LOGISTICS TRENDS
Carsten Hess
Brussels, April 27, 2011

DP DHL CORPORATE STRUCTURE
Four important developments are shaping the future of logistics

1. **Shifting trade patterns**
   - Underlying social, demographic and economic developments are re-shaping trade flows

2. **Customization (mostly on sector level)**
   - Customers want solutions that meet their specific logistics needs

3. **Information management**
   - Logistics is increasingly about supply chain information management and not only about physical handling of the flow of goods

4. **Cost & carbon efficiency**
   - Customers are increasingly more aware about the costs and carbon footprint associated with their supply chains

---

**SHIFTING TRADE PATTERNS**

The 3 high growth triangles of trade today represent nearly 50% of total trade and are expected to grow fast in the coming years

- **Europe - Asia** 6% of total
- **Asia – North America** 5% of total
- **North America – Europe** 4% of total
- **Middle East/Africa-Asia** 18% of total
- **Intra-Asia** 25% of total
- **Europe - MEA** 11% of total
- **Latin America-Asia** 5% of total
- **Intra-Americas** 15% of total

---
SHIFTING TRADE PATTERNS AND THE EU

Intra EU trade remains important but its share of total EU trade is diminishing

![Graph showing share of Intra EU trade from EU total in %]

CUSTOMIZATION & SECTOR DRIVEN APPROACH

Each industry has different logistics needs and logistics providers are increasingly focusing on developing sector specific solutions

<table>
<thead>
<tr>
<th>Sector</th>
<th>General Trends</th>
<th>Logistics Needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life Sciences</td>
<td>• Consolidation via M &amp; A, patent expiry of major drugs&lt;br&gt;• Growth of generic companies globally (e.g. Indian generics)&lt;br&gt;• Increase in compliance regulation&lt;br&gt;• High demand in EU &amp; US</td>
<td>• More global production &amp; need to involve in trade&lt;br&gt;• Demand for compliance advice&lt;br&gt;• Increase in temperature controlled transport/ cold chain</td>
</tr>
<tr>
<td>Technology</td>
<td>• Outsourcing production to business partners esp. in Asia, while retaining the IP of these products&lt;br&gt;• Cost pressure from end consumer – cheaper and better&lt;br&gt;• Increasing design capabilities in Asia</td>
<td>• Driving down cost through logistics innovations and process improvements&lt;br&gt;• Speed to market for new products (e.g. postponement strategies)&lt;br&gt;• Reverse logistics/ recalls</td>
</tr>
<tr>
<td>Fashion &amp; Apparel</td>
<td>• Growing sales in emerging markets&lt;br&gt;• A lot of manufacturing continue to move to low cost economies leading to long and complex supply chains&lt;br&gt;• When speed to market is required, nearshoring for part of production&lt;br&gt;• Customer show awareness for environment</td>
<td>• Vendor management of suppliers in offshore locations&lt;br&gt;• Visibility during transportation&lt;br&gt;• Increased commitment to carbon reduction</td>
</tr>
</tbody>
</table>
2 CUSTOMIZATION & SECTOR DRIVEN APPROACH

Services that matter in e-commerce (classification as "important" in percent)

- Fast delivery: 93%
- Customer-friendly returns: 92%
- Payment options: 87%
- Telephone availability: 83%
- Thorough advising: 52%
- Attractive promotions: 46%
- Installment payments: 31%

- We're not just an anonymous provider "bringing parcels from A to B"
- We have a profound interest in our customers' business success
- We work with our customers to develop and support appropriate business models

Source: "Web Shopping 2009" trend study commissioned by the BfV

3 INFORMATION MANAGEMENT

Logistics increasingly is about information management and process optimization

- Visibility along the supply chain: ability to know where particular good is along its path to consumers
- Data storage and usage: storing the visibility data and using it to optimize logistics performance
- Electronic data interfaces between customers and logistics providers (and even governments): Removing double work, speeding up processes, reducing costs
With GOGREEN we help our customers reduce their carbon footprint

**GoGreen Program**

- **30% increase in carbon efficiency by 2020 for all products and services.**
  Our GoGreen program “automatically” reduces our customers’ carbon footprint for every item we deliver for them.

- From trade lane analysis to the analysis of the customers’ entire carbon footprint and consulting on supply chain optimization measures such as shifting transport modes.
- Calculation, offsetting and verification of non-avoidable carbon emissions at product level through climate protection projects.
- Customer-specific measures for improving their carbon footprint, e.g. use of new technologies such as fuel-saving tear-drop trailers.
- Reporting of customer and product related emissions for the calculation of our customers’ own carbon footprint.

**GoGreen Products and Services**

- **CO₂ Report**
- **CO₂ Reduction**
- **CO₂ Offsets**
- **CO₂ Consulting**

---

**WHAT POLICY TO MEET THE TRENDS IN LOGISTICS?**

1. **Shifting trade patterns**
   - Reach agreement on a WTO trade facilitation agreement, including a chapter on expedited clearance procedures.
   - Obtain commitments in the services negotiations in the Doha Round.
   - In FTAs between the EU and 3rd countries: obtain market access and national treatment commitments for express delivery services, road transportation etc.
   - The antiquated restrictive bilateral regulatory framework governing aviation no longer fits today’s global economy and needs to be revised.

2. **Customization and e-commerce**
   - Data Privacy/Security: balance necessary data flow with privacy concerns
   - VAT harmonisation
   - Eliminate restrictions to cross-border access or sales
   - New Single Market Act
   - IPR enforcement should not hamper supply chain
   - “FRONTEX for goods”, screening of shipments are insufficient

3. **Information management**
   - Data Privacy/Security: balance necessary data flow with privacy concerns
   - Standardization of data structures for the communication messages
   - Standards for data security for connecting the IT systems of companies along the same supply chain to exchange track and trace data
WHAT POLICY TO MEET THE TRENDS IN LOGISTICS?

Cost & carbon efficiency
- Need to urgently complete Internal Market for all transport modes (i.e. cabotage)
- Ensure efficient and rapid functioning of the rail freight corridors
- Incentivize and/or fund intermodal solutions for extra-EU freight transport coming into and out of the EU
- Transport price regulation(s) impact SMEs and power-sellers
  ETS, carbon tax, road charges (Eurovignette III)
- Promote financial (e.g., tax and charges rebates) and in-kind (e.g., privileged access to city center) incentives for end users of commercial vehicles to ensure rapid deployment of greener vehicle solutions, aerodynamic features and ITS devices
- Allow operations in the EU of longer and heavier vehicles when possible, including for EU cross-border operations
- Carbon accounting methodology (CEN, EU SmartWay)
- Transport Policy White Paper: 30% above 300km shift from road to rail/waterways in 2030
  What about Express, next-day-delivery, E-commerce?
- City planning needs to include logistics players to ensure delivery
  Access restrictions, night driving bans, consolidation centres
- Develop a standardized load factor measurement to optimize the capacity utilization of trucks, stimulate the development of technologies for measuring load factors, create bodies to collect the data for the industry and schemes that incentivize utilization improvements
- Ensure utilization of 45ft intermodal loading unit for intra-EU transport
- Need an integrated policy approach between IMCO, TRAN, ITRE, ENVI,…

Q & A

Additional questions? Please contact:

Carsten Hess
Vice President
Head of Corporate Representation Brussels
Deutsche Post DHL
E-Mail: carsten.hess@deutschepost.de
www.dp-dhl.com