

For One Shipping Company, Success is More Than How Fast You Deliver



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Announcer:

Welcome to THRIVE, a Paychex Business Podcast, where you'll hear timely insights to help you navigate marketplace dynamics and propel your business forward. Here's your host, Gene Marks.

Gene Marks:

Hey, everybody. Welcome to Paychex THRIVE Podcast. And you know, supply chain, supply chain, supply chain. That is what we are all worried about and have high in our mind. Well, I am speaking today to Greg Hewitt. He is the CEO of DHL Express. I am sure you have heard of them. He has lots of thoughts and prediction as to where the supply chain situation is heading. I think you're going to want to hear them. Stay tuned and we'll be up with Greg in just a moment.

Gene Marks:

All right, guys. So welcome. Greg Hewitt, CEO of DHL Express U.S., Thanks so much for joining me. I really appreciate you taking the time.

Greg Hewitt:

Gene, thank you for the opportunity. Happy to be here with you and your audience today.

Gene Marks:

Yeah. I'm glad to hear that as well. Listen, a lot of my audience, Greg, uses you guys. So we'll be listening carefully to some of the words that you have. You're reporting on what's going on out in the world among your customer base and also what you're seeing and what people are doing.

Gene Marks:

Before we get to this, first of all, just so we know, if there's anybody on the planet that has not heard of DHL Express, give us a little bit of background about the company and let's also talk about you as well. But we'll start about the company.

Greg Hewitt:

Sure. DHL Express is part of Deutsche Post DHL, the world's largest transportation and logistics provider. Our business, headquartered out of Bonn, Germany, has operations around the planet in more than 200

countries and territories around the world, in segments like the postal network in Germany but then in key supply chain industries like e-commerce solutions and global forwarding, which would be your air and ocean cargo and, of course, contract logistics, which we call supply chain.

Greg Hewitt:

My business unit that I work for is Express. That would be when you think of fixed network, small package, express transportation. Most often here in the United States, people think of that and associate that with colors purple and brown. But, of course, we're the big yellow machine that's got more than 100,000 people globally and, for me here in the U.S., more than 10,000 strong that are responsible for delivering more than 350,000 inbound, time-definite international shipments every day, and exporting more than 150,000 to the globe.

Greg Hewitt:

So, we're a diverse business. And certainly, when you're talking about supply chain and what's impacting the global supply chain, I think we have some good experience there to share.

Greg Hewitt:

I'm the CEO for the U.S. Express business. I've been with the company for almost 30 years now. I'm a Canadian. I started my career up north, grew up in the business there before doing stints here in the U.S. And in Europe. I was the CEO in Canada from 2011 to 2014 before I came back down here to the United States. And I've been the CEO here in the U.S. Since 2016.

Gene Marks:

That is amazing, Greg. I was just going to say like, man, when I think of all the different businesses to be in, particularly over the past few years, I think the one business I would not want to be in is the freight and logistics business. It sounds like, like in particularly with what has been going on with supply chain over the past couple of years, it just sounds like an absolute nightmare. What has life been like for you and the company over the past two years?

Greg Hewitt:

I guess there's two ways you can look at that. I will say these have been, over the last few years, some of the most interesting and challenging years in my life. First with the onset of COVID and the pandemic, tremendous uncertainty. Many of us had to get a crash course in pandemic planning. When there was a lot of unknowns, how do we keep the world's supply chain going in an environment where you have a virus that's lethal?

Greg Hewitt:

I think we did a lot in that first year to try and protect and keep the safety of our employees at the forefront whilst recognizing so many people were at home needing the delivery of the goods that they were ordering online in an e-commerce environment as that exploded.

Greg Hewitt:

It was really interesting to go through the peaks and valleys of opening and shutting and explosive volume growth. It was a real challenge, but an interesting one. I think in ways it got us closer to our people, because we were able to listen to them and understand their fears, their challenges. I was able to take 3,000 people and get them working from home who couldn't do that before. So, that was a big move. I had 7,000 strong that, despite the unknown, came to work every day, got out on the road, and faced the pandemic head on.

Greg Hewitt:

Then you go into the last couple of years, and it changes. It goes from the pandemic we kind of get used to. We've got the health and safety protocols. You've got vaccines coming and you think everything's going to get back to normal.

Greg Hewitt:

And last year, we really got hit with an oddity where there was this pent-up demand around businesses that had maybe backlogs in production, maybe had component servicing. And all of a sudden not only do you have the growth in e-commerce, your traditional industries like automotive, engineering and manufacturing, and high tech roar back to life, and you've still got the issues around capacity constraint as airline travel isn't back. So there's not enough commercial lift.

Greg Hewitt:

You've got challenges in the Suez Canal and ports that are impacting ocean freight. It really made us ... If we weren't a vital industry and a first responder in the frontline during COVID, we were equally as important as economies resurged, as people came and relied on a fixed network to try and get inventory moving to satisfy demand.

Greg Hewitt:

No matter where I turned, who I talked to, there was a lot of frustration. There were a lot of issues between availability of capacity and space, rising costs, challenges around service and capability, and all of those things we weren't impervious to. I just think we did a pretty good job of trying to be transparent, open, honest, and keep things moving for our teams.

Greg Hewitt:

No sooner do we get into this year, we think, you know what, things are going to level out. We've weathered this storm and we're expecting a little bit ... We're going towards here in the west, we were calling it an endemic. It was things are going to get back to normal. Maybe some capacities are going to come back and it'll be a more normal year.

Greg Hewitt:

Lo and behold, what happens? You get two things. You get the Russian war in Ukraine, which has a profound impact on the economies globally, but most notably in Europe, particularly around things like fuel price given the importance of some of the pipelines in the stance. Then you've got ...

Greg Hewitt:

While we're in the west ... And when I say the west, that can be North America, that can be Europe. While we're starting to look in this, okay, it's an endemic, we've got to move past COVID, you get the response in China where you get the exact opposite and you get the lockdown effect. You see lockdowns in Shanghai. You see lockdowns on the bridge between Shenzhen and Hong Kong.

Greg Hewitt:

That is such a vital pipeline for the global supply chain. It's really one that we didn't anticipate, and it's created a lot of challenges for us to start 2022.

Gene Marks:

So, I want to talk about supply chain because obviously it's what you guys are right in the middle of. You guys recently issued a report where you surveyed more than 4,000 small business owners around the country, asking them about how their businesses are going. And we were talking just earlier about what you guys were doing for your employees. In this report, it found that 38% of the small businesses that

you guys surveyed said that they were not impacted by labor disruptions and shortages. Which obviously means we've got 62% of business that are out there. Most of my clients are all impacted about labor. So, I'd actually like to ask you about labor first, Greg.

Greg Hewitt:

Sure.

Gene Marks:

I mean, you guys, I mean, you said what you did during COVID to keep your employees safe and to keep them motivated, but obviously in your business, it has got to be really difficult to find and retain good people. I mean, you are competing against others out there in your industry and outside of your industry. So again, you're talking to small businesses here, you're in a line where it's super difficult to do, to find good people to move these products, it's a difficult job. I'm kind of curious what you guys are doing. What steps are you guys taking at DHL Express to find people and to retain them? What advice do you have for those 4,000 small businesses that you surveyed that might help them find and retain employees for their companies?

Greg Hewitt:

So, it's a great question, and I think something I'm really proud of, Gene. When we look at our strategy, and it's been this way since at least 2009, we start with a pillar called Motivated People. And it's a recognition that our success is directly linked to motivating and exciting our workforce, particularly our frontline. Recognizing that, no matter how hard I work today, I will not talk to and speak to as many customers as my frontline couriers do or my CS agents do. So, I think for a long time, we've had a strategy of, "What do we need to do to motivate them?" I think it starts with communication. So, one of the biggest things we've drilled in is the concept of a performance dialogue, that every day we start every shift, no matter what function, with at least a five to 10 minute performance dialogue, where we allow our team to tell us what's on their mind, how they're feeling. We share with them key stats and indices, things that are important for their success, but a lot of it is just allowing that dialogue with leadership.

Greg Hewitt:

We've invested heavily in learning and development. And this is probably the area where I'll say, this year we're getting back to, after a couple of years of COVID, where you couldn't put people in classrooms, you couldn't travel, maybe we didn't do as much in our Certified International Specialist Learning and Development Program, certainly in our Certified International Supervisory and Management Programs, we need to have what I'd call active leadership. And that is giving our teams the understanding, the coaching, and the skills around giving and receiving feedback, doing coaching, empathizing and understanding career aspirations. All of that, I think with COVID, we lost a little of it. We became a little distant. So, we've reinvested and reinvigorated. We're getting 2000 employees through our Foundation Program, which allows them the same program I would go through that gives you the history of DHL, our organization, what we do, how we expect customers to be treated.

Greg Hewitt:

We're going to get everybody caught up on that this year. And we just had in Orlando two weeks ago, a graduation of three years worth of supervisors who've been through our Supervisory Academy, who are to us the key people in connecting with 15 or 20 people every day, actively leading them, showing them that they are the superstars in our business. I think that's a critical piece to get back to. Put on top of that, we've added the landscape and the expectations around work environment, job environment, benefits. We have

to constantly be looking at our compensation and benefits and make sure those are aligned. That means making sure if there were places around the country where our wage rate wasn't in line with market, we corrected that, even if it meant some higher than anticipated inflationary sides. Looking at benefits policies to make sure we're giving people the flexibility and the time off that they need, and that they earned and deserve.

Greg Hewitt:

I think that's a big piece of it. And probably the area where I think we've historically done a great job is around recognition, Employees of the Quarter, Employees of the Year, having appreciation weeks that are both functional and across the board, bringing people together for activities like America's Cup where we bring people from soccer teams around the Americas together to meet each other. These are the things that are the foundation of motivating and exciting people. And probably the newest that I think we're just getting started on, that we're just learning and we're growing with, is this idea of diversity, equity, inclusiveness, and belonging. Really making sure that we are a place that is a great place to work for all, for everybody.

Greg Hewitt:

And I think we've partnered up with Great Place to Work. They of course publish a really highly regarded ranking of the top 100 companies globally, and within each country every year, in conjunction with Fortune Magazine. We've asked them to challenge us, hold us accountable. We've been progressing in the U.S.. We're number one in the world. And I think we joined 11 other organizations in what they're calling the Great Transformation to really commit to learning from employee resource groups in the areas of diversity, equity, inclusiveness, and belongingness, to say, "How do we continue to evolve and change?"

Greg Hewitt:

All of this is about motivating people and winning that war for talent, having people want to come work here. And overall, I would say it's working. Although if I look at my turnover rates pre-COVID to now, they're probably up a couple of percentage points. We normally run about 12% attrition overall. Now we're running about 14. But that's come down for the last two years. So, I haven't seen this Great Resignation where huge groups of people left us. We've been able to hold it, but I am concerned. It's still higher than I'd like it to see. And we were able to leverage some of the stuff we were doing before to keep it going during COVID times and coming through that.

Gene Marks:

You know what I find interesting is that you've just given this great speech about all the stuff that you guys are doing. Your performance reviews, active leadership, customer service training, providing the right recognition, DEI. Out of all the time that you've been speaking, a very small percentage of that time you spent talking about compensation.

Gene Marks:

I'm finding that across many of my clients, Greg, that obviously if you're underpaying your people, people are going to leave. There's got to be a reasonable amount of compensation that you provide, so you can be competitive, but it sounds like what really has kept your turnover rates relatively low is just workplace, right? Just having a good place to go to work, where you feel like you enjoy your job and you enjoy the people.

Greg Hewitt:

Yes. You feel like you're valued. That you're listened to. We talk about our purpose here being to connect people and improve lives. And it's true. We've got so many amazing examples over the past few years where what we've done has had a profound impact on someone's health and safety. A profound impact on keeping their business and their livelihood going when they were worried it couldn't. We like to share that. I think you're right. I don't talk a lot about compensation because to me, those are table stakes and it's very objective and matter of fact. You can get surveys. You can look at your marketplace. We all know when the wage rates go up. I faced it probably a year and a half ago in LA. The LA airport that the wages went up and we saw turnover start to spike.

Greg Hewitt:

We had to quickly fix the wage rate because you'll lose them. But to me, that's just part of our normal business. You have to pay people a fair days' wage for a fair days' work. You have to be competitive. You have to constantly be looking at what's going on in the market. Then you need to make sure that your benefits and your policies map that as well. I think we've probably done more looking at paid time off, some of those benefits. The way we've handled COVID around making sure people felt they could put their health and safety first. They could put the health and safety of their family first without jeopardizing their career or their role.

Greg Hewitt:

I think some of those things benefited us through the pandemic. But I do think for me, the biggest move forward to protect talent this year is the investment in our certified program and really getting our leadership, our supervisors, and managers to own believing their people are the superstars of our industry. Every day having those crucial conversations to understand what people's needs are, what their feedback is for us and giving them feedback on what's going well to motivate them or to give them what they need to work on.

Greg Hewitt:

If it's something that's that needs to build a better competence and get better, we really do believe that's the spirit of our business is everybody wants to do a great job. If you encourage them, you help them, and you have candor, honesty, and transparency, and genuinely you understand their career aspirations, what motivates them, that you have those critical conversations, even if they're informal as you're walking the line or by a water cooler. Those are the little moments in time that make a difference in someone's life and makes them say, "I want to be here because it's different."

Greg Hewitt:

If you get that right, you've got people that are motivated that we always say will deliver great service quality. And if you've got great motivated people delivering great service quality, customers will be happy. You'll build loyalty. And generally, if your customers are happy and they're loyal, their revenue goes up, their margins go up, and the profitability piece falls in line.

Greg Hewitt:

Not that you don't have to watch KPIs and drive production and have engineered standards, but it really is kind of the lagging indicator. It's the last piece if you get the other three right. There's been no better time to prove that than when an industry is in crisis. The global supply chain has been in crisis for two years, and the companies that have done well are those that have been able to do the best they can to help customers to work through it, to be transparent, to be honest, to admit when they've made mistakes. I think back to peak last year, I would go on podcasts, news, go onto news radio like I'm doing today, and there were two very different messages out there.

Greg Hewitt:

I was speaking to one of confidence because I had felt we had listened to our customers. I had followed up on what their needs were for peak. I had managed expectations by not necessarily over committing what we could or couldn't do. I thought we were well set up by adding 12% of air capacity, 18% in terms of what our hub and gateways could do. And adding a large number of couriers and CS people. We were set up for success. But I was cognizant that there were a lot of people frustrated and upset because they wanted us to do more. I could reflect and say, hey, people wanted more from us, but that wasn't it.

Gene Marks:

Greg, I know we only have a few minutes left and yet I have another huge topic and I can't let you go without asking you. Listen, I spent nine years at KPMG, I left there as an audit manager, and I know now ... this was like 30 years ago. If I were to go back and be an audit manager at KPMG, I would freaking crush it. I would be fantastic at that job. I'd know everything there is to know. I've lived long enough.

Gene Marks:

You, the CEO of a large shipping company, logistics company, if you were to quit your job and take the job of a purchasing manager or an operations manager at a small- or mid-size company, in these times of such high shipping costs and supply chain issues, what would you do to manage your shipping costs at your company?

Gene Marks:

What advice do you have for anybody that's listening now? That's like, "Geez, my shipping costs have gone up double digits over the past year. I need to keep them under control." What are your senior customers doing to try and control their costs of transportation in these times? I'm wondering if you've got any thoughts on that.

Greg Hewitt:

I think number one, Gene, the hardest thing that our clients hear from me and from others is there really isn't an answer. There is no secret sauce or silver bullet or some secret door you can knock on and open where there's all sorts of capacity, space, and lower cost.

Greg Hewitt:

I think the first thing you have to look at is what can I do to manage this as best I can to be smart about it. But then you have to do a bit of what we've been able to do in some ways, with things like fuel or with our aviation costs. What is my customer willing to pay for? What's the value that I bring to them? And as such, what can I pass on to them in terms of price increase that helps me deal with what I think are the ... Inflation is real. It's hitting all of us. No, the orders you took a year ago, your costs are different. I think in some ways it's what can I pass on responsibly and fairly versus what I can take.

Gene Marks:

I just have to interrupt you and say, to that specific point, when I get asked that question, because we have like 600 clients in my firm.

Gene Marks:

And I have a lot of readers, so I'm asking them these same questions that I just asked you and I'm finding the same answer, which is not a lot we can do. We're trying to share these costs with our customers, maybe even if it's just temporary, or a surcharge. Would you agree that ... Because I'm seeing this as well. We all

know that costs are going up. A lot of times, I'm seeing my clients when they talk to their customers and say, "Costs of shipping have really gone up. We'd like to pass through 50% of this increase. Can we share it?" They're finding, more oftentimes than not, that most people understand that and that they are sharing. Sometimes they don't, but is that the answer? I mean, so there's really... Right now in this environment.

Greg Hewitt:

That definitely is part of the answer and you can't hide from it and you have to be honest. The increases we put through, and in an industry where I've watched maybe, definitely on the ocean side, maybe on the air cargo four X, five X, even at times 10 X pricing, we certainly haven't done that. I think we were in a good position that we had an aviation strategy that had started well before COVID that I call it being lucky and good at the same time. It was great and good that we had a strategy that had a number of triple sevens being delivered during the COVID times for us because we were able to add responsibly newer aircraft that were more fuel efficient that allowed us, when we used to be reliant on commercial lift, to offset that so that we could keep the increases down.

Greg Hewitt:

When I've added surcharges, I've done it in a way that says "I'm not going to go out and buy airspace at \$10 a kilo and sell it to you at five." I wouldn't do that. So when I put a surcharge on it, it's how we're managing a blended cost per kilo for our fixed air network. And the minute you don't want it or your clients won't pay for it, it could reduce. But for now, do you understand I can't offer you the price that I quoted before? And my clients have been very open to that.

Greg Hewitt:

So, now I step back and say, "What can you do?" Well, the number one thing you can do is you really have to be organized and plan ahead. You need to look and say, "What are my real volumes? What timelines do I need?" Given that all of us, whether it's an ocean line, train and rail, LTLTL, air cargo, express, all of our transits are now not what they used to be. So, the more that you plan out and get accurate volumes into carriers, the better position you're going to be to secure the space you need that will keep you protected.

Greg Hewitt:

And certainly, that's one of the things we're talking to people about. "Listen, don't forget that when airline capacity comes back or ocean freight comes back, you leaned on us and needed us when there was a crisis. Maybe you should have, as part of your logistic strategy, a certain portion of your inventory moving on a fixed network that isn't as prone to disruption long term." And people are nodding and getting on with that. So we're seeing, I think, parts of orders coming our way, not just in rush rooting or on overstock anymore, but as part of maybe the bring some stuff to market early while you wait for the larger volumes to come.

Greg Hewitt:

I think we certainly have seen people say, if you can diversify your supply chain so you're not heavily reliant on a single manufacturing site or single country in the world. Diverse is better because if one area is shut down or suffer some kind of crisis, environmental, medical, capacity, you have options. So, we've seen the rise of countries like Vietnam and Malaysia become big. Even now, the concept of nearshoring for American companies, we see a rise in Mexico as a place where people are going to bring things, along with the concept of made in America and seeing that rise. I think everybody's looking at how you could diversify your supply chain.

Greg Hewitt:

Recognize that there is not such an excess in capacity, both in physical infrastructure, planes, trains, automobiles, boats, and people. This challenge around labor means traditional peaks where you see 50, 60, 100% growth, they don't work well. So for us, you're going to hear people like me say, "I can't give you 100% lift in quarter four. I need you to balance that more. I need you to get your run rate up and then I can give you 20% more or 30% more because I'm going to give that to everyone. And you need to secure your space with me early."

Greg Hewitt:

I think plan early, get close to your partner, do the best forecast you can, secure and get product moving earlier, and then find that way to balance then that you might be able to find a lower cost alternative that takes longer, but you're not put in a position where you don't have product for people indefinitely. You have to be comfortable that you add enough value that you can go back and ask for a fair price that incorporates in some of the cost increases.

Gene Marks:

Greg Hewitt is the CEO of DHL Express in the United States. Greg, great advice on how you're dealing with labor. Great advice for trying to deal with some of these logistics and price increases and supply chain challenges. Really appreciate taking your time. And thanks for joining.

Greg Hewitt:

Gene, thank you for the opportunity. I hope your listeners enjoyed and I hope you'll invite me back. I'm happy to continue to share with you as things change in the industry or your listeners have questions that they want answered. I'd love to come back and join you again.

Gene Marks:

We would love to have you and thank you for offering. So, thanks very much. And everyone, thanks for listening.

Gene Marks:

Do you have a topic or a guest that you would like to hear on Thrive? Please let us know. Visit payx.me/thrivetopics and send us your ideas or matters of interest. Also, if your business is looking to simplify your HR, payroll, benefits or insurance services, see how Paychecks. Can help visit the resource hub at paychecks.com/worx. That's W-O-R-X. Paychecks can help manage those complexities while you focus on all the ways you want your business to thrive. I'm your host, Gene Marks, and thanks for joining us. Until next time, take care.

Announcer:

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