

“Plan for volatility”

Interview with Peter Thorrington, President and Chief Operating Officer of supply chain management business UTi Worldwide, on the medium-term development of the airfreight market

planet: Which are the decisive trends on the worldwide airfreight market up to 2010?

Peter Thorrington: The tough competition forces suppliers and manufacturers to continually move production to lower cost-of-labor countries. As a result, the ability to predictably deliver goods declines and variances occur in the supply chain – and variability drives airfreight. What is more, the trend towards less capital tie-up will continue. As people move to lean manufacturing and just-in-time delivery, inventory levels are dropping in the supply chain. Unforeseen circumstances, such as strikes, weather, or equipment shortages, interrupt supply and drive the need for airfreight. A further trend: many companies are moving

to focused manufacturing in an effort to create longer production runs with fewer line changes. If only one manufacturing site is chosen to produce the same product for multiple countries, this drives the need for more transportation with longer transportation stages, thus positively impacting the use of airfreight. As you can see, airfreight will remain one of the growth industries in the future too.

planet: Which services will your company be mainly focusing on in the coming years?

Thorrington: We are focusing on freight forwarding contract logistics, information delivery, specialized services for vertical industries, and customized solutions for specific customers. This suite of services is designed to

leverage our core business of global air and ocean freight forwarding and brokerage.

planet: Which are the key markets for UTi and what market expansion do you expect to see there?

Thorrington: Asia is expected to remain the fastest-growing region, with overall airfreight growth rates somewhere between five and seven percent. Intra-Asia will grow beyond seven percent, Europe and North America will continue to grow at a three to five percent. We believe we are well positioned to expand at rates that exceed market growth.

planet: How do you rate the development of GF-X against the background of competition from other platforms?

Who is UTi?

UTi Worldwide is a broadly based, information-focused supply chain management business. In 1995, the four principal management shareholders bought what was formerly Union-Transport in Germany. UTi displayed exemplary growth through acquisitions and integrated firms from five continents. The company now has over 250 offices and over 80 logistics centers in 49 countries, staffed by a team of more than 10,000 and reported annual gross revenues of 1.2 billion dollars in the financial year 2003. In 2002, UTi Worldwide introduced a five-year strategic initiative called NextLeap that focuses on accelerating revenue growth, improving operating margins, rallying the company's employees on key performance metrics, and gaining major strategic customers.

Personal file

Peter Thorrington worked in a variety of executive positions in South Africa and Europe before joining UTi's predecessor company Union Transport in 1993. He has been President and Chief Operating Officer of UTi since May 2000. The person he admires most is Fred Smith of Federal Express, who developed the vision of using a hub and spoke system for delivering overnight shipments in the U.S. and successfully put it into practice. Peter's motto in life is "serve others". UTi tries to epitomize this, and it is applicable for customers, people and partners.

Thorrington: Market exchanges such as GF-X create the greatest value when users can view the entire capacity of all carriers on one system. If a user must check multiple systems to determine market capacity and make bookings, he probably picks up the telephone and books. Unfortunately, some people will only use a new system when the value proposition is completely compelling.

planet: How do you rate Cargo 2000?

Thorrington: We fully support the concept of greater efficiency through standardizing processes, equipment and information. UTi will be among the first to adopt any standardization that reduces costs for our customers.

planet: What development do you expect in the field of mergers and acquisitions in the forwarders' segment?

Thorrington: The forwarding business remains highly fractionalized, with no one com-

pany controlling more than ten percent of the market. As a result, we expect that consolidation activity in the forwarding industry will remain active. UTi's M&A strategy focuses on how our customers and the merged company's customers would benefit from a merger or acquisition.

planet: How are you getting ready for the strong volatility of the market?

Thorrington: Airfreight remains primarily an unplanned event. As a result, we plan for volatility by focusing on our customers and getting involved in their planning processes at an earlier stage. With additional time, we can offer more alternatives to solve any supply chain issue. We are also partnering with air carriers that have financial clout to flex with the demands of the marketplace, offer a full range of services that meet our customers ever growing demands, and maintain sched-

uled capacity in the markets we need. We also offer a broader range of services to decrease our dependence on any single product and we have a flexible workforce that can be cross-utilized from one service to another. In the forwarding business, 50 percent of our net revenue involves labor. It is quiet clear, therefore, that we must manage our people resources wisely.

planet: What effects will additional requirements for security have?

Thorrington: Additional pressure will be placed on the supply chain participants and service providers to eliminate future threats. As a result, more liability for protection will be placed on the supply chain service providers. Legitimate companies will continue to move freight quickly, but more preventive measures will become the norm. ▽

www.go2uti.com

