



## “Consolidation helps us to increase business flexibility and improve service quality”

### Centralising procurement processes allows DHL to reduce product purchasing and supplier management costs

DHL recently decided to simplify its procurement processes and has chosen to work with a limited number of certified suppliers. Erik Brager, Head of Cluster Production Equipment and Air Fleet at DHL Procurement Europe, outlines the benefits of this approach.

#### What is the current strategy of DHL logistics?

**Erik Brager:** ICT is of growing importance to DHL, as it is for all distribution and transport companies for that matter. Given the complexities behind the online ordering, tracking and tracing of parcels, doing this without IT is simply unimaginable. Our customers constantly require better and faster information about where their parcels are located and we rely on a robust tracking and tracing system to deliver this in the most accurate way possible. In effect, this means physical transport flows and virtual IT-flows need to be synchronised at all levels.



Our customers constantly require better and faster information

Added to these challenges, consolidation is a worldwide trend in the transport and distribution industry which is resulting in the need for increased business flexibility and improved service quality. Our logistics strategy is focused on streamlining our business in all European countries to work with fewer suppliers. To achieve this, starting with Procurement, we are developing partnerships with preferred suppliers capable of helping us across different geographical markets. For instance in the past, each country where DHL is active worked with a different system integrator, each operating independently from each other. Now, Zetes has been chosen as one of the two preferred preferred suppliers who work across each of the [thirteen European countries where Zetes operates](#).

#### DHL: A brief history

*DHL offers integrated services and tailored, customer-focused solutions for managing and transporting letters, goods and information. DHL's international network links more than 220 countries and territories worldwide. DHL also offers unparalleled expertise in express, air and ocean freight, overland transport, contract logistics solutions as well as international mail services. The Group generated revenues in excess of 46 billion Euros in 2009.*

*DHL has centralised its internal services as “DHL Global Business Services”, a function which supports the entire Group plus business units worldwide, including Finance, Operations, IT, HR and Procurement. This consolidation has enabled the company to make its business more agile, improve service quality and leverage economies of scale and cost benefits.*

#### Some useful figures

- 125,000 employees worldwide
- 8 million customers
- Presence in 220 countries
- Air fleet of 350 airplanes
- Fleet of 75,000 vehicles
- 4,700 offices

## What was the trigger behind opting for a limited number of preferred partners?

**Erik Brager:** The main objective is to reduce both direct and indirect costs. Direct costs are obvious: if you purchase large amounts of the same product at the same time, the price will drop. However, a lot of companies that operate on an international scale tend to forget that the procurement process involves a lot of indirect costs also. If the procurement process is decentralised, the inevitable duplication of efforts during initial selection of suppliers and ongoing relationship management of suppliers (monitoring creditworthiness, managing service level agreements and payments etc) is very time consuming. A centralised process with preferred suppliers is much more cost-efficient.

## How do you work with your subsidiaries to implement such projects?

**Erik Brager:** Of great importance to DHL when centralising this process, is to preserve the local approach taken by each of the international DHL branches. A partner able to offer an extended geographical presence is therefore particularly valuable. By taking this approach, we don't neglect the *couleur locale*. Centralised and worldwide decisions for auto-ID implementations can be taken, but can be filled -in by DHL and Zetes subsidiaries locally in order to gain more local involvement and acceptance. This also reduces the pressure on our people locally because they no longer need to select suppliers and managing supplier relations is handled centrally.



Procurement process involves a lot of indirect costs

**“Centralised, global decisions can be taken, but are augmented locally to gain more local involvement and acceptance.”**

## DHL's requirements for Auto-ID solutions are very wide, both in terms of technology and application type. What were the criteria behind the selection of your two providers?

**Erik Brager:** DHL has worldwide contracts for identifying, printing, labeling, picking, tracking and tracing of parcels and other Auto-ID applications with large suppliers such as ZEBRA Technologies, DataLogic and Motorola. Exceptionally important for DHL was to have partners with wide-ranging experience and previous knowledge of deploying an integrated Auto-ID approach with our existing hardware suppliers in numerous vertical markets.

## What are the challenges in the distribution and transport industry? Any pitfalls and points of interest?

**Erik Brager:** On a strategic level I notice that besides the need for uniformity and standardisation, there is a growing importance to keep one's finger on the pulse with the latest technologies to enrich and further optimise DHL's market offering. During supplier evaluations, Zetes scored well for this too because they are always involved with developing innovative new solutions using the latest proven technologies like RFID, Voice and Vision Technology.

## Erik Brager comments on the longstanding collaboration between DHL and Zetes

**DHL and Zetes share a successful history together. The first implementation Zetes completed at DHL dates back to 1990 when the company installed a large-scale scanning system in the DHL Express Hub at Brussels airport. At that time, Zetes also provided warehouse equipment and labeling printers to operations in other countries, so we knew they could add a lot of value to our business.**

**Moreover, the company's rich set of solution building blocks, vertical business expertise and local market knowledge were important advantages that we took into account when making our choice. Zetes is the perfect partner to provide a global solution, from analysis and design of the most appropriate system to maintenance and technical support for the solution set up.**