

Changing Tides: DP World Achieves Market Leadership through Business Model Innovation



An Innovation 360 Institute Leadership Interview with Mohammed Al Muallem, Senior Vice President & Managing Director, DP World, UAE Region.

DP World is one of the largest marine terminal operators in the world, with 49 terminals and major expansions in 31 countries. Formed in 2005, with the merger of Dubai Ports Authority (DPA) and DPI (Dubai Ports International), the organization is young in name but rich in experience.

Since its inception, DP World has sought to understand cargo shipping from the customer's viewpoint and provide innovative solutions, especially in the areas of optimized port operations and automation. In addition, it has established a track record of recognizing advantageous partnerships and acquisitions that has propelled it from humble beginnings to a driving force in global logistics.

In this Leadership Interview, conducted by Innovation 360 Institute CEO Kamal Hassan, Mohammed Al Muallem, DP World's SVP & Managing Director for the UAE, discusses how the company has evolved its business model over the years to become a market leader, and how it has innovated to meet the demands of growth.

Kamal Hassan: *DP World is a relatively young organization, but it has already established itself as a leader in port management. What is the reason for its success?*

Mohammed Al Muallem: DP World started in November 2005, but the roots go back to the early seventies to Port Rashid. The port industry at that time, as everywhere in the world, moved loose cargo the traditional way. Then the industry started changing to cargo containers. As always Dubai has been a visionary, looking to the future, and also to our customers. We asked: what can we do to meet this challenge, but also help the customer, and create a win-win for both of us? So Port Rashid built a new container terminal, the first in the region, to meet customer needs. When I joined in 1983, we were handling around 300,000 TEUs (twenty foot equivalent container units) a year.

Jebel Ali Port was built in the late eighties, and in 1991 it was merged with Port Rashid and became the Dubai Port Authority (DPA). At this time our customers were asking us, "Why can't you be in neighboring countries?" They wanted to have the Dubai business culture—the same level of flexibility they enjoy in Dubai—to be everywhere else they have business. As such, we initially created a department called DPI (Dubai Port International), which started to get involved outside of Dubai.

The first port we expanded to was Jeddah in KSA. With this, our customers started to see the value in us being global, and we did also. Most importantly, we started to understand the whole supply chain, all the processes surrounding moving cargo. We knew we needed to expand beyond Jeddah, but there was no specific model for acquisitions at that time. So we had two choices, either go for major acquisitions or

build step by step, but that takes a much longer time. We decided to go fast. When we acquired CSX it put us all around the world: Asia, South America, Australia and Europe. After that was P&O, which made us the third largest cargo port operator in the world.

This is where we are now, and we are working to be number one. Today we have a global portfolio, handling around 43.4 million TEUs in 2009, and we are growing quickly. We succeeded in exporting the culture of Dubai to other countries, and we also imported ideas from others to Dubai. So there is a great exchange of knowledge and technologies from all these acquisitions. Like our leader His Highness Sheikh Mohammed Bin Rashid Al Maktoum, we want to be number one. This is what is driving our expansion and growth into the different regions and around the world.

Kamal Hassan: *So does DP World still consider itself in the port management business, or something more?*

Mohammed Al Muallem: Officially DP World is in port management, and our business is cargo handling. In this regard, we want to complement our customers, but not compete with them. So, for example, we don't own shipping lines, but where our customers require something else we can deliver.

I can safely say we are in the logistics supply chain management business as well. This definition of the business is shaping our company and innovation strategy, and helping us maintain a strong position in the market and with our clients.

Kamal Hassan: *How have you personally contributed to the success of DP World, and influenced the landscape of port management globally?*

Mohammed Al Muallem: I started at Port Rashid in 1983 as a trainee. Then I became an engineer, a technical manager and senior manager, then deputy director, technical director, and now senior VP and managing director. In each of these roles I have seen both the technical and business side of port management. I know the business very well, which allows me to take a "total system" approach to the running the business and even extending that to the market as a whole.

Kamal Hassan: *What do you mean by total system approach?*

DP World is now a major player in the market. We are influencing the business models and global supply chain. In this business the main demand is speed, as well as process automation and optimization. But the big question is how to change the way the market operates currently.

For the last 30 years, each stakeholder in the process—customs, the port, truckers—each were doing their business separately and customers needed many documents with each of the stakeholders. We in Dubai pushed these separate players to become integrated, and also to make the system automated. For example, we designed a system called Dubai Trade. It's an automated online system, and the majority of our customers now use this online system to pay their duties and clear their goods through port. This makes the process easier and much quicker.

We also put all the trucking companies online so customers can select which trucking company they want to work with. The trucking company receives the order when the container is ready to be picked up. The trucks get in and out—door-to-door in 30

minutes—and this is measured for each truck. In order to manage this process and optimize it we fitted 6000 trucks with RFID tags. We also photograph every container from 360 degrees for security, damage claims, optimization and such. We can also track the driver's identity and the entire value chain in the system.

This is our commitment to making this process the best it can be. In the old days, everything was done manually, and our competitors in the region are still doing it manually. We are the first to do this type of automation, and 70% of our customers use the automated system now. It's an innovative achievement for DP World.

Kamal Hassan: *After the global recession, many companies are adjusting to a "new normal" and new challenges, or "opportunities" as I prefer to call them. Some of these include volatility in customer demand, cost pressures, global competition. Are these challenges for DP World and how do you turn them into opportunities?*

Mohammed Al Muallem: Customer demand is growing. If you look at the last 10 years, the size of ships has changed dramatically. The capacity has gone from 4000 TEUs per ship to 15,000 TEUs per ship. And customers want the bigger ships for scale of economy and speed.

To handle this increased capacity, we came up with an innovative design for a new crane that can handle four containers at a time. The old cranes can only carry two containers at a time. With the new crane we can handle the 15,000 TEU ships in the same amount of time we used to handle the 4000 TEU ships. We were the first in the world to do this.

Of course, cost pressure is a challenge that is always there. We approach this from the point of view of what is going to be most efficient, and that may mean different ways in different places. In the UK, for example, we are building a new port called London Gateway that will be largely automated.

In the UK, and at our new joint venture development in Rotterdam, automation is the way to go; however, in other countries we may do something else. In Djibouti, for example, we put in a highway to connect Ethiopia to expand our market reach. So, we work to come up with a model that suits the specifics of each port we operate.

Kamal Hassan: *DP World has many assets that give you a competitive advantage, such as your infrastructure, distribution networks, even your intellectual property and brand. How do you leverage these assets?*

Mohammed Al Muallem: Key assets for DP World are our people, our infrastructure, customer information, technology and relationships with the stakeholders in the network. In Dubai, our next level of innovation is to go beyond the gate (port) and leverage all these assets. We want to work with all the agencies outside the gate to bring them all together and make things easier for the customer.

We could say we have perfected the process inside the gate. However, if you are a customer in one of the free zones and want to move goods beyond the port, then you have to deal with many other agencies. For example, in Dubai, if the truck is late we want to work with RTA to monitor the truck outside the gate. This is important for the customer, and for continuing to improve the whole supply chain.

Kamal Hassan: *What are the opportunities that are making almost every GCC country invest massively into building and upgrading their ports services?*

Mohammed Al Muallem: What is happening in the region now is good. More quality infrastructure in the region is to everyone's benefit, including the customer. An example is the Union Railway. When it is done, ports, airports and many stakeholders in the supply chain will be connected and it will bring business to everybody.

Also, building more ports in the region will bring competition, innovation and better quality for everyone. So we are ok with this as it will push us to innovate. It keeps us on our toes.

Kamal Hassan: *Going forward, how do you see DP World shaping the future for Dubai's economic diversification and growth?*

Mohammed Al Muallem: We already contribute to diversification by bringing more businesses and employment to Dubai. There are more than 10,000 companies in Jebel Ali free zone and they are here because of the port. There are 150,000 people working here. And the port has 150 shipping companies. All of this creates value for Dubai and for our customers.

We have created a special corridor between Al Maktoum Airport and the port to complement our sea-air-cargo strategy. The highway only carries cargo trucks, no other cars. This allows us to move cargo from sea to airport in 45 minutes, and it reduces traffic on other corridors in Dubai.

The Union Railway project will reduce vehicle traffic between Jebel Ali, Khalifa Port and Port Saqr. This is a benefit also for the environment.

Kamal Hassan: *Thank you for your thoughtful comments on these topics. Would you like to share any final words?*

Mohammed Al Muallem: Trade always has been, and continues to be, a market that the world depends on. This place, Dubai, is becoming a hub for worldwide trade, and DP World is leading the way. We have the infrastructure, we are optimizing the supply chain and we are innovating always. We continue to think of the future to help us attract more traders to this region. As such, DP World will continue to be a major contributor to the growth of Dubai's economy.

Mohammed Al Muallem, Senior Vice President & Managing Director for DP World's UAE Region, holds a Bachelor of Science in Industrial Engineering Degree from the University of Portland, Oregon, U.S.A. and has completed extensive training in the U.K. at the University of Manchester, Cranfield College and British Airways. Mr. Al Muallem joined Port Rashid in 1983 as a Trainee, and has since been promoted to many technical and executive positions, including his current role in 2005. For more information, go to <http://dpworld.com>

Kamal Hassan is President and CEO of Innovation 360 Institute, which helps organizations of all sizes design and deploy innovation strategy, develop new products and services, explore new business models, implement sustainability and social innovation practices and pursue operational innovation. For more information, go to <http://www.i360institute.com/about-us/>