

A FRESH APPROACH TO AIRLINE CATERING AND "ABOVE THE WING" SPEND



DHL Supply Chain
Airline Business Solutions
Lakeside Industrial Estate
Colnbrook
Berkshire
SL3 0ED
United Kingdom

Telephone: +44 1753 283 011
Email: airlinebusinesssolutions@dhl.com
www.dhl.com/airlinebusinesssolutions

All information is correct as at time of printing: April 2013



THERE IS SOMEONE WE WANT TO SATISFY EVEN MORE THAN YOU: YOUR CUSTOMER



After a flight, nothing sticks in the mind quite like good service and a great meal. And at DHL we have one purpose, to make you more successful. With rising competition amongst airlines to attract and maintain customers, and an increasing cost pressure make it difficult to generate significant profits, in an industry operating in a challenging business environment. Airlines have been seeking to lower costs and improve yields through restructuring, with leading airlines examining innovative solutions to deliver efficiency gains and improve customer value.

“In-flight catering is 80% logistics and 20% catering¹”, and 100% important for your customers. DHL recognise that the in-flight experience can be a decisive factor in choosing an airline. We are already working with some of the biggest airlines in the market.

As a trusted and valued partner to airlines, we understand the trends and challenges faced by your business. We aim to help airlines take a strategic approach related to their ‘above the wing’ spend. That’s why we have developed a range of solutions spanning; planning and design, sourcing and supply management, assembly operations, airport operations and final mile and returns management.

We consider the on-board requirements for each airline we work with, examining the end-to-end process and re-evaluating the total supply chain. We listen and work with our customers to define and develop the right solutions – either in total or as modular elements. In many cases bringing innovative solutions to life such as our EnviroSolutions offering. For example, what was once a costly exercise to remove food waste from the operation can now be turned into a revenue stream while reducing the levels of CO₂.

But with all of this, it’s crucial to have the right partner for your business. We aim to build trust and confidence through having dedicated and experienced teams to support key areas such as business transformation, project management, business continuity and health and safety to ensure we deliver operational excellence and focus on continuous improvement.

DHL’s commercial models give you transparency to make decisions regarding your operation and provide the flexibility over the term of the contract to enable us to work towards aligned goals. This enables us as partners to share risk and rewards for long term strategies.

Central to DHL’s offering is the quality and innovation of food design and procurement. The DHL Food Innovation Council is made up of multi-award and gold medal winning chefs. This has helped us develop a reputation for identifying and managing a broad range of food and beverage suppliers, resulting in significant improvements in levels of customer satisfaction.

At DHL we believe the real value is gained from engaging with our customers at every possible level. We recognise that the relationship is important and through our account management team we make it our business to listen and understand your business needs, key objectives, your customers and the challenges you face. We then work closely with you to develop innovative solutions that create value and focus on continually improving operational performance over the term of the contract.

¹ Professor Peter Jones, University of Surrey, OnBoard Hospitality, February 2009

A HIGHLY DYNAMIC INDUSTRY

In a difficult business environment, airlines have been seeking to lower costs and improve yields through restructuring. Recent mergers, acquisitions and collaboration initiatives have driven economies of scale and more choice for passengers. This market consolidation along with the economic climate has made it difficult for new entrants into the sector, and has been a catalyst to transform the industry structure. This has driven airlines to explore efficiency gains and improve customer value.

- **Increasing passenger numbers** – Passenger traffic volumes have typically grown year on year and look set to stay on this upward trend. Domestic markets show wide variation with China expanding strongly, Japan in decline and North America remaining flat. Growth in the International market has significantly strengthened, led by the rapid expansion in the Middle East and Latin America.
- **Increasing cost pressure** – Despite the increased passenger demand, airlines struggle to make significant profits. The industry has seen continuous revenue growth over the last 5 years but profitability has been volatile. This is primarily due to an increase in fuel costs of c.400% within the last 8 years. In order for airlines to deliver a sustainable business model they have been forced to manage their non-fuel costs more effectively and find ways to mitigate the impact of fuel price volatility. e.g. new fuel efficient aircraft.
- **Environmental and CSR becoming increasingly important** – Air transport accounts for 2% of global man made CO₂ emissions. Airlines are becoming more efficient in order to combat the industry's commitment to halve CO₂ emissions by 2050. To achieve this, airlines are developing carbon reduction initiatives which include more fuel efficient aircraft (20%), waste, energy management and carbon offset programs. In addition to the environment, airline companies are becoming increasingly philanthropic in the pursuit of excellence. Charitable donations, partnerships with aid organizations and even the companies' own foundations help to support the communities in which they operate around the world.
- **Customer experience** – Rising competition amongst airlines to attract and maintain customers is growing through paths such as inflight product, loyalty programs and on-board services such as catering and service style. However, buying behaviors are influenced by these factors but often governed by travel policy and price. Some airlines have adapted their business model through cabin changes with the removal of first class or the introduction of premium economy in order to align with these new policies. In addition, to compete with low cost airlines, more airlines are exploring unbundling their proposition to develop competitive pricing and offsetting costs through ancillary revenues such as baggage fees, priority boarding and the purchase of on board product.



'ABOVE THE WING' CHALLENGES

The airline industry is dynamic, with each customer and subsector having its own requirements, process challenges and needs. By breaking the industry down into the subsectors with flexible value propositions to each, DHL aim to help you stay on top of your game.

- **Cost and complexity (new and legacy)** – How do airlines and catering suppliers become more efficient in their operations? Understanding the balance between the cost of complexity and the derived value that delivers to the customer proposition is critical. Often additional cost and complexity is overlaid on existing legacy processes rather than reexamining the end-to-end process, which may deliver the opportunity to save cost and improve the customer proposition.
- **Consistency of operations** – Delivery of consistent quality operations around your network, for base and end of route operations is paramount. Knowledge and understanding of the local market conditions, the ability to source products and finding capable suppliers to fulfill the airline's requirement are key considerations to the product offering.
- **Trust and partnership** – Confidence in selecting a partner to truly meet your business objectives and needs. Giving flexibility and cost transparency to airlines and the potential to seek and deliver those often elusive cost savings.
- **A different customer proposition** – With catering and onboard services a key customer influencer when choosing an airline, differentiation becomes ever more important. Passengers are more aware of trends, sustainability and provenance, thus demanding an increasingly higher quality of produce and the ability to fulfill their dietary requirements. Airlines are seeking greater choice and product innovation from their suppliers in pursuit of their vision to deliver the best dining experience in the sky.
- **Lack of visibility, traceability and transparency** – Decision making without detailed management information (including consumption) can make it very difficult for effective control in managing the catering and supply chain budget. This may lead to an inefficient supply chain, high stock levels of expensive inventory and the inability to get cost non-value cost out the handling process.
- **Sustainability** – Carbon efficiency, reducing emissions, noise and waste are all key strategies on the sustainability agenda for airlines today. With advances in technologies and systems, the recycling of food waste and packaging materials has led to a step change towards the elimination of landfill and provided the source for an incremental revenue stream.
- **Security** – Aviation security is critical to the safety and security of the airline's passengers. It is therefore essential to ensure traceability of people and goods in both airside and off-airport operations.



INDUSTRY SEGMENTS

New market trends and dynamics help to transform the industry – from long haul full service to short haul low cost options. Understanding these dynamics allows us to offer flexible solutions to help you deliver unique customer experiences.

Long haul

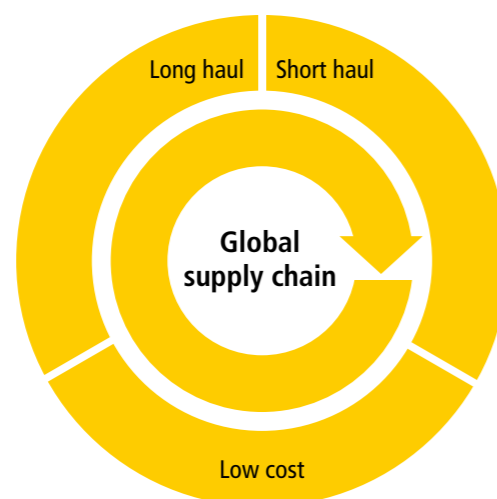
- Full service
- Multiple cabin
- Competitive differentiation
- Quality and consistency

Short haul

- Full service, Buy on board or hybrid
- Simple service style
- Cost competitive

Global supply chain

- Multiple destinations
- Global sourcing
- Capital Investment
- Full availability



Low cost

- Cost focus
- Ancillary revenues
- Competition complexity
- Retail on Board

The airline catering model is based around logistics. "Flight catering is 80% logistics and 20% catering (some said 70:30 and others 90:10)"¹. At DHL we know the importance catering has for your passengers. That's why we work with each airline and consider the on-board requirements, examining the end-to-end process and re-evaluating the total supply chain. This all helps to deliver an improved experience for your passengers.



¹ Professor Peter Jones, University of Surrey, OnBoard Hospitality, February 2009

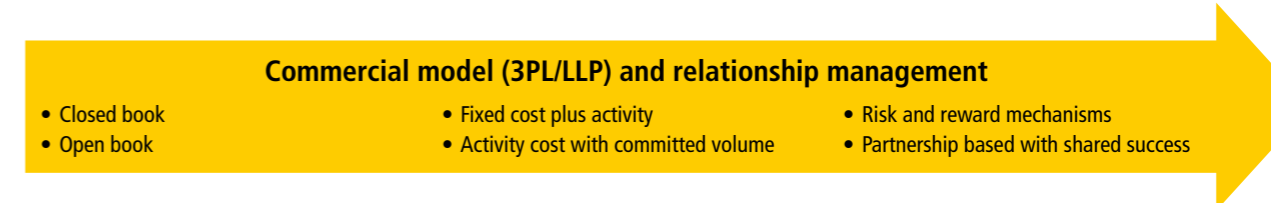
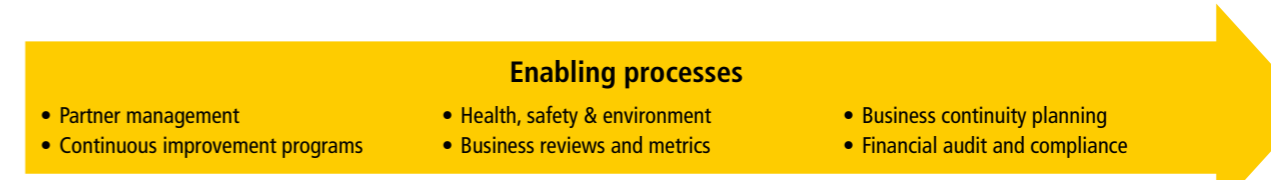
OUR RANGE OF SOLUTIONS AND SERVICES



As a trusted and valued partner to leading airlines around the world, we understand the trends and challenges faced by your business. We aim to help airlines take a strategic approach to business transformation related to their 'above the wing' spend, creating value by reducing cost, while improving the customer experience.

We have vast experience in managing extremely complex supply chains across a broad range of business sectors, from aviation to automotive, consumer to technology, food retail to fashion and industrial to healthcare. Each of these industries has its own critical activities, be it delivering chilled or frozen food to supermarket stores nationwide on a 15 minute deadline, delivering time-critical sensitive healthcare products, or managing customized line feeding of car parts to a continuous production line.

You can rely on us to use the wealth of skills, knowledge and capabilities within our organization to develop innovative and sustainable solutions that work for you and your environment, no matter how demanding.



HOW WE OPERATE

We use our industry and supply chain expertise to turn complex customer requirements into flexible solutions which meet customer challenges head-on. It's your perspective we take and it's your business needs we anticipate. We make it our business to understand your goals, objectives, key customers and competitive issues to help improve business models. We work closely with our customers, shoulder to shoulder with their management teams to establish trust and confidence to develop same-side-of-the-table behaviors to drive mutual success.

- **Engage on a consultancy basis** – we engage with you on a consultancy basis, but unlike other consultants, we deliver from implementation to steady state.
- **Business transformation** – we have teams dedicated to business transformation using the most comprehensive change management tools and processes available. Success can only be achieved with shared vision and shared goals. Together with effective leadership, customer focus and employee engagement we create the drive for successful operational change to happen.
- **Project management** - planning is critical to business success, that's why DHL has made project management a core discipline and a key differentiator. Through our DePICT® project management methodology, we ensure that the solution is implemented on time, to budget and becomes an operational reality.
- **Partner Management** – we manage our customers' partners and vendors through the introduction of reliable systems, processes and procedures we are renowned for - ensuring consistency and quality of supply and traceability. Ensuring elements such as financial audit and compliance for complete peace of mind.
- **Environmental management and sustainability** – are core to our business. We understand your targets and are market-leading within the airline industry, transforming environmental performance through innovative waste management systems and actively tracking and minimizing our impact. Our Envirosolutions team helps leading companies leverage their supply chain resources, significantly reducing the cost of waste, improving resource productivity and fulfilling their environmental objectives.
- **Health, Safety & Security** – We help you achieve high standards on health, safety and security through extensive training and timely monitoring. We offer consulting on global safety regulations and conduct regular inspections and process audits on our facilities.
- **Business Continuity Planning** – if your operation is disrupted by a natural disaster or other destructive events, it could have devastating consequences. We can help you create a robust, flexible and fully optimized business continuity management (BCM) strategy. By identifying the risks inherent in your supply chain and putting strong measures in place to mitigate them, you can be sure that there is a backup plan for whatever may arise.

WHY SHOULD YOU CHOOSE DHL?

We aim to think from our customers' perspective and to anticipate their corporate needs. We make it our business to understand your growth objectives, key customers, profitability goals, competitive issues, and more, helping to improve your business models through focused relationship management.

- **Food design and management** – Solutions to help you differentiate the customer experience from your competitors. Central to DHL's offering is the quality and innovation of food design and procurement. We understand the customer brief, menu requirements, destination categories and budget to then design and deliver an outstanding menu. The DHL Food Innovation Council, made up of multi-award and gold medal winning chefs, has given us a proven reputation for managing a broad food and beverage supplier base. This is one of the unique benefits of being 'supplier impartial', as we are not tied to any one supplier to source foods.
 - **Flexible commercial approach** – Our open book management model gives you full transparency of the financial information regarding your operation. Through this we are able to work towards aligned goals, eliminate conflicts of interest and provide flexibility over the term of the contract to support any changes in your strategic direction. Sharing risk and reward gives both parties the incentive needed to form long term strategies.
 - **Delivering value** – In order to mitigate increasing cost pressure, we can deliver through streamlined processes, greater efficiency, innovation, thought leadership and adopting best practice from our global business in a broad range of industries. This allows you to realize both cost savings and an enhanced customer proposition.
 - **IT Solutions** – Through customer, food, warehouse and transport systems we are able to deliver consumption by flight, equipment tracking, vehicle and driver data and performance management to balance product availability with costs and operational efficiency.
 - **Operational excellence** – Our culture, through a structured, customer focused approach is to continuously improve standards and levels of satisfaction. Six Sigma, Lean and the DMAIC cycle (Define, Measure, Analyze, Improve, and Control) are at the heart of our project management methodology. These tools, linked with innovation and communication mean that we are always driving to make our customers successful.
- We aim to be your First Choice** – our way of working, our corporate culture, our ambition to be the first choice for our employees, investors and customers. The goal of First Choice, our Global Employee Initiative is to establish a customer-oriented culture throughout the company. For us, this means offering new and existing customers even better services, to ensure that they continue to work with us and recommend us to others.