

# 01

## Continually improving integrated and customised services



### WHY THIS IS A PRIORITY

As an integrated logistics service provider, our clients trust us to provide them with a full spectrum of logistics planning, management and operation, including managing other service providers and assuming responsibility for safety, security and sustainability, on their behalf.

In tough trading conditions and to counter competitive pressure, providing excellent client service is non-negotiable. We must provide our clients with easily accessible client-centric teams that engage with them on the challenges they face and respond quickly to their needs. We must enable their access to markets and reduce the cost of their supply chains in sustainable ways. Our strong relationships with major clients and deep understanding of their strategies, positions us as a strategic partner able to enhance their competitiveness.

In Africa, our scale and ability to integrate routes-to-market with sales and demand activation offerings, protects our relevance and competitiveness against the threat of disintermediation. In addition, it enables us to offer global principals a consistent range of services across their key markets in Africa.

Technology-driven disruption is a material threat, as e-commerce grows and new competitors are increasingly enabled by technological advancements. Leveraging the power and potential of technology to enable operational excellence and competitive differentiation is a critical strategic priority.

An integral part of our managed logistics business is a network of reliable transport sub-contractors who play a pivotal role in the overall client experience. This requires strong service provider partnerships, particularly in tough economic conditions where sub-contractor capacity has reduced. We must ensure that our third-party contractors adhere to our standards in managing our most material sustainability risks.

### RISKS AND CHALLENGES

#### ALL REGIONS

- > **Lower volumes** due to the slow economic growth globally, compounded in South Africa by a decline in consumer spending and low business confidence.
- > **Increasing input costs** (wages and imported vehicles and parts), as well as margin pressure when renewing contracts.
- > **Increasing competition** from new entrants.
- > Impact of **disruptive technology and innovation**.

#### AFRICA

- > **Disintermediation** where multinationals look to manufacture locally and distribute products themselves.
- > **Capacity and capability** of sub-contractors.

## BUILDING CLIENT PARTNERSHIPS

Our client strategy rests on the unparalleled provision of outsourced integrated value-add, supply chain and route-to-market solutions – customised to ensure the relevance and competitiveness of our clients.

### IMPERIAL LOGISTICS AFRICA

We use a combination of direct engagement and surveys to obtain client feedback. Our strategic clients are serviced through formal client relationship structures, and our executive managers attend quarterly strategic meetings with clients' senior management teams. At a company level, our managing directors and key account managers proactively engage with clients on operational and tactical opportunities.

We conduct qualitative research with strategic clients and the results are used to address operational concerns and build a more robust client engagement strategy. Research is done over the telephone although clients can request face-to-face interviews. Our leadership team gives input to survey questions and we repeat the research every 12 to 18 months to determine what progress we have made.

Client research in South Africa indicates many areas in which our clients are satisfied with our operational capabilities and rely on our continued involvement in their business. Areas for development are continuously tackled.

### IMPERIAL LOGISTICS INTERNATIONAL

Our strategic key account management teams service our top 50 clients. Strategic meetings with these clients helps us to understand how we can assist them to achieve their business plans. For small and medium-sized clients, we provide a single point of contact to take care of their logistics needs. Performance against client relationship targets is monitored weekly.

*The Imperial Logistics C3 (client, care and champion) programme (ILC3 programme) is designed to translate our client relationship building strategy in Africa into workable and measurable best practices.*

*It facilitates learning through the sharing of experiences, drives innovation and recognises employees that have elevated client relationships to drive competitiveness.*

*Our international clients are serviced through a central sales support department and a client relationship management system which together promote a consistent client experience across the business.*

## How we create value for our clients

Our focus on client centricity requires that we deliver value to our clients beyond the traditional scope of logistics services. We offer our clients tailored services supported by leading-edge technology and advisory services. Some of the solutions delivered to our clients include:

- > **An integrated delivery management solution on a mobile operating platform:** provides a major retailer with real-time visibility.
- > **An analytics solution for a feed and poultry products producer:** achieved a 25% reduction in kilometres travelled, a 13% increase in vehicle load capacity and an overall cost reduction of 19%.
- > **A transport management service for a leading frozen foods manufacturer:** resulted in a 57% reduction in primary logistics costs.
- > **A field services solution that integrates job scheduling, and inventory and transport management:** provides quicker service at the lowest cost.
- > **Outbound logistics optimisation services for a global alcohol beverage company:** aims to reduce logistics costs by 20% a year over two years and is on track to meet this objective.
- > **In-a-Box solutions:** over 200 storage and clinic-in-a-box solutions deployed in Malawi with a further 71 in four other countries and eleven warehouse-in-a-box units in six countries.
- > **A world-class logistics control tower:** as part of a long-term managed services agreement with a major retailer.

## ENHANCING COMPETITIVE ADVANTAGE THROUGH DIGITISATION

The digitisation of information and management processes makes our business leaner and simpler, and speeds up communication between the stakeholders along the supply chain while creating transparency. Differentiating our client value proposition through a mix of standardised and customised system solutions, is driven through our newly established Supply Chain Lab in Berlin which has the capability and partnerships to adapt to disruptive innovations and deliver new IT solutions to market.

Our overarching objectives are to use scalable state-of-the-art systems to provide IT services that improve client engagement, debtor management and procurement cost savings. One example is automated dashboards, which together with telemetry services, gives us the ability to manage our operational performance in real time, so that we can quickly inform clients of any delays. Our IT teams are closely involved in tenders to ensure that we provide our clients with the best solutions.

*We are changing how we do business and address our target markets by developing new channels and consolidating our capabilities to provide our clients with enhanced offerings that are integrated and differentiated.*

*We keep abreast of disruptors to our business model to ensure that our approach to innovation is proactive.*

## Flying robots that perform stocktaking tasks in our logistics warehouses

Our clients expect proactive solutions to improve process chains in complex logistics operations. In Germany, we are developing a pioneering flying robot together with the Fraunhofer Institute for Material Flow and Logistics and Aibotix GmbH. The robot aims to simplify stocktaking processes at warehouses, by reducing inventory costs and providing our clients with more precise stock counts. It also reduces OHS risks for our employees who no longer have to work on high shelves using mechanical means. The device is equipped with ultra-sound sensors that read RFID chips and barcodes, as well as cameras and laser beams to determine distances. As such it is able to count individual items or load carriers stored on high shelves and send the data to a central warehouse management system.

## SUPPLIER ASSESSMENT

We draw on a large network of business relationships to support the role we play in our clients' supply chains. In Africa, we collaborate with around 550 transport partners who are held to the same quality, and health and safety standards as our own companies. Our risk team regularly audits our transport partners to ensure their compliance. These assessments yield a number of benefits, including increased visibility, the ability to identify hidden waste and costs and the opportunity to align a client's and transport partner's business practices.

*We cultivate strong, collaborative relationships with our transport service providers, who are critical business partners in our managed logistics business.*

## Creating value for our transport partners

We create value for our transport partners in a number of mutually beneficial initiatives. Our fixed-term contracts with certain suppliers, for example, transfer the risk of underutilisation to Imperial Logistics. We leverage our vast client network to reduce sub-optimal cargo loads to ensure a maximum earning potential for our transport partners. We also use our buying power to procure certain products (fuel, lubricants, tyres, windscreens and tarpaulins) on behalf of selected transport partners, reducing their input costs and improving their competitiveness.

In the event of hijackings, theft and fraud, Imperial Security Solutions takes responsibility for the investigation. With an exceptional recovery rate, this service protects the interests of our clients and reduces the cost of insurance premiums and excess payments for our transport partners. In the event of a vehicle accident, we use Truck Assist to recover the vehicle and client product, and ensure that the correct procedures are followed during the scene clean-up process, particularly in terms of hazardous loads. With up-to-date information we are able to make informed decisions relating to the scene, injuries to the driver and third parties, and products that are salvageable. Truck Assist also ensures that our transport partners receive market-related recovery rates.

In terms of transformation, we hold workshops and one-on-one information sharing sessions with our transport partners to help them improve their BBBEE ratings.

## Shifting to a lean culture that drives operational efficiency

When working in established patterns of behaviour, we may be blind to potential savings and new ways to create value. Started in 2016, the **LEAN EXCELLENCE** initiative in our international operation encourages our employees to alter their behaviour in accomplishing everyday tasks. The initiative goes beyond cost optimisation and is aimed at creating a culture that encourages employees and managers to break new ground and drive competitiveness in the marketplace.

Some of the key questions we ask are: how can we better use our existing storage capacity? How can we increase employee satisfaction? How can errors be avoided and time saved? How can we increase quality and safety standards?

The outcomes of **LEAN EXCELLENCE** are faster and more streamlined processes, increased productivity, enhanced client satisfaction, improved employee motivation and team cohesion, a safer place to work, the elimination of waste and a stronger reputation as a key strategic partner. In time, the initiative will provide a platform from which we will be able to identify cross-site synergies and share ideas between locations. **LEAN EXCELLENCE** is overseen by a steering committee, and lean performance is reported monthly against a set of key performance indicators.

Critical to our success is encouraging site managers to adopt a more coaching-based role and effective and clear communication with employees to get their buy-in to the concept. When we roll out **LEAN EXCELLENCE** at a site, we appoint lean managers and deliver lean training and a lean methods toolkit. Weekly workshops are held with employees to listen to their ideas and the propositions that have merit are implemented. In addition, our **LEAN EXCELLENCE** teams work with the sustainability and energy management teams to ensure a holistic approach.

**LEAN EXCELLENCE** has been rolled out to 20 sites to date, with a further ten roll outs scheduled for 2018. In January 2017, we held a training session for all lean managers and feedback showed high levels of enthusiasm and support for the initiative. A more formal employee engagement survey is planned for October 2017.

## Training that supports clients' requirements

In Hungary, we partnered with a client to launch an internal training centre for new employees. Opened in March 2017, the centre provides participants with three days of theoretical training and on-the-job exercises on logistics processes. The training is based on our client's requirements, as well as our own specific training content, and ensures that our employees have the right skills to perform operational tasks. Feedback shows enhanced client satisfaction and that our employees are delivering a better quality of service. The training centre also gives new employees the opportunity to network with each other, contributing to stronger teamwork and increased motivation.

## 2017 PERFORMANCE

### Supporting clients and business partners through transformational and transactional digitisation

During the year, we established a groupwide team of IT experts, led by a newly appointed chief information officer (CIO), to drive our client-centric strategy and build our global IT capacity. In addition, we launched the Supply Chain Lab in Berlin in December 2016 to proactively drive innovation through the rapid development, testing and implementation of supply chain solutions tailored to the needs of our clients. The lab works with IT specialists and IT students from start-up companies and involves our employees and clients in the co-design of new solutions. Two initiatives are currently in progress – one dealing with managing the documentation that accompanies supply chain management, and the other addressing idle capacity in warehouses.

In South Africa, IT implementations undertaken during the year aimed to support enhanced client service and the consolidation of the operation. Developments included consolidated back office systems, scalable solutions for clients, a single world-class transport management system and an updated client relationship management tool.

We also developed and implemented a tool for the South African operation that measures and manages supplier performance using defined key performance indicators, including kilometres travelled, revenue, days lost/gained and general process capability ratios. The tool provides quicker access to accurate information and once the data is analysed, we provide feedback to our transport partners through a supplier portal. The portal also enables our transport partners to upload their proof of delivery documentation which positively impacts their cash flow and improves administration time for clients.

In the international operation, our focus is to integrate our complex systems to create uniform applications across the business. In addition, we rolled out the Imperial Freight Management System in 2016, a web-based e-commerce platform that matches shipping space to loads that require transporting. This cargo exchange system was initially only used for our own needs but we have now extended it to independent mariners. The system supports better use of a ship's capacity and reduces the number of empty cargo journeys and unnecessary fuel consumption. It provides ship owners with an easy tool (accessible on their computers, tablets and smartphones) to plan their orders and gives them a status overview and positioning of each vessel. It also reduces administrative workload by making freight-related documents available electronically.