

# Interview: Christoph Wahl – Managing Director; Gerald Weirowski – Thermonet Product Manager, DHL Global Forwarding Austria

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*Christoph Wahl and Gerlad Weirowski of DHL Global Forwarding Austria discuss the significance of the Austrian affiliate being chosen as lead office for CEE and the company's life sciences and logistics hub. They also tackle emerging trends in the pharma logistics segment.*

**DHL's Austrian affiliate has recently been made the lead office for the Central & Eastern European (CEE) region, having hitherto been acting as a regional headquarters for Southern Europe. What is the logic behind this latest organizational change?**

**Christoph Wahl (CW):** In many respects, this is a reversion back to a system that worked very well for us in the past. Austria has traditionally been a core country for our Central and Eastern European activities and retains a lot of cultural ties with those types of markets. The original roll out and extension of our Eastern European operations was initially conducted out of Vienna, which served as a template for replicating best practices and as a fount of expertise from which training could be undertaken and talent sourced.

Nowadays Austria is again standing apart as a natural logistics hub for that region. Many of those smaller markets like the Czech Republic, Slovenia, Croatia and Hungary have become quite mature and we detect a lot of cargo traffic from them by truck to cities like Vienna so as to be flown onwards

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to other destinations. We have therefore been building upon these emergent trends by developing Vienna from an airfreight perspective as a gateway and bridge into and out of the CEE.

People tend to forget the favorable geographical positioning of Vienna as a centerpiece of a network of centers of commerce. Germans and Swiss sometimes relate to Austria through the prism of skiing holidays and think of the country as being right in their backyard. In doing so they overlook just how easterly-situated Vienna is. We're talking about a city less than three hours' drive away from major Central European capitals such as Prague, Bratislava, Zagreb, Ljubljana and Budapest. The beauty of Austria is that it straddles both the Swiss-German triangle and Europe's easterly hinterland so forms a natural meeting point and epicenter of interaction.

**Austria also serves as DHL's life sciences logistics hub with heavy investment being made in bolstering these capabilities. How did this so-called life sciences competencies center come about in the first place?**

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**CW:** Vienna is notable for the strength of its pharma and biotech industries with a lot of big name and specialist players conducting manufacturing, R&D and clinical trials throughout the local area. Boehringer Ingelheim, Shire, Sandoz and Octapharma are just a few examples of heavyweight actors with a substantial local footprint and then there is also a large flourishing community of high performance life sciences SMEs as well.

DHL, for its part, has been working for the past 17 or so years in Austria for the Lifesciences & Healthcare industry and customers have been pushing us to ensure greater EU GDP compliancy of the logistics supply chain. Conscious that many of these clients operate from a very strong and increasingly regulated GMP environment and attuned to their growing needs, we decided that we could not close gaps, such as breaches of cold-chain supply networks, just by tinkering around the margins with better hardware and personnel. Instead we realized that we had to go to the root of the issue and, in 2011, established a fully dedicated GDP compliant facility at Vienna airport.

In our line of business, we have a saying that "your supply chain is only as strong as its weakest link" and, from a risk perspective, airfreight as mode of transport is subject to high risk, resulting from the sheer breadth of different stakeholders involved - from the carrier airline itself, to the ground handling agents and customs to specialist logistics partners and forwarders - and thus there tend to be many more possibilities for error than would otherwise be the case. Then there is the lack of integration between regulatory regimes, which can also throw a spanner into the works. The airline industry operates according to IATA chapter 17 and the P.C.R. (Perishable Cargo Regulations) while the standard for logistics in the pharma industry, by contrast, is GDP. The IATA Center of Excellence for Independent Validators approach is obviously an attempt to harmonize these frameworks, but, honestly speaking, there is still a long way to go in making this vision a reality.

By building our own dedicated facility at the airport we sought to go the extra mile, fill in some of those gaps and offer our clients a more robust, holistic approach with regards to aspects like ensuring the unbroken continuity of the cold chain. By 2014, demand for use of these services was so high we took the step of setting up secondary satellite facility at the airport in Linz, which carried the added bonus of being able to handle more efficiently those volumes relating to the Western parts of the country and also the Balkans markets.

**Gerald Weirowski (GW):** The Vienna-Linz axis is an obvious choice to base our running of our life sciences logistics operations not only because of the presence of important clients, for example from the blood fractionating as well as Generic Industry requiring highly specialized services for sensitive

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products, but also because Austria is handling the cross traffic of high volume generics medicines bound for markets where the penetration ratio for that type of product is high such Romania, Hungary and the Balkans. Poland is perhaps an exception to this as that market might be more efficiently served via a German route through somewhere like Frankfurt. In short, we see demand over here for the transport and distribution of a wide variety of different types of life sciences cargo, so it's a great place for perfecting our techniques and rolling out new products.

### **What is the scope of your capabilities with regard to the dedicated facility in Vienna?**

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**GW:** At the moment we have some 1,300 square meters of temperature-controlled facilities. Sensitive life sciences products will generally be trucked in by lorries with cold-chain chambers and we will devise a thermal packaging under fully controlled conditions according to what is needed and then we will feed that secured cargo into our air freight and ocean freight networks as required. We are always on the lookout endeavoring to anticipate regulatory changes so, when the EU GDP regulations were revised in 2013, there wasn't so much of a shift for us and our clients because we already had highly stringent processes in place to ensure the integrity of sensitive materials that we were moving around.

**CW:** The big news right now is that, as of August, our dedicated Life sciences facility at Vienna airport is IATA CEIV certified. We have, for a long time, been preparing for this moment in terms of upgrading our own capabilities and modus operandi. We realized early on that it made no sense to have our headquarters certified and not our operational nodes so we have been pushing hard to ensure that >30 DHL Thermonet Stations, which do represent the biggest stakeholders from a volume perspective in the network including Vienna, have the IATA CEIV certification.

Our Vienna & Linz life sciences logistics center is also the seat of our quality control at the Country level. This entails the auditing of all our subcontractors and signing of logistics service level agreements. It is, of course, imperative that all of those entities working with us are not only GDP compliant, but also possess the requisite ISO certification. Supplier compliance is something that DHL takes very seriously indeed with the overall direction being set by our DHL Temperature Management Solutions Team

### **What do you identify as the emerging trends in the local life sciences logistics segment. How is demand evolving over time?**

**CW:** Currently, airfreight remains the preferred mode of transport for most Austria-based pharma companies, because many of these entities deal with highly sensitive, high-value products and want to reduce the lead times to a minimum. If you're a plasma manufacturer, for example, you might have an issue with having a lot of bonded capital swimming across the ocean for a couple of weeks which is effectively what would happen if you chose a transportation mode such as ocean freight. That said, we have seen a upswing in demand for the ocean freight channel as many generics drug developers seek to reduce costs and this is why we have been investing heavily also locally into our global service called DHL Ocean Thermonet.

Rising demand for an ocean product would have been unthinkable a few years back, but if you're a generics producer with a low margin product then opting for this type of service can be an attractive way of controlling your costs when there is a race in price competition in your specific market segment. With an influx of generics entering the CEE market space, we're expecting demand to continue to rise.

**GW:** We are also seeing global trends in life sciences logistics being replicated and played out at the regional level. As drug production shifts from classic chemically synthesized products to biologics that are much more sensitive to handle we are witnessing an increase in demand for bespoke, customized solutions and services.

Different customers have very different needs and we need to be very attentive to that. Just because we have two -20 degrees shipments on our books one day doesn't necessarily mean they can necessarily be treated in the same way. One might constitute a couple of kilos of an API of a prototype that is worth tens of millions of euros whereas the other might be a large quantity of finished product. A one-size-fits-all, cookie-cutter approach would not be suitable in this instance.

For small shipments of prototypes or delivery of products for clinical trials where time sensitivity is especially important because any delay would likely invalidate the trail, we would often work in conjunction with our partners from the DHL Medical Express division. We would take charge of the packaging process and then feed the appropriately secured product into their express network. The challenge, and the fun of it, is identifying the optimum configuration that best fits an individual client's needs.

### **Who do you identify as your main competitors in life sciences logistics? And how do you differentiate yourselves from them?**

**CW:** Due to the very high requirements of the Life Sciences & Healthcare industry when it comes to logistics process there are only a few players that can effectively compete when it comes to a globally specialized and dedicated network of people, processes and facilities. In terms of local share, we estimate that we have over 50 per cent of the market. So thanks to our continued investments in people, processes and facilities we have really managed to establish ourselves as the natural partner of choice for these types of services in Austria. There are a few local Austrian, boutique life sciences logistics players that do a good trade, but our global network, scale and vast array of highly specialized products and services make it difficult for them to compete.

What clearly marks us apart from our competitors is that we have a dedicated entity within the DHL family of firms that purely concentrates on life sciences logistics. It's a shop within a shop so to speak. We have both in Vienna and in Linz our own departments with personnel fully dedicated and only specialized to serve this market segment. This means we possess an altogether different level of expertise and know-how and can offer the sort of bespoke, customized, high-level services that we have been talking about.

### **What are your immediate priorities looking forwards?**

**CW:** Our focus is on further developing our Vienna gateway to support the evolving needs of the CEE region especially in the life sciences logistics area, and on extending our service portfolio through additional investments in areas like ocean freight. We are also looking to leverage the advent of big data to offer our life sciences clients data analytics on their supply chain. In general, the pharma industry has been slow to embrace digital disruption and we can assist them not just in the compilation and gathering of data but also its processing and interpretation. In many instances there is a surfeit of data, but not the capabilities to decipher it. We can work with our clients as partners in modeling different supply and deliver chain scenarios so as to identify risks and the solution that best suits their individual needs.

Finally, we will be continuously working on our 'GoGreen' initiative, in which Deutsche Post DHL Group has committed to reduce all logistics-related emissions to net zero by the year 2050. Our previous climate target to improve carbon efficiency by 30% over the 2007 baseline was achieved in 2016, four years ahead of schedule, thanks to a diverse range of measures to optimize

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the Group's vehicle fleet, buildings and logistics networks.

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