

# [Dhl worldwide express essay](https://assignbuster.com/dhl-worldwide-express-essay/)

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The case in DHL gives the situation faced by DHL Worldwide Express (India), a division of Airfreight Ltd, which is a company engaged in different activities connected with transportation of cargo (both domestic and international), domestic surface transport, logistics and express operations. It also has two subsidiaries, one a travel agency and another engaged in money transfer operations. Shipping is also under a subsidiary.

The DHL division has an alliance with DHL Worldwide Express, the worldwide leader in air express industry. The case presents a situation where the company faces competition from its domestic rivals M/s Blue Dart Ltd, M/s Elbee Express Ltd and many others, as well as express companies such as Federal Express and TNT which have just started their operations in India. The strategic choices faced by the DHL Division of the company concern; i) its relative concentration on its international express business as compared to its domestic business; ii) how to handle its domestic operations; iii) relative emphasis on documents vs. non-document segments and iv) how to leverage the strengths of the operations of the other divisions of Airfreight Ltd. How to ensure that DHL Worldwide Express does not feel the need to enter India on its own (like Federal Express did) is also a critical issue that comes out of the case. DHL Worldwide Express How do customers purchase air express service? Are there differences between documents and parcels? Customers purchase air express service based on the carriers standing in the market place, specifically that are well-received and well-respected by their own customers, both external and internal. Many of them are price sensitive as well as very service sensitive.

Customers split their air express service requirements among several firms – usually between 2 or 3 three preferred providers. Parcel services are scrutinized for best cost options and often discounts and annual contract are negotiated on anticipated volumes by the purchasing department. Large companies consolidate these shipments and put up the business for bid soliciting proposals from interested parties, the decision of service provider is taken by the VP – Logistics, Yes, there are differences between documents and parcels. Documents are non-dutiable and non-declarable items and mostly comprised of nter-office correspondences, computer printouts and contracts. Documents had no commercial value at all. They are also light weight shipments managed by the individual or their secretaries. Parcels are usually non-document items that have a commercial value and/or need to be declared to the customs authorities. Typical items would include prototype, samples, spare parts, diskettes and videotapes; had external dimension and weight restrictions of 175cms and 50 Kg respectively.

Most companies have dedicated teams managing these within the Logistics or SCM. What are DHL’s strengths and weakness when compared to its competitors? Strengths: • Fastest delivery amongst all service providers in the industry • DHL is a large player; their revenues are more than the combined revenues of their 3 nearest competitor. • Split operations – US (DHL Airways) and International (DHL International) • Efficient use of the Hub model • Usage Optimization of own DHL Pricing DHL Case Analysis Determining a right type of pricing is one of the most important decisions that any international company has to face.

As depicted in the case, DHL comprises two mutually exclusive companies: DHL and DHL International. The circumstances involved in the matter clearly contribute to making the whole process of finding or developing a right type of conclusion even more difficult because managers are exposed to a number of hidden threats and difficulties involved in the situation. One has to realize that various aspects, features, and issues are to be thoroughly discussed and carefully analyzed in order to determine whether local or global pricing strategy would suit DHL overall system best. Managers need to consider centralized, decentralized, and hybrid or mixed approach before moving to a prospectively new and advanced level. What is more, international competitors and domestic freight couriers are to be taken into close account because they present the largest outside threat to the company. Different techniques towards handling packages and documents have to be viewed or evaluated as well. The sizes and dimensions of the freights need to be considered because such details largely contribute to the correct price settlement in the organization.

Although the lower price can greatly contribute to a competitive advantage of the company, such technique would not necessarily prove to be beneficial to DHL. The organization’s image is based on the quality, speed, and somewhat luxurious reputation. One has to be extremely careful when even attempting to make a decision about drastic cost cutting measures as these methods might influence the overall impression the firm produces on the market. It is crucial to draw a detailed analysis of the company’s history and development to establish the definite profile of this organization.

For the period beginning in 1972 and extending into 1991, DHL was responsible for handling the courier business inside the United States, and DHL International was responsible for handling the courier business outside the United States. Each company used to service shipments that were completely within its jurisdiction; from its jurisdiction that were bound for destinations outside its jurisdiction; and received from outside its jurisdiction with destination points inside its jurisdiction. DHL would also handle shipments from outside its administration that were merely passing through DHL’s management control on the way to another destination that was outside company’s area of immediate influence. For shipments to locations outside DHL’s or DHL International’s territory or administrative control, the documents or packages would be sent to a foreign clearing point of the other company, and they would then be completely processed by the receiving organization.

For example, if DHL picked up a package in San Francisco that was bound for a location in Southeast Asia, it would be transferred to DHL International at first. Then DHL International would take responsibility for customs clearance, further transportation (frequently across international borders), and delivery to the foreign consignee. The entity to whom the customer first submitted the package was paid by the customer and retained the payment even though another entity delivered the package. Accordingly, in the above example, DHL would retain the customer’s payment even though a DHL International completed the delivery. The worldwide air express service operated by DHL and DHLI was generally represented as, and perceived to be, a single worldwide delivery system (DHL network). It is crucial to do an extended SWOT analysis in order to draw a definite conclusion about the nature of the Pricing Strategy of the company. On the one side, such technique doesn’t provide unerring answer to the question of the most appropriate policy because any kind of research merely gives one some guidelines of resolving the matter.

On the other side, SWOT examination offers a manager or director a unique leverage of adopting the best pricing level in the organization. DHL’s Strengths are leading position on most of the markets, great reputation, ability to change its corporate policy in accordance to the desired standards, pioneering approaches in the new countries, and, definitely, ability to draw new customers to the business. The organization’s Weaknesses are inability to quickly develop a standardized approach to parcels, documents, and packages handling whereas FedEx and UPS have been using these techniques for a number of years. What is more, DHL has encountered an internal conflict that might undermine its organizational structure.

Finally, perplex system of pricing strategy (monthly fee, frequency discount and loaded half- kilo) has proved to create more misunderstandings and complications than actual benefits. DHL also has following Opportunities: new market penetration; securing the old areas and improving the company’s positions there as such; charging higher prices and gaining more customers than immediate rivals; competitive advantage offered by PRISM system. To continue, following Threats can be distinguished: external competition such as FedEx, UPS, and local Post Offices; danger of over-estimating the possibility of growth of the company. Marketing Auditing and Analysis, if properly concluded, will reveal that DHL, even though holding a large share of the market, will show that the organization has to adjust its pricing level to the local needs because a failure to take immediate steps may result in loosing control of the situation.

As it is described in the case, most of the new competitors try to follow the pricing strategies of this organization that uses four following factors while determining its original price. First, one is to consider what a market can bear. Second, specialists have to analyze the local competition (typically presented by post-office services). Third, initial entry pricing in other countries needs to be taken into account. Finally, a manager is required to compare all of the above factors to the world prices level of DHL. The specific idea of this analysis is to determine the most appropriate pricing strategy that has to be adopted by the company. As it was discussed earlier in the paper, three types of decision making techniques (decentralized, centralized, and hybrid) need to be evaluated.

Taking into account all of the important factors provided in the case, one can conclude that a mixed kind of approach should be adopted. It allows managers to have an organized corporate support in times of trouble but, at the same time, enables the directors to adjust prices in accordance with the specifics of the local market. For instance, Asian and African areas are fast growing and developing regions that should be evaluated on separate or dissimilar basis. DHL can set higher prices (thus increasing its revenue) in these districts due to the fact that company’s reputation and practical lack of competitors permit the organization to charge extra tariff for its goods. At the same time, DHL in Europe or America cannot afford to unjustly raise its price level because such approach will inevitably have an adverse impact the DHL’s position in the region. That’s why a hybrid technique allows managers and directors to make the best or most suitable decision that will suit the particular area or district.

Competition presents another important issue that cannot be overlooked or underestimated in any way. FedEx and UPS are by far the organizations’ major rivals. Although FedEx has a significantly lower share of the international market, some of its strategies have proven to be truly sufficient to win popularity and establish strong as well as positive reputation in various areas of the world.

First, FedEx uses a system that is more standardized than one employed by DHL. It charges similar rates for parcels and documents whereas DHL strongly differentiates on the basis of original characteristics of the package. A possible solution to this problem would be to find a more effective way of dealing with the customs as it presents the largest challenge for DHL when transporting documents. In other words, if the organization is able to resolve this matter, it will be empowered to move to a more standardized structure of parcel and documents tariffs. The answer to the initial question of global or local pricing strategy lies within the detailed analyses of the overall transitional phase encountered by DHL.

The best decision would to accept global technique based on the local approach. To be concise, the managers responsible for determining the price level have to largely and generally adhere to the local market that the particular division operates in. However, the centralized coordination policy must be taken into effect because corporate policy of bringing standards and quality has to be the company’s main base or foundation. The PRISM system used by the directors offers even greater opportunity to allocate the best prices that would fit the definite markets in specific times. Although many specialists might advocate the theory of unification and standardization, such technique doesn’t work for setting the correct pricing level in the company.

Organization of the similar process across all countries in the world presents a great opportunity to cut the costs associated with developing and subsequently promoting the new product but rate charged by DHL has to vary depending on the market and peculiarities of the local region. Therefore, a conclusion should be made to introduce a specific strategy that would endow one with a considerable degree of freedom to make a decision on determining or establishing the price level that would be most appropriate for the particular region or district. As it was mentioned earlier, local structure with preeminence of the global approach definitely presents the best solution to DHL.