

Analysis of strategic position

Business



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ANALYSIS OF STRATEGIC POSITION Deutsche Post World Net has a unique spectrum of international services including brands DHL, Deutsche Post and Postbank with different types of services. Thus, we have decided to focus on DHL in this analysis in order to better understand to strategic position within logistic services. PESTEL ANALYSIS: Legal: ? Deregulation and liberalisation of the airline industry ? Environmental regulations and protection Political: ? Liberalisation of international trade International trade regulations and restrictions ? EU expansion(needs for infrastructure and information technologies) Economic factor ? Economic integration ? Globalisation Economic growth ? Stage of the business cycle ? Consumer confidence Sociocultural factors ?

Lifestyle Changes – global consumer ? Growing world population (increased urbanization and created more megatropolises) Technological: ? Developing of communication ? E-commerce ? Eshipping ? Development of infrastructure Energy use and costs ? Changes in IT ? Changes in Internet ? Changes in Mobile Technology Environmental: ? Increasing pollution ? Oil consumption Suppliers: ?????? Competitors: Major competitors are global logistic groups, which operates on global markets, includeFedex, UPS, TNT, Kuehne+Nagel. However in Europe, due to the dominance of the national postal operators within their own markets, the majority of the leading players are subsidiaries of these key postal operators.

Major competitors	Turnover(milion €)	Countries	Employees	Vehicles	Aircraft
FeDex	31 560	220	275 000	42 000	674
UPS	27 100	200	407 000	91 700	268
TNT	6 109	200	48 000	19 000	43
Kuehne+Nagel	8 609	100	25 607	n/a	n/a

Customers: Competitive advantage HOLKY Market segmentation Focus of major players [pic] Source: <http://group.tnt.com/investorrelations/sectorstatistics/marketstatistics/index.asp> DHL offers same day, express, parcel and freight services that are complemented by an Internet track and trace service. The company offers following international services:

- o Express services
- o Air and ocean freight
- o Industry solutions
- o Logistics solutions

DHL specialize in cross-border express deliveries and provide Internet tracking and order fulfilment services.

DHL on European market

DHL's main market is according revenue Europe which DHL cover together with Deutsche Post in Germany. Thus, further segmentation is focused on European market. [pic] Compiled from Annual Report 2005 DPWN Next day delivery services are the most lucrative within the European express logistics market, accounting for 44. 1% of its revenues. [pic] Sources: Data Monitor

DHL on Asia market Until 2009 China's average annual growth rate in international express business will be between 34 a 45 per cent.

There is obviously huge potential and every Global logistic group wanted to catch the chance to obtain this market.

China becomes the top market of DHL last year and they invested to this market about \$900 million. DHL on US market Us market accounts nearly half the worldwide total express traffic (DHL's American Adventure) In 2003 DHL buy Airborne Express and become the third largest express service provider in the USA. As a result of complex air and hub consolidation, in which DHL invested millions of dollars, DHL lost many of its customers and

this market will be not profitable until 2009. Nowadays 7 per cent market share is supposed to increase in 10 or 12 per cent.

Market positioning [pic] Market position of DHL as well as its major competitor is in broad market with differentiated services. Source: <http://group.tnt.com/investorrelations/sectorstatistics/marketstatistics/index.asp> The biggest part of DHL's businesses run in intracontinental and intra-Europe. DHL gain good position also in Pacific Asia, where has around 40 per cent of logistic market.

DHL has only 7 per cent in US and where face to competition with major competitors FedEx, UPS and on this market also US Postal Service.

DHL lost their customers during the complex air and hub consolidation investing millions of dollar in this market and this market will be not profitable until 2009. Business model Recommendation To be on Asia market – has the biggest growth potential... References: (2006), Market Segmentation, Targeting, and positioning[online], Available at: , >, [Accessed 25th November 2006].

Boyd, J. D. (2006), DHL parent DPWN Restructures, Traffic World 10/2/2006, Vol. 270 Issue 40, p36 Logistic Today (2006), DHL, FedEx, UPS Expansion of Service To and In China [online], Available at: , [Accessed 25th November 2006]. 006, DHL's American Adventure[online], Available at: , [Accessed 25th November 2006].

Porter's 5 forces Competitive rivalry: In Deutsche Post World Net annual report 2005 is written “ Globally, Deutsche Post World Net has a <https://assignbuster.com/analysis-of-strategic-position/>

comprehensive range of services for mail, goods and information logistics that is unrivalled by any other company in its sector. " This is truth only for the whole organisation, but DHL (with revenue €24. 3 billion) has intense competition with other firms, which has similar products and services, for example FedEx (with revenue \$29. billion), UPS (with revenue \$42. 6 billion), TNT (with revenue \$11. 9 billion).

Deutsche Post World Net wants to acquire the competitive advantage from focusing on customer. Their new program is called " First Choice" (FedEx annual report 2005, TNT annual report 2005, UPS annual report 2005, <http://www.bankofengland.co.uk> 23).

11. 2006 -; gt; 1\$= 0. 7721€) The threat of new entry:

Threat of new entry is low. • Firstly because of high need of distribution channels, this includes very high cost for establish new distribution channel for new entrant. Secondly the capital requirement of entry is very high, not only high cost for establishing new distribution channel, but also there is huge demand for amount of labour forces and technical equipment (vehicles, telecommunications, storages etc.) • Finally there is also problem with economies of scale, if firm wants to be profitable, it can't operate in small scale The threat of substitutes: In these times the threat of substitutes isn't very high.

This is because email or similar services are established yet and nowadays with higher cost of energy (fuel, electricity etc. it is cheaper to let send packages with external firm, which has less costs because of economies of scale, than send it themselves.

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The power of buyers: The buyer power is very high, because of very similar products and services in the branch. Customers can easily change their supplier. It is because of their emphasis on price, quality and new products or services. The supplier power: The supplier power can be quite high because DHL has huge outsourcing with tight relationships with suppliers, but on other hand, big company like Deutsche Post World Net has force to partially control supplier requirements.

Strategic group analysis: Size of revenues Regional National International
There are 3 strategic groups. First are local courier services, which for example operate only in one city (for example London or Prague). The differentiations of these firms are focus on specific area and low revenues. Secondly is national group which can have high or low revenues, but it operates only in national levels (for example national post services like Royal Mail). Finally there are international firms, which are using advantages of globalisation.

They have huge revenues but also high costs for maintenance global distribution channel.

Key Success Factors ————— DPWN FedEx UPS TNT Royal Mail Czech Post Local courier services
General prerequisites for success – Quality and cheap services with intense customer focus. – Low costs by using for example economies of scale. – Quality and large distribution channel with low costs for maintain. – Prosper from advantages of globalization. – Harmonize between international and domestic business.

- Competition DHL has very intense competition from other international courier firms, but: - DHL has advantage in using economies of scale DHL has also advantage in support from other organisations units (Postbank, Deutsche Post) - DHL will try to obtain superior position from new program “First choice”

Customers and demand Customers are consisted of household and industrial buyers. Customers want quality, fast and cheap delivery their consignment. Customers prefer personal approach with readjustment to their need. Key success factor Intensive distribution > a global network

Customer focus ; DPWN wants to be the number one for quality and customer satisfaction, focus on the needs of their customers Product innovation ; DPWN focuses on widening their range of services Economies of scale ; it influences cost efficiency Narrow Commodity Differentiated Broad Market scope [pic] [pic] [pic] [pic] [pic] [pic] [pic] Value proportion Package centres/warehouses/hub Wide range of logistic solutions Web shipping/e-booking Reliability Business customers (parcel in bulk, industry solution etc) Households Reliable and convenient delivery Drop-off centres Internet booking Technology Organisation SCOPE DIFFERENTIATION

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