

Contract Logistics

Restructuring and global expansion caused significant growth rates in the business unit Contract Logistics. Gross profit improved by 48.2 per cent to CHF 595.0 million and EBITDA increased by 50.4 per cent to CHF 69.8 million, however due to additional goodwill amortisation, EBIT was 12.8 per cent lower.

Global expansion

In the year under review growth rates were particularly achieved in the USA, Canada and Mexico. With the acquisition of USCO Logistics, Kuehne & Nagel completed the global logistics network and virtually doubled the number of customers. As one of the largest providers of logistics and supply chain management solutions in North America, USCO ideally complements Kuehne & Nagel's presence in Europe and Asia. 2,754 logistics specialists further strengthen Kuehne & Nagel's competence in the warehousing and distribution business.

The step-by-step acquisition of the Canadian niche provider Virtual Integration Associates (VIA) has led to a build-up of know-how in the field of procurement logistics for contract manufacturers and suppliers of the electronics industry. This product is also to be marketed in Europe and Asia in the year 2002.

By the takeover of USCO Logistics and the partnership with SembCorp Logistics Kuehne & Nagel has now become a global player in contract logistics



By setting up its own logistics operations in Argentina, Chile, Brazil and Uruguay, Kuehne & Nagel today manages a comprehensive contract logistics network in North and South America.

In the Asia-Pacific region the collaboration with SembCorp Logistics was strengthened by mutual cross-selling activities. The strategic alliance formed between Kuehne & Nagel and SembCorp Logistics at the end of 2000, enables Kuehne & Nagel to access the partner's regional logistics network. A special focus lies on the expansion of the contract logistics business in Singapore, China and India. With SembCorp Logistics founding new logistics centres in Cheney, Bombay and Puna, the market position in India shall be decisively strengthened.

A small acquisition in Italy and the development of activities in South Africa round off the global expansion of the Kuehne & Nagel Group.

Industry-specific solutions

The focus on market segments in the year under review contributed substantially to the growth of the business. By concentrating on such markets as high-tech, automotive and chemicals, as well as retail and healthcare / pharmaceuticals, the service offering could be tailored to the special needs of each respective industry sector. The value-focused approach represented a major factor in boosting customer demand.



Kuehne & Nagel customers have access to almost 3 million sqm of warehouse and distribution space



PERFORMANCE CONTRACT LOGISTICS

CHF million	2001	per cent	2000	per cent	Variance 2001/2000 per cent
Turnover	941.4	100.0	736.4	100.0	27.8
Gross profit	595.0	63.2	401.5	54.5	48.2
EBITDA	69.8	7.4	46.4	6.3	50.4
EBIT	12.9	1.4	14.8	2.0	(12.8)
Number of operational staff	6,257	–	3,633	–	72.2

Highest growth was achieved in the healthcare / pharmaceuticals segment. For well-known customers in the USA, but also in Europe, Kuehne & Nagel provides comprehensive contract logistics solutions.

New business relations were established in the areas of high-tech, electronics and telecommunications, with activities in the latter intensified by successful conclusion of contracts with network manufacturers and providers.

For customers in the automotive industry, as well as in mechanical engineering the emphasis was placed on just-in-time delivery to production facilities. In order to meet future requirements Kuehne & Nagel has expanded the competence centre at Stute Verkehrs-Gesellschaft m.b.H., a 100 per cent Kuehne & Nagel subsidiary, in Bremen, Germany. A team of experienced industry specialists are available to plan and realise customised logistics concepts.

For one well-known customer in the automotive industry expansion of the existing on site logistics centre is due for completion end of March 2002.



Extension of the service range

Contract logistics activities now also include the operation of call-centres, a service principally initiated by USCO Logistics. For one key account in the high-tech industry a customised call-centre and logistics solution for delivery of spare parts within the USA is operated in Hamden, CT. The product range was additionally extended by light manufacturing activities and the operation of vendor hubs for selected customers. Kuehne & Nagel's value added services can thus be seen to extend far beyond traditional logistics and forwarding services, as such leading to higher benefits and increased efficiency for the customers. Moreover, the services differentiate through a high degree of flexibility and innovation.

Warehousing

Kuehne & Nagel operates more than 250 logistics centres in 45 countries, which cover approximately 90 per cent of the world's gross national product. Customised solutions range from regional to global warehousing and distribution concepts.

Distribution

Distribution comprises not only the countries in which Kuehne & Nagel is represented with its own logistics centres, but extends over the entire Kuehne & Nagel network in 90 countries. Warehousing and distribution concepts are regarded by Kuehne & Nagel as central components of industry-specific solutions, with upstream and downstream air- and seafreight activities also integrated into flexible services.

