CEO Interviews

“If your shipment gets to our stations by December 24, we’ll deliver it”

- DHL Express Americas CEO Mike Parra and DHL Express U.S. CEO Greg Hewitt talk about the activities of the international express division and their expectations for the holiday season

DHL News: Mr. Parra, what can you tell us about DHL Express?

Mike Parra: DHL Express has been in international shipping since 1969. The company was initially founded in the U.S., in San Francisco, and is now doing business in more than 220 countries and territories. At our core, we move packages around the world. We offer a Time Definite International service – which is door-to-door express delivery by the end of the business day. From the U.S. to other intercontinental markets, this is typically within 48 to 72 hours. Across the Americas, we operate in 57 countries, with over 23,000 employees.

DHL News: Tell us a little about your customers and their expectations, particularly in the area of e-commerce.

Mike Parra: All of our customers are looking for speed – they want to know that their product will be delivered within 48-72 hours. They look to us to provide the security, reliability and transparency of an integrated, end-to-end network, which at DHL Express we call our ‘big yellow machine’. They want ease-of-use and the ability to track their packages as they move around the world. More than 80% of our customers are micro-, small or medium enterprises. With the internet, they are now seeing opportunities to expand to the rest of their world. This has made e-commerce – in both B2C and B2B – a fast-growing part of our customer base.

DHL News: Mr. Hewitt, with e-commerce playing an increasingly important role in your business, what are your expectations for the upcoming holiday season?

Greg Hewitt: We define peak as the period right after Thanksgiving through to Christmas. We really see volumes go up around the globe at this time. In the U.S., our busiest day of the year for outbound shipments is November 26 – Cyber Monday. Our busiest inbound day will be December 17 – the last Monday before Christmas. I am anticipating a 17% growth rate over last year, which equates to 40% more volume than we saw in the prior months. We are preparing ourselves to handle the extra volume.
DHL News: So this presumably means that you are bringing in a lot of temporary labor and additional capacity?

**Greg Hewitt:** With all the challenges that come in the fourth quarter, customers are dependent on our ability to keep their supply chain going, so we need to ensure we put the right people and staffing levels in our hubs, stations and ground networks, and that we have sufficient air capacity in our aviation network. Typically, after a peak comes a valley – in the past, we would often see a steep increase, and then a big decline in the period between January and March. In recent years, however, we haven’t seen that trend, so we are now projecting that volumes will rise, but they won’t drop off immediately. So our plan is to keep resources in place into the post-peak period through to the Chinese New Year.

DHL News: What kind of challenges will your customers face?

**Greg Hewitt:** Our e-commerce customers are going to be facing a very short time window to get a lot of orders out. Many of them will have unexpected volume surges, which can impact their production runs and distribution. Add to that the weather challenges that we face in much of the Northern Hemisphere at this time of the year, and you have a big risk to customer satisfaction.

DHL News: Would you have any tips on how they can best prepare to overcome these challenges?

**Greg Hewitt:** First, think about your product and how to protect it. Ensure you have the right packaging to move through our network. Next, ensure that your staff is accurately portraying content on the shipment’s commercial paperwork and declaring the proper value – if you don’t know how to do this, ask someone in our team. Most importantly, plan early and ship early, in order to beat potential delays due to weather or customs hold-ups. The assurance we can provide is, if it gets to our stations by December 24th, we’ll deliver it. We don’t close our doors until every package is out and on its way to the final destination.

DHL News: Are there any particular trade lanes that are important to you?

**Mike Parra:** Many of our customers are shipping to the UK, Australia and China. These are key trade lanes, but the rest of the world is still important.
Greg Hewitt: Yes, Canada is also an important destination for our customers, and we are seeing more demand for U.S. goods in the Middle East and Latin America. In the other direction, lots of Americans are also buying goods from the U.K., Europe and Asia.

DHL News: How are you adapting to the way in which e-commerce is changing the world of logistics?

Mike Parra: A large portion of our growth is now coming from e-commerce and our fast-growing retail channel. In line with the growth we’re seeing over the first and final mile, we’ve made recent investments, for example, in expanded facilities in Tucson, Arizona, Ontario, California, and Baltimore, Maryland. We’ve also invested in air capacity – our customers want speed to market for their own customers, so we have invested in new flights to Vancouver, Lima and Bogota. To improve the customer experience, we are also looking at more automation in our facilities, robotic process automation for customs clearance and billing, and chatbots and voice assistants. These enhance the end-to-end customer service experience. You can now opt to speak to someone live or to go through one of our tools that is integrated with Alexa, WhatsApp and other applications to find your package or get other information from DHL Express.

“The biggest challenge for e-commerce merchants is inventory planning”

• DHL eCommerce Americas CEO Lee Spratt talks about the service offering of his division in the US market and his outlook for the peak season

DHL News: Mr. Spratt, can you describe how your business supports the online retail industry?

Lee Spratt: For online retail, logistics is the back-end support that provides a significant part of the consumer experience. Putting it simply, people order something through a web shop or [online] marketplace, they then hand over the order to a fulfillment center to pick the goods, which are then passed to a transport provider for the last-mile delivery. We come in at the middle and end of that journey. We can offer outsourced fulfillment at our facilities and then manage the final-mile delivery. Our services give merchants the flexibility around the type of service or experience they want. We offer faster, on-demand
delivery at a higher price point, and deferred delivery options – usually 3-5 days – for those who are seeking a more cost-effective solution.

**DHL News: So you must operate quite an extensive network?**

**Lee Spratt:** Our own infrastructure consists principally of 19 distribution centers across the United States and three large fulfillment centers. We operate these facilities, and this is a key part of our offering. For most of the last-mile requirements, we partner closely with the United States Postal Service, which gives us a cost-effective solution with massive reach throughout the country. It gives us nationwide coverage. We apply our know-how and our understanding of customer needs, as well as technology solutions that give transparency and visibility on shipments, to manage the process. We have also been piloting an even more flexible, localized last-mile delivery solution with our Parcel Metro service, which uses advanced software to connect orders from our distribution centers to available transport capacity for same-day or next-day delivery in five cities in the U.S.

**DHL News: Talking of customer needs, what differentiates e-commerce from other industry sectors?**

**Lee Spratt:** The e-commerce segment is much more flexible. It’s truly a 24/7 industry. People can order something in the middle of the night, with delivery taking place the following day. It offers quicker transactions and a very high level of convenience.

**DHL News: What are the expectations of e-commerce customers?**

**Lee Spratt:** The market is constantly changing due to evolving customer preferences and new technologies that are becoming available. There is increasing demand, for example, for control and visibility over the final mile – being able to change and select delivery locations while a shipment is in transit would be one example. We work directly with merchants, who in turn rely on us to deliver to their end customers. In that respect, we play an important role in the customer experience. We provide great customer experience through managing the fulfillment and delivery process at a high quality level and ensuring visibility and traceability of goods. The merchant’s brand is still front and center, but we support them in meeting their customers’ demands for a high quality experience.

**DHL News: Obviously, that all comes into sharper focus during the holiday period. What are your own expectations for the upcoming peak season?**

**Lee Spratt:** This season will probably be stronger than 2017. The market is growing at 10-15%. I expect a minimum of 10% growth on peak volumes vs. last year, but wouldn’t
be surprised to see it hit 20%. The peaks are Black Friday and Cyber Monday – around these days we see a dramatic increase in orders. The volumes usually show up on the Saturday and Tuesday directly after these days. This is when we need the highest amount of labor in our facilities and our operations at full power. Consumer expectations are high – they want to receive their orders just as on any other shopping day – and this is a defining moment for many retailers in winning and retaining business, so it’s critical that delivery providers meet their commitments.

**DHL News: What challenges do customers need to be prepared for?**

Lee Spratt: During the holidays, the biggest challenge is inventory planning. Merchants need to anticipate who is going to be ordering their goods, which products will be of most interest, and what quantities they need in which locations. This, in turn, makes it difficult to predict the volume to be handed to the transport partner, which creates a challenge for resourcing and staffing. Labor is a big issue for everyone in the industry right now, with the economy close to full employment. Merchants and their logistics partners need to plan accordingly, predict resources to the best of their ability and provide the best consumer experience. They’ll be measured on that as they go forward.

**DHL News: So what are you doing to help customers navigate those challenges?**

Lee Spratt: To be successful in this tight employment market, you need to automate. We are investing significantly in automation and using new technologies to be highly efficient about the way we use labor in the market and to meet customer expectations in cost-effective ways.

“We once talked in days or months, but we now talk about minutes – driving minutes out of deliveries”

- DHL Global Forwarding U.S. CEO David Goldberg provides insight into how e-commerce and trade developments are affecting the peak season for the freight forwarding industry

**DHL News: Mr. Goldberg, what are the main activities of DHL Global Forwarding?**
**David Goldberg:** DHL Global Forwarding provides freight forwarding services – air freight, ocean freight, customs brokerage and domestic air and overland freight transportation.

**DHL News: How is the e-commerce trend impacting your industry sector?**

David Goldberg: In an e-commerce world, minutes matter. E-commerce is the fastest growing sector in the world – but also in the B2B sector, in air freight, ocean freight, and trucking, we see the speed changing. We once talked in days or months, but we now talk about minutes – driving minutes out of deliveries. People want more visibility, predictability, reliability and security. They want to know where their shipment is in real-time. They want the ETA to match the arrival time, because that’s their promise to their own customers. And many of these new shippers have proven adept at developing, designing and producing products, but they’re not yet sophisticated shippers and they need support with the security of shipping international freight.

**DHL News: But surely there are some experienced players in the e-commerce domain?**

David Goldberg: Of course, but even there, there is a demand for experienced forwarders. With the tariffs that are being imposed by the U.S. on particular materials out of China, for example, some customers are considering reorganizing their supply chains to source out of different countries. They need a partner who can help them with the changes.

**DHL News: What are you expecting from the peak season this year?**

David Goldberg: The peak season usually starts a bit earlier for the forwarding industry, as customers reposition inventory to their fulfillment centers in the U.S. ahead of time in consolidated freight consignments. Last year, we saw an extremely strong peak in the fourth quarter, with a capacity crunch in air freight and ocean freight, and rates going up by more than 100% versus previous months. Now, with the tariffs, inventory is getting pushed forward, so the peak has started even earlier and become more elongated. We are seeing tight capacity in transpacific ocean freight, in particular, which is one of the main trade lanes during the holiday season. And air freight capacity has tightened in recent weeks. Both capacity and rates are tight overall.
DHL News: That sounds like a challenging environment. What are you doing to counter those effects?

David Goldberg: One way of helping has been to inject our own dedicated air freight capacity into the market – we’ve seen a crunch in previous seasons, and this year we’ve been able to offer a predictable, reliable service. This is something that e-commerce shippers place a high value on within a tight and competitive market.

DHL News: Are you adapting your service offering for the e-commerce sector?

David Goldberg: We have launched new products to support with the security of shipping international freight. We are putting in place different services – such as our OceanView tracking tool to monitor cargo in real-time on the sea – to meet the changing demands of an e-commerce world. We have a specialized e-commerce desk in Seattle to help U.S. customers with regulations and requirements they may not be aware of. But it’s our ability to deliver predictability and reliability by securing capacity in this tight market that will most likely have the biggest impact for e-commerce customers that work with us during the coming months.

“Our capabilities allow customers to maximize e-commerce opportunities during the year and in holiday season”

- DHL Supply Chain North America CEO Scott Sureddin explains how e-commerce is redefining fulfillment strategies

DHL News: Mr. Sureddin, what services does DHL Supply Chain provide on the North American market?

Scott Sureddin: DHL Supply Chain is the world’s – and North America’s – largest contract logistics provider. With 35,000 associates, 430 operating sites and 120 million square feet of warehousing space under management in North America, we have the scale and expertise to meet customers’ complex and evolving supply chain challenges. We provide end-to-end solutions with a focus on warehouse and transportation services. Our leading position in the market also allows us to remain at the cutting edge of software, analytics and robotics.
DHL News: How are you employing technology to enhance your offering to customers?

Scott Sureddin: To give you some examples, we are providing increased visibility to customers, through tools such as our MySupplyChain platform, which provides supply chain management and business insights to drive competitive advantage. Our cloud-based tool, Resilience360, helps customers to improve on disruptions in their supply chain, flagging problems and risks in real time and allowing us to work with customers to identify the best solutions to reposition their orders and inventory in the event of a major disruption. Finally, the expectations of our customers’ end users are changing, especially in e-commerce. This is placing pressure on logistics operators to increase speed for order cycle time and efficiency. We are actively using automation and robotics to assist our associates in their work and increase productivity.

DHL News: So e-commerce is changing your customers’ supply chain requirements?

Scott Sureddin: Yes. The expectation of next-day or 2-day delivery is compressing order cycle times and challenging everyone in the supply chain to become more efficient and adaptable to change. The first thing our e-commerce customers want is quality and operational excellence with a continuous improvement culture. They also want experts who are leaders with emerging technologies, who can help them to find ways of improving efficiencies and productivity. And they want agile solutions, which will allow them to respond to changes in their market and business needs.

DHL News: How are you specifically addressing these needs?

Scott Sureddin: DHL Supply Chain provides warehousing and fulfillment services for companies of all sizes. Our dedicated e-commerce network in North America includes 25 operating sites in 13 cities, offering four types of solutions – dedicated, multichannel, shared use and subscription / membership. We continue to focus on emerging technologies to optimize processes and gain efficiencies in capacity. Our network can support next-day delivery to 80% and 2-day delivery to 97% of the U.S. population. Our focus on shorter order fill times is also enabling tighter cut-offs and same-day fulfilment.

DHL News: Are you able to scale up your network to meet the requirements of the peak season?
Scott Sureddin: We have 13 years of experience in e-commerce operations. We have the necessary expertise, resources and flexibility to reduce capacity constraints during both peak and non-peak periods. We have a proven ability to attract and retain talent. And with our scale, we can manage resources across multiple customers to reduce infrastructure cost and better manage peak volumes. Our ability to optimize processes for efficiency and our pioneering use of technology and robotics to compress order cycle times creates opportunities for customers to expand their own order window for standard delivery to their customers. In short, our capabilities allow them to maximize e-commerce opportunities during the year and in holiday season.

DHL News: How do you anticipate the market is going to develop in the future?

Scott Sureddin: I have no doubt that e-commerce will continue to grow dynamically and it will also grow further within our portfolio of customer sectors. At DHL Supply Chain, we handle 50 million orders and 150 million units of e-commerce inventory per year in the U.S. right now. We will almost double that in 2019.