dpd

A longer version of this presentation
will be available on July 2nd

DPD NL Pricing Journey
Presentation International Pricing Forum

Wednesday 13th of June 2018

dpdgroup

Agenda

- **DPD Pan European Impression**
- **Road to success**
- **Growing for Profit 2018**
- **Lookout Commercial Excellence 2019**

Agenda

DPD Pan European Impression

Road to success

Growing for Profit 2018

Lookout Commercial Excellence 2019

dpd presents

LAW OF DELIVERY

Agenda

DPD Pan European Impression

Road to success

Growing for Profit 2018

Lookout Commercial Excellence 2019

The undisputed best in class

| 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 - 2025 |

Phase 1: Back to Basic!

- Hit the road Jack!
- Pricing for Profit
- Lean
- Together ✓

Phase 2: Back on track!

- Branding and preference for DPD
- Commercial effectiveness (pricing, processes & systems)
- Information culture (fact based) and decision making
- People development (training, coaching, etc.) and retention
- Right people on the bus
- Consistent and above market quality standards
- Ongoing improvement of processes and costs

Profitable growth

Phase 3: The Future is ours!

1 DELIVER THE BEST SERVICE MONEY CAN BUY

2 USE THE BEST TECHNOLOGY AVAILABLE TO MAN

3 RETAIN AND DEVELOP THE MOST CUSTOMER CENTRIC PEOPLE IN THE INDUSTRY

The start: DPD NL 2016

Earlier price increase stopped RPP decline but did cost volume and profitable clients

RPP

Higher Margin project NL had increased RPP but lost profitable clients (too rough)

Ambition Pricing for Profit Project: Smart focus on profitable customers

2011 2012 2013 2014 2015 2016 2017
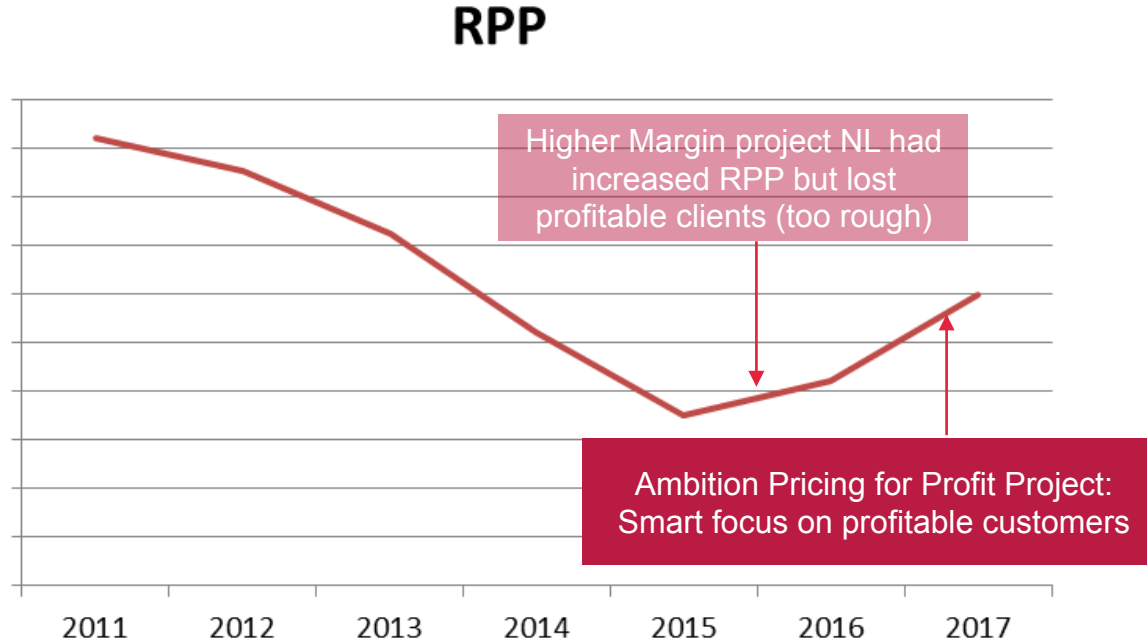
Objectives (Q4 2016)

- Stabilization domestic RPP development after impact higher margin

- Trend breach from downwards to upwards RPP development international

- Pricing for profit project will result in higher RPP

2016- 2017: Fact Based

Internal and external RPP benchmarking to set agreed "ambition rate" for larger clients

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2017

After 2016, ambition to develop DPD further towards "pricing power zone" in 2017

Price Orientation

Customer value-based pricing

Competition-based pricing

Cost-based pricing

Value Surrender Zone

Pricing Power Zone

202X

Zone of Good Intention

2017

White Flag Zone

Price Capture Zone

2016

'Setting the price'

Price realization

Weak   **Medium**   **Strong**

'Getting the price'
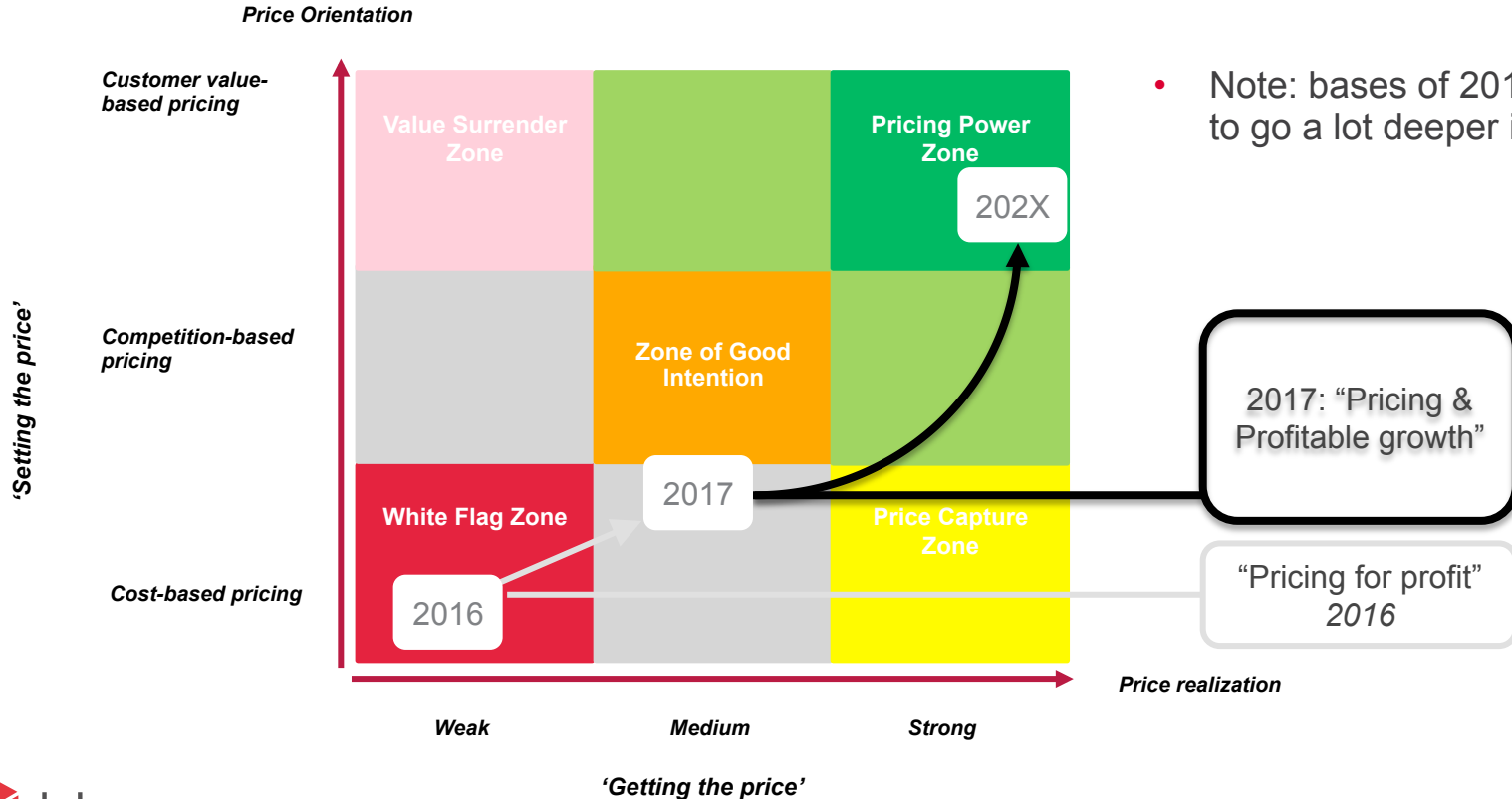
- Note: bases of 2016 allowed project to go a lot deeper in 2017

2017: "Pricing & Profitable growth"

"Pricing for profit" *2016*

Price levers

The team assessed and prioritized three price levers for the 2018 campaign

Approach

Define **1**		Analyze **2**		Conclude **3**

Define 1

Rates

Diesel

Non conveyable

System returns

Evening pick-up

Saturday delivery

Toll

Criteria

Competitive behaviour

Customer acceptance

Operational ability

Value potential

Campaign

Rates

Diesel

Toll

Other

System returns (mandatory)

c Execution of pricing campaign

Sales managers can close that gap by using four levers in the negotiation

Rates **1**	Diesel **2**	Toll **3**	System Return **4**
RPP per lane will be compared against realized price for similar clients (similar annual volume and revenue, similar weight)	Realized diesel surcharge will be compared versus the realized diesel surcharge of similar clients (similar annual volume and revenue)	Toll surcharge will be introduced as a third pricing lever. For traffic to (and through) Germany and Belgium	**Will not be part of the client negotiations, but will be automatically invoiced going forward**

Execution of pricing campaign

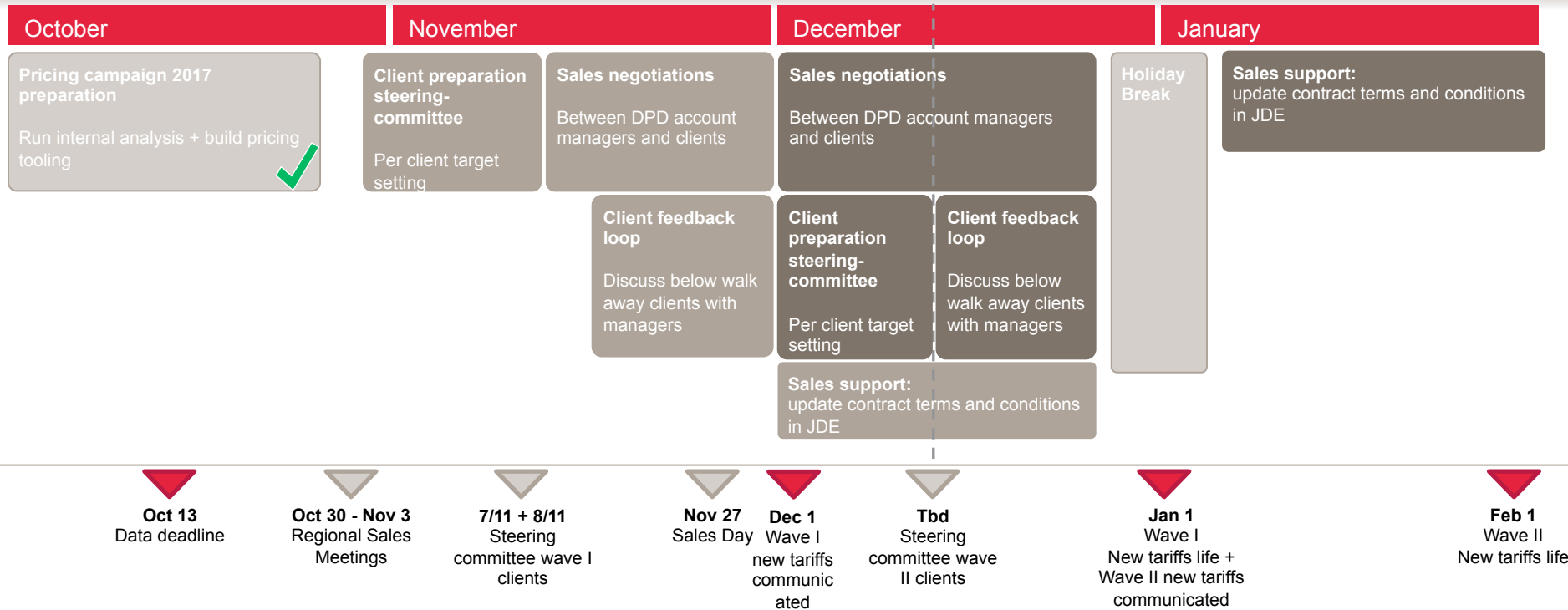## Execution of face to face negotiations and letters will happen in two waves

▼ **Deadline**

▽ **Event**

Wave I clients

Wave II clients

Today

October	November	December	January

Pricing campaign 2017 preparation

Run internal analysis + build pricing tooling ✓

Client preparation steering-committee

Per client target setting

Sales negotiations

Between DPD account managers and clients

Sales negotiations

Between DPD account managers and clients

Holiday Break

Sales support: update contract terms and conditions in JDE

Client feedback loop

Discuss below walk away clients with managers

Client preparation steering-committee

Per client target setting

Client feedback loop

Discuss below walk away clients with managers

Sales support: update contract terms and conditions in JDE

▼ **Oct 13**
Data deadline

▽ **Oct 30 - Nov 3**
Regional Sales Meetings

▽ **7/11 + 8/11**
Steering committee wave I clients

▽ **Nov 27**
Sales Day

▼ **Dec 1**
Wave I new tariffs communicated

▽ **Tbd**
Steering committee wave II clients

▼ **Jan 1**
Wave I New tariffs life + Wave II new tariffs communicated

▼ **Feb 1**
Wave II New tariffs life

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Diverse client perceptions triggers the need to create a shared reference to evaluate current and new ~~clients~~

Client 1

- 100% domestic
- Small size parcels
- Low number of NC
- Pick-up time at 8 p.m.
- Low price

Client 2

- 30% domestic
- Heavy parcels
- Medium number of NC
- Pick-up time at 1.30 a.m.
- High price

Client 3

- 50% domestic
- Medium size parcels
- High number of NC
- Pick-up time at 12 p.m.
- Medium price

Perception client 1

Operations: "I love this client"

Sales: "I hate this client"

Perception client 2

Operations: "I hate this client"

Sales: "I love this client"

Perception client 3

Operations: "I don't know about this client"

Sales: "I don't know about this client"

Next level segmentation: Pragmatic approach to better understand relevant client characteristics and target segments

Current segmentation model

- Primary based on size (volume and revenue)

Client pyramid

- Strategic Accounts
- Key Accounts
- Accounts
- Tele Accounts
- Ad-hoc clients

Next level segmentation model

- Based on DPD relevant client characteristics
  - Client (vertical segment)
  - Product mix (B2B vs B2C)
  - Parcel characteristics (Weight)
  - Parcel journey (Pick-up time)
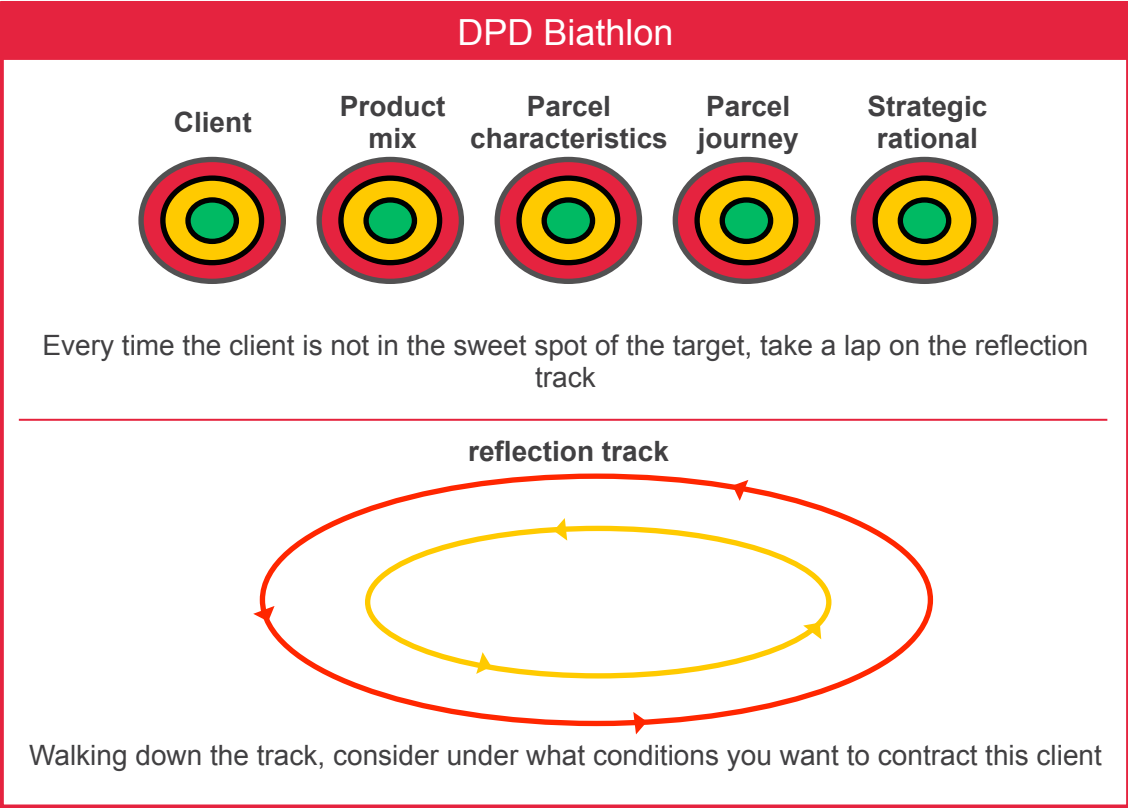 - Strategic rational (innovation)

5 times hit the target!

Next slides →

The DPD biathlon: The attractiveness of a client is dependent on the number of sweet spots hit

DPD account manager

Shoot

I missed…

DPD Biathlon

| Client | Product mix | Parcel characteristics | Parcel journey | Strategic rational |

Every time the client is not in the sweet spot of the target, take a lap on the reflection track

reflection track

Walking down the track, consider under what conditions you want to contract this client