



Digitalization and automation will help e-commerce supply chains overcome the profitability challenge, says new DHL white paper

- **Online retailers and their logistics partners continue to face cost challenges, particularly in fulfillment and last mile delivery operations**
- **New DHL white paper, *Change at the Speed of the Consumer* identifies ways in which innovation can alleviate cost pressure and manage growth surges**
- **Ken Allen, DHL eCommerce Solutions CEO: “There is no ‘silver bullet’, but companies must embrace new technologies and innovate to thrive.”**

Miami, December 23, 2019: DHL, the world’s leading logistics company, has identified digitalization and automation in the supply chain as an imperative for online retailers looking to grow and compete over the long-term. In its latest white paper, the company, which this year announced an investment of at least USD 2.2 billion in digitalization through 2025, provides new insights on how specific challenges within the e-commerce supply chain can be overcome with the support of new technologies.

Change at the Speed of the Consumer: How E-Commerce is Accelerating Logistics Innovations was authored by Professor Lisa Harrington, President and CEO of lharrington group llc. It looks at six principal areas where e-commerce is challenging the supply chains of merchants and logistics companies: customer expectations for a perfect buying experience; consumers’ desire to buy and receive goods ‘anywhere, anytime’; exploding demand for urban delivery; competition for labor and wage inflation; the emergence of new online sales models and unexpected surges in demand; and environmental concerns. The impact of these challenges is most keenly felt in the areas of fulfillment and last mile delivery. Labor in the U.S., for example, which is the world’s second largest e-commerce market accounts for 40-60% of warehousing operating costs. With real estate company CBRE predicting in 2018 that an additional 450,000 warehouse workers will be needed in the U.S. by the end of 2019¹ and unemployment at a consistently low rate, this presents a risk in terms of both cost and recruitment, particularly during peak periods. Increased urbanization, combined with heightened pressure – from both socially conscious consumers and municipal authorities, in particular – to reduce the environmental impact of transport operations is forcing retailers to seek out creative ways of balancing delivery convenience with reduced mileage for diesel-powered vehicles over the last mile.

¹ CBRE: Labor a Chief Concern for Warehouse Owners and Operators - <https://www.cbre.us/about/media-center/ie-warehouse-labor>



Across each of the profitability challenges, technologies already exist that allow companies to reduce unit costs, better forecast needed inventory or increase productivity to absorb additional growth. Robotics and automated sorting systems, for example, allow companies to process higher order volumes without the need to engage large numbers of temporary workers. Advanced Warehouse Execution Systems, combining Internet of Things capabilities, machine learning, business intelligence and data mining agents can increase performance and responsiveness to meet rising customer expectations. While autonomous vehicles for last-mile delivery still await regulatory approval in many markets, digitalization can already support better demand forecasting to allow inventory to be placed closer to the end customer and to optimize transport routings, reducing time on the road. As many of these technologies evolve further and new innovations come to the market, companies that are able to deploy them effectively within their supply chain will be best positioned to address the costly inefficiencies, volatile order trends and demanding customer expectations that characterize the fiercely competitive e-commerce market.

“The insights from this new white paper show that profitability is still a major challenge for many e-commerce companies, despite – or often actually because of – the dynamic growth of the sector. It also gives our customers a comprehensive overview of the specific areas where that challenge is most prevalent, and which technologies currently offer the most potential to support them,” said Ken Allen, CEO, DHL eCommerce Solutions. “DHL’s innovation approach is targeted at identifying, piloting and deploying across our global network the most effective technologies and solutions in each of these areas. We will continue to actively expand robotics and automation across many parts of our operations, for example, and we see artificial intelligence becoming an enabler throughout our business in the future. There is no ‘silver bullet’, but companies must embrace new technologies and innovate to thrive.”

Acknowledging that innovation can itself be a profitability challenge, particularly if approached at the wrong pace or with excessive outlays of capital, the research also detailed a three-step approach to innovating successfully: focusing on innovations that provide differentiation; adopting a long-term, strategic view of innovation; and bridging the silos of people, software and machines.

“Given the complexity of the global logistics industry, the huge variance across markets and regulatory environments, and the competitive differentiation that comes from relationships and in-depth knowledge of customers’ supply chains, we still see people playing a critical role in the industry for the foreseeable future,” said Allen. “The companies that will win the race to future success are those that are able to combine the expertise of their people with software and machines most effectively.”



DHL opened its newest Innovation Center – its third globally – in September 2019 in Chicago, U.S. The center acts as a hub for innovation, where DHL conducts research into the major trends shaping the logistics industry, explores customers’ needs and readiness for more innovative solutions, and tests and pilots technologies with the highest potential for deployment.

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You can find the press release for download as well as further information about the DHL Global Trade Barometer on dpdhl.com/pressreleases

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DHL is part of Deutsche Post DHL Group. The Group generated revenues of more than 61 billion euros in 2018.