



# MORE Contract Solutions

Bernd H. Flickinger • Brussels • November 13, 2003

- Portrait – Facts & Figures
- Industry and Competitive Overview
- Product Portfolio and Value Added Solutions
- Case Studies and Major Contracts
- MORE Program
- Trends and Conclusions

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## Facts & Figures 2002



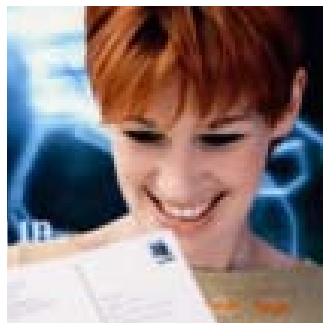
- **Customized end-to-end logistic solutions for the entire supply chain**
  - Supply Chain Management, Warehousing, Distribution, Value Added Services, Logistics Outsourcing, 4PL Services



- **Revenues**
  - 1'492 million EUR
  - Over 800 major contracts (> 1 million Euro)



- **Regional presence**
  - 22 countries, 3 Continents
  - 250 warehouses/ terminals
  - 2.8 million sqm storage

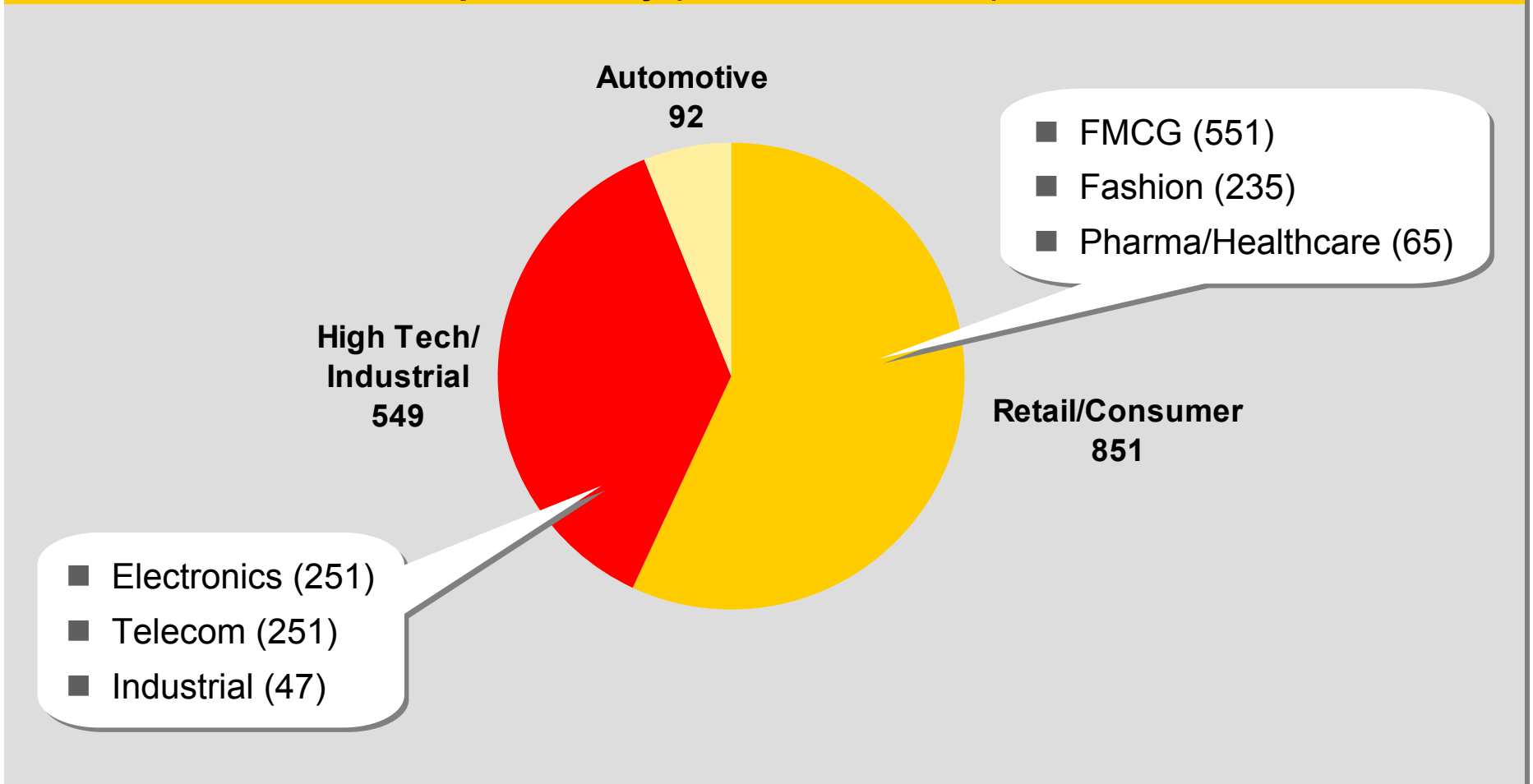


- **Employees**
  - 15'000

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## Balanced portfolio compensates seasonal and industrial fluctuation

Revenue 2002 per Industry (Total: EUR 1'492m), Million EUR, 2002



# DHL Solutions Currently No. 5 in Logistics Market



## Competitive Landscape

Percent, 2002

“Supply Chain Solutions”  
Total Market

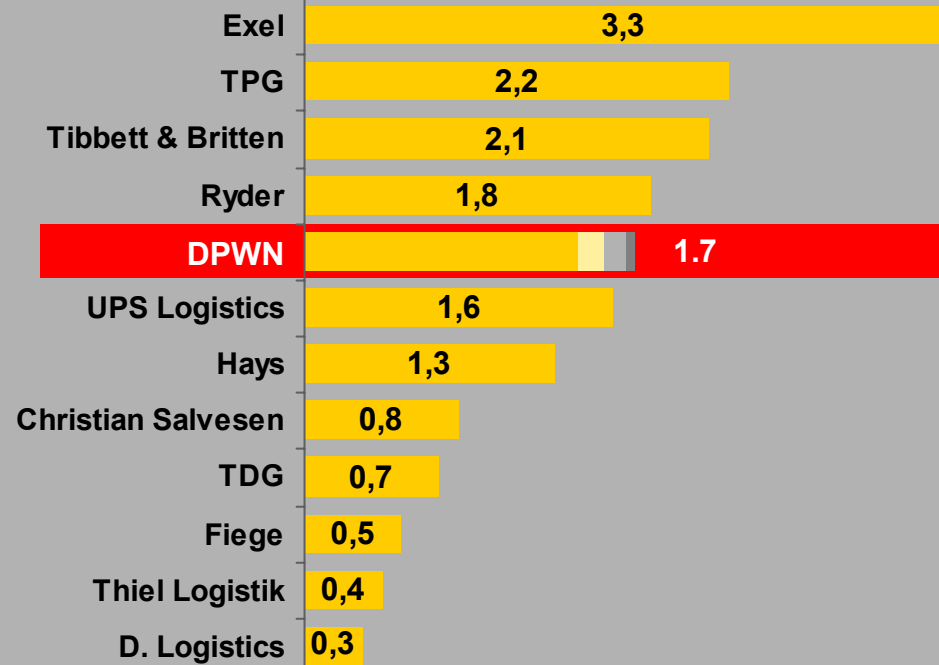
Others

83,3

Top 12  
Logistics  
Providers

16,7

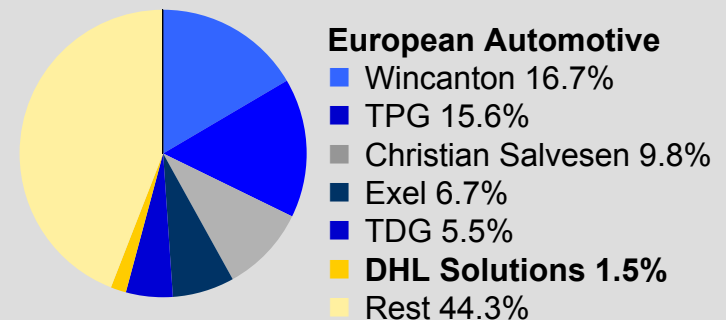
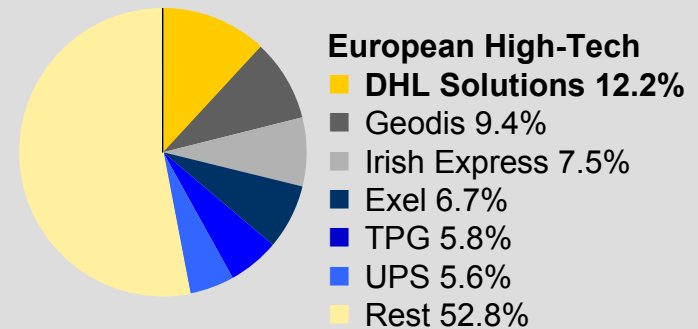
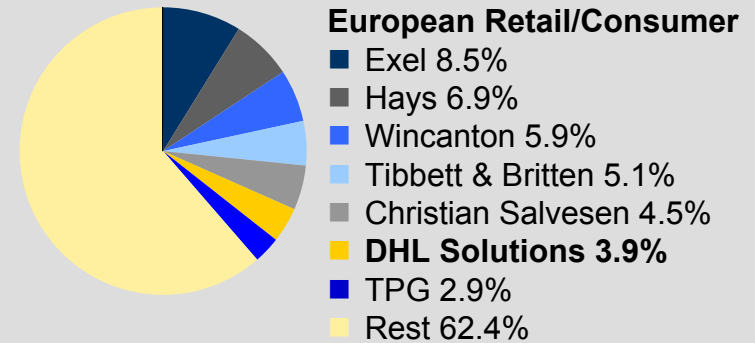
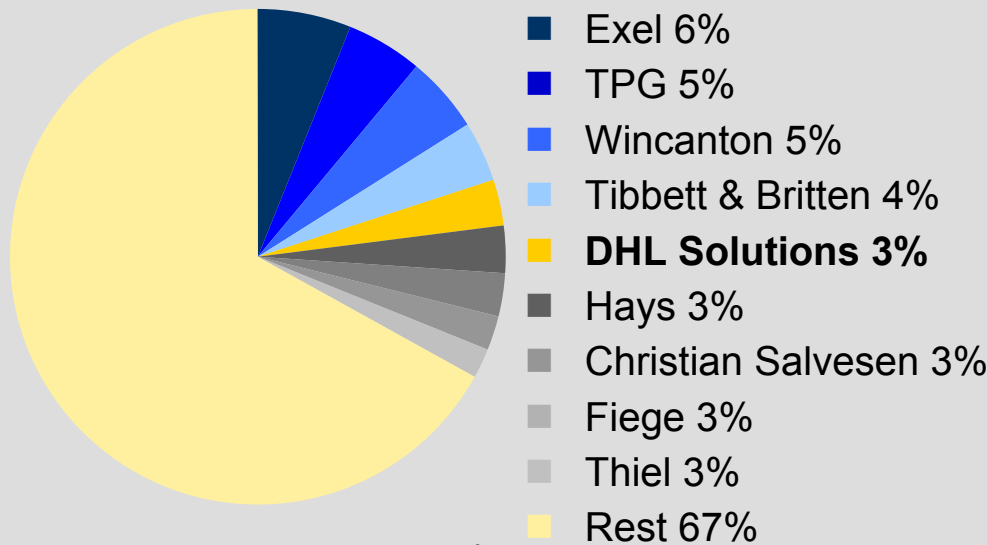
### Market Share of the Top 12 Logistics Providers



Opportunity to develop a leading global position does exist

## European Market Shares

Percent, 2003



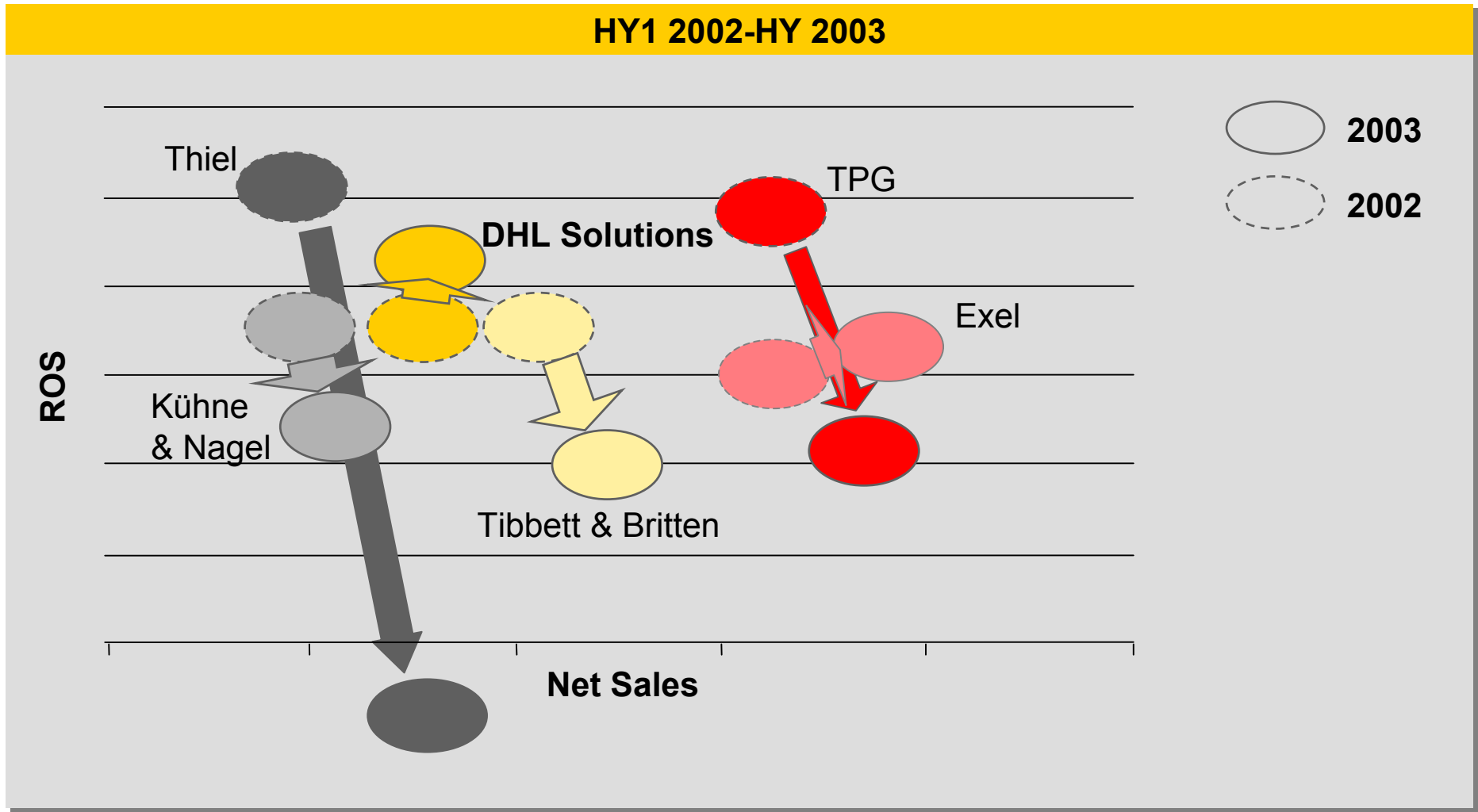
Source: Transport Intelligence, Report «Logistics Leaders 2003»

# DHL Solutions Significantly Improved ROS in 2003



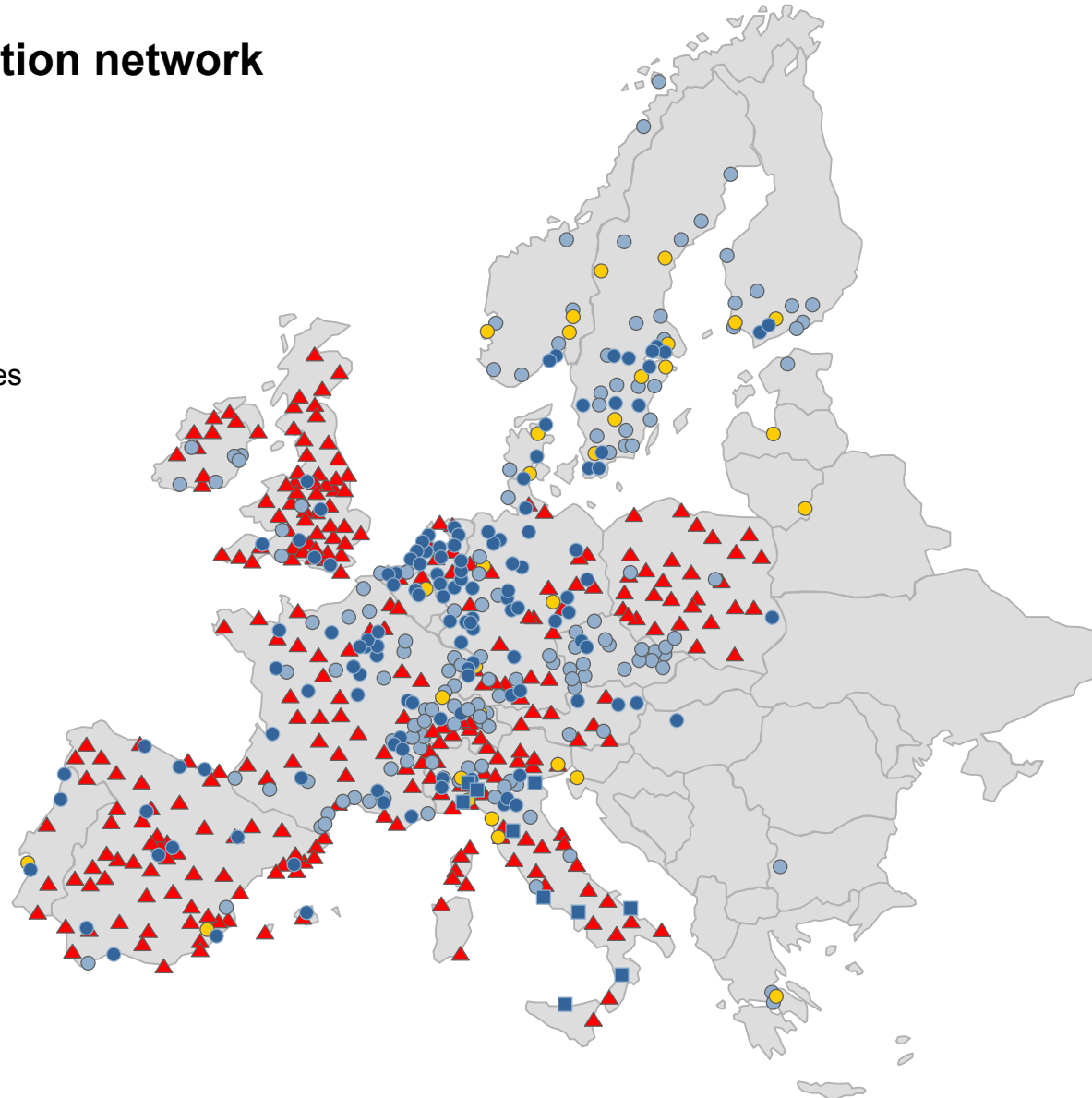
## Competitors Comparison

HY1 2002-HY 2003



## European distribution network

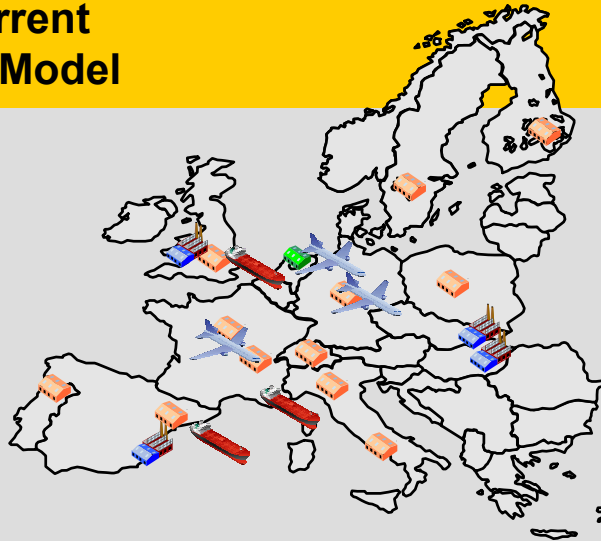
- Euca Warehouses
- ▲ EuroExpress Hubs
- INCO Warehouses
- Solution Hubs
- Solution Warehouses
- ▲ Solution Terminals



# From Decentralized Networks to Flexible Hybrid Model

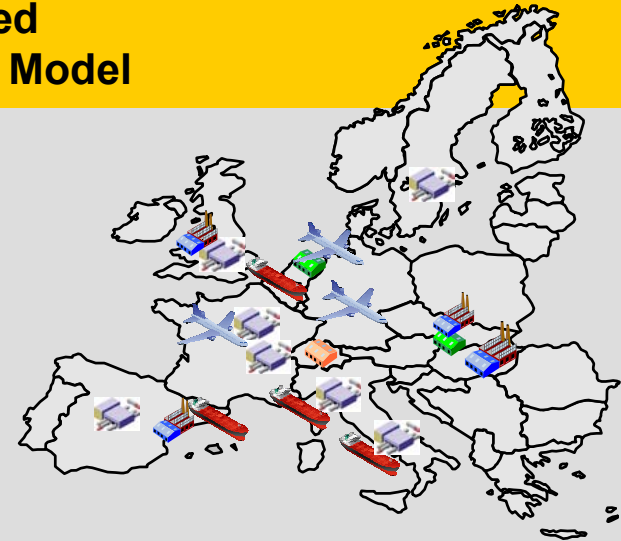
The network design from country focus to regional optimization by product/market EU extension to the East requires adjusted model

## Common current Distribution Model



- Country oriented distribution system
- FDC at production sites
- EDC for certain product in home market or gateway
- Country Distributions Centers

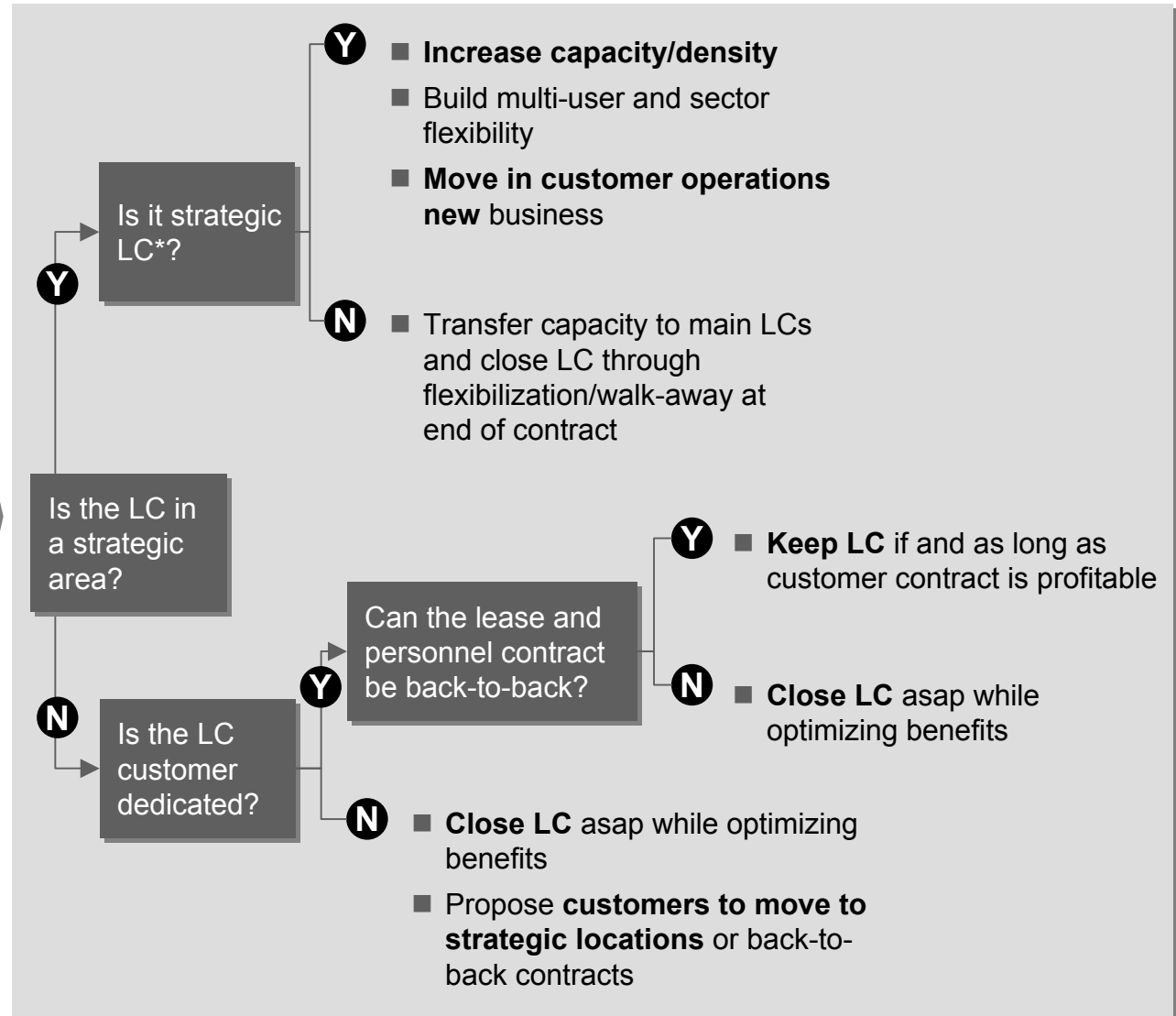
## Best-of-Breed Distribution Model



- Specialized distribution strategies by product line and/or customer group
- FDCs at factories
- EDCs depending on sourcing markets and product lines
- Country distribution centers replaced by shared Hubs or direct deliveries

## Infrastructure optimization principles

- DHL Logistics should only have capacity in strategic locations
  - Focus on LCs with critical mass
  - Consolidate remaining ones
- Locations outside strategic locations are only possible for customer-dedicated operations, with lease and personnel back-to-back contracts
- Migration path should focus on early impact while minimizing one-offs and customer service issues

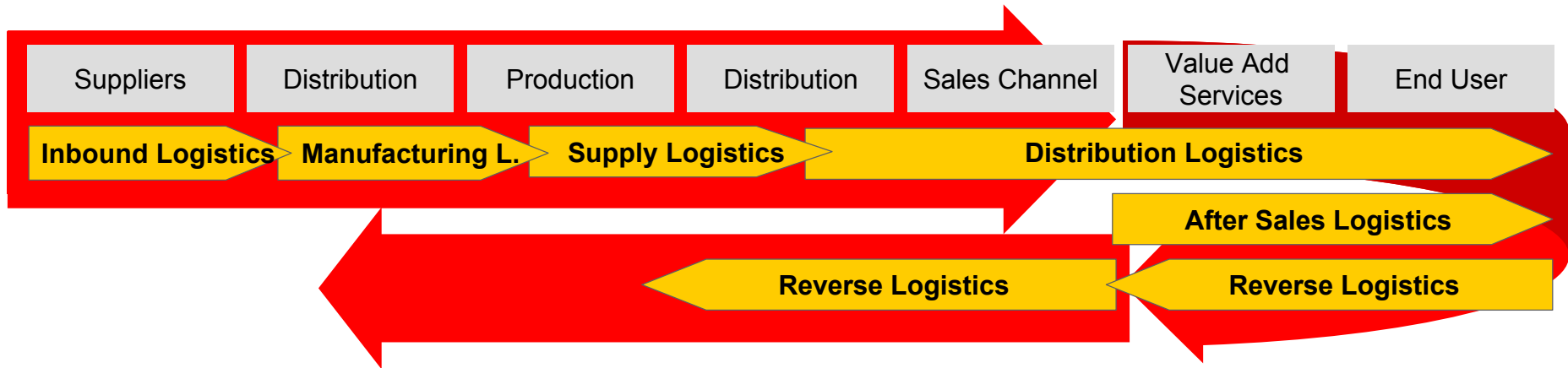


\* Example of criteria: building cost/sqm; cubic area; flexibility of operations//Source: MORE IO team

Source: MORE IO team

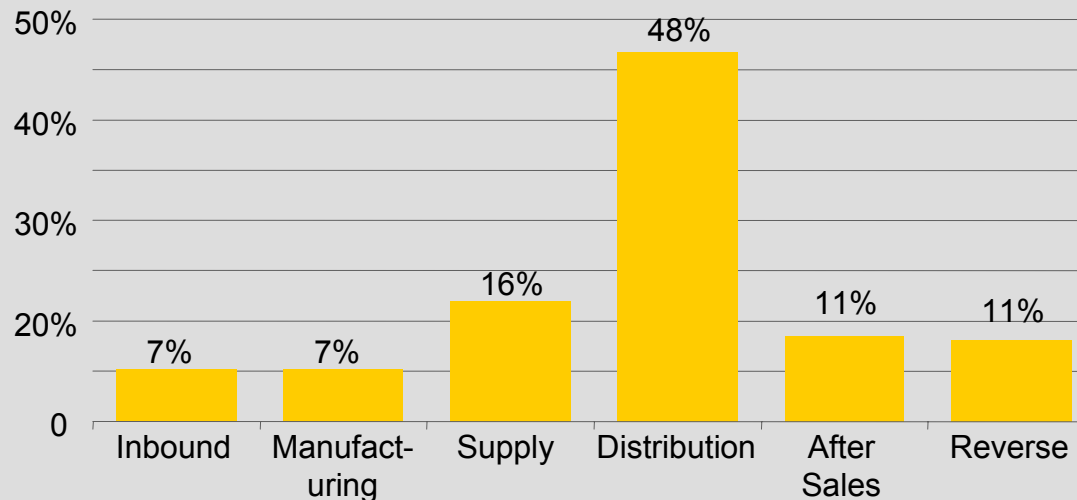
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## End-to-End Supply Chain Management

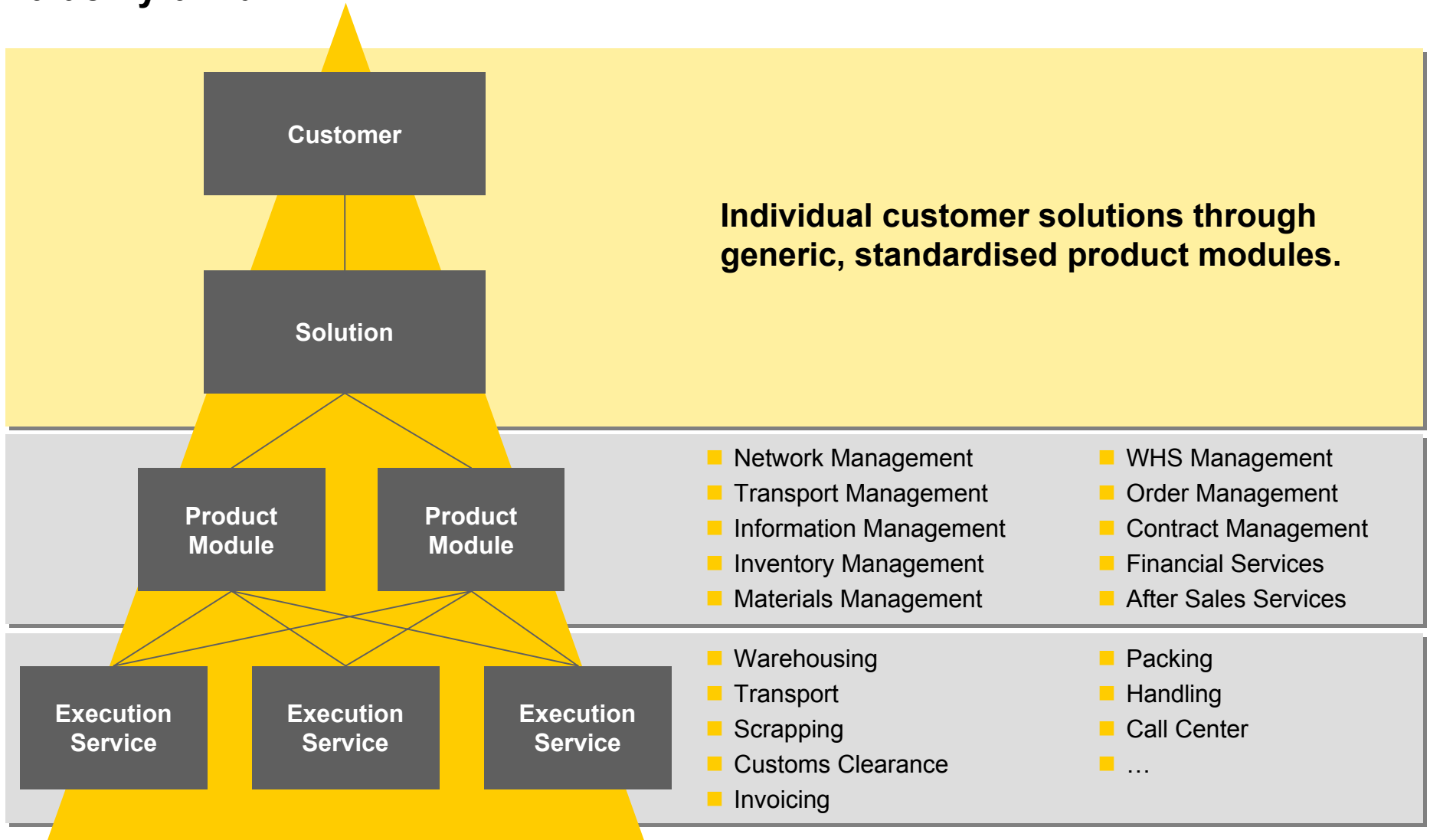


## Revenue Structure DHL Solutions

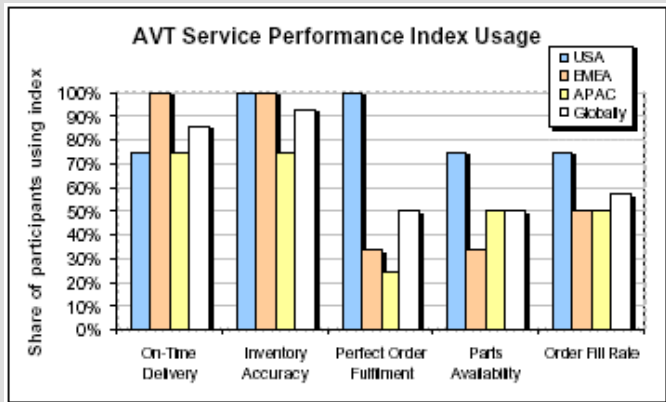
Million EUR,  
2003  
(last estimate)



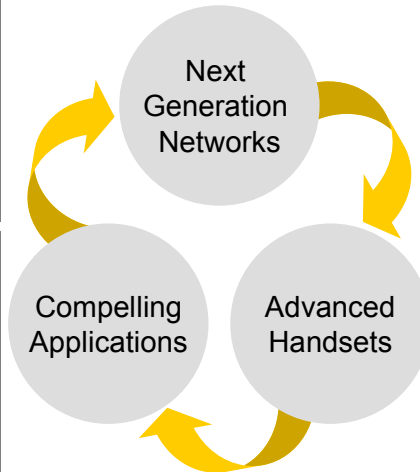
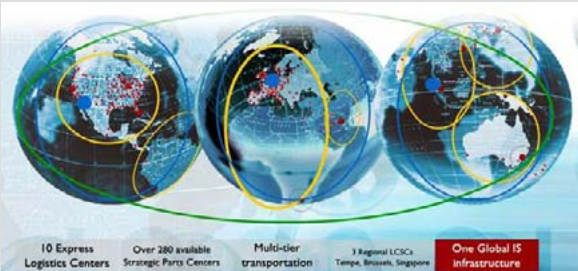
## Value Pyramid



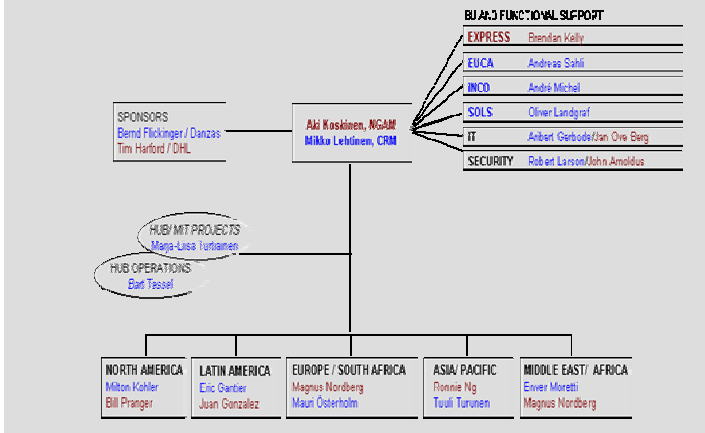
**Benchmarking** with peers in same or similar industries – DHL proposes best-in-class solutions



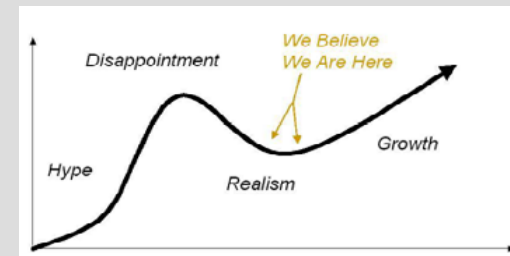
**DHL's economies of scale** with multi-user facilities and shared network also give lower costs towards our customers with un-compromised performance



**Global team**, dedicated to bring you superior and consistent global performance



**Shared objectives** – DHL works with vendors, operators & NMP. DHL is also a major corporate telecom user. Working to revitalize the telecom market benefits us all



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## Snapshot Electronics Sector

- IT hardware and office equipment, consumer electronics, components, semi-conductors
- Players: Component suppliers, manufacturers, distributors, after sales agents
- Global sourcing and distribution strategies, often managed from a central point
- Focus on time to market, inventory and cycle time reduction, loss protection of high value goods
- Substantial after-sales element

## Customers



**SONY**

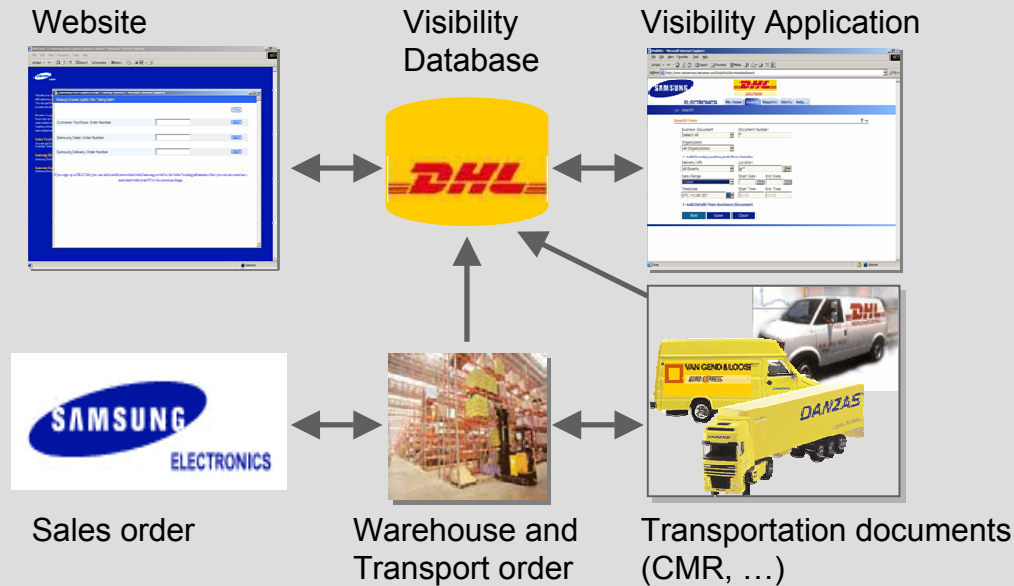
**EPSON**

**IBM**





## Logistics Solution



- **Challenge:** Significant potential for improving supply chain system across Europe
- **Solution:** As Lead Logistics Provider (LLP) we designed a staged change process for all of Europe kicked off with the implementation of a new 50,000 EDC facility in Holland as well advanced IT tools, including Descartes, providing Samsung with end-to-end visibility
- **Benefits:** First stages have realised benefits as planned and confirmed ongoing potential

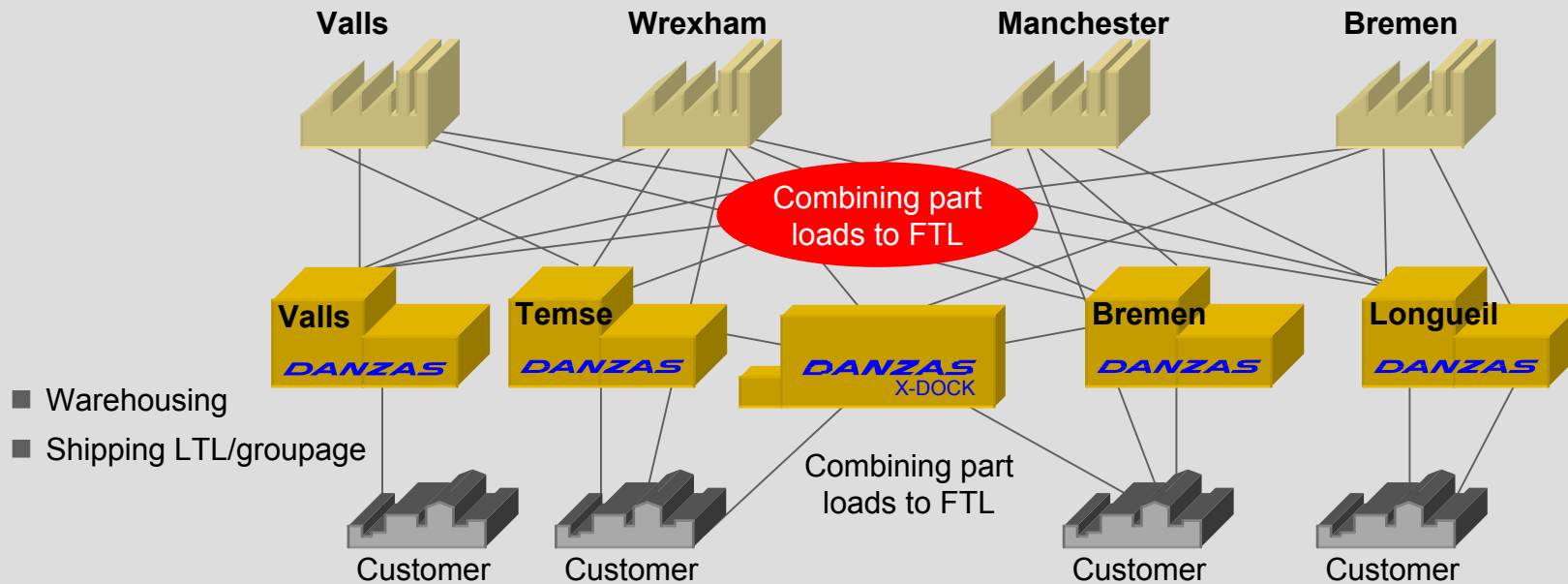
## Snapshot FMCG Sector

- Food (frozen, chilled, ambient), beverages, wines & spirits and Non-Food (personal and home care, tobacco and domestic appliances)
- Multinational FMCG manufacturers/retailers
- Global/regional sourcing; Regional/local distribution
- Focus on Efficient Consumer Response (ECR) by using enabling technologies
- Critical mass drives synergy, cost and lead time reduction

## Customers



## Logistics Solution



- **Challenge:** European Supply chain optimisation, outsourcing of central warehouse in Germany
- **Solutions:** European Umbrella contract, Supply Chain Master
- **Benefits:** Retention of the existing business in Spain, France, Benelux. Gain primary distribution, win Germany and strengthening our LLP position

## Snapshot Fashion Sector

- Clothing, sportswear, shoes, accessories, vast range of assortments for each category
- Players: Manufacturers, brands, distributors (wholesalers/retailers)
- Mixed sourcing strategies executed globally, regional/local distribution through multiple channels
- High degree of seasonality and product proliferation

## Customers

**MORE & MORE**

**KARSTADT QUELLE<sup>AG</sup>**

**LIZ CLAIBORNE**

**DIESEL<sup>®</sup>**  
FOR SUCCESSFUL LIVING

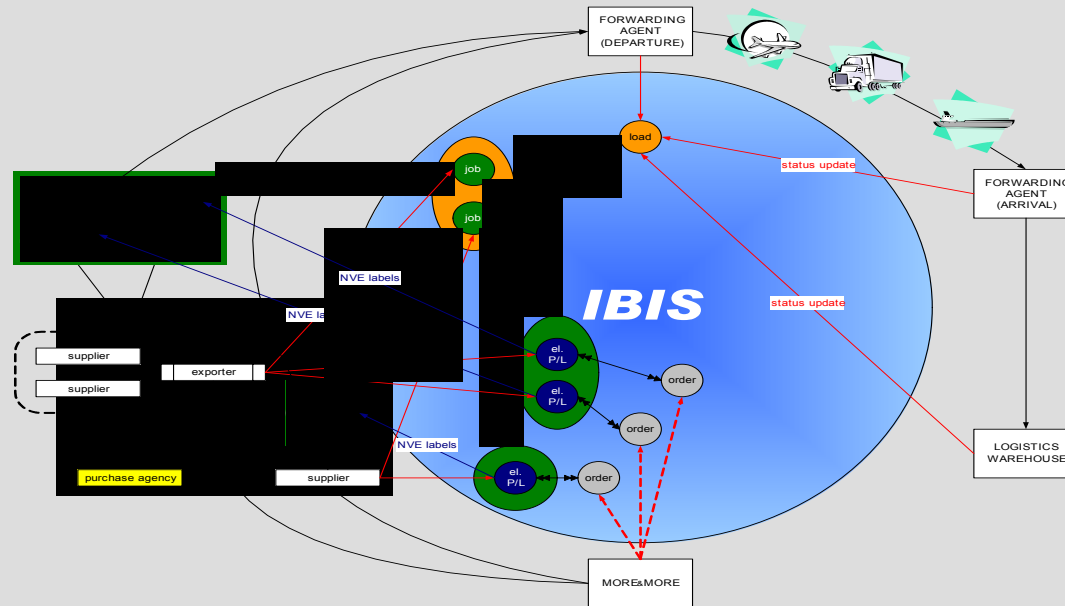
**MIGROS**

**MEXX**



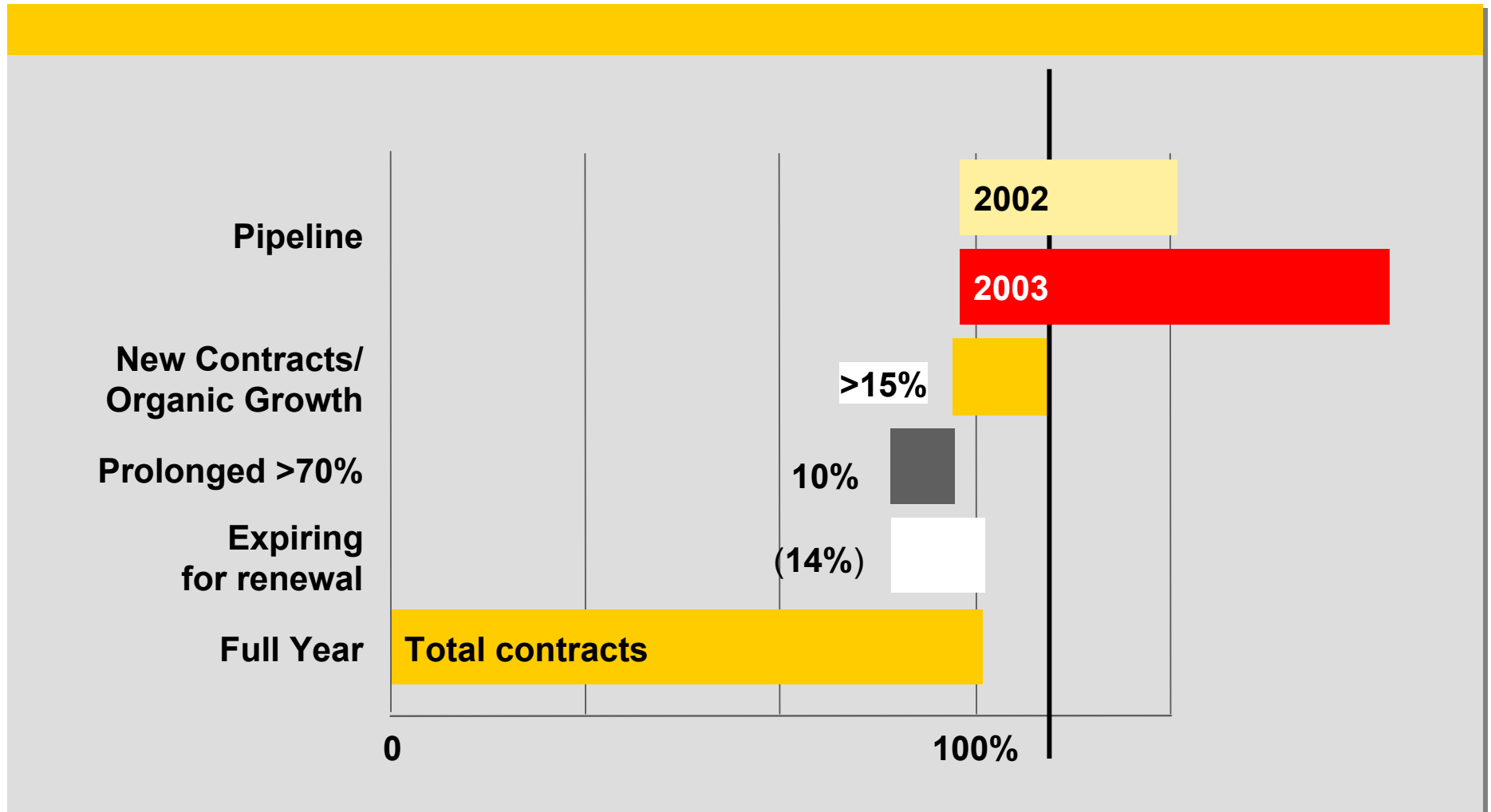
**POLO RALPH LAUREN**

## Logistics Solution



- **Challenge:** Worldwide supply chain management, outsourcing central warehouse in Germany
- **Solutions:** Outsourced distribution center, global procurement transportation, outbound distribution via DHL Express and ITG
- **Benefits:** Integration of transportation and logistics fulfillment (one-stop-shopping)

## Contract Development: More profitable contracts in pipeline

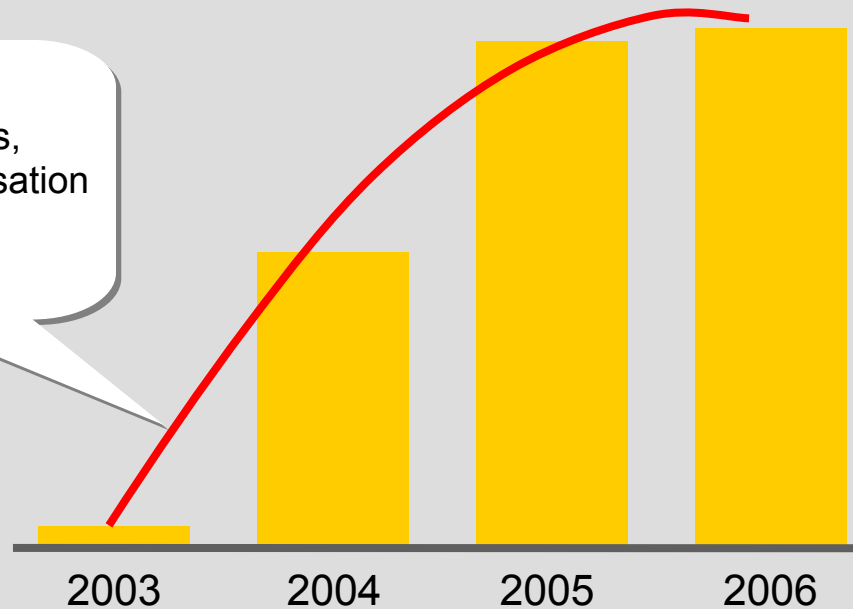


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## MORE Program

Million EUR

Focus on Customer Retention, New Sales, Infrastructure Optimisation and Warehouse Productivity



- MORE profitable growth
- MORE operational excellence
- MORE world class support
- MORE as part of STAR

Full impact

6%

~40%

~90%

100%

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## Summary & Outlook

### Logistics outsourcing trend is continuing

- Strong competition in key industries
- Price sensitivity
- Variable/ flexible pricing
- Consolidation to fewer suppliers
- Demonstrated execution capabilities required
- Regional/ global coverage with modular, standardised offerings

### DHL Solutions well prepared

- Optimised infrastructure
- Global/ regional network capabilities
- Good industry and customer intimacy
- Qualified, motivated people and teams