

FINANCE TAKES *FLIGHT*:

HOW DATA & ANALYTICS ARE FUELING A FINANCE
TRANSFORMATION—AND PROFITABILITY—AT DHL

Forbesinsights

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FOR DECADES, logistics giant DHL Express (DHL) relied on a sprawling, disjointed costing system to manually calculate shipping and delivery costs for its customers across more than 220 countries. Without a unified and consistent pricing system, the company—a division of Deutsche Post DHL—encountered enormous obstacles, including “inconsistent data, inaccurate profitability results” and heated arguments among finance teams, according to Graeme Aitken, vice president of business controlling at DHL.

That is, until DHL turned to Teradata for its profitability analytics capabilities. The result is INSIGHT—a single, worldwide costing system that reconciles quality data to the company’s global profit-and-loss statement. The system works by collecting and analyzing data from all of DHL’s transactions with the customers it serves. From there, the system generates cost and profitability figures for every shipment (hundreds of millions annually) across a global network that includes 31,500 vehicles, 260 aircraft and over 4,000 facilities.

But INSIGHT delivers more than improved pricing management and consistent data. **The sophisticated data analytics platform is a powerful catalyst for transforming DHL’s finance department into a tightly knit team of strategic decision makers.**

Once considered corporate bean counters, today’s finance professionals are taking a seat in the C-suite—a prime opportunity to unlock new business value and provide strategic input to their executive peers. This evolving role requires finance leaders to deliver accurate, credible, usable and timely financial information to key decision makers across departments and geographic locations.

Yet without the proper information management capabilities and analytics tools, finance teams risk being limited to more traditional responsibilities, such as protecting company assets and maximizing shareholder value.

DHL BY THE NUMBERS



31,500
VEHICLES



260
AIRCRAFT



OVER 4,000
FACILITIES

FROM ANECDOTES TO REAL ANSWERS

Fortunately, with INSIGHT, DHL is reinventing its finance department's role as a driver of growth and a powerful influence on customer behavior and profitability.

"We're much more involved in commercial decision making," says Aitken. "I'm from finance, but I regularly visit customers to personally discuss how we can support their business and share information about them they might not actually know themselves. This simply didn't happen before. I get asked a lot of questions from the C-suite. And some of the decisions we've influenced have definitely caused DHL's profitability to increase."

In the past, DHL relied on the information gathered via one-on-one interviews with couriers to localize cost allocations. Today, DHL's finance team members conduct detailed cost profitability analysis by country, customer, product and trade lane using operational statistics rather than employee stories. Next, DHL determines the services, offerings and locations that drive the greatest revenue, as well as those that aren't performing up to par.

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BUSINESS CONTROLLING AT DHL



COST SAVINGS IN THE “HUNDREDS OF MILLIONS”

In addition to profitability analysis, INSIGHT improves operational efficiencies by providing greater visibility into day-to-day shipments. For example, shipping odd-shaped products, such as long pipes, can consume valuable aircraft space, especially within DHL’s high-demand express service division. However, by identifying delivery bottlenecks, DHL can rebalance volumes and yields on existing aircraft to maximize asset returns.

Diving deep into trade lane data is also influencing capital expenditure decisions at DHL. By linking profitability data with what’s being shipped on a particular flight, and the costs associated with that shipment, DHL can determine how many—and what size—planes are needed for the job.

The result: Aitken says DHL has saved substantially by “streamlining our deliveries and maximizing our loads” rather than “purchasing a new plane.”

Even the smallest data-driven insight can trigger a monumental change for the entire enterprise. For example, if DHL flags businesses that are trading below variable cost, Aitken says the company can take “surgical action,” such as revising pricing offers or conducting internal cost reviews to increase efficiency.

DHL customers themselves benefit from the company’s active use of data. Aitken explains: “We can offer customers more competitive pricing because we better understand our own processes and data.” Other advantages include providing customers with actionable insights that can help them save money, improve their services and increase their profitability. For example, customers can update their own address information if DHL discovers it is incorrect.



BIG DATA = BIG NUMBERS

Migrating from a highly manual, decentralized costing system to a single, worldwide costing and pricing platform presented its fair share of challenges. First obstacle: linking silos of existing data to operational databases and billing systems in order to glean revenue and customer information.

“To connect INSIGHT to all of that source data was a very, very messy project,” recalls Aitken.

Having worked with Teradata in the past, Aitken knew the data and analytics company “had the architectural knowledge to link everything together properly and effectively.” But he also wanted a partner with an intimate understanding of data challenges and an innovative approach to achieving high-impact business outcomes. With its vast consulting expertise, advanced data and analytics capabilities and intellectual property, Teradata’s consultants proved the perfect fit.

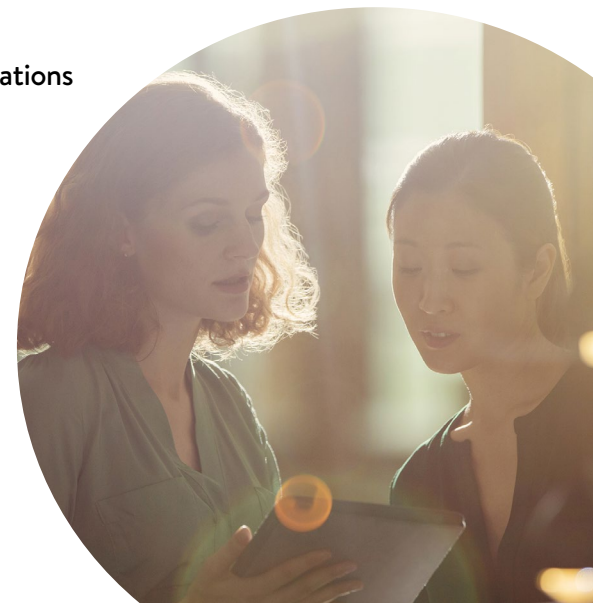
Eventually, Aitken says, the company opted to “streamline project management down to just Teradata and DHL, and make it a very agile process.”

Instead of formally scheduled monthly meetings, Teradata consultants were at the ready via Skype sessions and “quick phone calls”—a virtual “sounding board,” says Aitken, for teams to brainstorm on new analytic ideas and head off any growing concerns.

“It’s not as if we had a monthly project call where we’d come up with change requests, log activities and then request a quote,” says Aitken. **“Teradata consultants were very proactive in getting things done to make this deployment a success. We had three consultants involved with us for literally years who were deeply involved in the process, conducting proofs of concept and figuring out what would and wouldn’t work with our data.”**

Another unconventional approach that paid off: DHL opted for a “Big Bang deployment” of INSIGHT—an enterprise-wide, international launch that immediately restricted employee access to the previous system’s inaccurate and outdated costing data.

Recognizing the cultural implications of the deployment, Aitken says, “We needed to be 100% sure INSIGHT was going to work from Day 1. Teradata helped us with the architecture and the design to make sure that our Big Bang approach would work when we switched every country onto the new system at the same time.”



TRANSFORMATIONAL BUSINESS OUTCOMES

Since the successful deployment of INSIGHT, DHL has taken steps to preserve its new role as strategic business partner. Finance employees once heavily involved in the testing and design of INSIGHT are now focused on parlaying analytic insights into new business opportunities and increased profitability.

“The plan was for our finance team to get back to business and actually start using the data, not building applications,” says Aitken. “We want to be a business-controlling team as opposed to an IT team.”

To maintain accountability, a cross-functional Business Intelligence Competence Center oversees global alignment of BI investment decisions and development effort. “Our BICC assesses whether an IT tool already exists, whether we really need it, and why we’re building System X when we already have System Y.”

And because DHL replaced manual processes, such as interviewing couriers, with an automated analytics system, Aitken says the company’s costing and pricing team is now “a much smaller, much more compact team—not even 10% of what it used to be.”

With market pressures increasing and competition mounting, Aitken says, “if we want to stay on top, we have to provide customers with absolutely world-class service. Anyone can buy a van, put shipments on a plane and find someone to deliver them to the other side.” DHL now has the integrated global reach, customer-centric approach and data-driven culture needed to remain in front.

But it takes the right strategic partner—and new business insights—to transform a finance team into a delivery vehicle for growth and profitability.

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