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Aramex: Delivering the Future (B)

The Lynx purchase took Ghandour and his team by surprise, and Aramex decided that it would use its available capital to secure its position as the fifth global player after FedEx, DHL, UPS, and TNT. Ghandour viewed this move as inevitable: "In 2003, when Airborne was purchased, we knew that it was our turn to become a global leader. It just took us until 2005 to begin implementing that strategy and raise the capital that would be required to pursue it."¹

But what would it take to become the fifth global player? According to Adrian Horsley, who managed the Global Distribution Alliance (GDA) for Aramex, "In order to be considered global, we need to have offices in every strategic market."² For this, Aramex needed to strengthen its presence in Europe, the U.S., and China.

In early 2006, Aramex took the initial step to establish itself in Europe by purchasing its Irish and U.K.-based alliance partner, Two Way, which was a \$103.5 million business with approximately 350 employees. Aramex was optimistic about the acquisition, but integrating the company turned out to be much more complicated than anticipated. Aramex had never made an acquisition of this size, let alone one in such a mature market. It was not until 2008 that the integration led to significant synergies. Aramex saw this as a learning opportunity and resolved to implement the lessons it had learned in the future. Osama Fattaleh, Aramex's chief operating officer, said, "This was a tough exercise for us and it was a strain on resources to complete the integration, but we knew that we needed to control our own destiny."³

The situation in China, a market of growing strategic importance, was also difficult. Fattaleh said, "We know China is a key market, and we have looked at numerous opportunities there, but it is very hard for us to consider doing business there. The margins are low, and the market is still extremely fragmented."⁴ Chinese-based companies drastically undercut foreign competition with regard to price, and only players with strong, international brand recognition could differentiate themselves.

Ghandour and his team were also concerned about entering the U.S. They knew it was a vital market; cargo traffic between the U.S. and Europe represented about 25% of total international ton-miles.⁵ But even DHL had recently announced that it would begin pulling out of the U.S. market, which was dominated by FedEx and UPS. Over the course of a few years of aggressive marketing, DHL was only able to gain 4 percent of the U.S. market; the U.S. was one of the few markets where DHL had not succeeded. Analysts said that the company had failed to smoothly integrate Aramex's former partner, Airborne Express.⁶ DHL's struggles



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