

NEWSLETTER

Schenker Saudi Arabia

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KING ABDULAZIZ PORT, DAMMAM: A vital capacity increase

As Saudi Arabia's second-largest commercial port, King Abdulaziz Port in Dammam plays a vital complementary role to the larger operation in Jeddah. As the main port for the Eastern Province, it is the key port serving the country's oil sector and, more recently, its burgeoning petrochemicals industry.

In 2006, 2,464,741 tonnes of liquid petrochemicals were exported through the site, more than five times the second largest export, barley. With nearby Jubail's port facilities still expanding, Dammam has assumed responsibility as the country's main petrochemicals outlet.

Capacity at the port is a relatively modest 900,000 TEUs but here, too, ambitious expansion plans are under way. The site hopes to more than double this to 1.9 million TEUs in a year, and the possibility of reaching 3.9 million TEUs by 2013 has been mooted.



This new commercial capacity will become increasingly important as the site caters for a growing local population. "Dammam, Al-Khobar and Dhahran are essentially merging into one metropolitan sprawl," says Geoff Fennah at the British Chamber of Commerce in Dammam.

"Apart from the expanding industrial facilities in Jubail, Dammam is the only real major port in the Eastern Province. There has been talk for some time over expansion of the port facilities, and it is becoming vital."

Double figure growth in the major economic regions

Schenker remains on a course of growth. Since joining the Deutsche Bahn Group in 2002, Schenker has more than doubled its sales revenue, from 6.2 to 13.2 billion turns last year. "We have shown that we are fully resolved to seize our chances in the growing logistics industry with both hands," said Dr. Norbert Bensele, Chairman of the Management Board of DB Logistics at a press meeting in Berlin, Germany. Schenker is number 1 for European land transport, number 2 for worldwide air freight and number 3 for worldwide ocean freight. In the past year Schenker has succeeded in strengthening and extending its leading market positions in all areas of business.

Above all as a result of the takeover of BAX Global, together with a continuing organic growth of 17 percent, Schenker has significantly improved its market position in the crucial triad: in Europe its sales revenue rose from 7.2 to 9, in America from 0.8 to 1.9 and in Asia from 0.8 to 2.2 billion euros. Dr. Marco Schroeter, Chief Financial Officer of Schenker AG, said:

"Many of our competitors are only now taking steps to establish themselves in the growth regions of the world. Schenker's customers have an easier job, as they have been able for some time now to have recourse to functioning global networks comprising all modes of transport."

For the future, DB Logistics aims to continue improving its international networks, with a view to responding to the growing demand for integrated services. A special priority is the further development of contract logistics. Dr. Norbert Bensele: "Studies have demonstrated that in this royal branch of logistics the German market alone, as a result of the increase in outsourcing, shows a potential of 67 billion euros, of which to far only 23 percent has been exploited. Here we plan to intensify our commitment, in the middle term our aim is to work our way into the top five of contract logistics service providers worldwide."

Dammam was hit by a series of terrorist attacks on expatriate workers in 2003 and 2004. The attack on an expatriate compound in Al-Khobar in May 2004 resulted in foreign businesses leaving the Eastern Province in droves for the relative security of Bahrain. Strenuous efforts by the government and security services to restore confidence have steadily brought companies back, which, combined with the kingdom's economic boom, has redoubled pressure on the port's capabilities.

Dammam is the key entry point for construction projects along the east coast, hence the prominence of building materials and equipment among its main imports (see table). Because of the port's modest capacity, questions have been asked about whether Dammam could ultimately hinder the rate of construction in the province.

It is a charge denied by Transport Minister and chairman of the Saudi Ports Authority (SPA) Jabara Eid al-Seraisy. But, he concedes that the expansion of the site is overdue. "Slowing the pace of construction is not a problem yet – there is also Jubail commercial port to provide services for the importation of construction materials," he says. "However, we are keen to increase its capacity by 100 per cent as soon as possible. Dammam is vital to serving eastern markets in Asia, South-East Asia and the Gulf."

Fennah, however, believes the Land bridge cannot come soon enough, with pressure on the city's surrounding transport infrastructure and the port becoming unsustainable. "Presently, the plastics and polyethylene being produced at Jubail are transported to Dammam by truck," he says.

"As Saudi Arabia has driven its downstream production, the number of trucks now required is enormous. This will not be sustainable for long as production capacity up the coast increases. Land bridge will have a huge impact. The rail link will provide the ability to move goods in much greater quantities and more rapidly."

However, some question whether the Land bridge might in fact draw business away from Dammam, with companies choosing instead to save themselves the time and cost of picking up goods in the east and paying a second set of port fees, instead collecting them in Jeddah. Conversely, goods for the Eastern Province could be dropped on the west coast, leaving King Abdulaziz Port redundant.

"There is certainly an argument that the Land bridge will hinder Dammam's development," says one Saudi shipping official. "Jeddah is the dominant partner and Dammam is inside the Gulf. Why take the hassle and extra time of getting in and out of the Gulf when you can pick everything up in Jeddah?"

There is also discussion of extending the north-south minerals railway beyond its intended termination at

DB Logistics: key statistics		
	2005	2006
Sales revenue (millions of euros)	12,426	17,034
Employees (full time)	63,698	79,162
EBIT (millions of euros)	272	609

Schenker: key statistics

Development of sales revenue (millions of euros):

2002	2003	2004	2005	2006
6,230	6,862	8,024	9,042	13,232

EBIT (million of euros)

2005	2006
259	367

Employees (full time)

2005	2006
38,238	54,905

Development by business unit:

Land Transport		Air/Ocean Freight		Contract Logistics/SCM	
2005	2006	2005	2006	2005	2006
Sales Revenue (millions of Euro)					
4,178	5,109	3,620	6,938*	1,089	1,204
Employees					
19,785	21,168	10,767	23,576*	7,433	9,833
(*including BAX Contract Logistics/SCM)					

Development by Region:

Europe		Americas		Asia	
2005	2006	2005	2006	2005	2006
Sales Revenue (millions of Euro)					
7,164	9,037	822	1,929	816	2,180
Employees					
29,818	34,157	3,404	9,303	4,622	10,963

the Ras al-Zour refinery, down the coast through Dammam, and even beyond. "It is only talk at present, but if the line continued through Dammam and even down to the Emirates, it would be a huge benefit to the region as a whole," says Fennah. "It would give companies the ability to move products from the mines in the north as far as Dubai."

Although merely a possibility, should this idea take root, Dammam would find itself at the junction between two land cargo routes traversing the entire length and breadth of the Arabian Peninsula. Rather than seeing its influence wane, the city would find its position hugely enhanced.

DP enters Rotterdam port

An international consortium led by DP World has signed a contract to design, build and operate a new container terminal at the port in Rotterdam. The new terminal will have a capacity of 4 million TEUs, boosting capacity by 40 per cent. DP World's partners in the consortium are APL of Singapore, Japan's Mitsui OSK Lines, Hyundai Merchant Marine of South Korea and the French shipping group CMA CGM.

More presence in Middle East and East Africa

Schenker is further expanding its presence in the Middle East region and in East Africa and has already set up a Regional Head Office in Dubai. For many years, Schenker was represented by its partners, but has now gone a step further and set up a joint venture in Dubai with the former BAX Global partner Al Naboodah.

"This will now enable us to offer our customers in Dubai complete high quality solutions from a single source," said Dr. Thomas C Lieb, the *Member* of the Management Board of SchenkerAG responsible for global air and ocean freight. The company also plans to set up more country organizations in the Middle East region and in East Africa, to further expand its existing business,



From its base in Dubai, Schenker will coordinate its activities in the following countries: United Arab Emirates, Oman, Saudi Arabia, Kuwait, Bahrain, Qatar, Iran, Iraq, Jordan, Israel, Palestine, Syria, Yemen, Lebanon, Egypt, Sudan, Eritrea, Somalia, Djibouti, Ethiopia, Kenya, Tanzania and Uganda,

Dubai is one of the most interesting growth markets for global logistics. The port of Jebel Ali is currently expanding its annual capacity to 15 Million TEUs and the new airport is expected to handle twelve million tons of air freight each year. Its favorable geographic location has established Dubai as a major hub in the region as well as developing it into a key node for freight traffic between East and West.

New logistics terminal in the world's biggest inland port



Schenker is investing a total of 10.5 million Euro in the construction of a new logistics terminal in Duisburg, Germany, site of the world's biggest inland port. A handling center more than 3,500 square meters in size is being built on the almost 40,000 sqm site in the Duisburg port area log port 1. In future, this will strengthen the link to overseas traffic via Rotterdam, "With our commitment to this European traffic turntable here in Duisburg, we are creating a new high- performance access facility to our global logistics network for our customers in the region," explained Hans Joerg Hager, Chairman of the Management Board of Schenker Deutschland AG when the first sod was turned in March this year.

The new under construction terminal at Jeddah Islamic Port will add about 1.5 million TEUs to the port's current capacity of 3.5 million TEUs

New Terminal planned for King Abdul Aziz Airport in Jeddah

Shortlisted firms invited to submit proposals for King Abdulaziz Airport

Requests for proposals have been issued to companies bidding to design the new main terminal at King Abdulaziz Airport in Jeddah.

Six architectural groups have been short listed and invited to submit design and cost analyses for the project. Five bids are expected after US and Saudi Arabian groups joined together in a wider consortium.

The deadline for proposals is 20 October. The contract is expected to be worth in excess of \$100 million.

The five groups are: Saudi Consulting Services with the two US companies, Hellmuth, Obata & Kassabaum and Ove Arup & Partners; the French group ADPI; Japan's Kisho Kurokawa Architect & Associates and the UAE's WSP Middle East; Saudi Arabia's Mohamed Turki Mott MacDonald; and the UK's Foster and Partners.

The new terminal, which is projected to open by early 2012, will have capacity of up to 30 million passengers a year, replacing the current north and south terminals, which are themselves being refurbished. The total cost for construction of the terminal is estimated at \$240 million.

The Customer is King How to edge ahead

DB Logistics award winner Stefanie Mueller explains how to achieve good customer service and what it does for you.



The process has been delayed for some weeks by red tape and the summer recess. Officials at the General Authority of Civil Aviation and the main consultant, Beirut-based Dar al-Handasah (Shair & Partners), are keen to make progress on several projects before the beginning of Ramadan in mid-September.

Documentation is being finalised for smaller contracts covering technical investigation and a site survey at the main terminal site.

Two packages are also being prepared for the construction of another new terminal, which will be dedicated to private jets, to supplement the new commercial building. A logistics package, which will include the building of temporary roads and utility supplies to the site, will also be put out to tender soon.

customer whose inquiry is dealt with by an irritated or impolite voice at the other end of a phone.

The factors that make up good customer service are numerous, but they must all be brought together to form an optimal whole. This includes the decision about which and how many access

Good service should not be a game of chance. Companies that provide it have a competitive edge and clients that keep coming back for more.

Heinz Kaufmann owns a medium-sized company that manufactures household appliances. But he's not a happy man. He has been waiting more than a week for a delivery of Spare parts. He has already spoken to the receiving branch of the transport company twice on the phone, not to mention a number of fruitless calls due to busy lines or unattended phones. The first time he was told that his goods would be delivered later that day. When he inquired about the whereabouts of his goods two days later, he was told that there had probably been problems with the delivery, and that somebody would look into it and call him back. He's still waiting for that call. He's still waiting for his goods. "How does a company that offers a service like that manage to keep its customers?", wonders Kaufmann,

This particular experience illustrates what can go wrong when a customer expects a bit more than just the process of an order, but his or her service provider is unable to meet those expectations. Scenarios such as these, sadly for the customer, are all too commonplace at many logistics companies. And they merely serve to underline the importance of good customer service.

Proper service is not only important for a logistics service provider's customers, however. It also affords companies an important competitive advantage in markets in which the principal service provided suppliers is becoming ever more similar.

Take logistics for example. Guaranteeing delivery to anywhere in Germany within 24 hours has now become the standard within the industry. In addition, prices for such transport services are now relatively transparent and have broadly leveled out. So you have a situation where factors such as employee competence, responsiveness, accessibility and reliability in terms of sticking to promises, in other words good customer service, are becoming increasingly important to customers.

This was recently confirmed in a study called "Trends and Strategies in Logistics" by Germany-based industry forum, Bundesvereinigung Logistik. Around 400

companies were surveyed. What emerged was that a service-oriented approach in logistics is regarded as very important while secondary logistics services such as value-added services and customer services are perceived as an important factor in differentiating between services providers.

channels are to be offered to the customer. If too few are provided, for example if there is only a single telephone line, then there is the risk that these channels will become overloaded and the customer will not be able to get through to anybody at all. If there are too many channels, especially if those channels are poorly coordinated, there is a danger that one member of the service staff is left to deal with a number of pressing customer queries which he or she is unable to deal with at the same time.

The way that customer service processes are designed is also important. On the one hand, they should be sufficiently individual so as not to give customers the feeling that they are being dealt with according to a set pattern. On the other hand, they should be standardized enough to create the impression of reliability. That means that the customer should experience the same level of service in similar situations. IT support also has to be carefully tuned. Today's customer management systems are able to provide a high degree of support for reliable, consistent service processes through the use of control points, correction mechanisms and escalation procedures. Such systems, however, also involve substantial investment and administration.

The personnel factor is particularly important when it comes to providing good customer service. Carefully targeted selection procedures, training and encouragement of staff is essential if customers are to be provided with contact persons who have the necessary specialist knowledge, communication skills and service-oriented approach. Important characteristics such as obligingness, expertise, anticipation, trustworthiness, and an ability to communicate and sympathize with a customer also depend, of course, on the personality of the member of staff concerned.

Some so-called "best practice companies" have already adopted this approach, providing regular staff training in both technical aspects and in rhetoric, communication and negotiating techniques. Staffs at these companies are afforded room for maneuver in their decision making, including financial decisions, so that they are able to deal quickly with any complaints or problems to the satisfaction of customers. They are also offered career paths for personal development within the company. The result is not only satisfied customers, but staffs who enjoy their job and are highly motivated as well.

In many industries, including logistics, there are a handful of suppliers who have already been offering outstanding customer service and as a result have extremely satisfied and loyal customers of many years standing.

The key question is: How do such companies



Good customer service is as difficult to achieve as it is important. As Karl Albrecht, an American management consultant and author of several books on the subject of service points out, just being nice to customers is simply not good enough. Services should be regarded as creating a total customer experience. That includes, on the one hand, human-social aspects such as politeness, friendliness, trustworthiness, commitment and expertise of service staff. Just as important, on the other hand, are technical and organizational aspects such as diversity and user-friendliness of the communication channels (contact options by phone, internet, e-mail), secure handling of sensitive customer data, or the number of different contact persons with whom a customer has to deal.

It is important to remember that customer service process within a particular company is only as strong as its weakest link. Service deficiencies noted by a customer at any point in the system will impact the system as a whole. The unfortunate thing is that the excellent quality of some of the links in a chain cannot make up for defects elsewhere. For example, the outstanding technical and communication skills of service personnel will count for nothing if the customer is unable to reach his contact person because all the phone lines are busy. What's more, a tracking and tracing system may be technically outstanding and extremely user-friendly, but it will cut little ice with a

manage to pull the right levers and strike the right balance in the many difficult individual decisions that have to be made, and thus create a successful overall image of customer service?

Their success can be reduced to a common denominator: rigorous customer orientation at all levels of the company, including management. This is something which is not always a matter of course in Germany.

By creating a rigorously customer-oriented culture within the company, gearing all processes to the needs of the customer, and finally measuring and evaluating customer-related information, a company can guarantee consumer service of superior quality. From the customer's perspective, this represents a strong argument for choosing one particular supplier over another.

Although developing the many and diverse aspects of customer service and creating a service and customer-oriented environment within the company takes time and effort, the reward will be a long-term competitive advantage. In any case, a competitor would have to spend just as much time and put in just as much effort to also keep pace in terms of customer service and customer loyalty. Few suppliers have taken this path to date and rigorously implemented good customer service. The path can sometimes be rocky, but it is certainly one worth taking. •

“Customer service affords a crucial competitive advantage in tightening market.” says Stefanie Mueller

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