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The CEO Magazine
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DELIVERING the Perfect Transaction

TNT Express is focusing on improving and streamlining the customer experience as it invests in its technology, operations, and people.

Images by Scott Ehler

TNT Express was founded in 1946 by Australian Ken Thomas. Today, with ownership now in Europe, TNT is one of the world's largest express-delivery companies with a global reach to 200 countries. For its Australian arm, forward-thinking investment and technological change are shaping the future of this dynamic business.

Bob Black, Managing Director of TNT Australia, has been with the company for more than 30 years. He recently spoke to *The CEO Magazine* about how TNT is

transforming the way it interacts with and delivers to its customers.

The CEO Magazine: What was your journey to becoming MD of TNT?

Bob: I went to Manchester University, and in the summer break I got a job with TNT doing some manual work to generate cash for the following university term. I did some warehousing work and some delivery rounds for about 12 months.

In that period, the early 80s, TNT had started to introduce computerised track-and-trace and

computer-generated paperwork and consignment notes. I'd been doing a maths and computing degree, so the fit was right with some of the more office-based, technical work with the company.

And that's when I decided this was a reasonable career opportunity. I had no plans to spend 30 years with TNT! I thought I'd spend a couple of years and get some work experience in a dynamic organisation. TNT was looking very much into how distribution would become much more sophisticated into the future, while in the 70s and >



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early 80s most of the industry was really just made up of trucking companies.

There were lots of opportunities for a young man in his first career position with some good knowledge of computer systems and an interest in distribution.

I got a lot of breaks in the early part of my career, and by 1986 I was managing a workforce of 100 people as an operations manager. That was pretty significant for a young man of 23. By the age of 25, I was general manager of London operations and running a depot with a turnover of around £5 million. It was reasonably significant at that time.

I moved through a number of further promotions and developed new business opportunities, especially in respect to data management, archiving—both physical and digital—and doing some offshore data capture. We did that at a centre TNT set up in Mauritius.

We started storing records for some significant government bodies like the Ministry of Defence and a range of hospitals. We then put that into a whole supply chain of on-demand collection, delivery, and storage of physical and digital records, holding that information and providing it back when the organisation needed it.

We built an end-to-end supply chain through acquisition, merging some businesses, and developing new channels. In the early 2000s, I was appointed COO for the UK, after serving as MD of special services. At that stage, TNT UK had a workforce of around 12,000

"It is exciting for BCS Logistics to partner with a client like TNT. They are dynamic and collaborative to work with, and BCS believes this unlocks tremendous value for both parties and delivers innovative solutions to drive the client's business forward." - Brad Jackson, COO, BCS Logistics



people operating through 60 different locations.

At the end of 2008, I was asked if I'd be interested in coming to Australia to take over as MD of the Australian business, which I accepted. On a personal note, I got married in 2006; we'd had our honeymoon in Australia, and my wife really enjoyed that. I think

she's been on honeymoon now for the last five years!

The TNT business, which had originated in Australia in 1946, had gone through quite a lot of rationalisation in the mid 1990s with changes of ownership.

When I came to Australia in 2009, TNT was in a period where it had >

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gone through that phase and was ready for that next step, which was really about investing in the future. It was a good time to come on board.

How have you utilised your industry expertise and experience in your role at TNT?

One of a host of things we started to do was increase our level of automation and sophistication—taking away a lot of the manual processes in the business and looking at automating them—and make it far easier for companies to do business with us.

These are actually the fundamentals of what we continue to do. We make it easier to do business with TNT; we want our customers to easily transact with us. Our systems need to be sophisticated but not complicated. Sophisticated systems should ease transactions, not confuse them. A high level of automation makes our processes much more efficient and effective, keeps our cost base at a reduced or reasonable level, and therefore makes our selling price acceptable in the market.

We are the number one integrated participant in the Australian industry, taking into account domestic and international business. That's because we are a very strong second or third player in both markets. Our ability is to leverage global capability with our domestic infrastructure. We're the only integrated global operator that also has a fully comprehensive domestic distribution here. We've leveraged a lot of that in the way that we sell to our existing clients, both domestically and internationally.

We offer a seamless cross-sell which provides our customers with peace of mind, whether they're shipping something from Europe to Australia,

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- Bob Black

Australia to the United States, or Sydney to Perth. That's how we sell—on a sophisticated system that isn't complicated and really improves ease of use. There's a global network alongside a domestic network. Local but global.

The global financial crisis accelerated some of this initial change. When I arrived here in 2009, it hadn't quite hit the shores of Australia, but it was obvious that it was coming.

Certainly, having a firsthand understanding of the upheaval in dynamics within the global economy helped put some structure into how we reshaped and braced ourselves for what we knew was going to come.

How have you seen TNT and the sector shift in recent years? What technological changes have you implemented?

There have been some significant shifts in the business over the five years that I've been here. Initially, it was the economy, with the GFC, which has had a long-lasting effect on the way we all do business.

Probably the biggest shift has been the rise of internet sales.

Consumers are looking for better deals and opportunities; we all know that. People are able to go online and buy products.

For us, fewer products are being delivered into the big retail chains. Our figures indicate an approximate 10-per-cent swing to online ordering with direct delivery. Of course, customers can order online through the large stores, so it's not that these stores are losing out on that sale; it's just that the customer is choosing a different channel to take their delivery or buy their goods.

Over the past three years, B2C has increased at a pace that exceeds the growth of B2B. Although B2B is still by far our largest segment and our core focus, we also acknowledge that there's been a significant rise in B2C.

We've become the company that sits between customers' procurement of their goods and their receipt, in whichever way they choose to do that. Our job is to make that transaction as seamless and easy as possible for both the consumer and the business to complete. Our role is to offer a great experience, from sender to receiver. It's a big, and growing, opportunity. >



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That's where technology solutions come into play, and we're doing some leading-edge work. It may seem paradoxical, but private customers place higher demands on our distribution network than business. A B2B customer is a much easier transaction. For a start, they're always at their business, and you know when you're on your scheduled rounds and routes that you can get to those customers, deliver the goods, and pick them up.

A B2C customer is very much a different case. Their expectation is that you'll deliver when it's convenient for them. It's been quite a large shift, and that's been an area of opportunity. We're working towards, and achieving, a higher level of efficiency and service to deal with that type of customer.

On one level, it's about introducing even more sophisticated automation at our depots. Personal items tend to be lighter and smaller, so we've improved our automation to handle the lighter shipments. We're more proactive in how we deliver those consignments. We've got technology where, once we've scanned an item with our Motorola systems, an SMS or email is automatically generated to the customer to say that the shipment has been transferred onto a vehicle and to expect it to be delivered that day.

It's convenient. But even then it raises the obvious question of what time it will be delivered. We're now looking at the ability to dynamically track our vehicles and flag a time when that vehicle will be in the customer's vicinity.

"Working with TNT is a great challenge and very rewarding. It's a competitive business and we provide a critical element in its revenue capture process. As a long term supplier, keeping TNT satisfied is a good test of our competence."
- Tim Francis, General Manager, Scale Components Pty Ltd

"We've become the company that sits between customers' procurement of their goods and their receipt, in whichever way they choose to do that."

- Bob Black



That will give people a one-hour time window.

That will be progressively introduced later this year with some of the new mobile technology that we're currently introducing into the fleet. It'll enable us to tell people that their item is en route today and that you'll get your parcel, for example, between 10.30 and 11.30 this morning. Also, when sending that message, we'll give the customer the option to tell us if that's

inconvenient and to click on a link to rearrange the delivery time.

We're working with other third-party suppliers to provide access to drop points, drop boxes, and particularly service areas where we can drop parcels off and give the customer the choice to pick it up at a more convenient time and location.

We've been working with Motorola to develop technology to provide optimal service to our B2C >

Measuring Success

At Scale Components we're transforming the Australian freight industry through the provision and support of world's best Check Weigh Cube technologies that identify, weigh and measure millions of freight items of all sizes that pass through the Australian supply chain each year. The identification and dimensional data our systems generate is used by transport companies for freight revenue capture and by distribution centres for improved stock keeping unit management. Our goal is that any boxed, packaged, or palletised SKU or item of freight that moves through the supply chain in Australia will one day pass through a Scale Components supplied Identification & Dimensioning solution. Our mission is helping companies like TNT to achieve their strategic vision - and if your company works in the supply chain industry please ask us how we can help you to achieve yours, too.

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customers, as well as to advance our service performance with our B2B customers, and it's being progressively rolled out.

The focus is on the depots, around scanning and data capture, so we know exactly what's in, when it's due for delivery, and then identifying the solution to deliver that, whether to our drop box, a pick-up point, or an alternative delivery address, so we can capture that flow right the way through.

How have you worked with GPT Group and CIP to ensure that process is seamless and leading edge?

By the end of this year, we'll open a new Super Hub at Sydney's Erskine Park, and we're working with GPT and CIP to build it, and with BCS to supply the automation to be able to process 25,000 items per hour. It's part of a nationwide investment in new depots and technology which is futureproofing our business. They are giving us a high level of automation and sophistication, and for our customers that means we'll be earlier on-road with even more efficient delivery times.

Working with designers and builders like GPT and CIP gives us a flexibility to customise a build. With their level of knowledge and experience, there's a competitive advantage.

In any industry, and in ours especially, the only sustainable differentiator in business will be superior customer experience. Anybody can mount an attack on price, but what will really differentiate suppliers even more in the future is the customer experience.

Everything TNT is doing is aimed at achieving that superior customer experience. We work with our key suppliers to achieve that. We are dependent on them for large elements of what we do. We're not into construction or building, but we're into delivering parcels, so we need to work with suppliers in building and construction that can assist us with that part, understand our needs, and really deliver to us the best outcome. The guys at GPT and CIP have been excellent in that regard.

We're now working on two further hubs in Melbourne and Brisbane. We'll be selecting our partners on the basis of their ability to work in a strong partnership environment.

How do you work with strategic suppliers and partners to ensure TNT has the best, most modernised equipment?

First, we tender the work. We invite a selection of suppliers and we listen to their approach and how they work and partner with their customers. We do reference

checks with other companies that they've worked with.

The reason we selected GPT was that they offered a true joint effort. They came to the table with lots of flexibility and great ideas about how we should design and build. They're the experts, so we have to listen to them; but they also retain a great element of flexibility so they can work with us and our other suppliers.

In the case of our Sydney distribution Super Hub, we have a hierarchy of suppliers working with suppliers. GPT and CIP work on the design and build, and then our all-important sortation system is installed by BCS Group. Integration of effort is essential to meet our occupancy deadline, which is one of our key drivers.

GPT, CIP, and BCS have planned a staged occupancy—when we can have access to a third of the site, two-thirds, and then the full site. They've maintained a high level of flexibility to work with us on changes in terms of access and availability on site, scheduling, and other issues.

How have you collaborated with BCS Group to develop the best systems for TNT?

BCS has been working with TNT for a number of years on some of our projects in Australia, so we've seen firsthand how well they develop their systems, how well their systems operate, and what a high level of sophistication, automation, and accuracy they provide within their systems.

When it came to our three new major projects—the Super Hub in Sydney, as well as Brisbane and Melbourne—we needed a supplier that would be able to achieve a seamless integration of systems into all three depots. >



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BCS has been innovative in how they've achieved that. Many of the design opportunities have given us even higher levels of automation. Robotic pallet truck movers and tipping systems take a lot of the manual sorting work out of pallet unloading.

BCS knows that our key driver is to automate as much of our physical activity as we possibly can. It reduces our occupational health and safety issues, it improves our speed and efficiency, it introduces a high level of accuracy, and it reduces our costs overall.

We've been extremely impressed with the way BCS operates in this

partnership. They've worked with us for many years now, and they actually do the maintenance on some of the older sorters that aren't theirs. They have a really good understanding of our business. Importantly, we are confident they have our best interests at heart.

They know funds are not infinite, so they provide us with an option list of what we need for our core system and what components can enhance the value that delivers. We're then able to do business-case justifications and accurately measure the value of the investment. They're not trying to make it a complex sell; they make

it a very easy sell where they're able to give us improved componentry on their sortation systems that's costed separately so we can justify paybacks and capex for that spend. They're not only proactive, but they're also very understanding of our business and how we need to justify spend.

Technology and processes still need people to run them. In a business seeking to maximise automation, what is the place for people?

I'm proud to say we have a hugely loyal and committed workforce—but we wouldn't have unless we mutually continued to invest in each other. Every one of our employees is a stakeholder in our success. It's not enough to accept that as a fact because that is, to a degree, taking it—and them—for granted. Just as we've invested in plant and equipment to the benefit of our work colleagues, we've also invested in programs to make their workplace experience more enjoyable and personally productive.

Specific HR streams, which we call 'Employee Direct' and 'High Potential', are mentoring opportunities through which, with the very latest in engagement methods, we're capable of enriching our people's knowledge and therefore their self-esteem. A lot of people and companies have the same lofty goals. I guess our proof of success is in the third-party recognition we've received. This is the second successive year TNT proudly has held the 'Top Employer' award among our global network, identifying us as an employer of choice. We were a finalist in the Australian HR Awards, and the Sydney-based LearnX Foundation awarded TNT first place in its Best Learning Organisation award and finalist in its Best Learning Team segment. >

Technological Innovation

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"Motorola Solutions is focused on helping remove the complexity of deploying these technologies to help businesses manage their networks and fleets so they can focus on helping those they serve best—their customers." - David Arkles, General Manager Enterprise



What innovative technologies is Motorola Solutions working on with TNT?

Motorola Solutions has been working in partnership with TNT Australia for more than 17 years in what is now a global partnership. We have developed new capabilities and joint firsts for the transport and logistics industry; for example, the first sign-on-glass mobile computing device to run on the cellular data network was developed with the Australia team.

How do you work with companies like TNT Australia to identify and capitalise on technological trends?

Motorola Solutions provides leading end-to-end solutions for a range of industries, including

transport and logistics, supply chain, retail, and healthcare. We work closely with our customers around the world to understand their business needs, and develop and tailor technological solutions to help them remain competitively advantaged. The SB1 smart badge, for example, was developed with Tesco to increase in-store productivity—alerting employees that stock is needed, answering on-the-spot customer product queries, and calling staff to checkouts without disturbing shoppers.

What are the biggest technological trends you see facing the transport and logistics industry?

The rapid adoption of online trading, social media, and smart phones and devices has

increased customer and user expectations for real-time and constant communications. Within the T&L industry this has translated to both sender and recipient expectations to track packages in real time, advance notification of delivery windows, as well as reverse logistics for handling returns. Leading organisations are looking to technology to automate their processes, particularly as companies strive to do more with less.

Motorola Solutions is focused on helping remove the complexity of deploying these technologies to help businesses manage their networks and fleets so they can focus on helping those they serve best—their customers."





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In the 'blokey' world of transport, you've also made great gains and achieved a lot of positive recognition for your support of gender diversity. Can you expand on this?

It's been one of our most successful initiatives. Two years ago, we looked at the issue of gender diversity very carefully. It wasn't totally altruistic. At the height of the mining boom, all employers in Australia were under immense competition as young people, understandably, looked to the resources sector for lucrative employment. Our own investigation highlighted that just 20 per cent of our total work force of 5,000 were women. That was pretty good for our industry, but in the broader sense there was room for improvement. Closer inspection identified most of our female workforce were in 'traditional' roles like customer service. Fewer than 3 per cent of our drivers and dockhands were women. We started a program called 'Women in Transport'—and it found real traction in the community.

For a start, we talked to our existing employees to discover the good and the bad of their jobs, and set out to fix the bad. Only then did we open the doors to a recruitment campaign. By the end of the first year, we'd doubled the number of female drivers and dockhands. But more importantly, we'd achieved a business change in the processes being undertaken and we'd achieved a cultural change within our entire organisation.

We've not only gained access to a broader range of potential



We're headliners at the annual Referee Development Clinic for school-aged trainee referees, and through the Footys4All foundation, another code incidentally, we delivered 500 footballs to children in remote Australian communities.

What about direct employee community engagement?

When you come right down to it, 5,000 people is equivalent to a country town or a suburb—and there's a lot of community interaction both within our own company and between our company and the community. Just after I came to Australia, I was delighted to participate in a Sydney Harbour Bridge walk on behalf of the World Food organisation, raising awareness and funds as part of a global initiative undertaken directly by my colleagues.

employees, but we've also been able to track improvements in customer-focus benefits. From a business perspective, we've been recognised and used as a successful case study by both the Workplace Gender Equality Agency and CEDA [Committee for Economic Development of Australia]. They're pretty powerful tools to use.

TNT has become the instantly recognisable voice of the football season through its sponsorship of Australian Rugby Union referees. That's good for TNT's overall profile, but how important is it for your employee relations?

Everything we do is for our employees first. Without their buy-in and their enthusiasm for any initiative we take, we've wasted a lot of impetus. There's an old adage that says, "Fifty per cent of my advertising is for my customers and 50 per cent for my network. The problem is I don't know which 50 per cent." It's so true. When my TNT colleagues switch on the television or go to the game, they can be proud of their company; and equally our sales staff know we're investing in brand recognition, which is particularly important. But our sponsorship of the ARU [Australian Rugby Union] goes deeper than that. The ARU has a great community engagement program, and we're part of that.

Globally, our company makes time available for our people to undertake volunteer work in areas of need. Closer to home, some of our work groups have taken individual causes to heart. The crew at our Botany depot has raised more than \$30,000 for Ronald McDonald House at the Children's Hospital at Randwick, as well as giving their time to projects at the hospital. I work with some of the most professional and hardworking people in the industry—and also some of the most generous.

What other improvements are you making to your operations?

We're upgrading our vehicle fleet, and we've made a significant investment. We have 165 new Isuzu vehicles coming in this year. We've also bought another 80 Hino vehicles, 23 of them hybrids. We're really keen on making sure we have a good mix of hybrid vehicles in our fleet. The new order takes our hybrid vehicle >

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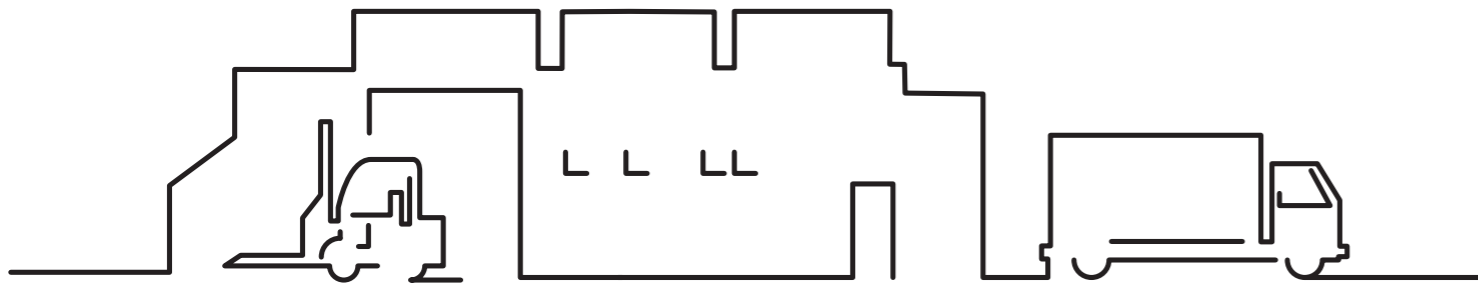


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fleet up to around 100, which is significant. Isuzu and Hino are two strong suppliers, and they're great people to work with. They offer really good, flexible terms on how and when we take the vehicles in.

Another one of our big suppliers is Qantas Freight. We've got a strong relationship with them that stretches back 12 years. They do all our domestic express priority work. We spend over \$50 million per year with them domestically. We also spend another \$25 million with them internationally. Their level of service enables us to develop our services in the express and priority end of our business.

TNT undertakes joint workshops with Qantas to work on route planning to ensure efficiency. We're talking to them daily, meeting with them weekly, reviewing monthly, and workshoping quarterly. It's a really integrated partnership and we work closely together to get a great result.

How are you working with Motorola to develop leading-edge technologies for TNT?

Motorola is a global supplier to TNT, and they've been a supplier of choice for many years. We've been working with them on our network here for probably 15 to 20 years on equipping our drivers and our warehouse staff with data scanners to capture information and transfer it into various reporting systems.

A lot of the work is leading edge. We're currently doing a project with them now on finger scanners, which takes away the need for our people to hold a physical scanner; instead, they can use a ring scanner which is placed on their finger or on a belt. It's able to track parcels right the way through our network and warehouse.

Motorola has been doing a lot of work on data capture on all goods travelling through our network. It's a big part of our business in terms of quality assurance, track and trace, and visibility, which is extremely important for our customers.

How do you leverage the global expertise and reach of TNT for its Australian operations?

We're committed to benchmarking against other TNT operations in other countries and other businesses in a similar line. I came over from Europe five years ago with lots of information in my head about what's going on there; but of course, five years on, things are changing at a rapid pace, so we must rely a lot on contemporary information sharing.

We use video conferencing quite regularly. I video conference at least two to three times a week with Europe and other countries, and so does each of the functional directors in my team. Then we have regular meetings and information-sharing sessions in Europe. I am also part of a domestic management team with CEOs of other countries, and we talk about the integration of systems within our domestic businesses.

Globally, we have teams dedicated to keeping system availability and integrity high across our network. A number of those teams work out of our head office in Amsterdam.

Our huge drive at the moment is called the 'Perfect Transaction'. It tracks our performance from sales and order processing right through to invoice and cash receipt. We have a team of 40 people working through every process in between sale and cash collection and how we can improve that process for our

customers. That's a global initiative. Each country has a Perfect Transaction leader and a local Perfect Transaction team interacting with the other teams.

They are learning best practice from each other, examining who's doing it really well, how they do it, and how that can be implemented into a global standard—ultimately how we can improve our performance. It's aimed at ease of use for customers, great service levels, and a sustainable, superior customer experience.

What is your short- and long-term vision for TNT?

TNT's short-term vision is to remain agile, fit, and profitable in Australia. It is to make sure that our customers know that we listen to them and that we are able to adapt our services and our interaction with them to the level that they find acceptable.

Looking at the medium term, we call it our 'future fit strategy'. We're developing our three new hubs, which is an investment of more than \$250 million over this next 12-month period. This is in addition to the \$150 million invested in the last three years. That's to step us up so we'll be fully automated, we'll have a high level of track and trace, and we'll have automated and dynamic routing systems that will advise customers on due dates and delivery times. It's really about taking the customer experience to the next level.

Our overall long-term strategy isn't to be the biggest or to be the market leader in Australia; it's to be the best and most customer-focused distributor. The real differentiator is superior customer experience. Our target is to ensure all of our transactions are perfect. >

DELIVERING >>>> TOGETHER



Clockwise from top: TNT Sydney Basin; RRM at Erskine Park; Rand at Erskine Park and Australia Post Chullora



Our key drivers are the perfect transaction, a sustainable future, engaged employees, and happy stakeholders.

Where do you see the industry going down the track?

Customers will see improved service across the board because TNT and its competitors are all fighting for increased customer share. There's a lot of investment going on in the business, and I think there'll certainly be a step change in performance.

I do think that there's a possibility in the not-too-distant future that between the big players there could be a higher element of over-capacity to service this market. That will cause an interesting dynamic. There's never been a huge over-capacity in the market. Perhaps at certain times of the year and in certain businesses there has been, but I don't think there's been a large over-capacity.

That could create further opportunities for consolidation in the future. There will be pressures

on businesses regarding their service performance and price. That's what keeps us sharp. Rather than focusing on that negative side, the thing that keeps us really sharp is that our competitors also see that a great customer experience is vital. They'd be foolish not to see it.

At TNT, we need to ensure we maintain a high level of service performance and strong relationships with our customers, because the market is going to get even more competitive.

We're investing seriously in our business. There's a serious step-up in investment and in what we want to achieve in a perfect transaction. All our people see that: that we've really got to raise the game, be serious about taking customers on, and offering them a high quality of service at the right price. •

"Our key drivers are the perfect transaction, a sustainable future, engaged employees, and happy stakeholders."

- Bob Black

"Key to the project's success is our team working with TNT to effectively design the building around their sortation equipment layout and delivery timetable. As developer and owner, GPT is focused on creating a world-class facility with longevity." - John Thomas, Head of Development, GPT

"A lot of time and resources were committed to ensure the best business outcome for TNT. We've worked closely to achieve this and seeing the structure coming out of the ground now is a great milestone for TNT and the team." - Paul McKenna, Managing Director, Commercial and Industrial Property

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