

Deutsche Post DHL Inhouse Consulting Asia Pacific

Enhancing International Trade Logistics for Inclusive Development

An Inside-out Perspective from the Logistics Industry

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Importance of Efficient Supply Chains in International Trade

If all countries reduce Supply Chain barriers halfway, global GDP would rise by 4.7% and global trade by 14.5%¹⁾

Japan Tsunami and Impact on Global Supply Chains...



- GDP of Japan decreased by 0.5%²⁾
- Toyota lost its #1 position to GM³⁾
- Sony had to shut down production at five of its plants

Supply Management to achieve Competitive Edge...



- Fire in Phillips factory that provided 40% components to Nokia & Ericsson
- Ericsson waited for Phillips disaster response; its production stalled due to lack of components
- Nokia signed contracts with other component suppliers

Increasing Global Interconnectedness...



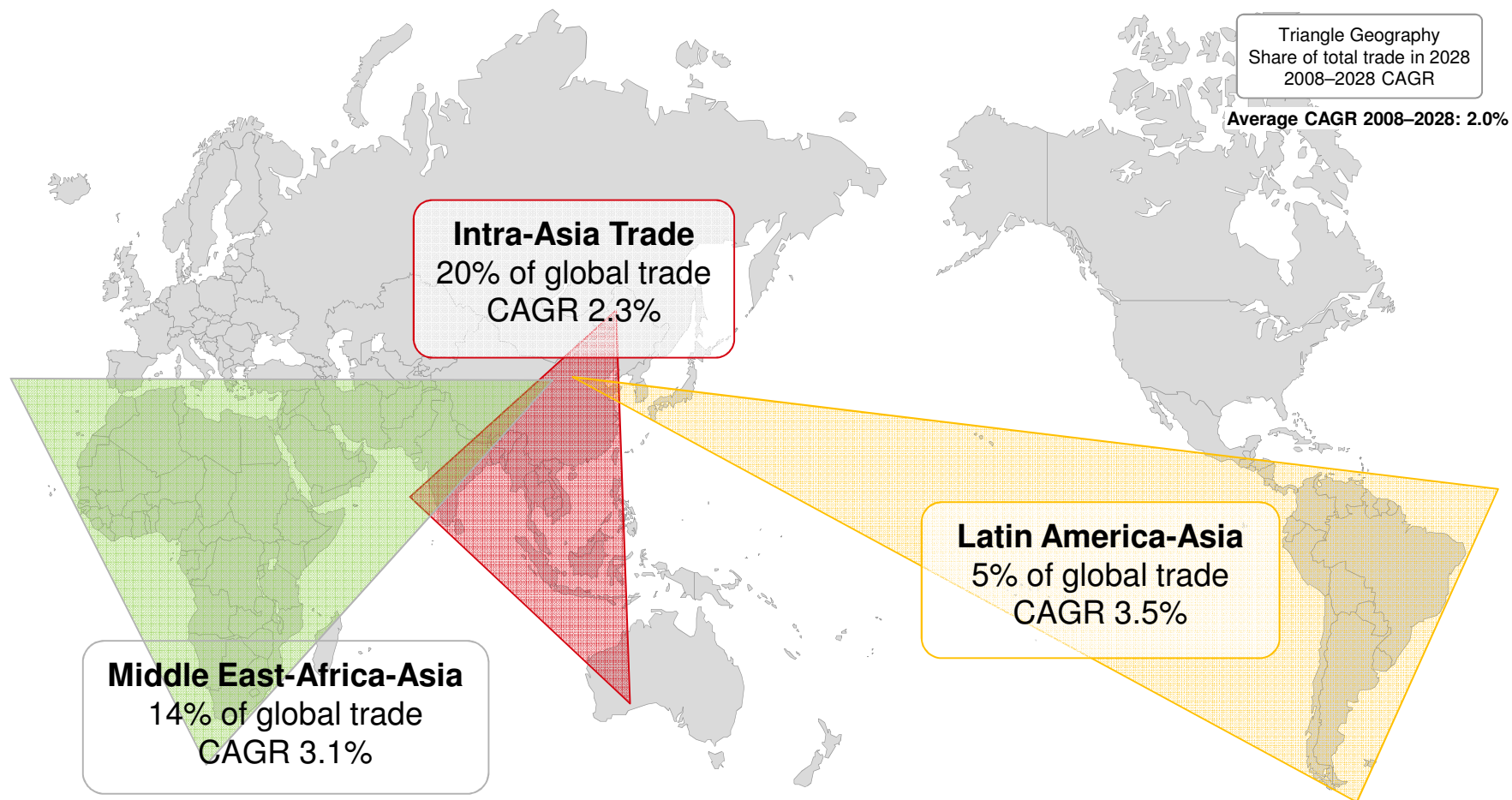
- Obama: “Labor cost differential between US and China per iPhone is \$65 only⁴⁾. Bring jobs back to US”
- Jobs: “Those jobs are not coming back, because it’s a lot more about international Supply Chain and capabilities than just labor cost”

Source: DPDHL Inhouse Consulting Analysis; 1) World Economic Forum; 2) HIS Global; 3) “Lean & Resilient” – DHL Automotive Research Paper; 4) 300m iPhone devices * US\$65 = US\$19.5bn in labor value gained by Apple since 2007

Increasing Importance of Less Developed Countries in International Trade



Asia forms the locus around which three key trade triangles have emerged; these are expected to account for around 40% of global trade by 2028

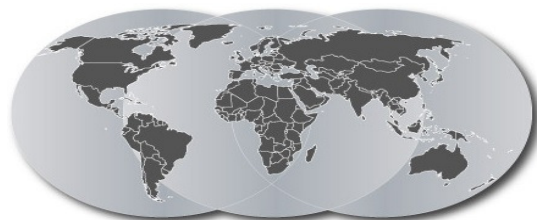


Source: Global Insight; DPDHL Inhouse Consulting Analysis

DHL as a Global Trade Facilitator

As a global logistics company, DHL plays an instrumental role in facilitating global trade leveraging its global network and local expertise

Operates in **220** countries around the world



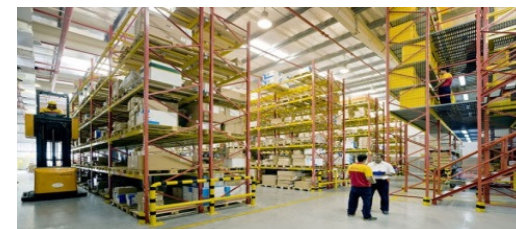
27 more than the members of United Nations

Operates more than **700** flights per day



Around half as many flights as American Airlines

Manages **>23 mn** sqm of warehouses



3,066 football fields or >50 Vatican cities

Transports **>4mn** tons of air freight per year



12% of total international airfreight movements

Ships **>2.8m** TEU of ocean freight per year



8% of total international ocean freight movements

67,000 express shipments delivered per hour



18 shipments delivered every second, 24/7/365

Source: DPDHL Inhouse Consulting, DHL; American Airlines website

How DHL Facilitates Trade – Few Examples

NOT EXHAUSTIVE

DHL works behind the scenes to enable businesses deliver growth and expand internationally



Transporting
**Oil Drilling
Equipment to
Kazakhstan**

DHL Industrial Projects

- 90,000 freight tons transported to Tengiz – the world's deepest operating super giant oil field
- Heaviest single piece cargo of 180 tonnes, high safety need, extreme weather, all modes including via river



Enabling Growth
for **Global FMCG
in Columbia &
Mexico**

DHL Supply Chain

- Setup and manage of a new consolidation center in Mexico and an RDC alongside a plant in Columbia
- Enabled a MNC to penetrate a market that is heavily dominated by local suppliers



Facilitating a
**Greener Supply
Chain for Global
Technology
Manufacturers**

DHL Envirosolutions

- Collects defected PCs and parts around the globe
- Centralizes identification for recycling/ disposal
- Ensures disposal in environment-friendly manner and according to international environment laws

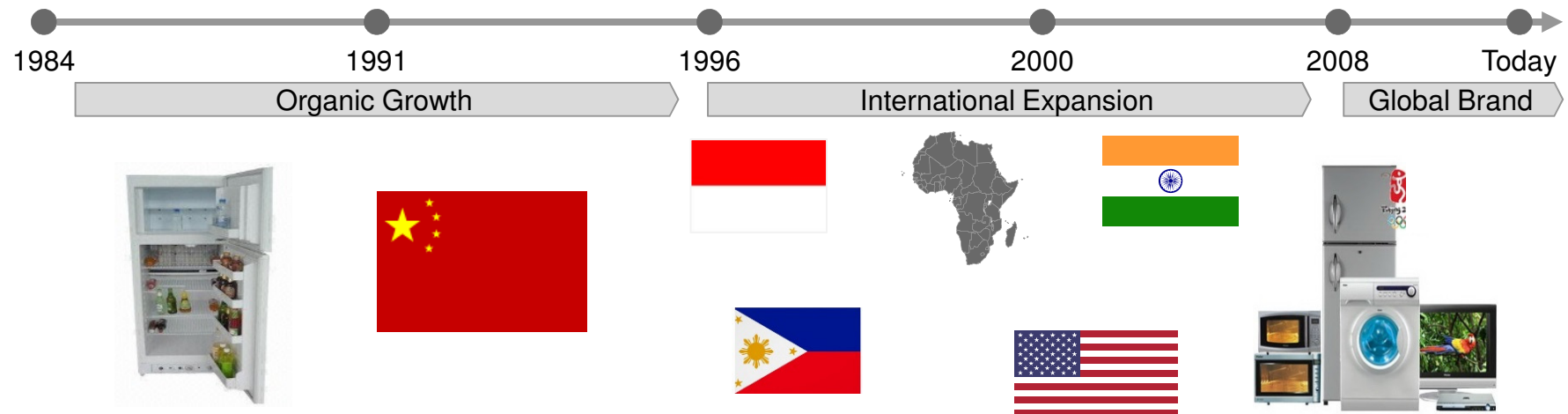
Source: DPDHL Inhouse Consulting

Case Study - Chinese White Goods Manufacturer

Two Decades of Growth



Company grew from being a refrigerator manufacturer, to having the world's largest market share for white goods in just over two decades



- Established in 1984 as a refrigerator company
- Partnered with a German manufacturer
- Bought over partners share

- Diversified beyond refrigerators
- Adopted new branding in 1991
- Grew from CNY 3.5mn in 1984 to CNY 40.5bn in 2000 – growth of 11,500%

- International growth with new production facilities
 - Indonesia in 1996
 - Philippines in 1997
 - USA in 2000
 - Africa in 2002
 - S.Asia in 2004

- Surpassed Whirlpool in 2008
- Sold 12mn refrigerators worldwide
- 6% market share globally

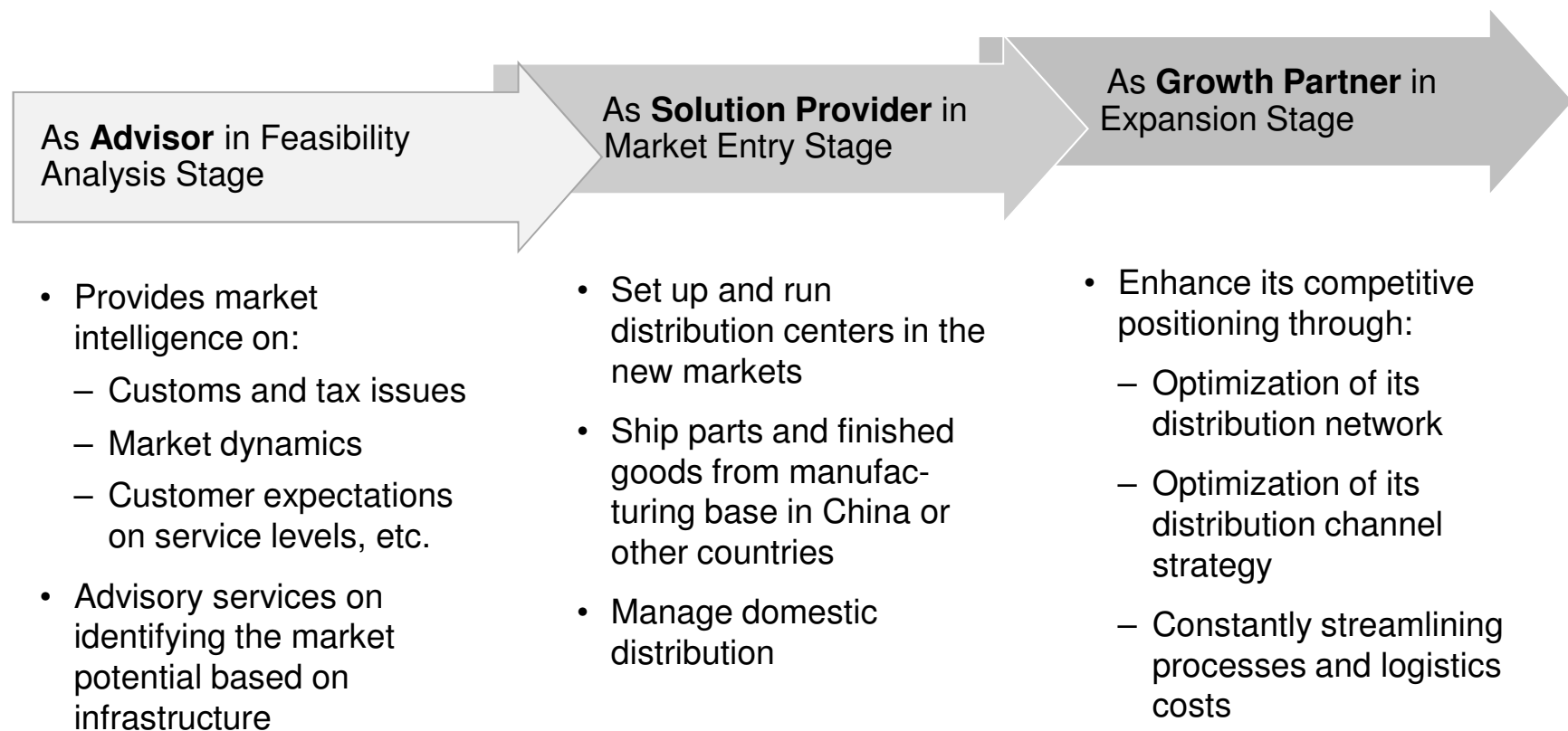
Source: DPDHL Inhouse Consulting; Wikipedia; Company Corporate Website

Case Study - Chinese White Goods Manufacturer

DHL as Key Enabler of Growth



As its trade partner, DHL enabled international expansion of this Chinese white goods manufacturer in traditional and non-traditional markets

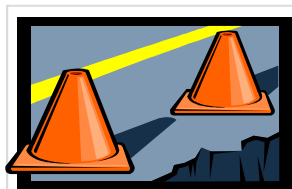


Source: DPDHL Inhouse Consulting

Removing Obstacles for Int'l Trade – DHL Perspective

DHL has developed and implemented various solutions to address specific challenges that DHL faces in facilitating international trade and logistics

Key Obstacles



Less developed infrastructure e.g. road utilization¹⁾ for freight in China and India is 27% and 23% resp. vs. 51% in Germany and 43% in the UK



Lack of harmonized processes and structures in im- & export e.g. custom clearance lead time differences and different variations of FTZs



Local providers and knowledge are still being favored e.g. for custom brokerage, provision of IOR / EOR²⁾, etc.



Lack of a holistic, systematic and institutionalized approach i.e. issues are tackled locally, selectively and when they occur

DHL's Solutions

Multi-modal solutions e.g. air-rail, sea-road, etc. to provide cost-effective transportation mode leveraging existing infrastructure options

Have dedicated custom experts at the major port locations working closely with local custom officers and conduct trainings / knowledge exchange

Form strategic partnership with local custom brokers, 3PLs, etc. to create a win-win situation leveraging their local connections and DHL's global network

Pro-actively reach out to and work together with institutions, governments and other partners to build an eco-system to facilitate international trade

Source: BMI, CIA, DPDHL Inhouse Consulting Analysis; 1) in terms of mn ton-km) freight / total km road; 2) Import and Export of Records

Removing Obstacles for Int'l Trade – Holistic Perspective

Increasing internationalization of supply chains calls for a cross-border view and a inclusive development of logistics to facilitate global trade



Enterprise Perspective

- Enterprises should not design, operate, manage and optimize their supply chains in silos but rather holistically
- Enterprises should have contingency plans in place to ensure that their supply chain does not break down in case of unplanned events such as disaster



Logistics Industry Perspective (LSPs)

- LSPs should transform themselves from conventional a freight forwarder to an integrated logistics solution provider
- LSPs should provide the necessary support in facilitating trade through their global network and local connections



Institutional Perspective

- Governments and other trade institutions should work together with enterprises and LSPs to remove trade barriers e.g. harmonization of custom clearance processes
- Governments should invest in infrastructure as means to attract FDI and facilitate trade e.g. better connections air-rail-road-water and logistics parks

Source: DPDHL Inhouse Consulting