The route to success

Despite a volatile and highly competitive market, Kuehne + Nagel again expanded its market share in the airfreight sector last year. Roland Bischoff, Senior Vice President, Global Airfreight, spoke to Kuehne + Nagel World about the division’s strategy, the benefits of Cargo 2000 and new service packages. >>
“Having successfully completed our pilot project in Paris, our globally standardised IT platform has allowed us to rapidly implement Cargo 2000. Since mid-2003, we’ve integrated Phase 2 functionality into our IT platform worldwide, thereby helping to establish a new industry standard in airfreight.”

>> KUEHNE + NAGEL WORLD: Airfreight is an important part of the supply chain for many international companies. What services does Kuehne + Nagel offer its customers in this area?

BISCHOFF: Our product portfolio includes everything from standard consolidated shipments to tailor-made airfreight solutions such as dedicated charters or onboard courier services. We handle some 25,000 shipments every week to over 300 destinations around the world – that fills a good 100 B747 freight aircraft.
KUEHNE + NAGEL WORLD: Kuehne + Nagel also offers a range of specialist services for certain industrial sectors. Could you tell us more?

BISCHOFF: We’ve developed a series of niche products for the aviation, shipping and hotel industries.

Our Aviation Logistics service offers intelligent spare parts supply solutions to airlines and maintenance companies. We supply our customers quickly and reliably with the components they need through our worldwide network of 40 aviation logistics gateways. We don’t just handle conventional shipments here, but also express deliveries of whole engines or other important aircraft components when an aircraft-on-ground event occurs. Defective parts can also be directly collected from the customer, flown to his workshop and then brought back with the fastest possible turnaround time.

We provide similar solutions to the shipping industry too, supplying shipping companies with spare parts through our worldwide network of strategically-located warehouses. The parts can be delivered to any port in the world, promptly and to deadline – cutting repair times and ensuring that sailing schedules are kept.

Then there’s our Hotel Logistics service. Kuehne + Nagel offers a worldwide supply chain management service to customers opening or refurbishing luxury hotels. Thanks to professional coordination and control of the whole order, material and supplier management system, our customers in the hospitality business can rest assured that the entire hotel inventory will be delivered on time.

KUEHNE + NAGEL WORLD: Kuehne + Nagel is the first – and so far the only – logistics provider to implement Phase 2 of the Cargo 2000 programme worldwide.

BISCHOFF: That’s right. Having successfully completed our pilot project in Paris, our globally standardised IT platform has allowed us to rapidly implement Cargo 2000. Since mid-2003, we’ve integrated Phase 2 functionality into our IT platform worldwide, thereby helping to establish a new industry standard in airfreight.

KUEHNE + NAGEL WORLD: What does that mean for Kuehne + Nagel customers in concrete terms?

BISCHOFF: What is new is that with the implementation of Phase 2 we can pro-
actively monitor all shipments anywhere in the world. For the first time ever, we can also confirm the precise time of delivery to the consignee.

Our IT system automatically generates a route map for each individual shipment, describing the precise transport plan from door to door. The system then continuously compares the current status of a shipment against this route map. If there is any risk of deviation from the plan, the relevant Kuehne + Nagel stations are automatically sent a warning so that they can take the necessary action – regardless of where the shipment is at the time. This puts us in a position to react before any errors occur, which means we can offer our customers an enhanced reliability and quality of service.

We are able to create and monitor 90,000 different door-to-door route maps; at the door-to-airport level we are talking about up to 1.8 million possible routes. Imagine how many staff you would need to manually process and monitor such a huge volume of individual shipments!

KUEHNE + NAGEL WORLD: Can customers also expect new products from Kuehne + Nagel as a result of Cargo 2000?

BISCHOFF: We’re currently working hard to utilise the competitive advantage which we’ve gained from implementing Cargo 2000, and are developing a new range of air-freight products in close consultation with our international customers.

The existing, rigid “time-definite” approach primarily introduced by express service providers is in reality often hampered by unavoidable factors such as local public holidays or the opening hours of customs offices. We’ve taken these inconveniences into account when implementing Cargo 2000, and have stored an individual profile for each of our stations in the system that is always kept up-to-date. When a Cargo 2000 route map is created, our system accesses these station profiles and generates a precise, realistic plan as to how a shipment will be forwarded from door to door. Local holidays, the opening hours of our offices and the like are all automatically included in the generation of the route map. The new system also puts us in a position to offer a single global standard.

Now we want to share these new benefits with our customers, and will be introducing “time-defined” products which are based on transport plans that promise a realistic delivery time at destination – regardless of whether the customer chooses an express or standard product.

In addition to our new standard products, we’re also developing a range of solutions to fulfil the specific requirements of certain sectors. For example, a product which ensures Cargo 2000-controlled forwarding of pharmaceutical products at constant temperature is already in the pipeline.

This will for the first time allow a conventional logistics company to offer time-defined services comparable to those offered by integrators today – without the usual restrictions on the type, weight and size of goods. We plan to gradually introduce these new products during 2004.

KUEHNE + NAGEL WORLD: In late 2003, Kuehne + Nagel acquired a stake in the...
“We are able to create and monitor 90,000 different door-to-door route maps; at the door-to-airport level we are talking about up to 1.8 million possible routes. Imagine how many staff you would need to manually process and monitor such a huge volume of individual shipments.”
“GF-X has become established as a very powerful and extremely well-accepted reservation platform over the past few years, particularly in Europe and North America. Interface integration of the GF-X booking system into our global airfreight system has already delivered noticeable process optimisation in our internal reservations process.”

>> airfreight reservation system GF-X. What is the purpose of that?

BISCHOFF: One of the biggest challenges are the growing security regulations – both in terms of physical security and security of information. For example, the Air Automated Manifest System (AAMS) of the US customs authorities will come into force this year. These regulations require carriers to send detailed shipment data to the local customs authority electronically before an aircraft arrives in the USA. It is quite possible that other countries may also want to know what’s entering their territory on board aircraft in the future. This will have major implications for the airfreight industry. As a member of FreightForward International (FFI), we’re working closely with other companies in the sector to develop appropriate standards for globally secure supply chain processes.

The imbalance in traffic flows remains another challenge for us. The difference in loading levels on aircraft to and from China is a case in point. Because of China’s disproportionately high export volume these days, aircraft often fly into China with a low loading factor. This means that higher utilisation and thus profitability need to be achieved on the return leg from China, a factor which affects freight rates for shipments ex China. This unfortunate phenomenon manifests itself on routes to Europe as well as in transpacific shipments.

Overall, however, the airfreight market has once again stabilised at a promising level, and we’re expecting business to gain further momentum in future.

KUEHNE + NAGEL WORLD: Why should customers choose Kuehne + Nagel’s airfreight products?

BISCHOFF: The three decisive factors for customers are reliability, transport time and costs. Customers are looking for a logistics partner they can absolutely rely on, and who is highly capable as well as flexible. Already today, Kuehne + Nagel is all of this – our growth figures illustrate this impressively.

Crucial to our high degree of reliability and success are the expertise and customer focus of our staff all over the world.

Kuehne + Nagel stands for global presence, high-quality logistics solutions and financial stability. We operate a modern, globally standardised IT system >>
**About Cargo 2000** Cargo 2000, an interest group of the International Air Transport Association (IATA), brings together some 31 major airlines, handling agents and freight forwarders. By analysing and optimising the current process on the basis of uniform quality standards worldwide, the Cargo 2000 initiative aims to improve the efficiency of the air cargo industry. Through standardisation and increased visibility, airfreight processes will in future be managed more reliably and become measurable, which will also allow for the direct comparison of individual providers.

At the heart of the Cargo 2000 programme lies the automatic generation of a door-to-door transport plan for each shipment, the so-called route map. Each shipment’s status is continuously monitored against its individual route map, and in the case of deviation from the plan, an automatic warning is triggered, enabling the freight forwarder to pro-actively take corrective action.

The implementation of Cargo 2000 is divided into three phases:

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<th>Phase</th>
<th>Description</th>
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<td>Phase 1</td>
<td>Monitoring of the airport-to-airport forwarding process</td>
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<td>Phase 2</td>
<td>Interactive planning and control of the entire door-to-door chain</td>
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<td>Phase 3</td>
<td>Real-time management of the door-to-door transport chain at piece level</td>
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That is among the best in the industry. In combination with the successful integration of Cargo 2000, we can offer our customers a consistently high and reliable level of service worldwide. In particular, we are close to launching a number of new, leading-edge products that no other logistics provider can currently offer in this form.

It is our aim to provide our customers with innovative and comprehensive logistics solutions!

_KUEHNE + NAGEL WORLD:_ Thank you very much for talking to us.