essence, which is why DHL's solution provides fully automated booking, visibility across multiple legs, performance reports, and customer support, all using a single interface.

For example, a major global consumer electronics company that relies on DHL's Collect & Return service confirms being extremely satisfied with the solution, noting: “Couriers were polite, patient and knowledgeable; collections were made in a timely manner, promised timeframes were respected; and the ELP tool was very intuitive.”

THE MIDDLE EAST MADE EASY



Worth an estimated €17 billion in 2009, the Middle East technology market is very attractive. However, doing business in the region can be highly complex, requiring a myriad of customs and legal documentation and thus frequent delays. With its 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 further.

PROTECTING HIGH-VALUE FREIGHT IN EUROPE

With some €8 billion in annual losses due to shipment thefts, according to European Union estimates, technology companies and other businesses shipping high-value goods need a secure solution for Europe-wide road freight haulage. While DHL's High Value freight solution was previously only available for full truckload (FTL), now it is rolling out its less-than-truckload (LTL) High Value service across Europe.

SECURITY WITH NETWORK CAPABILITIES

"Customers have been asking for high security for smaller shipments, without sacrificing speed to market or price" explains **Gio Theunissen, DHL VP Technology**. "The advantage of this offering is that we can use our network capabilities, with the same level of security as for a High Value FTL load, but at a lower price offering."

The High Value LTL service is available in 10 key technology markets in Europe, including Austria, Belgium, the Czech Republic, Germany, Hungary, the Netherlands, Poland, Slovakia, Switzerland and the UK. Solutions in other markets can and will be developed on a customer by customer basis.

LTL HIGH VALUE SECURITY VEHICLES

The LTL High Value security standards include vehicles equipped with mobile communication devices, video monitoring of terminals and goods storage in security cages. In addition, trailers are sealed prior to departure and can optionally be equipped with GPS for real-time tracking. Specially trained terminal staff and drivers as well as dedicated customer service personnel are used for the High Value service.



For one particular leading mobile services company that regularly ships loads valued at over €2m, DHL's High Value service reduced their shipment losses to zero. "Whether we need 5 or 50 trucks a day, a solution is always found without losing sight of our high security standards," notes this customer.