Interview: Markus Reckling – Managing Director, DHL Express Turkey



21.08.2015

Tags: DHL, distribution, logistics, transport, shipping

The managing director of DHL Express Turkey, Markus Reckling highlights the strategic importance of Turkey to the global DHL Express portfolio and elaborates on the market opportunities present for DHL's sector-focused solution, DHL Medical Express, within the broader context of Turkey's healthcare and life sciences landscape. He also describes the implications of the company's continued investments in the Turkey, including a recently signed MoU at Istanbul's third airport—IGA.

As an introduction for our readers, please give an overview of where DHL Express Turkey stands today, and describe what the current focus of your strategic priorities are as Managing Director.

Deutsche Post DHL is the world's largest logistics company. We are active in all the major segments of the industry. We are active in global trade via DHL Global Forwarding and DHL Freight and in logistics outsourcing via DHL Supply Chain. And finally, we are active in the international express segment via DHL Express. Globally, the group has more than 60 billion euros of revenues. It employs about 500,000 people around the world.

DHL Express Turkey is a part of the global DHL Express network, which is present in 220 countries and territories. As a point of reference, I believe there are only 206 UN member states, so we are quite literally everywhere, except Turkmenistan, due to regulatory challenges. Starting from 1981,

we operated in Turkey through a joint-venture until the early 1990's, after which point, we become a fully-owned DHL company. We are the clear market leader in the international express industry in Turkey, with roughly 53 percent market share. From a company-wide profitability perspective, we generate above average profits—placing us among the top 15 countries for DHL Express. So, Turkey has been a great success story for us thus far.

We strive to position ourselves as the international specialists for express. Though, we do have some domestic activities in very few limited markets, such as Mexico, Spain, and Germany. We're the organization operating 250 airplanes across 186 gateways and 3 central hubs every single night to connect the world. From Turkey, we can connect to everywhere in Europe and to selected cities in the US within one day, and the rest of the world within two. For example, if we pick up a parcel around 7pm local time, it will be delivered around noon the next day in Frankfurt, Madrid, or London—that is the business we specialize in.

Especially given the country's geostrategic location, how important is Turkey to the company's global portfolio?

Today, Turkey is an important country because there are a lot of industries that are fairly active. Over the last 10 or 15 years, Turkey has successfully positioned itself as a production hub for Europe. We do considerable business in enabling this characterization—providing logistics services for industries such as textiles, automotive, and healthcare and life sciences, which require swift, reliable, and high quality transport. Today, Turkey is a gateway country that is serviced by one of our global hubs in Leipzig, Germany. So, DHL Express Turkey has two airplanes running each day to connect all domestic goods with the global DHL network via Leipzig.

The country has been prioritized as a part of the company's 2020 strategy with planned investments of 100 million euros over the next 5 years. How will the healthcare and life sciences sectors fit into the DHL Turkey's strategic focus?

As a part of Strategy 2020, 11 emerging markets have been prioritized to generate super growth and increase our share of revenues in emerging markets globally from 22 percent to 30 percent—Turkey is one of those 11. On the other hand, our strategy also has a strong sectoral focused. There are several prioritized industries where special DHL board sponsors exist. Next to textile, technology, energy and automotive, healthcare and life sciences is also a DHL core sector focus. Together with the country focus and sector focus, it's fairly obvious that we're all targeting about healthcare and life sciences in Turkey, because it brings together the strategy, despite the economy not being as agile as it wasin the last 10-15 years. Still, I believe there is good upcoming

movement. With 53 percent market share, we've always been active in this area and country. But moving forward, we're planning on further strengthening our presence. We're currently in the final stages of hiring a business development manager solely focused on healthcare and life sciences. We only have this one sector where we have a dedicated business development manager. Based on our existing customer relationships and the trends in the industry, we have a strong believe in the industry's forward momentum. Looking at the top 100 customers for DHL, 22 are categorized under healthcare and life sciences. Out of our roughly, 12,000 active customers that are doing business with us each month, approximately 300 are solely from the pharmaceutical area. But there are a lot of areas where we can even do more. The business development manager will make sure we fully understand the specific needs of the industry and capitalize on all latent demand prospects. This role will tightly link to our international specialists, but also tightly link with the industry here in Turkey, which is why wanted to hire someone from within the industry, rather than a typical logistics expert.

DHL also offers industry specific solutions such as DHL Medical Express. Can you please describe the key features encompassed in this service?

From a logistics standpoint, the healthcare and life sciences industry requires swift, reliable, and high quality transportation. We as DHL Express have therefore created a specific product for the sector called Medical Express. It combines everything that the industry needs including cooling, high quality surveillance, 24-hour temperature monitoring via our quality control centers and smart sensor technology, ultimately ensuring that the cold chain is never been violated and packages are labeled with the highest priority. With this service, DHL Express combines the best of both worlds.

Medical Express provides a level of quality that is similar to what sector-focused carriers such as World Courier can provide, but on the other hand, we're leveraging the scale of the global DHL network for unparalleled levels of global access and cost-efficiency. It's not a network that's solely dedicated to pharmaceuticals, but it shares the cost with all the products travelling in the DHL Network, encompassing a broad spectrum of solutions. For example, we're currently delivering biologic cancer samples to the US for a large private hospital here in Turkey—one of our larger lines of business. Medical Express is also a great solution for the clinical trial industry because it also has a return capability. Collectively, these services, combined with the global DHL network, give us a very unique competitive positioning in the market.

How would you breakdown your current customer portfolio across different segments?

We cover the entire span of the healthcare and life sciences value chain including pharmaceuticals, medical devices, laboratories, hospitals, etc. Today, the vast majority of our business is with either laboratories or major pharmaceutical companies and a few medical device players. For example, we're providing spare parts logistics for a large robotics surgery manufacturer. The concept of what the airline industry calls Aircraft on Ground (AoG) is similarly applied when these expensive robots breakdown—preventing these companies from capitalizing on their assets. Another interesting example is with dental labs in Izmir working with dentists in Germany. So the patient in Germany will have his dental implant done today, and then the implant is sent via DHL from Germany to Turkey. The next day, the inlay is produced in Turkey, which due to labor arbitrage is cheaper than doing it in Germany, and then on the third day, the patient can have the inlay installed in his mouth—constituting substantial savings over performing this process in Germany. With the dedicated services of DHL, companies can drive efficiencies through innovative business models, especially in the pharmaceutical industry.

We see a clear trend towards cost-efficiency and a clear trend towards outsourcing—not even just the direct transportation, but also the production. Through DHL's services, companies can facilitate that outsourcing even across countries and into markets with different labor costs and hence increase the efficiency of the industry over all. We project tremendous opportunities with these trends. Looking at pharmaceuticals, a lot of flows are coming in from abroad into Turkey, which DHL facilitates. But Turkey has its own programs to strengthen the country's pharmaceutical industry and increase its innovative power. With this ambition of becoming a more regional hub, we also see opportunity for increasing exports of Turkish pharmaceuticals. Since DHL also has a very strong position in the Middle East and Eastern Europe, we see a lot of up and coming business. We're also projecting a strong growth within the clinical trial segment. At the moment, the sector is much more of an inbound business where international businesses use Turkey as a country to conduct clinical trials, but less a business where local companies use clinical trials to test their products abroad. We're expecting an upswing in this segment a few years down the road, and we're looking to position DHL as the preferred provider of choice when that does happen.

How do you plan on expanding the scope of DHL Medical Express moving forward?

We are providing a standardized platform for our business across the globe. That's the charm of the Medical Express product. It has the features it needs, but after the product is packed, to our network, it behaves like a standard parcel. We don't need a special cool chain track. All of our packages for Medical Express are equipped with a 24-hour temperature monitoring system. Additionally, all of our stations are equipped with dry ice depots to accommodate any potential

events where a shipment requires additional refrigeration measures. That's how we're different from the specific outsourcing providers. We're trying to fit a standardized product that fits into our network and at the same time, aligns with the needs of the industry. We're not DHL supply chain that will operate a dedicated three-temperature warehouse including some sampling facilities or packaging productions. Our business is to generate scale, and that's why we're trying to understand the needs of the industry and create a product that leverages the skills and expertise of DHL Express.

Back in January, DHL Express commissioned a new cargo plane in Istanbul's second airport, Sabiha Gökçen, and more recently, signed a MoU with the operator of the city's third airport, IGA. How will these investment allow the company to bolster its competitive positioning in the market?

There are three considerations associated with the Sabiha Gökçen operation: additional capacity, diversification, and regional access. Currently, we see several geographic growth clusters located throughout Anatolia and Istanbul, specifically places such as Hadimkoy, Gebze, and Bursa. With Ataturk Airport, we're already well positioned for Hadimkoy, and now with a new plane commissioned at Sabiha Gökçen Airport, we have access to Gebze and Bursa. The new investment also allows us to extend our pick up time by 2 hours for our customers in that region, which makes all the difference in our line of business. As Ataturk Airport is currently quite congested, Sabiha Gökçen Airport with domestic airlines, possesses great connectivity to the country's Anatolian airports located in cities such as Izmir, Gaziantep, and Kayseri, where we're not operating our own aircraft, but using the belly of normal aircrafts to bring goods into Istanbul.

So that's where the Sabiha Gökçen operation comes into play. We're the only international express player that operates out of both airports in İstanbul. Turkey has been very successful in positioning itself as a passenger airport, but at the consequence of massive infrastructure congestion—leaving little capacity for cargo. With the third airport, there is an opportunity to change that and establish Turkey as perhaps not a global DHL hub, but a regional one. Our current global hub structure is well established in three cities—Hong Kong, Leipzig, and Cincinnati. But we also have regional hubs in places such as East Midlands, Shanghai, Bergamo, and even Bahrain in the Middle East. So, the hope is to position Turkey as a regional hub for Eastern Europe and parts of the Middle East. Those were the intentions behind this MoU agreement with the new airport—making sure we have our own prime facility with adequate landside and airside access and have enough capacity to park our airplanes in front of it, which in Ataturk Airport, is currently unthinkable.

Can you elaborate on any future investment projects?

In the past couple of years, we've already invested several million euros into our gateway at Ataturk Airport, 10 million EUR in the Sabiha Gökçen operation, and 60 million EUR at the IGA airport. So, in line with our 2020 strategy, I expect to reach a much higher number. We're also upgrading our entire infrastructure in the Anatolian cities and we also opened up a new service station in Ankara one and a half years ago, which increased our capacity in Ankara by 15 times. We're currently looking for other Anatolian cities to upgrade our capabilities and contribute to the development of the country and allowing for more innovative business models.

From an expat's point of view, could you please evaluate doing business in Turkey?

The fundamentals in Turkey are in principle healthy. It's a young and growing population. It's a very entrepreneurial culture. It has an extremely strong SME base. From a general macro standpoint, the healthcare and life sciences industry has a clear action plan; there have been a lot of investments to stimulate growth. Increasing life expectancy has amplified per capita spending on health services. The growth forecast for the next few years is fundamentally higher than the overall GDP growth; so, all these factors make it a great country for investment opportunities. Transparent regulatory frameworks and incentive mechanisms will be key in enabling our ambitions in the coming years. Moving forward, we will focus on outgrowing in the market and generating double-digit growth figures year over year. Of course, that will depend on multiple parameters, especially in the country's current time of political uncertainty. But at least in the medium term, we possess a very positive outlook on the country's continued developmental agenda.

Click here to read more articles and interviews from Turkey, and to download the latest free pharma report on the country.

See more interviews