

INVESTOR RELATIONS SERIES

EXPERIENCE EXCELLENCE. SIMPLY DELIVERED.

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30 March 2021



VIRTUAL TUTORIAL
DHL Express:
B2B eCommerce

Investor Relations Series: Experience Excellence. Simply Delivered.



More to come ...



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Capital Market
Events



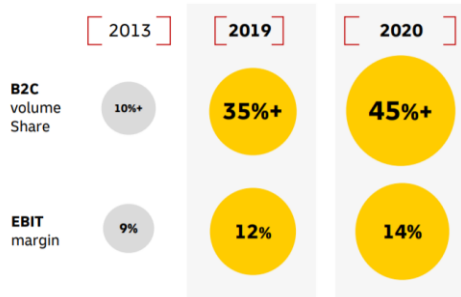
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Key Takeaways

Profitable growth in e-commerce at DHL Express, B2B e-commerce to add another growth vertical



B2B E-COMMERCE		
Network Characteristics	Characteristics	Profitability Impact
Shipments per Day	Volume growth related to more smaller order for B2B companies	↑
Weight per Shipment	Similar Weight per Shipment	↑ / →
Revenue per Kilo	Similar RPK (but higher Revenue per Shipment vs. B2C E-commerce)	→ / ↑
First mile	More pieces per stop at pickup	↑
Hub sort	Better utilization of existing infrastructure, with high degree	↑
Airlift	Increased number or smaller (repeating) orders. Less Bulk / NCY	↑
Last Mile	Business Deliveries, getting similar benefits as 'Normal' B2B volume	↑

Profitable B2C growth is proven

DHL addressing premium cross-border e-commerce—at the right price.
Ideal fit for TDI network has driven continuous margin increase as B2C share increased.

New growth vertical: B2B e-commerce

B2C experience has set the tone for B2B transformation.
Logistic implications of B2B e-commerce fit to DHL Express capabilities.


Another strong fit for TDI network

Convenience, speed and international reach fits B2B customers needs.
Shipment profile of B2B e-commerce again fits into DHL Express TDI network.


Q&A

Please use the chat function to
submit questions...

Deutsche Post DHL
Group

Deutsche Post 

VIRTUAL TUTORIAL
March 30, 2021




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SERIES**
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VIRTUAL TUTORIAL
DHL Express:
B2B eCommerce

Ask a question Slides ?

Email

Question:

Data protection Masthead

Enter your email and question here, then press submit.
Questions will not be posted or visible to all.



THE ULTIMATE B2B E-COMMERCE GUIDE

TRADITION IS OUT. DIGITAL IS IN.

DHL White-Paper Release | 30 March 2021



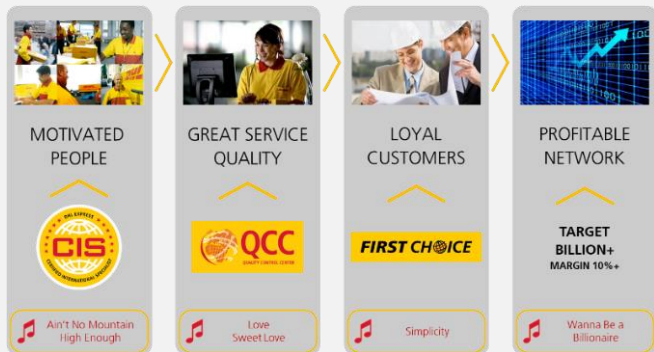
POWER UP
YOUR POTENTIAL



Strategy 2025 builds on a proven track record in Express

FOCUS 2020

4 Pillars, 3 Letters, 1 Passport



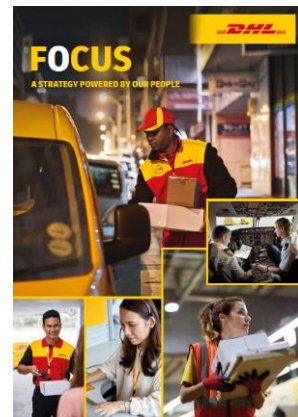
P = GQ
People = Growth Quality



5 (!) driving themes towards 2025

Supervisory
E-commerce
Efficiency
Digitalization
Sustainability NEW

FOCUS 2025



Our structured approach for B2C E-commerce is paying off

B2C E-commerce remains an attractive TDI vertical, supporting Express' Profitable Growth

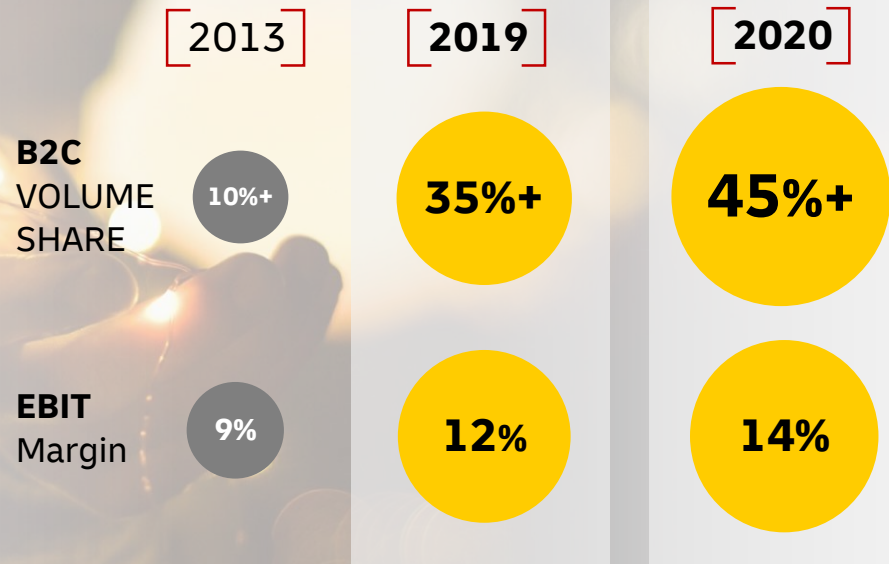
We...

- ... Manage E-commerce as a TDI vertical
- ... Continuously enhance TDI capabilities to meet e-commerce requirements
- ... Sell e-commerce to SME

We'll continue to:

- Maintain disciplined approach to **Sales** and **Pricing** across the network
- Explore and engage in **partnerships** that strengthen our position in this field
- Develop **TDI capabilities** to meet B2C and B2B demands
- Facilitate **growth for our customers** and consult them how to increase their crossborder sales

DHL Express



What is B2B E-commerce?

In general, B2B E-commerce, or business-to-business Electronic Commerce, describes online order transactions between businesses via an online sales portal.

Our definition of B2B E-commerce ...

Business-2-Business E-commerce

[biz-nis *tuh* biz-nis *ee-kom-ers*] *noun*

“ A business buying from another Business, where the **full transaction** – including payments and shipping - is **facilitated online** via a **transactional website**, *without* the need to ‘become-a-customer’ first, login to a gated portal or speak to a sales-person.

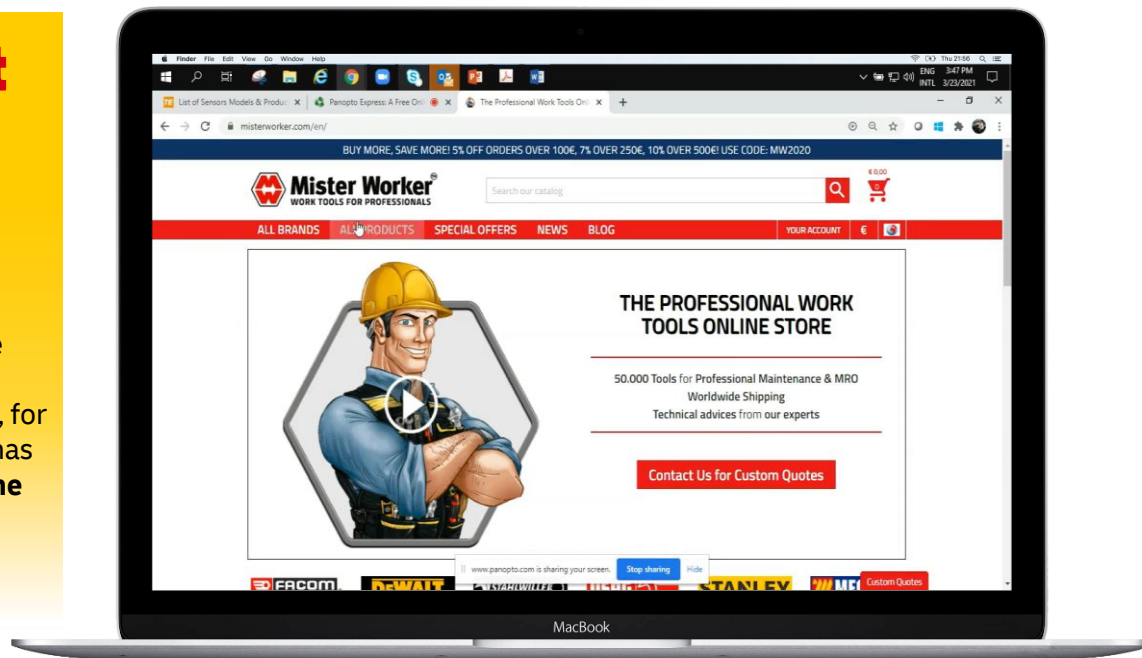


A Real Life Example: MisterWorker.com

Can you buy 5 'DeWalt Table Top Mitre Saws' within 30 seconds?

Yes you can.

Mister Worker™ is an Italian B2B E-commerce store, active globally and selling worldwide. It has a catalogue of over 50,000 products and, for the characteristics and quality of its service, it has been **recognized by Forbes** (France) **among the most promising Italian start-ups**.



The Logistic Implications

The Express fit of B2B E-commerce

B2B buyers expect the same **Customer Experience** as B2C customers: **The Need for Speed & Convenience**

- **More Regular / Repeated orders** - Due to the increased regularity: Less Bulk Orders but **more 'Smaller' orders**.
- *"Cutting out the Middle-man"* – Increased need for **Cross-Border Shipping** vs. Domestic shipping in a Distributor Model
- **"B2B2C"** : Opportunity for B2B brands / Manufacturers to go **Direct-2-Consumer (D2C)**



B2B E-commerce Shipment Characteristics fit with our Network

“ ... a B2B E-commerce Shipment is still a B2B Shipment. ”

B2C E-COMMERCE		
Network Characteristics	Characteristics	Profitability Impact
Shipments per Day	Volume growth drives better utilization of existing network	↑
Weight per Shipment	Lower weight per shipment	→
Revenue per Kilo	Higher RpK related to lower WpS	↑
First mile	More pieces per stop at pickup	↑
Hub sort	Better utilization of existing infrastructure, with high degree	↑
Airlift	Better utilization of existing capacity, with lower WpS being advantageous	↑
Last Mile	Optimize Residential delivery via ODD & Drop Off Locations and increased delivery density due to B2C Growth	→

B2B E-COMMERCE vs. 'Traditional' B2B		
Network Characteristics	Characteristics	Profitability Impact
Shipments per Day	Volume growth related to more smaller orders for B2B companies	↑
Weight per Shipment	More B2B volume, and higher WpS vs B2C E-commerce	↑ / →
Revenue per Kilo	Similar RpK (but higher Revenue per Shipment vs. <u>B2C</u> E-commerce)	↑ / →
First mile	More pieces per stop at pickup	↑
Hub sort	Better utilization of existing infrastructure, with high degree	↑
Airlift	Increased number or smaller (repeated) orders	↑
Last Mile	Business Deliveries: Similar delivery benefits as 'traditional' B2B volume	↑

The B2B E-commerce Revolution

What the Market is saying: Tradition is out. Digital is in.

+18.2%

in 2019 alone, sales on B2B ecommerce sites and marketplaces jumped 18.2% to reach \$12.3 trillion, **outgrowing the B2C sector.**

Forrester, 2019

\$20.9 tn

The B2B e-commerce market is projected to reach a value of \$20.9 trillion by 2027

Globe Newswire, 2020

+75%

35.6% of B2B companies expect an increase of up to 75% in online sales from B2B buyers.

Net Solutions, 2020

12%

B2B e-commerce was predicted to make up more than 12% of the overall B2B revenue by 2020.

But that number is growing fast ...

Forrester, 2019

The global B2B E-commerce market (valued at USD \$12.2 tn in 2019) **is already bigger** than the B2C Market.

[Statista.com, 2019]

A B2B Trend driven by B2B Buyers' Behavior

Gartner¹ expects that by 2025...

80%

of B2B sales interactions
will occur in digital
channels

44%

of millennials prefer no
sales rep interaction in
a B2B purchase setting

33%

of all buyers desire
a seller-free sales
experience.

AND BECAUSE OF THIS...

64% of B2B companies plan to increase
Investments in their E-commerce websites ¹

Source: ¹ - The Future of Sales in 2025: A Gartner Trend Insight Report. ² - Digital Commerce 360, 2020



B2C Customer Experiences have set the Tone of B2B CX transformation

B2B companies should start paying attention to the way they create customer experiences and learn from the “B2C Playbook”

However, the majority of B2B buyers still experience the same old "traditional" system that has always been there:

- Instead of an online catalog they have to download a pdf
- Instead of an option to "*order online in three clicks*", they have to call a sales person

80% OF B2B BUYERS NOW EXPECT THE SAME BUYING EXPERIENCE AS B2C CUSTOMERS



The Changing B2B Customer

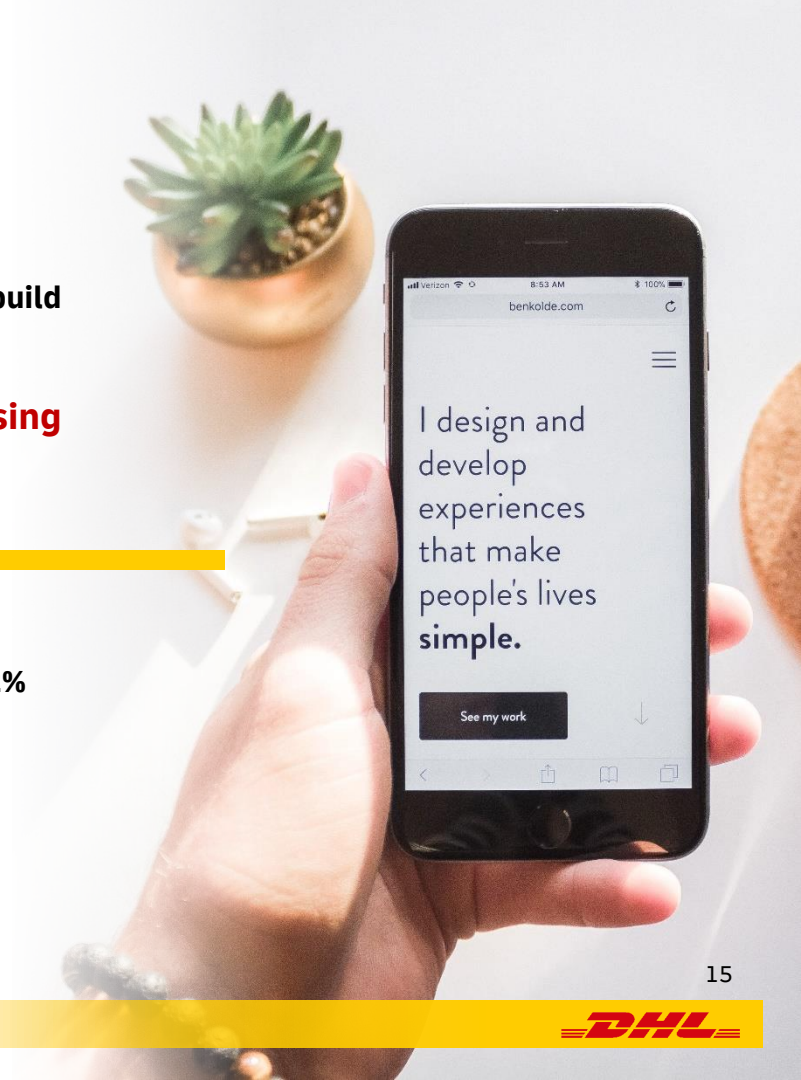
Think you know your typical B2B customer?
Well, it could be time to rethink.

Online is fast replacing sales teams as the place to educate, engage and build brand trust with new customers before a purchasing decision is made.

B2B buyers were asked: what is your top criterion when choosing a new supplier?

1. The ability to place orders via an online sales portal: **72%**
2. Not having to wait for a sales rep to get in contact: **52%**
3. Insight into available inventory and Delivery Times / Delivery Options: **42%**
4. Online order tracking: **39%**
5. Ability to see greater product detail: **38%**

Source: Sana Commerce, "Digital Transformation and B2B E-Commerce Report 2017-2018" conducted by Sapio Research



Meet your new B2B customers: **The Millennials**

Millennials account for 73% of all B2B purchasing decisions¹. Growing up with the internet and mobile phones, they are digitally native and more technology oriented than their predecessors.

B2C customer experiences in their personal lives heavily influence what they expect from B2B transactions.

Research by Gartner found that **44% of millennials prefer no sales rep interaction at all in a B2B purchase setting**

Source: Sana, "How to Meet Buyers' Demand for (Better) B2B E-Commerce" - February 2019, [Link](#)



How the Pandemic made 2020 'The Year of E-commerce'

And how COVID-19 accelerated the need for B2B companies to act fast...

With the pandemic ravaging the globe, business had to rely on B2B E-commerce to keep operations going, and **switched In-Person sales methods to online channels.**

And this trend is here to stay:

- Only **20% of B2B buyers say they want traditional in-person sales to return**, even in sectors where field-sales models have traditionally dominated, such as the pharma and medical sectors ¹
- **70% of B2B decision makers** said they are open to making fully self-serve or remote purchases **in excess of US\$50,000**, whilst **27% would spend more than US\$500,000** in a single online order ¹

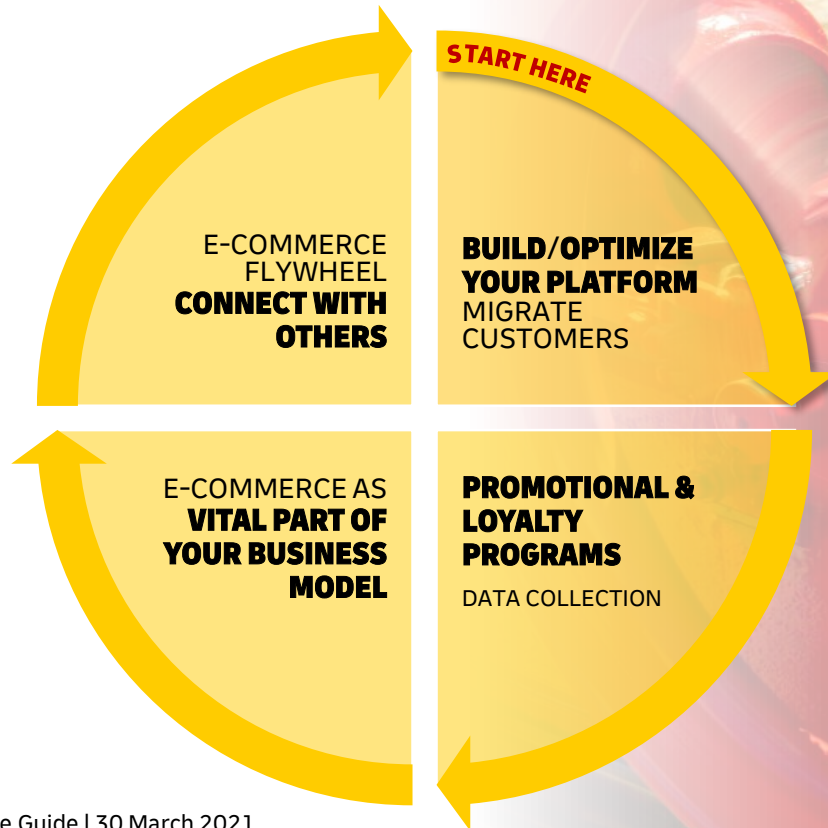


Source: ¹ McKinsey & Company, "Eight charts how COVID-19 has changed B2B sales forever" - October 2020 [Link](#)

SPINNING THE B2B E-COMMERCE FLYWHEEL

Consulting our customers to spin their flywheel

- **Ensure your E-commerce platform complements all your other sales channels**
- Only when a customer becomes complex or when a customer prefers personal contact, should an actual sales representative take over the account; an approach that allows the team to focus more on selling and less on order taking
- Align business processes and teams to scale
- Review your **current organizational structure** and re-align roles and resources



- **Migrating your customers from offline to online channels:**
Communicate early and often
- Ensure your online platform is user friendly with e.g. how-to guides and FAQs (= Health Check)
- **Roll out programs that spur loyalty**, higher order values, and increased purchasing frequency
- **Produce data** which can help your sales teams better understand your customers' buying behaviour

DHL Express' B2B E-commerce Health Check

A checklist that will help B2B Companies identify which elements of their E-commerce portal need further optimization:

Similar to B2C

- ✓ Do you have an **Easily Accessible B2B Webstore?**
- ✓ Do you **Sell Internationally** and state clearly on your Home Page that you offer **Worldwide Shipping?**
- ✓ Is your website available in **Multiple Languages?**

Different to B2C

- ✓ Do you have **Detailed Product Descriptions** and Catalogs?
- ✓ Do you offer **Online Interactive Support** and **Product Customization** with easy interaction options?
- ✓ Do you offer **Self-help Portals** such as **how-to videos?**
- ✓ Do you have a simple and **Powerful Search Engine** on your website?
- ✓ Do you offer **Multiple Payment options** like credit card payments, extended payment and localized payment?

Key Barriers and Challenges for E-commerce Growth

The key barriers and challenges to B2B e-commerce growth were identified by supply chain experts during DHL's research:

1. Digital First Mindset

Employees will be required to upskill in order to accommodate the changing business and supply chain landscape. A 'digital first' mindset is required to drive success.

2. Customs & Cross Border Shipping

Exchange rates, customs requirements, duties and taxes, and less developed infrastructures can be challenging to deal with – take time to understand the implications of cross-border shipping.

3. Agility

Large companies with well-established B2B platforms will find it challenging to compete with agile, start-up companies. They risk being left behind if they don't react quickly to competition from these challengers – while not putting profitability at risk.

4. Pricing

B2B buyers are used to negotiating discounts for bulk or repeat purchases with sales reps. B2B businesses will need to consider alternate ways to incentivize buyers – e.g. an easily implementable 'buy more, pay less' pricing strategy or bulk discounts.

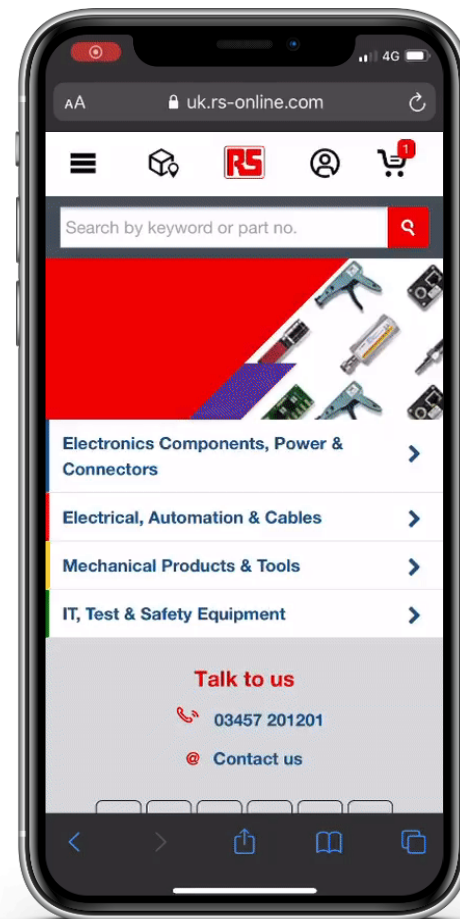


Can you buy 2 Professional 3D printers Online within 25 seconds?

Yes you can.

- ✓ An **Easily Accessible B2B Webstore**
- ✓ **Sells Internationally** and offers **Next Day Shipping**
- ✓ Available in **Multiple Languages**
- ✓ Simple and **Powerful Search Engine**
- ✓ **Detailed Product Descriptions** and Catalogs
- ✓ **Online Interactive Support** and easy interaction options
- ✓ Offers **Self-help Portals**
- ✗ Offers **Multiple Payment options** [Credit Card Only]

RS Components | www.rs-online.com



Why are we doing this:

Keep our Flywheel Spinning by keeping our customer's Flywheel spinning

- ✓ Using the **Success Formula** we applied in B2C E-commerce
- ✓ B2B E-commerce is the next vertical which is emerging. And even **bigger than B2C E-commerce**.
- ✓ Addressing the B2B E-commerce opportunity in a **similar structured way** as the B2C E-commerce Vertical
- ✓ We keep our Customer's Flywheel spinning, via which we **keep our Express flywheel spinning ...**

The Ultimate B2B E-Commerce Guide

Tradition is out. Digital is in.

The pace of the B2B sector's e-commerce transformation should not be underestimated:

- ✓ Digitally-native buyers, combined with the ongoing effects of the pandemic, are pushing through rapid change in B2B supply chains.
- ✓ B2B customers want flexible, convenient, and digitally-focused services more aligned with their B2C experiences.
- ✓ Even B2B players already established within their sectors will need to invest to optimize their cross-border e-commerce channels

... and the pay-off in growth opportunities for our customers is unlimited!





THANK YOU.



POWER UP
YOUR POTENTIAL

