

Background information and swot analysis of dhl



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Background information of DHL

DHL is found in 1969 in San Francisco by three founders, Adrian Dalsey, Larry Hillblom and Robert Lynn. There had been three owners in DHL until 1998, Deutsche Post invested in DHL, and DHL became its fully-owned subsidiary in 2002. The headquarters of DHL is in Bonn, Germany.

In the early stage of the business, it shipped papers by airplane from San Francisco to Honolulu. A couple of years after the start of the business, it began to expand the service region to Southeast Asian countries. Followed by this, the market of DHL was expanded into Far East and African region and finally to European countries. In 1986, DHL entered to a joint venture with the People's Republic of China and became the pioneer of express delivery service in China. A worldwide transport network is constructed. And nowadays DHL not only provides a simple air freight express mail services, but also by means of sea and land transports, as well as contract logistics solutions.

SWOT analysis of DHL

Strengths

First, DHL has a rapid expansion in both business and service network. Initially, DHL provided only mail delivery service. Yet, parcel delivery service was added in 1970s. Moreover, the service network of DHL has been widened, comparing to its beginning only business region in USA. In 1970s, DHL expanded its business to Japan, Hong Kong, Singapore and Australia while in 1999 it invested more than 1 billion Euros in European and African for advancements in transport network. In 2003, DHL also acquired Airborne

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Express and becomes the third largest express service provider in the USA. And now, the international transport network of DHL covers more and 220 countries.

Second, the financial support to DHL is enormous. DHL becomes a 100 percent owned company by Deutsche Post DHL, which earned more than 46 billion Euros in 2009. Thus, the parent company can help DHL for further expansion a lot.

Furthermore, DHL has developed a positive public image. In 1999, for example, it replaced its delivery aircrafts with more environmental-friendly ones, which produce 77% noise less from taking off of aircrafts and emit 13% less carbon dioxide. In May 2010, DHL became a partner with Shanghai Expo. DHL brought up a proposal on sustainable development and environmental protection. The company displayed ten concepts on “carbon neutral” and raising the efficiency on carbon usage. DHL also showed its intelligent truck which can calculate the most efficient route for goods delivery by avoiding traffic jams and road maintenance, or even can easily meet a contingent orders. The intelligent truck helps to reduce the emission of carbon dioxide and reduce the number of vehicles on road. The project is named “Bring Buddy”. Moreover, DHL is shifting to use energy generated from renewable resources such as solar power battery than that from fossil fuels. In addition to this, DHL also established Disaster Response Team (DRT) shortly after the tsunami in Indonesia for supporting the rescue works of the outbreak of natural disasters for United Nations and society.

Apart from the sake of protecting the environment, the ideas mentioned also saved cost in operation. The DHL 2009 annual reports shows that the operating expense dropped by 20% from 2008 and thus the net income change from negative to positive. Moreover, DHL has a strong positive cash flow especially from operating activities. The vigorous cash flow from operating activities ensured the company has enough cash to meet daily expenses and reduce finance costs.

And recently, DHL claims that it solves problems for its customers innovatively. A new unit called “ DHL Solutions & Innovation” was introduced in 2009. This unit combines worldwide knowledge, to provide even more beneficial solutions. More than that is “ innovation centre”. It is composed by three units: the showroom, a hands-on-lab and a conference area. The “ laboratory” is for DHL’s staff to interact and seek for better management technology in logistic industry as well as forecast the future trend in the industry.

DHL has a large customer source. The official statistical figures in 2009 from DHL website revealed that it had more than eight million of customers while the annual shipments were nearly eight hundred and fifty million. These generated a ten billion Euros profit for the company. Comparing this figure to other express service companies, DHL yielded a high profit. In order to meet that high demand in service, DHL employed around a hundred thousand employees and sixty thousand vehicles. Furthermore, the quality control done by DHL is also tight. DHL divides its quality control centre into three layers: global, regional and country ones. DHL has 38 country quality control centers worldwide: 1 in America, 2 in middle-east and Africa, 16 in Latin

America and 19 in Asia Pacific. In addition, each of the regions has one regional control centre while the only one global control centre is located in DHL's headquarters, Bonn. Moreover, the supply chain, which means the voyage and freight management, of DHL is strong. DHL does not only have its six pillar air hubs and own land and airline companies, but also a close relationship with its contracted partners and third party airlines. For instance, DHL partnered Tasman Cargo Airline in September 2010 to reinforce the stability of delivery in Australia. If there are any idle resources, DHL will also commercialize them to make extra contributions to the company.

Weaknesses

Although DHL is owned by Germany Post and strong in American express mail service industry, its service in West Germany is not as good as other companies such as TNT in terms of speed. Apart from this, the price of heavy, which means more than a 100kg, goods delivery by using DHL's service is higher than Express Mail Service (EMS).

Moreover, advertisement and promotion of the brand is inadequate and therefore is not well-known enough. For instance, FedEx, a more frequently seen on TV and the slogan of FedEx can be easily remembered by the audience. In contrary, DHL does not have the same advantage comparing to FedEx.

However, despite the fact that DHL had done something for building its positive public, it was seriously blamed in 2009. DHL had been the largest employer in Wilmington, a town in Ohio. Yet, DHL announced to dismiss 9000

of its staff due to the “ Economic Tsunami” and 7500 out of 12000 residents in the town became unemployed after this announcement.

Furthermore, both of the quality of DHL’s service and staff are complained. Late and inaccurate deliveries are seldom found. Also, the staff are rude and impolite to the customers.

Opportunities

The company name “ DHL” will be changed into “ Deutsche Post DHL” in 2015. Also, DHL presented its “ Strategy 2015”. The core content of this strategy is dividing the business into two business pillars: mail delivery and logistic. The main target of mail delivery department is raising its both quantity and quality in services. In addition, electronic communication products will also be introduced. Moreover, DHL will strengthen the cooperation between departments for achieving a 1-2% growth more than the market average and through a new incentive system to strengthen leadership culture. Furthermore, internet service is more popular and DHL is going to expand its service into this market. The large scale of layoff of staff in 2008 is not only because of the “ economic tsunami”, but is also a signal of business computerization.

Furthermore, DHL has a close partnership with China. DHL has become the largest express mail service company in China. Also, DHL joined the Shanghai Expo. The potential of China is high too.

Moreover, DHL has also expanded its business into a different market: on investment. Although the income from financing activities is small when comparing to its operating activities, it was tripled from 2008 to 2009.

Threats

The most important threat to DHL is obviously the increase in number of competitors. Not only the other “big three” companies, TNT, UPS and FedEx, are competing with DHL, there are also some small companies coming up. For example, despite the largest express service company in China, DHL is facing the competition from EMS. Moreover, how DHL suffered from the keen competition can be easily seen in 2008. In that year, DHL unemployed nearly fifteen thousand of staff and retreat from the market of America internal express. As a result of the high competition, DHL inevitably involved in a price war between companies which provide similar services. However, DHL is a large and capital intensive company. It has more than sixty thousand of vehicles, 4500 facilities and 35000 touch points worldwide, according to official figures from DHL website. On account of the great number of staff and capital goods, it implies that the operating expense is extremely high: nearly equaled to the income from operating activities in 2009.

Moreover, the technology advancement is also a threat to DHL. Unlike decades ago, electronic communication is more common nowadays. The generalization of using computers and e-mails is in 1990s. Thus, human relied on mails very much for communication in the first 20years since DHL's operation. Yet, owing to the excellent accuracy and speed in sending e-mails, e-mails are more widely used than traditional mails.

Last but not least, although DHL has its own innovation centre and excellent delivery system, the technologies and the system are not patented and could be easily copied by its competitors.

Competitive advantages of DHL

In 2002, Deutsche Post merged Danzas and Securicor Omega into “ new” DHL. Around two years later, Deutsche Post also acquired Airborne Express and Exel Plc. Since DHL has its own transport company, it does not need to depend heavily on third party companies. The high independence is especially important in European countries such as Britain, where labor union is strong and strike is often. For example, Cathy Pacific and Dragon Air stroke in 2010 summer. Therefore, not only the passengers were affected, but also the logistic and goods delivery. This is the reason why DHL has one of the bests transport network in the world.

One more competitive advantage that DHL has is its parent company, Deutsche Post. Comparing the 2009 group annual financial statements of the “ big four” express service companies (DHL, UPS, FedEx and TNT), the profit that DHL yielded is the highest. By analyzing the figures provided by the companies, we can see that even though DHL employed more capital goods, which results a higher annual depreciation expense, than the others do, DHL’s net income in 2009 is still the highest among these four. Having said that, the number of employees that DHL hired is the smallest, approximately seventy percent of FedEx does. These two figures can be explained by two reasons: the first one is because of the effective usage of resources while another may be due to the level of computerization and automation.