

The DHL logo is positioned in the top right corner of the yellow header box. It consists of the letters 'DHL' in a bold, italicized, sans-serif font, with horizontal lines above and below the letters.

Delivered.

THE GLOBAL LOGISTICS MAGAZINE

ISSUE 01/2013

BUSINESS

New markets

You've braved the BRICs, but can you master the MISTs?

BUSINESS

New employees

Do you have what it takes to gain and retain talent?

SOLUTIONS

New challenges

How can outsourcing make healthcare firms more competitive?

COVER STORY

EMERGING DYNAMIC

Changing markets transform the high-tech industry





Dear reader,

What's in a name? It's an age-old question. The answer, of course, is 'everything,' because a name is a powerful proposition. It often defines what it delivers. Our new name, *Delivered.*, heralds a new era for our magazine – or, rather, your magazine.

Our daily business is about delivering – as is yours. We aim to deliver excellence. We deliver solutions and innovation. And at our core, we deliver just about everything to everywhere in 220 countries and regions globally.

It might be an urgent document or spare part that has to be with your customers overnight. It could be a heavy-duty piece of equipment that needs forwarding to a remote location. Or it could be a fully fledged supply chain solution across the globe. Whatever you need from us, it's delivered.

In this magazine, which replaces our former publication *OneVoice*, we aim to deliver news, insights, expert views, and information that we hope will be of value to you.

The new format was designed with busy executives in mind. It provides short news and easy-to-digest articles, with selected information links for those wishing to dive deeper.

I hope you like our new look. We aim to add value and we highly appreciate your opinion. I would encourage you to contact me directly with your feedback: bill.meahl@dhl.com.

Sincerely,

Bill Meahl
Chief Commercial Officer, DHL



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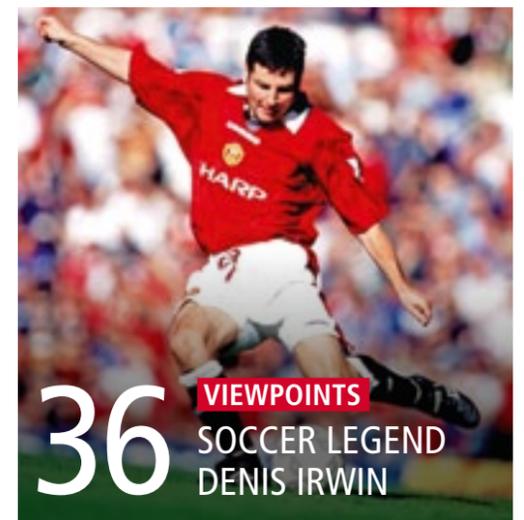
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The icons to the left indicate additional online resources. To get more information or view a video, type the link into your browser or scan the QR code.

www.delivered.dhl.com

ONLINE



Changing markets transform the industry
www.delivered.dhl.com/technology

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NEWS

Victory for Vettel

Formula 1 World Champion wins DHL Fastest Lap Award 2012

SEBASTIAN VETTEL:
Demonstrating that teamwork
delivers top speed

In November 2012, DHL honored Sebastian Vettel with this year's DHL Fastest Lap Award during a special ceremony at the final Grand Prix of 2012, the Formula 1 Grande Prêmio Petrobras Do Brasil 2012.

Vettel set the fastest lap six times – in Bahrain, Canada, Hungary, Japan, Abu Dhabi, and US.

Vettel, FIA Formula One World Champion of 2012, established an unassailable lead in the fastest lap ranking after the 2012 Formula 1 Etihad Airways Abu Dhabi Grand Prix in early November, and received his trophy prior to the last race of the season in São Paulo. The award was presented by Joakim Thrane, managing director, DHL Express Brazil, and former Formula 1 driver and DHL Ambassador, Christian Danner.

"This year's DHL Fastest Lap Award winner Sebastian Vettel has clearly demonstrated that continually

To view the challenge of the DHL Fastest Lap Award, type the following link into your browser or scan the QR code with your smartphone:

tinyurl.com/DHLRace



striving for excellence and working closely as a team can deliver performance at top speed," Thrane noted. "Red Bull Racing-Renault's success in the past two years shows how important teamwork is to achieve success – a highly important ingredient for us also at DHL, as the international specialists in logistics."

Vettel is no stranger to the DHL Fastest Lap Award, having previously won the trophy in 2009. He has now equaled the tally of Finnish Lotus-Renault driver Kimi Räikkönen, who won the award in 2007 and 2008, and matched Räikkönen's feat in securing both the Drivers' Championship and DHL Fastest Lap Award in the same season.

The rules of the DHL Fastest Lap Award are simple. One point is awarded to the driver who records the fastest lap in every Grand Prix race. The driver with the most points at the end of the season wins the award.

EXPANSION AT MIAMI AIRPORT



In December, DHL unveiled a modernized hub and airline facility at the Miami International Airport service center. The 140,000-square-foot facility will serve as a hub for DHL shipments between Latin America and the Caribbean and the more than 220 countries and territories served by DHL worldwide. DHL will also provide air freight and charter services from the facility to the whole of Latin America, Mexico, and the Caribbean.

"This over \$20 million investment at Miami International Airport is part of our long-term investment to support market growth in import and export volumes along the US-Latin America trade lane," said Ian Clough, CEO of DHL Express US.

At the facility's opening, DHL also announced the signing of a Global Buyer Initiative (GBI), which supports expanding US exports by matching foreign customers with US suppliers. The GBI is part of a series of partnership programs under the US government's National Export Initiative – a multi-year effort to create more US jobs by increasing both the number of companies exporting, and the number of markets for US companies that already export their products.

DHL is launching its GBI initially in Mexico, Colombia, Panama and Canada. The new agreement complements the existing New Market Exporter Initiative partnership between DHL and the US Department of Commerce's International Trade Administration (ITA).

TWENTY YEARS IN THE FAR NORTH

THE DHL EXPRESS CUSTOMER SERVICE CENTER IN LJUSDAL, SWEDEN JUST TURNED 20. ONLY 400 KILOMETERS SOUTH OF THE ARCTIC CIRCLE, IT OPENED IN SEPTEMBER 1992.



MILESTONE INVESTMENT IN INDIA

India is one of the world's fastest-growing economies, and DHL is growing right alongside it. The latest development is a long-term DHL Supply Chain investment of around \$130 million. DHL investments include the development of eight new world-class Multi-Client Sites in cities including Mumbai, Delhi, Kolkata, and Chennai. This will add half a million square meters of warehousing space to the company's logistics infrastructure. The current fleet is also being upgraded with more technologically advanced vehicles.

tinyurl.com/SupplyChainDHL

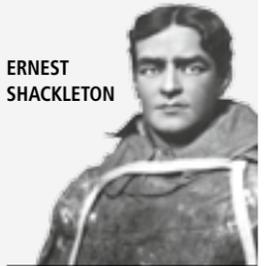
\$130 MILLION

DHL Supply Chain is investing \$130 million in order to strengthen the logistics infrastructure in one of the world's fastest-growing economies.

THE STORY

BURIED IN THE ANTARCTIC ICE

ERNEST SHACKLETON



DHL Global Forwarding has returned three bottles of 1896 Mackinlay's Rare Old Highland Malt Whisky from Scotland to New Zealand.

The whisky was abandoned in Antarctica by British explorer Ernest Shackleton. "Buried in the ice for more than 100 years, the whisky is extremely precious and delicate, which enabled us to show our expertise in shipping valuable and delicate cargo," says Alan Davis, Regional Director, Air Freight Scotland, DHL Global Forwarding. The whisky traveled via Dubai to Christchurch, New Zealand before its return to Antarctica. "We chose DHL because we trust them with our high-value shipments," says Hazel Clark, Customer Operations International Team Leader, Whyte & Mackay. Shackleton left behind several cases of the whisky during his 1907–09 expedition. In 2010, some was found, and three bottles were flown to Scotland for analysis at the Whyte & Mackay distillery.





DHL FREIGHT IN THE USA GOES GREEN



SIMPLY DELIVERED: One of 325 Standard Forwarding late-model trucks in the Midwest.

STANDARD FORWARDING is a Midwest LTL carrier offering services in Illinois, Iowa, Indiana, Minnesota, Wisconsin, Missouri, Nebraska, and southern Michigan.

DHL Freight subsidiary Standard Forwarding now offers two new environmentally friendly shipping products in the United States.

Customers of the less-than-truckload (LTL) carrier can request emission reports detailing the carbon footprint of their shipments on each route. This allows customers to set a baseline and make their supply chain greener.

Based on the CO₂ report, customers can then opt to compensate for their carbon emissions

through the GoGreen offsetting programme, which funds external climate protection projects. Offset funding could for example support projects such as a biomass power plant in India or a wind park in Nicaragua.

In addition, customers have the option to offset carbon emissions created during transport through Deutsche Post DHL's global GoGreen initiative, and can request a monthly, quarterly, or yearly report detailing their carbon footprint for each route during the requested time period.



48

DHL'S POSITION IN NEWSWEEK'S ENVIRONMENTAL RANKING

A *Newsweek* environmental ranking of the world's 500 largest publicly traded companies places DPDHL at No. 48. This makes it the highest ranked company from the transportation and logistics

sector; competitors trail far behind. *Newsweek's* ranking compares the environmental performance of companies based on their actual environmental footprints and the management and reporting practices of the companies.



HIGH-TECH HELMETS FOR AFRICAN COURIERS

DHL Express motorcycle couriers in the seven-country Central Africa and Indian Ocean (CENIO) region are now using state-of-the-art technology, with helmets incorporating Bluetooth headsets. The equipment enables the 40 couriers to take calls from their dispatching offices and even receive GPS directions while on the road. "Until now our couriers have had to pull over and stop to make calls," says Nomsa Mumba, DHL Express country manager in Zambia. Now couriers are in constant contact, making deliveries faster and more efficient.

ASIA PACIFIC BOOSTS DHL GROWTH

By 2017, the Asia Pacific region will account for one-third of the company's earnings.

"OVER THE PAST THREE DECADES WE HAVE ESTABLISHED A SECOND-TO-NONE PLATFORM IN THE ASIAN MARKETS. WE ARE WELL-POSITIONED FOR PROLONGED PROFITABLE GROWTH."

Frank Appel, CEO of Deutsche Post DHL



Photos: M.L. Simibaldi/Corbis; worldreader.com; DHL (3)



READY TO READ: Much-prized Kindles now reach Africa in just three days.

DELIVERING LITERACY TO AFRICA

Literacy is a critical driver of prosperity. Yet in much of the world, children don't have access to many books. The non-governmental organization Worldreader aims to change this by providing free digital books to children in developing countries. To date, thanks to Worldreader, a thousand children in sub-Saharan Africa have electronic access to over 245,000 e-books. Getting the e-book readers to their destination isn't always

easy, though. For example, the first Amazon Kindles arrived in Ghana on a pickup truck and were called "candles" on customs forms. All that has now changed. In October 2012, DHL announced a partnership with Worldreader, bringing free digital books to children in developing countries. To date, thanks to Worldreader, a thousand children in sub-Saharan Africa have electronic access to over 245,000 e-books. Getting the e-book readers to their destination isn't always

www.worldreader.com



245,000 E-BOOKS



1,000 CHILDREN



MEXICAN PRESIDENT OPENS NEW DHL HUB

The President of Mexico, then Felipe Calderón, was guest of honor at the September 2012 opening of DHL's new \$35 million logistics center north of Mexico City. By 2015, DHL Express plans to invest another \$160 million, taking advantage of Mexico's excellent location as a hub.

FOCUS:
TECHNOLOGY

The mobile future on speed dial

Rapidly growing demand from the emerging markets of Asia, Latin America, and Africa is a call to action for the technology sector – with profound implications for both high-tech industry and cutting-edge logistics.

HONG KONG: A young man crosses a street. Today China is the largest consumer market for smartphones.



ell phones, tablets, PCs, smartphones – high-tech devices are no longer the preserve of wealthy western nations. Sometime in 2013, the number of mobile phone accounts in operation around the world is expected to match the number of people on the planet. Demand in developing markets – from the so-called BRIC countries to Africa and beyond – is outstripping that in mature economies and driving rapid growth. Accompanied by dynamic high-tech trends, this shift has profound implications for the entire technology sector.

Here's some perspective. In 2012 China became the largest consumer market for both PCs and smartphones. Russia is the world's fourth-largest PC market. Brazil isn't far behind. India's demand for electronics hardware was \$45 billion in 2009 and is expected to be \$400 billion by 2020. And looking beyond the BRICs, as these four rapidly growing countries have become known, Africa's demand for cell phones is mushrooming. There were 500 million subscribers in 2010 (double what there were in 2008) and some 850 million are expected by 2015. As Scott Allison, DHL Technology Sector Senior Vice President, points out, calling them "emerging markets" is misleading. "They are already huge markets," he says. "China is now the second-largest economy in the world."

After the BRIC countries come Mexico, Turkey, and Indonesia, which according to some reports and projections are expected to contribute about up to 45% of global GDP growth in the coming decade. And beyond those seven economies, Africa, Malaysia and the Middle East form a significant part of the new growth-market mix. (See page 20, Emerging from the MIST.)



**\$45
BILLION**

Growing consumption: India's demand for electronics hardware was \$45 billion in 2009 and is expected to be \$400 billion by 2020.

AFRICA: The economy of some African countries has grown at a double-digit rate, reflecting higher commodity prices and strong domestic demand. Over the past ten years, the number of mobile connections in Africa has increased by 30% per year and is forecast to reach 850 million by the end of 2015.

FINDING A STRATEGY AND KEEPING PACE WITH HIGH-TECH GOODS

With such rapid growth happening, it should come as no surprise that most major technology companies are prioritizing strategies to deal with today's developing markets.

For a company such as Nokia, which suffered from falling behind the massive smartphone market, getting the right strategy for the developing markets could pay significant dividends and help put it back on top. "In our mobile phones business, the positive consumer response to our new Asha full touch smartphones translated into strong sales," said Stephen Elop, Nokia CEO, while presenting the company's interim report in October 2012. The ultra-low-cost

Photo: previous leaf; Ian Teh/Agence VU/Laif; this leaf: Per-Anders Pettersson/Getty Images; Zhang chi sd/Imaginechina/Laif



CHINA: The twelfth Five-Year Plan develops seven prioritized industries to increase GDP contribution to 8% by 2015 and pushes forward the development of China's western regions. They will be the next high-growth areas in China.

many pressures. New models must be brought to market quickly, and marketing strategies shroud products in secrecy until the much-anticipated launch, which is often an almost celebrity-style event. The success of the launch and the speed with which the product arrives in the shops have become critical factors with implications for logistics providers. In addition, the short lifespan of the product is attended by a rapid drop in its selling price, which in turn puts great pressure on the value chain.

NEW TECH-TRENDS

In 2011 the technology industry was almost overwhelmed by the astonishing growth of smartphones and tablets. Personal computing habits are changing, and PC manufacturers are feeling the pinch as consumers find mobile tablets an attractive substitute for a desktop or laptop. As more and more users go mobile, the global wireless market and 4G and 3G data networks are trying to keep pace, driving spending on telecom and related equipment.

Supply chains need to keep up with these fast-moving trends, so a flexible infrastructure and the ability to expand or contract quickly are prized abilities. However, only companies that are very large and have been established over decades can have the global infrastructure to serve these needs. This points to the importance of a dependable global logistics operation for high-tech manufacturers. A third-party logistics provider can take on the task and scale up, or down, to meet the needs of the customer – without exposing it to the fixed costs of unneeded facilities.

Acer Inc. in India is a good example of all this. It decided to take advantage of an established third-party logistics provider to respond to the rapid growth it was experiencing. The computer producer, which has annual revenues of \$20 billion, was achieving

14%

Good perspectives: The worldwide market for smart connected devices is expected to grow at 14% through 2016.

phone market (cell phones under \$100 and as cheap as \$40), is doing particularly well in India, the Philippines, Malaysia, and Indonesia. Africa's cell phone use is growing too – which is good news for Nokia. Its strong position in the low-cost cell phone market means it could step up as a serious competitor in the burgeoning smartphone market. In India, smartphone penetration is at the moment relatively low, so that market has huge potential. India and Brazil are set to become the third- and fourth-largest smartphone markets by 2016.

The technology sector must also meet a unique set of challenges: rapidly changing consumer tastes, innovation that doesn't stand still, and, as Allison puts it, "razor thin" margins. In a market where even an average cell phone's selling price starts to depreciate after just 30 days, vigorous research to assess and predict trends in consumer technology is vital.

An example of the pace of the industry and the need to be ahead of the curve was the way tablets and smartphones took off, leaving some major players behind. That, plus the limited lifespan of a product and the dynamic nature of the technology sector, bring



BRAZIL: The country is one of the world's fastest-growing economies. After being hit by the 2008 worldwide financial crisis, Brazil began a spectacular recovery. In 2010, its gross domestic product (GDP) grew by 7.5%. Some 194 million inhabitants make Brazil the fifth most populous country in the world after China, India, the United States, and Indonesia.



great success in Asia, but its large network of warehouses and service providers had become unwieldy. Acer was struggling to maintain visibility and control of its products and repair services, so it consulted DHL. The logistics provider consolidated the warehouses into three regional hubs. It then streamlined an end-to-end process for warehousing, repair, and transportation, and improved Acer's turnaround times and customer service. Acer's partnership with DHL Supply Chain and integrated logistics gave it full visibility of its inventory and transport costs, plus significant savings. This was all built on DHL's knowledge of the country and its experience in supply chain management in Asia.

WORKSHOPPING SOLUTIONS

Providing solutions in some developing markets, however, is not without problems. For example, China might implement incentives to encourage growth in its western regions, but it takes time for the logistics infrastructure to catch up. And in Brazil, where production can be cheap, the costs attached to getting the product onto the market are significant. These are challenges for logistics providers, as it is increasingly important to respond faster and with greater flexibility.

To meet these challenges, Rob Siegers, President DHL Global Technology Sector, emphasizes the importance of dialogue. "Our customers are constantly looking for new solutions to shorten the time to

SPENDING ON CONSUMER ELECTRONICS
AVERAGE SPENDING VS. AVERAGE INCOME IN LAST 12 MONTHS

	Average spending (\$):	Average income (\$):
Japan	1,056	79,226
United States	998	52,336
Sweden	1,011	54,134
Germany	1,005	49,420
France	941	47,398
India	867	46,309
South Africa	940	36,681
Brazil	1,135	29,694
China	1,291	28,977
Russia	1,006	27,752

Even with a low average annual income, Chinese consumers spend a lot for electronic devices.
SAMPLE BASE: RESPONDENTS WHO PURCHASED ELECTRONIC DEVICES, 2011
SOURCE: ACCENTURE

Photos: A.Machado/Bloomberg/Getty Images; LWA/D.Jardiff/Blend Images/Corbis; DHL

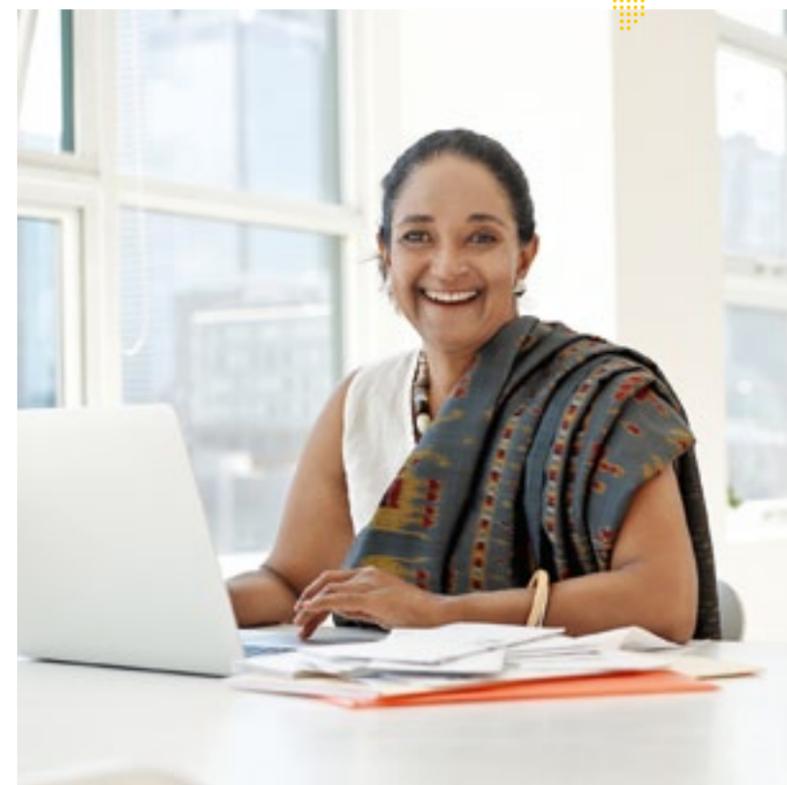
market, and more flexible and cost-efficient distribution. This is why we have to stay in close dialogue with them – to better understand their needs and to create innovative supply chain solutions at a similar pace."

This highlights DHL's claim that collaboration is a good way to exploit opportunities in developing markets. The company has attempted to make the best use of its well-established local knowledge and share it with customers. Its leadership initiative has been to organize workshops in developing market countries. These help customers "connect the dots" across the supply chain, bringing together, for example, a PC manufacturer and a distributor/retailer who could then discuss how to streamline their operation. DHL facilitates the dialogue, listens, and is then in a position to provide an efficient supply-chain solution.

These workshops demonstrate DHL's understanding of local markets – established over many years – and customer needs. Recent workshop events in Mexico, China, and India have attracted between 30 and 40 customers in each of the locations. In addition, the logistics provider has hosted conferences for its global partners – most recently in Berlin, with over 100 customers present – to serve a similar purpose. As Siegers says, "In discussions with our customers, we have learned what really drives value for them." Especially in the fast-changing global markets of the 21st century, listening to feedback remains vital in fine-tuning a service to meet customer needs. — *Mark Espiner*



INDIA: India's growth rate will increase to more than 7% up to 2015, says the World Bank. This goes hand in hand with a fast-growing middle class who desires to catch up on consumption. Today, the top 10% of Indian households – some 125 million consumers – account for 36% of total income. This figure is slightly higher than that for China.



THREE QUESTIONS FOR

Rob Siegers
PRESIDENT DHL GLOBAL TECHNOLOGY SECTOR



"TECH MUST ADAPT RAPIDLY TO MEET CUSTOMER DEMAND"

What are the most significant trends in the technology market?

Technology is a dynamic sector, and we see a clear trend in getting faster to market for innovative products. Soon after the development phase is finished, these products are being launched with extensive marketing support and advertising campaigns to create demand on the end-user side. The time window to sell the products is becoming shorter, since competitors might soon launch similar products competing for the same consumer spending budget. Direct distribution solutions that include B2C delivery capabilities are becoming more and more important to avoid time-consuming warehousing and inventory costs.

What are you learning from your customers and how are you adapting to their changing needs?

In this dynamic environment, technology customers have to adapt rapidly to meet customer demand

with innovative products such as new types of devices, new operating platforms. This also transfers to their supply chains, where they are constantly looking for new solutions to shorten the time to market, and more flexible and cost-efficient distribution. This is why we have to stay in close dialogue with our customers to better understand their needs and to create innovative supply chain solutions at a similar pace.

What opportunities do you see emerging in this growth industry? How do you intend to make the most of them?

Technology presents several opportunities and challenges. We go a step further in discussing the supply chain challenges and opportunities in these markets with a series of regional customer workshops. I think there are few logistics companies in the world that have the infrastructure, the people, and the experience in these markets.

INNOVATION IN A FASTER WORLD

Technology is changing the nature of business, partnerships, and supply chains faster and faster. Chris Dediccoat, Cisco's President for Europe, the Middle East, Africa and Russia, shares his thoughts on how innovation, collaboration, and technology are the key tools for success.

The first mobile phone was demonstrated by John F. Mitchell and Dr. Martin Cooper of Motorola in 1973. The handset weighed a kilo, and the information society was nothing more than a dream. Today, everything has changed. By 2015, the number of devices connected to the Internet will total 25 billion. In five more years, that figure will have doubled. The rapid change in both the connectedness of the world and in the way high-tech products get made and reach the consumer is already having a radical impact on how business works.

As competitive pressures mount, technology companies are increasingly rethinking their supply chains to gain a market edge. The staggering growth in technology, however, is changing internal processes and the nature of knowledge-sharing within companies, as well as stimulating strategic allegiances to streamline business and supply chains in unprecedented ways.

As part of IT company Cisco's executive leadership team, Chris Dediccoat has a far-reaching view of where the business world needs to go.

As President Europe, Middle East, Africa, Russia, Dediccoat is responsible for sales, operations, growth initiatives and investments in strategic alliances throughout the region. He speaks with a passion and enthusiasm for the changes that will take place in the way we live and work, and how these changes can best be deployed to a company's advantage.

Underlying most aspects of his analysis of the megatrends shaping the business environment is, he argues, the crucial importance of innovation. "If you

look at where they are on a global basis and where most businesses are today, particularly in the top echelons, they have strived to enhance productivity to the point where in order to get to the next level of productivity, companies really need to do something different," he says. Increased competition too – particularly from the East – means that incrementalism is no longer the road to success. "It really is now about how you innovate," he says. "How do you do things differently and how do you think about all of the assets that you can bring across your company to drive higher levels of innovation?"



6%

growth in Cisco's first-quarter fiscal 2013 revenue. Cisco is one of the biggest suppliers of Internet-based networking products. Cisco server and data center networking products are now used by nine of the world's top ten largest data center customers.

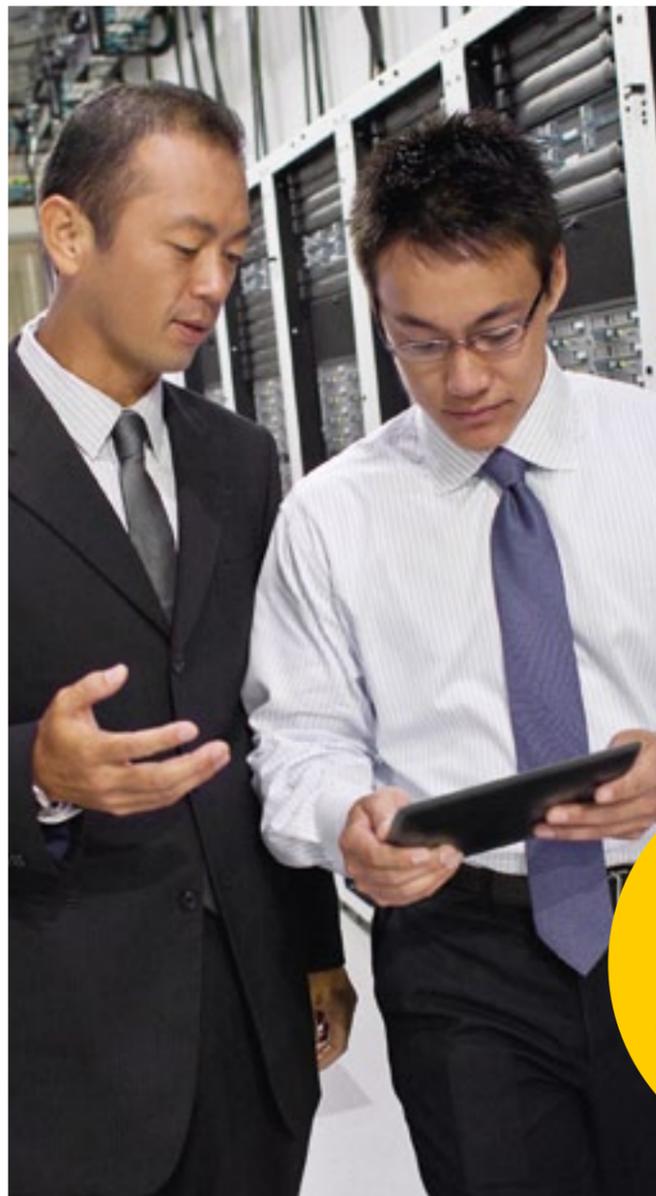
Photos: Cisco (2)

"TO GET TO THE NEXT LEVEL OF PRODUCTIVITY, COMPANIES REALLY NEED TO DO SOMETHING DIFFERENT."

Chris Dediccoat



CHRIS DEDICOAT, President, Europe, Middle East, Africa, Russia at Cisco, is responsible for EMEA sales, operations, growth initiatives and investments in strategic alliances throughout the region.



6.6 ZETTABYTES
 Data traffic: In its second annual Global Cloud Index (2011–16), Cisco forecasts that global data center traffic will grow fourfold to total 6.6 zettabytes annually by 2016. This is equivalent to about 1.5 years of continuous music streaming for every single person on the planet.

FUTURE IN THE CLOUD: Cisco says that, through 2016, the Middle East and Africa will have the highest cloud traffic growth rate, while the Asia-Pacific region will process the most cloud workloads, followed by North America.

nal clouds, which allow you to bring applications into the enterprise at a much, much faster pace than you were ever able to do before. So if you are trying to create a new business model – the foundation of which requires you to integrate that into your existing systems – you can bring up applications at a faster rate.”

Embracing technology and applying it to a company’s ability to innovate is, however, only half of the story. Looking beyond the limits of a company’s internal workings to form alliances and collaborations with external partners is, according to Dediccoat, a vital part of business in the future – and technology can help to foster and deliver that. A global company needs to be able to work with its partners around the world as it turns from night to day. It needs always to be on the move.

“This is where networked video becomes such an important component,” says Dediccoat. If one can see and talk to each other around the globe in real time, he explains, and work together effectively to make the best use of knowledge, wherever it is and wherever the market is moving, all operations will be much more efficient and competitive. For supply chains specifically, video connectivity allows a logistics provider to create a completely different understanding of where issues exist, and this will surely bring with it a competitive advantage.

Collaboration doesn’t only serve to communicate more efficiently, or identify weak links in the supply chains. Dediccoat notes that relationships are changing in crucial ways. Companies working together have

moved from simply contracting or providing a service, to developing a relationship that involves giving and offering advice. He cites Cisco’s relationship with DHL as having moved towards exactly that.

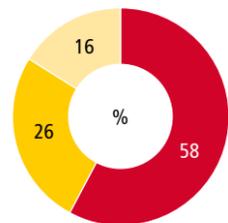
RECYCLING TECHNOLOGY

“The relationship between companies has become one of asking advice – to ask how to do things in the most efficient way, as well as building in environmental concerns and even having contingency plans for unpredictable disasters, such as volcanoes and hurricanes, in place.” He goes on to describe how two companies can reach a point where they can employ the knowledge that exists in both organizations. “That is the way in which successful companies in the future will think. Some people won’t grasp that – it’s not just about collaborating inside your company. You really have to go outside your company and harness the knowledge that exists in your partners.”

Besides these crucial trends, however, is the impact that increased technological use will put on sourcing and resources. While there has been a shift to the East for manufacturing, there will also be an increasing move to “recycle” technology, and this will have an impact on supply chains. “If you consider there is more gold in a ton of IT scrap than in a ton of ore, then you are going to see a circular economy where you make something and then take the product back and reuse its raw material. This too will affect logistics,” he says.

When companies stand back and ask what their business will look like in five or ten years, one thing they will have to consider is the likely effect of a pervasive connectedness across the world – a connectedness that is far beyond anything yet experienced. Emerging markets, says Dediccoat, seem to have grasped the power of the new technological age in a way that developed countries have not. Turkey, for example, has installed a high-speed Internet network to reach over 42,000 schools. This makes it possible for one teacher in one location to deliver a simultaneous video lesson to every single school in the country. That kind of initiative harnesses knowledge and makes the very best use of limited resources – a crucial consideration for business in the coming years. It’s hard to imagine a developed country taking on a project with that kind of scale and scope. Turkey, on the other hand, is thinking how it can use technology to make a difference. And that, says Dediccoat, is the key to the future. — **Mark Espiner**

CISCO’S GROSS MARGIN BY REGIONS



■ Americas
 ■ EMEA
 ■ APJC
 Source: Cisco, 2012

A vital component of the process of innovation, Dediccoat maintains, is the challenge involved in “collecting the global knowledge that exists in your organization, that exists in your customer’s organization, and that exists in your partner organizations, and how to bring all of those things together. You need to look at new ways to support your customers and provide them with the services or products that they require.”

Key for delivering that is making the best use of technology within the company itself. Dediccoat believes that being able to foster new technologies helps to spark internal innovation and knowledge-sharing – and that makes a company more agile and more competitive. The challenge for a large company, however, is how to take advantage of the fast moves in technology. As an example he cites the value of employees bring-

ing their own mobile devices into work and wanting to use them in the working environment.

“Two years ago,” he says, “most enterprises would say you couldn’t connect your own personal device to the corporate network – but that’s completely changed. Ninety percent of all IT leaders now understand that consumerization is requiring them to allow employees to bring their devices to work and connect them to the corporate environment.” While in the past that kind of connectivity was seen as a security threat, the knowledge-sharing that it potentially brings is today judged to be a significant advantage. Of course, security is still required, but the extra connectivity brought about by the embrace of personal devices in the workplace should be seized upon.

A similar agility applies to cloud-based computing. “You can leverage external clouds or create inter-

“IT’S NOT JUST ABOUT COLLABORATING INSIDE YOUR COMPANY. YOU REALLY HAVE TO GO OUTSIDE YOUR COMPANY AND HARNESS THE KNOWLEDGE THAT EXISTS IN YOUR PARTNERS.”

Chris Dediccoat



Photos: Cisco (3)

PRODUCT LAUNCHES: A PERFECT STORM

Product launches have become essential for technology companies — but their successful logistics implementation relies on the synchronization of a number of crucial factors including speed to market, confidentiality, security and flexibility.

A line of customers snaking around the block. People camping in the street. An army of shop assistants drafted in at the checkouts, waiting for the doors to open and the buying frenzy to begin.

No, this is not a snapshot from the January sales. Instead, it's the launch day of a top brand's eagerly awaited upgraded smartphone. With shortened product life cycles and increased competition between the major tech players, it's a scene that's becoming more and more familiar, particularly in the last quarter of the year in the run-up to Christmas.

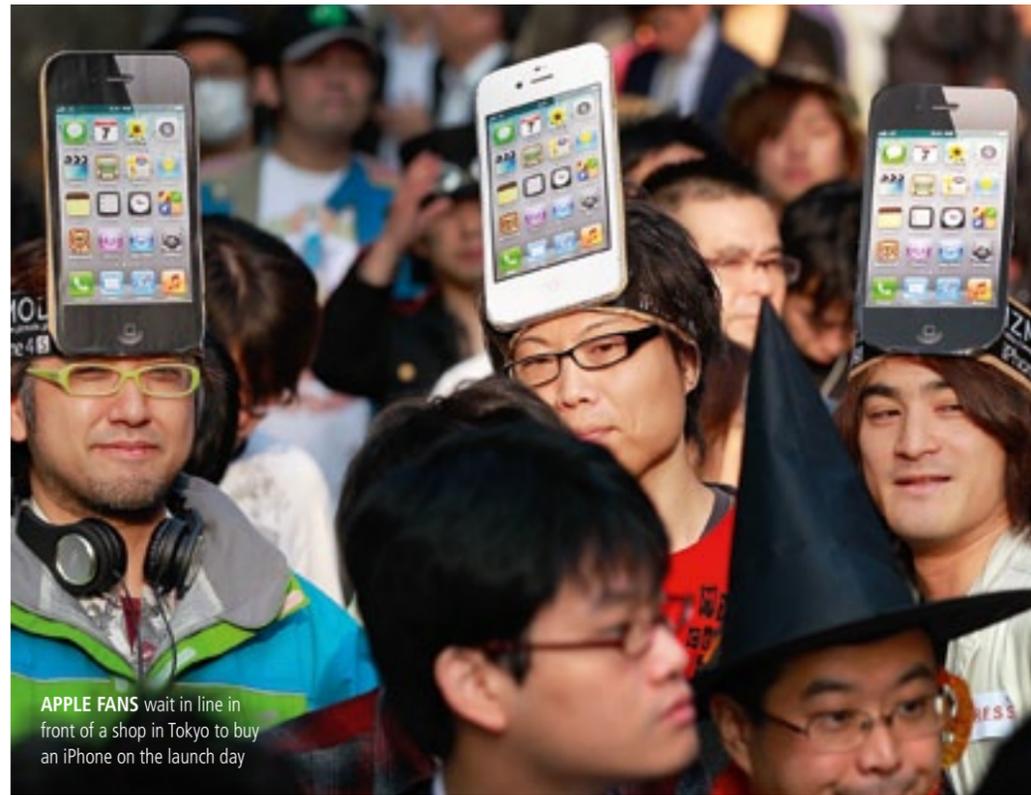
Like Karl Lagerfeld's latest A/W collection for Chanel or Marni for H&M, to use a high street equivalent, tech product launches have become landmark diary dates for expectant buyers and big news for the media. The largest technology companies on the planet are so high-profile and inspire such fierce consumer loyalty that they have the ability to make global headlines whenever they unveil their latest devices. Some brands even kick things off in style with exclusive, hot ticket release day events in front of the world's press, valued customers, VIPs and assorted superstars. When Samsung unveiled its Galaxy Note II in New York City in October, for instance, Kanye West played a set in front of an

ecstatic crowd to mark the occasion. But while people are falling over each other in the shops and online to pick up these sought-after, just-released purchases, the atmosphere behind the scenes is much calmer; or, at least, it should be if the company behind the launch and their logistics partner have delivered — in every sense of the word.

INTENSE PRESSURE

The pressure couldn't be more intense and the stakes couldn't be higher, however. Technology companies know these events are prestigious key showcases of their wares — vital marketing tools which can be reputation-makers or breakers, not to mention their strategic importance for the bottom line. For the logistics companies charged with getting high volumes of the product to market quickly on launch day, they require intricate, collaborative planning from an early phase.

Jan Thido Karlshaus is VP Strategy and Business Development, Global Technology, DHL Supply Chain. He says that, from a logistics point of view, the global focus on today's product launches leaves no room for error. "Volumes must be delivered to the right locations and on time," he says. "If not, even the smallest delays and problems can impact on end-customer sat-



APPLE FANS wait in line in front of a shop in Tokyo to buy an iPhone on the launch day

"VOLUMES MUST BE DELIVERED TO THE RIGHT LOCATIONS AND ON TIME. IF NOT, EVEN THE SMALLEST DELAYS AND PROBLEMS CAN IMPACT ON END-CUSTOMER SATISFACTION."

Jan Thido Karlshaus, VP Strategy and Business Development, Global Technology, DHL Supply Chain

Photos: Nokia, AP/iddip images, DHL

isfaction. The customers on online forums are today's opinion-leaders and their comments can have a multiplying effect on other consumers."

DHL deals with a large number of product launches each year and has vast experience and expertise in this specialized area. The company recognizes the need to offer customers necessary requirements such as product launch teams and security and contingency management. Its advanced services include control tower solutions to support product delivery to multiple customers or markets via different transport modes, permanent visibility on all flows and, uniquely for a logistics provider, adaptation of digital and printed marketing material for target markets on a global scale.

For some technology companies, confidentiality and security surrounding a launch may be often paramount. Here DHL offers additional security capabilities and resources to deal with this, such as dedicated secure areas in warehouses and safeguarded trucks.

"With any launch there is an element of volatility and unpredictability that, logistically, you have to be equipped to deal with," explains Jan Karlshaus. "The customer doesn't want to stock out because that leaves empty shops and leads to lost sales. On the other hand, if stocks aren't selling in one market, there might be a need to shift volumes to another market which shows high demand."

SPECIAL WAREHOUSEING SOLUTIONS

In the technology sector, DHL works with many of the leading players, although its product launch expertise extends across other industries, such as fashion, and life sciences and fmcgs. "Most launches are highly customized, depending on the product, market and targeted customers," says Jan Karlshaus. "There is no one-size-fits-all solution. For us, the starting point is a joint planning assessment together with the customer, in order to understand their requirements."

Product launches most often rely on transport via air freight and Express. Special warehousing solutions are required close to destination markets and often selected value added services such as co-packing of marketing material or customization need to be included. And, if the product fails for some reason, you have to have a robust returns procedure in place.

"Not all players can do this because they simply do not offer such a comprehensive solutions portfolio," says Karlshaus. "An end-to-end solutions offering is key, and so is the need for product and process expertise and expert product launch management. That is available at DHL — and it's invaluable."

TECHNOLOGY ON TOUR IN EMERGING MARKETS

Talking tech around the world with a calendar of customer events. Consumer electronics is a fast-paced sector, something evident in countries such as China, India, and Mexico. DHL's technology community will host the DHL Global Technology Conference "Keeping Pace with Change" on June 18–20, 2013 in Shanghai, China.

The agenda covers topics such as trends and trade-offs in manufacturing locations, distribution and aftermarket solutions, flexible and cost-efficient global supply chains, and innovative SCM solutions. The Shanghai conference is the 3rd global event, and the annual highlight in a calendar of global and regional events where key decision-makers and industry experts from the Technology Sector can "connect the dots."



THOMAS DAMMANN of CSI Technology: Addressing challenges in logistics.

Regional events in Shanghai, Mexico, China and India were attended by the likes of Nokia, Dell, Apple, and Acer and saw customers and DHL presenters address the challenges of setting up best-in-class distribution and "all-in-one" aftermarket solutions.

ON TOPIC



THE HIGH-TECH INDUSTRY GETS FASTER AND FASTER.

2.5 MILLION OF NOKIA'S LATEST FLAGSHIP SMARTPHONE, THE LUMIA 920, HAD BEEN ORDERED EVEN BEFORE IT WAS FIRST SHOWCASED IN SEPTEMBER 2012.

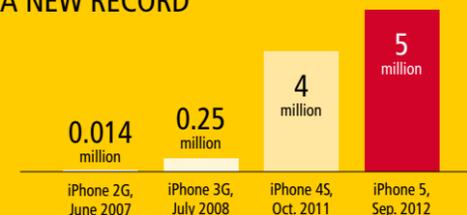
THE LINES TO GET THE iPhone 5 ON THE LAUNCH

DAY WERE **80%** LONGER THAN THESE TO GET THE iPhone 4S LAST YEAR.



WITH FIVE MILLION iPhone 5 SOLD IN THE THREE DAYS SINCE ITS LAUNCH, APPLE SETS A NEW RECORD

The sales tally is a record for any phone. Within three days, the phone was sold out at 80 to 85 percent of the U.S. But the iPhone 5 sales beats last year's iPhone 4S launch only by a small margin.



BUSINESS

Emerging from the MIST

Mexico, Indonesia, South Korea, and Turkey will lead the next generation of growth success stories.



“THE MIST NATIONS EACH ACCOUNT FOR AT LEAST ONE PERCENT OF GLOBAL GDP AND ARE LIKELY TO SEE THAT SHARE INCREASE THIS DECADE.”

Jim O’Neill, global asset manager at Goldman Sachs

Goldman Sachs probably didn’t realize what it was starting in 2001 when it coined the term BRIC – an acronym for Brazil, Russia, India, and China – to focus investor attention on those high-growth economies. The term stuck, largely because those nations grew spectacularly over the following decade. Now the man who came up with BRIC, Goldman Sachs’ global asset manager Jim O’Neill, has minted another term: MIST, for Mexico, Indonesia, South Korea, and Turkey. These are the four biggest countries of the Next Eleven grouping that O’Neill believes will be the next generation of success stories. Not surprisingly, they’re also the focus of dynamic growth in DHL shipments, investment, and staffing in its global Express, Freight Forwarding, and Supply Chain divisions.

TALKING TURKEY ABOUT TURKEY

Probably no country on earth has managed better than Turkey to sustain spectacular growth in the shadow of conflict. According to the IMF, between 2002 and 2011 the Turkish economy grew by an average annual real GDP growth rate of 5.2 percent, despite the violence that has at times spilled over from Iraq. Growth has slowed a little in 2012, but progress in financial regulation, fiscal discipline, trade-oriented policies, and the lowering of investment barriers has created tens of thousands of jobs and made Turkey’s economy the envy of the region.

“If you look at the last ten years, Turkey has had outstanding performance,” says Selçuk Boztepe, managing director of DHL’s Freight business unit in Southeastern Europe and Middle East. “Public debt is down to 40 percent of economic output, quite healthy compared with European nations. Inflation, which reached up to 100 percent more than a decade ago, is now under 8 percent.”

Frustrated in its bid to join the European Union, Turkey now sees that disappointment almost as a blessing – it is less subject to ripple effects from the

82%

of Mexico’s merchandise exports went to North American destinations, even though North America makes up only 25% of the world economy.

\$143 BILLION

In 2011, Turkey’s exports – including apparel, foodstuffs, textiles, and transport equipment – were worth an estimated \$143 billion. At the same time, the country imported goods and services worth \$233 billion.

Sources: CIA World Factbook

eurozone crisis. “We have turned our heads to the Middle East and Africa,” Boztepe says, a refocusing that is paying handsome dividends. Although Germany is still Turkey’s largest trade partner, Iraq, Saudi Arabia, Qatar, and UAE are increasingly important. Trade with the EU has fallen to 45 percent of Turkey’s total exports and imports from 60 percent three years ago, and DHL shipments have followed that trend.

Boztepe says DHL, which currently has 3,300 employees in Turkey, plans significant expansion next year in freight services, particularly in the fast-growing new industrial centers of Gaziantep, Kayseri, and Denizli, and the auto manufacturing node of Bursa. Managing Director France & Turkey DHL Express Michel Akavi says DHL’s operating budget will grow about 12 percent in 2013 after 17 percent expansion in 2012 and 35 percent in 2011. With 81 facilities in Turkey serving 24,000 customers, DHL Express has a leading 58 percent market share in Turkish express deliveries, while overland freight and logistics are more fragmented, he says.

Syrian unrest has meant a collapse in shipments to and from that country, but Turkey and DHL have more than made up for it with rising freight traffic to Iraq and the Middle East. Boztepe says almost one-third of all overland truck trips leaving Turkey now go to Iraq and end up there. The emergence of major auto, textiles, biomedical, and furniture sectors has made Turkey an important regional supplier. DHL deliveries for clients such as Renault, Phillip Morris, Nestlé, Levi’s, and IKEA have risen accordingly.

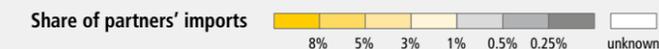
GETTING INTO INDONESIA

Indonesia, the world’s most populous Islamic country, has its own internal challenges – 18,000 islands, and a sometimes volatile mix of ethnic and religious groups. But economic growth that has averaged nearly 6 percent annually since 2004, and mounting investment in natural resources such as timber,

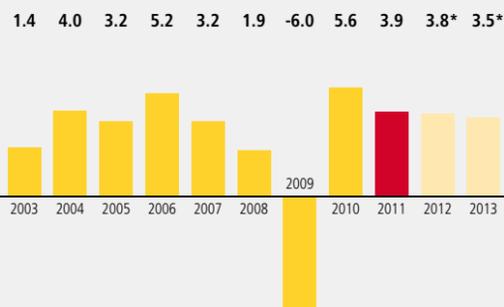
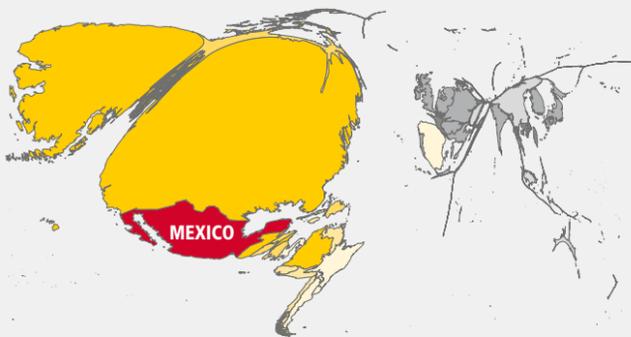
TRADING RELATIONSHIPS (2011), AND GDP GROWTH OF MIST COUNTRIES, IN PERCENT (2003–13)

MEXICO, INDONESIA, TURKEY, SOUTH KOREA Source: GCI, GTAI

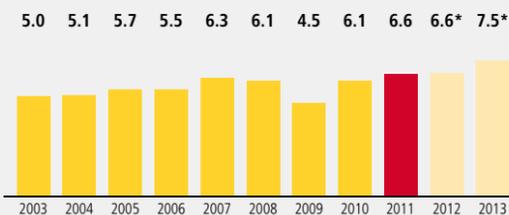
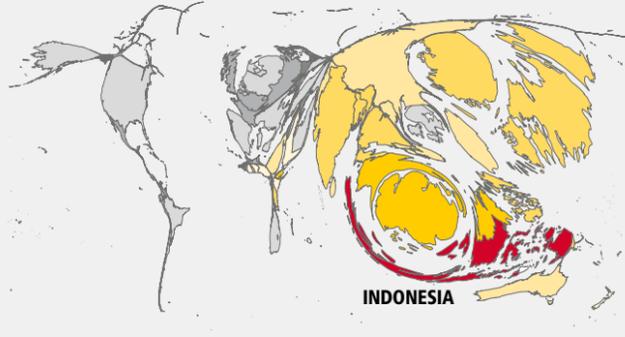
Other countries are all sized in proportion to their share of the subject country's merchandise exports, and colored according to the subject country's share of their imports.



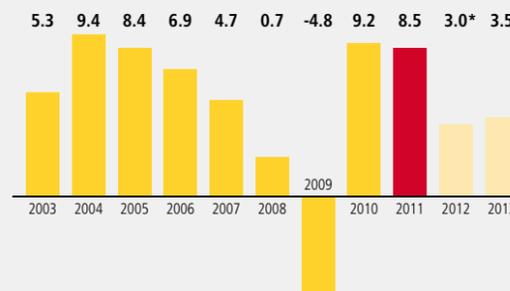
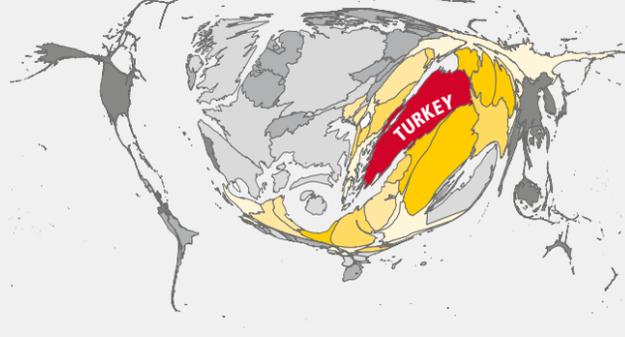
MEXICO



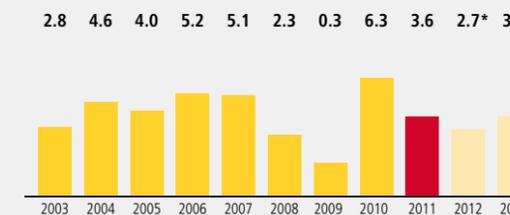
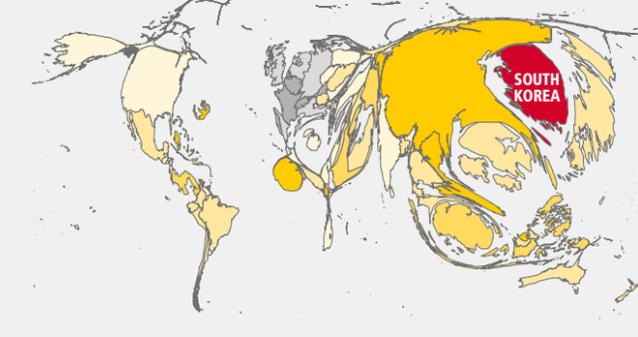
INDONESIA



TURKEY



SOUTH KOREA



*Forecast

natural gas, coal, and rubber have transformed it into an emerging-markets star.

But Indonesia's economy is evolving beyond natural resources, says DHL Supply Chain Managing Director Rahim Tahir. Unilever, Seven-Eleven, and Nokia have become major players in a country where two-thirds of economic growth is coming from domestic consumption. In November, Toyota announced it would invest \$2.7 billion to meet the growing demand for cars in Indonesia.

DHL Supply Chain (DSC) currently operates over 140,000 square meters of warehouse facilities in Indonesia to support the Pre-Sales and After-Sales business segments, and plans to invest \$52 million over the next five years to develop new facilities in Jakarta, Surabaya, Medan, Balikpapan, Cimanggis, Cikarang, and Makassar.

As well as 40 terminals, Global Forwarding has nine offices in-country, and will add five more in the next two years. Longer term, DHL sees big opportunities to expand along with the government's 15-year plan to develop six economic corridors. "We're in the same boat with the government," says Welani Widjaja,

17%

of Indonesia's merchandise exports went to regional trade partner Japan, and 11% went to China.

\$553 BILLION

In 2011, South Korea exported goods and services of an estimated value of \$553 billion. The economy relies heavily on exports, which comprise 50% of GDP.

Sources: CIA World Factbook

DHL Global Forwarding country manager. "We need to be well-positioned for the growth."

MAKING THE MOST OF MEXICO

Continued growth is also on the horizon for Mexico. In fact, economists say that with its improving infrastructure, burgeoning middle class, and rapidly declining rates of poverty, Mexico may have a GDP per capita comparable to Japan or Germany by 2050.

After suffering from the 2008 US financial crisis, Mexico has surged back to become a Latin American growth leader, especially in the auto sector. GM and Ford have expanded their presence, and Chrysler-Fiat has designated its Toluca plant to manufacture the Cinquecento compact model for the Americas.

DHL has been in Mexico since 1969, and all three of its business units rank at or near the top in a highly competitive delivery and freight market. Daniel Pardo, Country Manager DHL Supply Chain, says DHL's competitive advantage lies partly in its Logistics Without Borders program. This offers seamless transportation, warehousing, and customs services on both sides of the US-Mexican border. With more than 10,000 employ-

ees, a 1,400-vehicle fleet, and 800,000 square meters of warehousing, DHL is not only a major logistics player in Mexico but also a significant corporate presence.

SEEKING SUSTAINABILITY IN SOUTH KOREA

South Korea, with its high-tech industrialized economy and a GDP per capita comparable to the EU is an exception among MIST countries. Its economy is export-driven and powered by high-value-added manufacturing, it boasts mature political institutions, and ranks No.14 on the 2012 DHL Global Connectedness Index – way ahead of the other MISTs. South Korea is, essentially, already a developed market. Yet it has been growing at a rate comparable to Brazil and Turkey, and Goldman Sachs has given it a significantly higher Growth Environment Score than all the other BRIC and Next Eleven countries.

It also has the smallest domestic market in the MIST group, but should it ever reunite with North Korea, the population will jump from 42 million to 70 million. The combination of the north's cheap, skilled labor with the south's technology and infrastructure would result in explosive growth, say economists.

THE MIST COUNTRIES WILL BE THE NEXT GENERATION OF SUCCESS STORIES. THEY'RE ALSO THE FOCUS OF DYNAMIC GROWTH IN DHL SHIPMENTS, INVESTMENT, AND STAFFING.

South Korea's emergence as a trade giant is visible in global brand products such as Hyundai autos and Samsung smartphones. Trade statistics show 6.8 percent average annual growth in imports over the last 15 years, and an 11.3 percent expansion in exports.

South Korea, with its \$1.15 trillion economy, is one of DHL's strategic focal points in Asia. With a network including 1,100 employees, 922 vehicles, and 65 "touch points," the company carried out 6 million shipments in and out of South Korea last year, and expects recent growth trends to continue. With rising incomes, declining poverty, sound fiscal policies, and expanding trade linking them ever more firmly to world commerce, the MIST grouping could soon become as familiar as the BRICs, an eventuality for which DHL is well positioned. — *Chris Kraul*

Read more about the Global Connectedness Index in an essay by Pankaj Ghemawat on page 28. Further information can be found on our website:

tinyurl.com/DHLGCI2012



THE WORLD'S GOT TALENT

But can you win and retain it? To recruit more successfully, companies must mix their global approach with local needs.

Back in 1997, McKinsey consultant Steve Hankin noted what he called a “war for talent,” predicting that competition for highfliers would heat up. Sixteen years later, global players are still hustling for talent, but the landscape has changed. Demographic trends are draining the pool of younger workers in mature economies, while emerging markets are gripped by skills shortages. More than half of CEOs questioned recently by DDI, a global talent management business, said their talent pipeline was not growing fast enough.

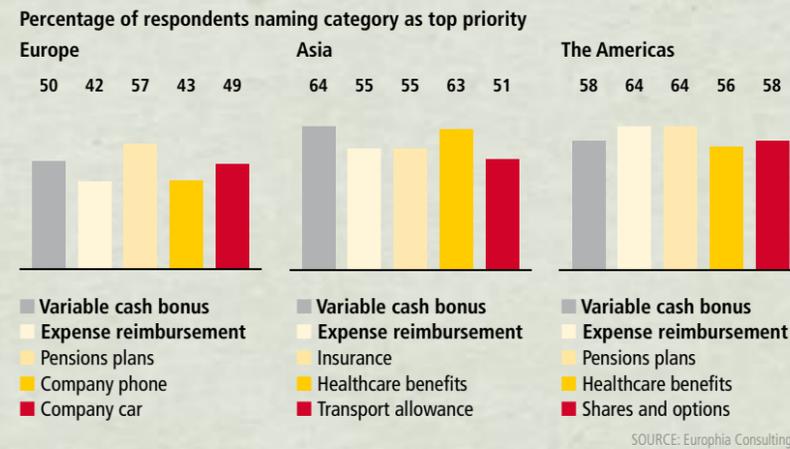
The personnel squeeze is tightest in emerging markets. In India, for example, the logistics sector employed around 7.3 million people in 2011, according to the country’s National Skill Development Corporation. By 2022, that number is expected to increase by 25 million – a daunting prospect for a sector already struggling to fill jobs along the entire supply chain.

THE GLOBAL-LOCAL APPROACH

So what’s to be done? One response that’s proving effective is integrated talent management. This brings together such loyalty-building incentives as personalized executive training, tailor-made benefits and more nuanced career options. It also nurtures a more differentiated, “global-local” approach to human resources and helps global players bolster their workforce in fast-growing markets and find solutions to the demographic shift in developed economies. “In the next 15 years, the number of executives retiring in Europe will increase substantially,” says Rolf-Dirc Roitzheim, Executive Vice President of HR Development, DP-DHL. “This means companies need to step up recruiting and development efforts. If they don’t, the problem will simply be greater in five or six years, because the talent pool won’t be appropriate in quantity or quality.”

Josh Bersin, principal analyst of Bersin & Associates, a talent management consultancy, notes that the “traditional silos” of human resources are slow to respond to changing business needs, disconnected in their decision-making, and not responsive to employee demands. As companies realize this, spend-

WHICH BENEFITS ARE PERCEIVED AS IMPORTANT REGIONAL DIFFERENCES AMONG LOGISTICS PROFESSIONALS

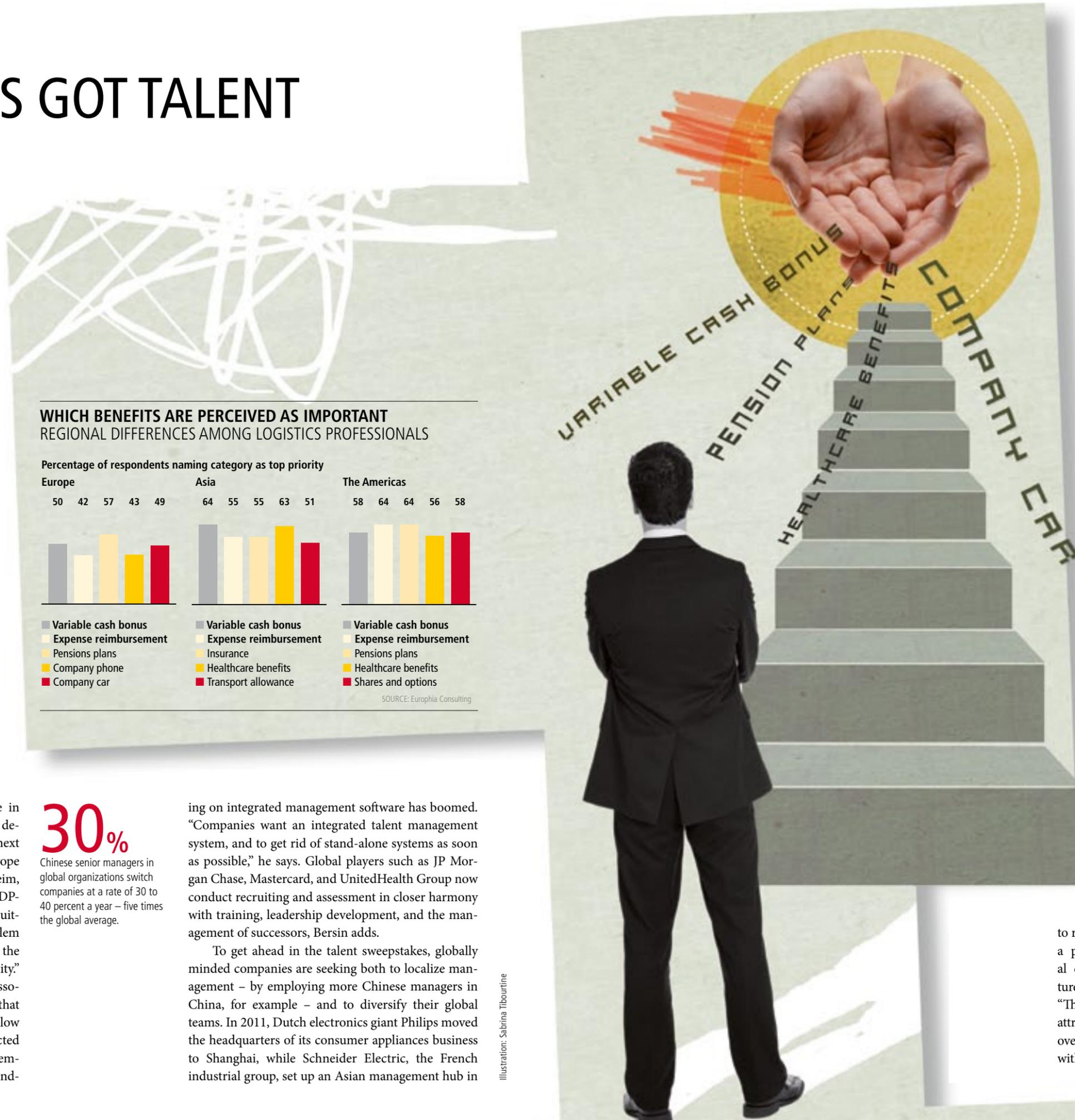


30%
Chinese senior managers in global organizations switch companies at a rate of 30 to 40 percent a year – five times the global average.

ing on integrated management software has boomed. “Companies want an integrated talent management system, and to get rid of stand-alone systems as soon as possible,” he says. Global players such as JP Morgan Chase, Mastercard, and UnitedHealth Group now conduct recruiting and assessment in closer harmony with training, leadership development, and the management of successors, Bersin adds.

To get ahead in the talent sweepstakes, globally minded companies are seeking both to localize management – by employing more Chinese managers in China, for example – and to diversify their global teams. In 2011, Dutch electronics giant Philips moved the headquarters of its consumer appliances business to Shanghai, while Schneider Electric, the French industrial group, set up an Asian management hub in

Illustration: Sabrina Tibourtime



Hong Kong. GE’s number two, John Rice, who relocated to Hong Kong two years ago, says the conglomerate has 2,000 interns from outside the US. “This is ten times more than a few years ago,” he says.

FOSTERING LOYALTY IN A COMPETITIVE ENVIRONMENT

To complicate matters, workers in emerging markets tend to place less stock in company loyalty. Employers go to great effort to recruit and train talent, only to see many jump ship. A recent McKinsey survey in China found that senior managers in global organizations switch companies at a rate of 30 to 40 percent a year, five times the global average. Generational change comes into play as younger workers expect more than just financial returns, and are more willing to move around to get what they want.

How to foster loyalty in such a competitive environment? Roitzheim says competitive compensation is the foundation, but it must be complemented by a broad range of further elements. “It’s not just about salary, but more about the larger topic of development and career opportunities, recognition and life balance” he says. “While good recruiting, performance management, training and succession planning are important, it’s crucial to combine them effectively to achieve optimal engagement. The whole needs to be more valuable than the sum of the parts.”

Roitzheim recommends an approach to recruiting that looks beyond simply finding the right person to fill a currently vacant role. The objective, he insists, must be

to reflect whether a job opportunity is also suitable for a particular candidate in terms of their individual development, pointing to the right kind of future assignments and potential career progression. “This approach contributes positively to a company’s attractiveness as an employer,” says Roitzheim. “Moreover, it helps link an employee’s individual development with a strategic business outlook.” — **Jeremy Gray**



CUSTOMS OFFICIALS in Hong Kong showing some seized illicit cigarettes. The port of Hong Kong is a hub for untaxed cigarettes and all manner of fake products. More than two-thirds of counterfeit products are transported by ship.

HOW TO COUNTER THE COUNTERFEITERS

In the age of product piracy, the world's markets are being flooded with imitation and counterfeit products. Securing today's increasingly complex supply chains represents a challenge for global companies.

Product piracy, counterfeits, illegal copies: business in third-party intellectual property theft is booming. In 2011, counterfeiters manufactured products worldwide to the tune of \$600 billion. According to BASCAP, the International Chamber of Commerce's anticounterfeiting initiative, this figure will climb to \$1.8 trillion in four years' time – roughly equivalent to Italy's current GDP.

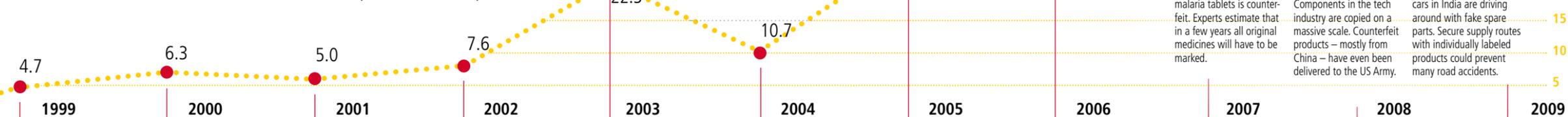
Luxury goods are the most high-profile counterfeit products. But apart from fake Rolex watches and Louis Vuitton bags, pirates have also taken over other sectors, including medicines, electronic components, software, and spare parts. Even the US Army has unknowingly bought counterfeit components.

This counterfeit sector is setting the pace of economic development in many emerging countries. In China, illegal earnings accounted, until recently, for almost one-tenth of GDP. This has contributed to the country's phenomenal growth, but is now leading to a rethink. "China is now making great efforts to combat counterfeiting," says Hannes

Hesse, CEO of the German Engineering Federation. Two-thirds of German engineering companies are measurably affected by product piracy. Most products are copied. When a newly developed machine reaches the market, copies are already available.

Most counterfeits come from China and are often of poorer quality, though cheaper than the real thing. But Beijing is now attempting to persuade Chinese companies of the need for industrial property rights. After all, Chinese firms are now enjoying global success, are involved in research, and hold patents. They now also need to fight against counterfeiting.

PIRATE PRODUCTS AHOY! COUNTERFEIT GOODS SEIZED AT EU BORDERS (MILLION ITEMS)



THREE QUESTIONS FOR

Robert Larson

GLOBAL HEAD OF SECURITY, DHL GLOBAL FORWARDING, FREIGHT



How can companies fight product piracy?

First, by using available technology (RFID, holograms, nano technology) to make products unique and hard to copy. Second, by choosing a logistics provider with a sound understanding of supply chain security. Finally, by increasing consumer awareness – for example, producers speaking about product responsibility usually mean product safety or climate protection, but there is also an opportunity to speak about the risks for consumers in counterfeit products.

an integral part of their business. At DHL Global Forwarding, Freight (DGFF) for example, we are constantly assessing our network against identified risks. The results increase the visibility of our operations and help to prevent incidents, and this reassures our customers.

Do companies underestimate the risks of a complex globalized supply chain?

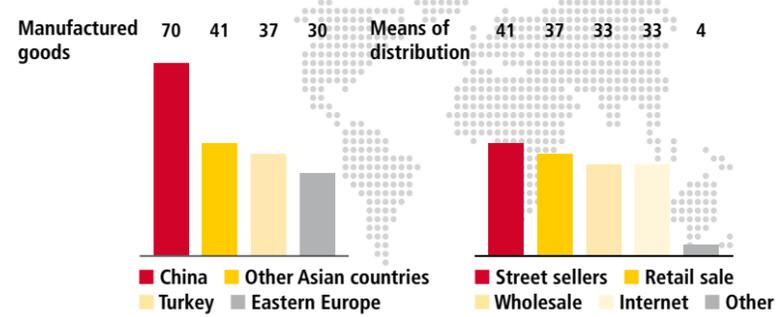
Well, we do customers wanting to know more about what DHL is undertaking to protect their products against theft. With supply chain disruptions on the increase, studies by DPDHL confirm that the logistics sector will play an important role in unstable and hazardous times.

What can logistics providers do to secure supply chains?

They should see security as an added value and

COUNTERFEITING AND DISTRIBUTION IN PERCENT, 2011

Source: Ernst&Young



Fake products cost jobs, ruin companies, and even claim lives. Naturally, counterfeiting and piracy undermine an industry's profitability and market integrity. Fake and diverted products, in the pharmaceutical sector for example, cost tens of millions of dollars every year – and hundreds of human lives. More than ten percent of all drugs sold worldwide are believed to be counterfeit. "The costs involved with product piracy are huge," says BASCAP coordinator Jeffrey P. Hardy. In the G-20 nations alone, counterfeiting and piracy are estimated to cost governments and consumers over \$125 billion a year.

But the big brand companies are hitting back. Rolls-Royce leases its engines, thus controlling the entire spare parts supply, and no longer needs to be afraid of product liability claims. Other companies are protecting their brand or intellectual property more robustly and mobilizing hordes of lawyers. And many are making their supply chains more secure by investing in robust supply chain security programs.

"Everybody involved in a supply chain has to think about security," says Robert Larson, head of Global Security & Operational Resilience at DHL Global Forwarding, Freight. He advocates a holistic approach across the entire supply chain, combining classic security measures such as risk assessments, trained employees with technical innovations like holograms, RFID chips, and nano-labels mark components. Luminescent pigments are even being used on individual tablets. The markers are read using a smartphone and can be checked against the original product information at any point, even in the most complex supply chain. "One

\$600 BILLION

In 2011, counterfeiters manufactured products worldwide to the tune of \$600 billion.

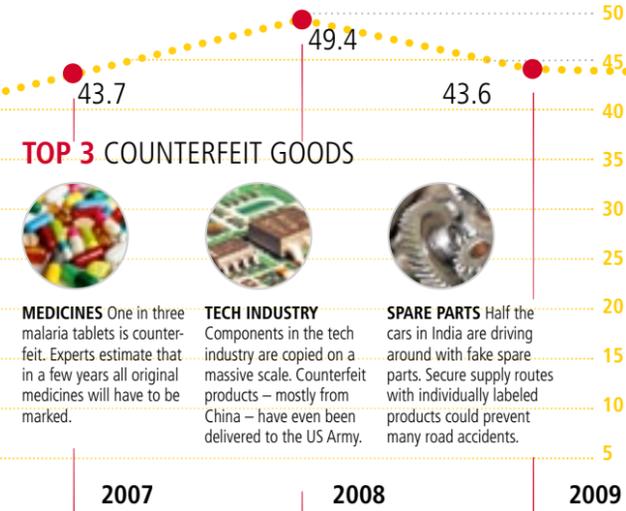
\$1.8 TRILLION

The projected total value of counterfeit products worldwide in 2015.

See five visionary scenarios from the study Logistics 2050 by DPDHL

tinyurl.com/DHLStudy

important factor for an effective and secure supply chain is an open and constructive collaboration," says Larson. In organizational terms, this requires that all the involved parties sit together regularly and share best practices, information about crime trends, and technology solutions. — Axel Novak



MEDICINES One in three malaria tablets is counterfeit. Experts estimate that in a few years all original medicines will have to be marked.



TECH INDUSTRY Components in the tech industry are copied on a massive scale. Counterfeit products – mostly from China – have even been delivered to the US Army.



SPARE PARTS Half the cars in India are driving around with fake spare parts. Secure supply routes with individually labeled products could prevent many road accidents.

Photos: Z. Hongxin/Imaginechina/Corbis; DHL; D. Kalinovsky/Getty Images; Getty Images

CONNECTING THE WORLD: PROBLEMS AND **POTENTIAL**

The world is less globalized than we assume, says the DHL Global Connectedness Index 2012



AN ESSAY BY PANKAJ GHEMAWAT

Pankaj Ghemawat is an economist, global strategist, speaker, author. He is the Anselmo Rubiralta Professor of Global Strategy at IESE Business School in Barcelona, Spain, and the author of the DHL CGI.

The DHL Global Connectedness Index 2012, released in late November, paints a striking picture of how globalization was hit hard by the financial crisis and has yet to recover to its 2007 level. It also highlights how global connectedness falls far short of the levels commonly assumed by business executives and the general public. The report presents compelling evidence that deepening global connectedness could be a powerful lever for increasing prosperity, which implies that strengthening countries' connectedness offers large, untapped potential to help accelerate economic recovery. The fact that the world is less globalized than often assumed also helps calm many fears about globalization.

The 2012 DHL Global Connectedness Index measures and analyzes the global connectedness of 140 countries, covering 99 percent of the world's GDP and 95 percent of its population. It measures the depth and breadth of countries' trade, capital, information, and people flows. Twelve distinct components of connectedness are incorporated across those four pillars, with historical coverage back to 2005. More than one million data points were included in the calculation of this year's DHL Global Connectedness Index.

At the global level, while merchandise trade has staged a strong recovery since 2009, its growth is slowing, and the intensity of services trade has stagnated. Capital markets are fragmenting, as investors keep more of their funds at home

and target their foreign investments more narrowly. Information flows continue to expand, though actual connectedness lags behind the growth of potential connectivity on this pillar. And connectedness on the people pillar has barely grown since 2005.

The global connectedness patterns traced in this report also highlight how distance, far from being dead, continues to depress connectedness of all types. While the distance between a randomly selected pair of countries is roughly 8,500 kilometers, the average distance traversed by merchandise trade, foreign direct investment flows, telephone calls, and human migration all cluster in the range from 3,900 kilometers to 4,750. This accords with the finding that most international flows take place within rather than between continental regions.

EUROPEAN COUNTRIES ARE TOP CLASS

At the country level, while all countries have headroom to increase their connectedness with the rest of the world, countries do vary widely with respect to the depth and breadth of their global connectedness. The top ranked countries overall on this year's DHL Global Connectedness Index are, in descending order, the Netherlands, Singapore, Luxembourg, Ireland, Switzerland, the United Kingdom, Belgium, Sweden, Denmark and Germany.

The fact that nine of the top ten countries are located in Europe reflects Europe's broader standing as the world's most globally connected continental region. Europe is also the top ranked region on the people pillar. The East Asia and Pacific region tops the trade pillar and North America leads on the capital and information pillars.

Looking more broadly, the top 50 countries include representatives from all six inhabited continents. Singapore, with the No.2 rank worldwide, is the only non-European country in the top ten. The top North American country on the list is the United States, ranked No.20. Australia holds the No.30 position as top-ranked country in the South Pacific. Morocco is the highest-ranked African country at No.38, and South Africa leads among Sub-Saharan African countries in the No.48 position. In South America, Chile is the top-ranked country at No.41.

Sub-Saharan Africa is the least connected region today, but Sub-Saharan African countries averaged the largest increases in connectedness over the past year, with their gains driven primarily by the trade pillar. The top five countries in terms of increased connectedness scores over the past year are all located in Sub-Saharan Africa: Mozambique, Togo, Ghana, Guinea, and Zambia.

One of the new features in this year's report is the analysis of global connectedness at the industry level. The globalization of twenty industries is compared, and three of these industries – pharmaceuticals, passenger cars, and mobile phones – are highlighted in brief case studies. The mobile phone industry already has most of its production and sales in emerging markets, passenger cars is in an intermediate position, and the pharmaceutical industry (in value terms) remains focused in the advanced economies. Their different positions in this respect provide some perspective on the broad shift of economic activity toward emerging markets that has accelerated since the onset of the financial crisis. This is a theme throughout this year's report: 72 percent of

GDP growth around the world between 2008 to 2011 took place in emerging market countries, and according to IMF projections, emerging markets will deliver about 60 percent of growth from 2012 to 2017.

Three country cases are also examined to illustrate national policies to promote global connectedness in diverse contexts. The case of the Netherlands, the world's most globally connected country, highlights the power of regional integration to increase a country's global connectedness, but also reminds us that even the top-ranked country has significant room to become more connected. The case of Vietnam provides a dramatic example of how a very poor country can, with appropriate policy shifts, deepen its connectedness very rapidly and reap large gains. And Mexico provides an opportunity to examine the interplay between the depth and breadth of a country's connectedness. In this case, limited breadth is responsible, in part, for also limiting depth.

LINKING FACTS AND ANALYSES

Despite evidence of faltering global connectedness, arguments based on assertions about globalization continue to feature prominently in political debates, business strategy deliberations, and everyday life. Dialogue about globalization, however, is seldom backed up with hard data, and much of it is so far removed from reality that one could describe it as "globaloney." The DHL Global Connectedness Index brings together a comprehensive and up-to-date set of facts and analyses to help readers make more informed judgments about the possibilities associated with forging more cross-border connections. Its basic premise was well-expressed by the late American politician and sociologist Daniel Patrick Moynihan: "Everyone is entitled to his own opinion, but not to his own facts."

See the entire DHL Global Connectedness Index (GCI) 2012 in its current edition:

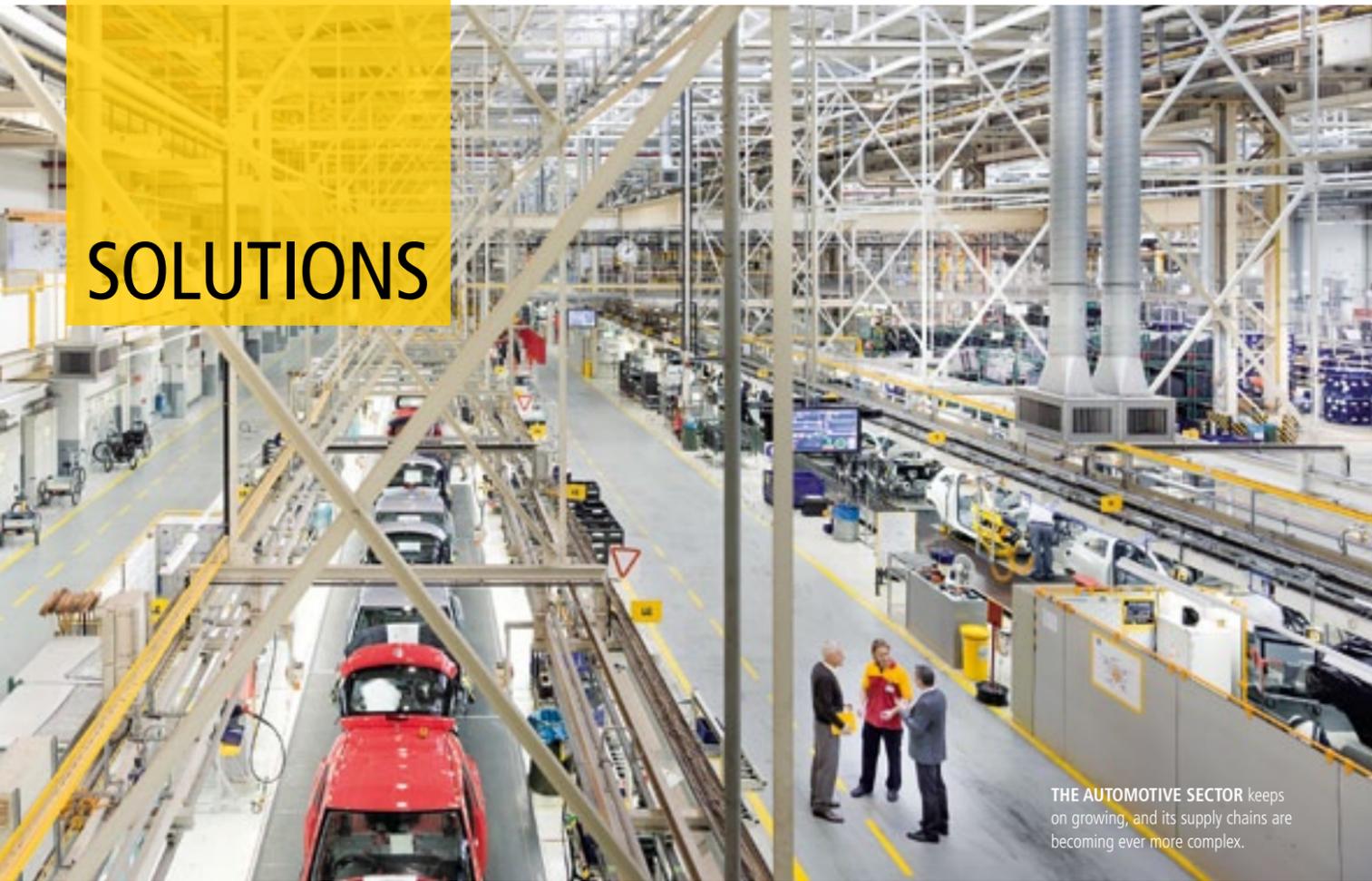
 tinyurl.com/DHLGCI2012

Illustration: Bernd Schifferdecker; photo: Chris Heller/Corbis



"GLOBAL CONNECTEDNESS
DROPPED SHARPLY AT THE ONSET
OF THE FINANCIAL CRISIS."

SOLUTIONS

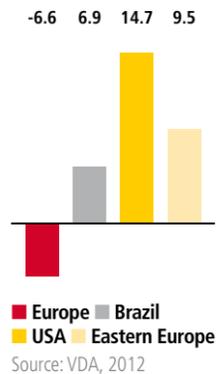


THE AUTOMOTIVE SECTOR keeps on growing, and its supply chains are becoming ever more complex.

BUNDLED COMPETENCE FOR GLOBAL CARMAKERS

Automotive remains one of the driving growth sectors in the global economy. To help global carmakers and their first- and second-tier suppliers, DHL Global Forwarding has woven a worldwide net of Automotive Competence Centers. The latest is in Johannesburg, South Africa.

GROWTH MARKETS
AUTOMOBILE SALES (%)



Our business is people business," says Christiane Beigel, Vice President Automotive Competence Center at DHL Global Forwarding. "For our customers, information and communication are essential factors. The aim of the competence centers is to simplify access to DHL and the know-how inside it."

These competence centers bundle all DHL's automotive activities for the local market. They become of major importance for original equipment manufacturers and first-tier suppliers. The company currently maintains a network of nine Automotive Competence Centers, with a strong focus on developing markets. "We are present in countries such as China, Brazil or Mexico, where the automotive

sector is growing, but also in countries or regions that have a traditional automotive industry, such as Germany, Spain or North America," Beigel adds. "Our customers are enthusiastic. Nobody else has a similar solution."

DHL's Automotive Competence Center in São Paulo will streamline the internal automotive supply chain in collaboration with other countries and regions around the world. A team of 17 professionals are developing value-added logistics solutions including air freight, ocean freight, and purchase-order management for clients in one of the world's fastest-growing auto industries. DHL Global Forwarding also aims to extend the range of services offered to customers in Brazil.

CLEAN BILL OF HEALTH

Few sectors are as demanding as life sciences and healthcare. And should be: the most precious asset – human health – is at stake. Outsourcing logistics can help companies guarantee the quality of their products.

The life sciences and healthcare sector is under pressure. Aging populations, not just in developed countries, are driving demand for pharmaceuticals and medical products higher. Meanwhile, public health systems try to keep costs down. Countries in emerging markets intensify this trend. They offer both enormous potential demand and low-cost manufacturing competition.

Growing competition, compliance costs and rising research spends are driving businesses to change their processes. Global procurement, multichannel selling and ever greater individualization of products all add up to huge challenges for healthcare logistics. Although the commercial dynamics and challenges being faced by companies in the life sciences sector do differ, all these business issues have a common theme. They involve a profound impact on the ways in which a company structures its distribution capabilities to build competitiveness and drive shareholder value.

"Life sciences and healthcare logistics is growing ever more demanding and complex, so more and more medical manufacturers are outsourcing their supply chain instead of organizing it in-house," says Susanne Amholt, VP for Business Development, Life Sciences and Healthcare EMEA at DHL Supply Chain.

OUTSOURCING: STRATEGY OR TACTIC?

Outsourcing in this manner allows firms to focus on their core competencies and boost quality while lowering costs at the same time. Some see outsourcing as a strategic, long-term decision to subcontract low-value-added areas such as order management, warehousing and transport.

Others companies view outsourcing more as a tactical decision – a means of complementing their own skills with outside expertise.

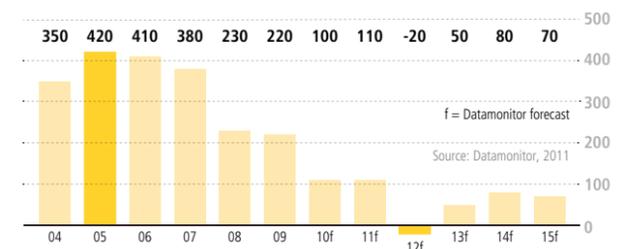
But both reasons reap rewards. Of course, first of all, there are lower costs. But in itself, outsourcing doesn't guarantee instant savings. On the contrary, says Amholt. Outsourcing makes the supply chain more transparent, so initial costs may add up to more than early estimates.

However, a holistic analysis of the whole supply chain helps identify the true potential for long-term savings. An external logistics provider with a worldwide network also helps companies reach new markets faster via various sales routes. And with the necessary expertise and infrastructure to react swiftly to market demands, external providers are often more flexible than in-house supply chain managers.

HOLISTIC VIEW OF THE SUPPLY CHAIN

Amholt underlines two prerequisites for successful outsourcing: a holistic view of the supply chain that is not limited to the company's own distribution levels or even the subsequent one; and the careful choice of a provider. The focus must be on partnerships where both client and provider gain from more efficient processes. "One key recommendation is understanding the importance of performing an outcome based evaluation – rather than being prescriptive about how logistics service providers should operate," says Amholt.

CHALLENGING FUTURE
GLOBAL PRESCRIPTION PHARMA SALES (\$BN)



A TREATMENT FOR BUSINESS HEADACHES



INNOVATION AND COST PRESSURES: Bayer had to pull costs down. At the same time, it put nearly \$4 billion – 8% of its sales – into research.

Bayer Business Services needed to establish new, transparent global accounting processes to handle 3.5 million invoice lines a year from some 150 Bayer Group companies in 70 different countries. DHL Global Mail helps reduce costs, improve quality, and minimize possible risks.

Bayer Business Services faced a big challenge: establish a fully digital accounts payable process and provide transparency of its global accounting. That means handling in total 3.5 million invoice lines a year, 150 Bayer Group companies in 70 different countries, more than 50,000 orderer and approver and about 90,000 vendors of Bayer.

The solution came from DHL Global Mail: It provided a comprehensive inbound document management solution, optimizing both transparency of the global accounting process as well as efficient handling of documents. DHL Global Mail built a solution which includes scanning, optical character recognition, and consolidating services in order to achieve a

3.5 MILLION

invoice lines per year need to be handled by Bayer's global competence center for IT and Business Services.

significant reduction of paper-based work, generating benefits such as cost reduction at the same time and minimizing possible risks.

Today, DHL Global Mail collects the invoices at Bayer's locations in Asia and transports them to scan centers in Hong Kong and Shanghai, where the invoices are barcoded and scanned. Every working day, the scanned invoices are transferred from a DHL server to the Bayer ERP system. Last but not least, in partnership with DHL Global Mail, Bayer achieved a tailored inbound document management solution which increased the transparency of their accounts payable process and enabled the fast availability of documents in their ERP system within 24 hours.

WHEN THE CHIPS ARE DOWN

Companies don't just have sensitive products, sometimes they also operate in sensitive markets or tough regulatory environments. DHL can create broad solutions that make both customers and government officials happy.

Dutch computer chip maker NXP Semiconductors wanted to simplify delivery of its finished products from plants in Asia to reduce costs, decrease management oversight, and increase visibility.

But the company had big demands, both in distribution and in meeting strict government regulations. Since the company is listed on the New York Stock Exchange, all shipments had to be fully transparent for auditing, and records had to be complete and entirely accurate to clear customs and ensure security for government customers. NXP also wanted to simplify distribution by eliminating time-consuming tasks such as relabeling or redundant handling.

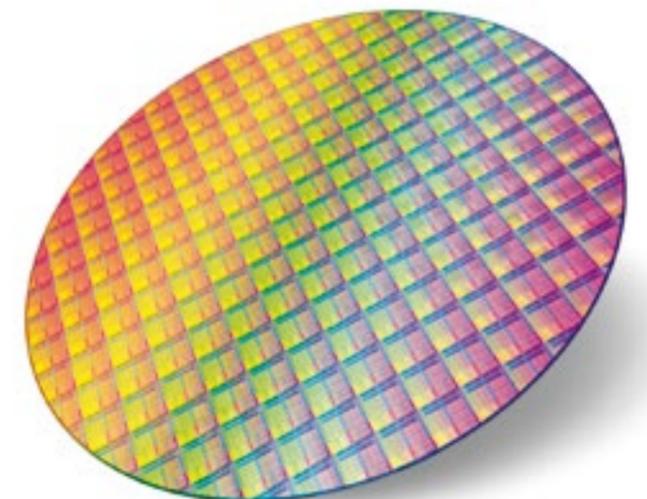
NXP had relied on DHL in Asia, and selected the German company to take over global distribution. DHL created an integrated product that took advantage of both its broad distribution expertise and the global, intermodal network of DHL.

The solution involves a deep IT network that seamlessly tracks every shipment leaving NXP's Asian plants, and relies on a global logistics control tower. DHL simplified pricing structures to cut costs and introduced various multimodal solutions to

ensure the best possible distribution to every continent.

This sometimes meant making a few arrangements that might not seem logical at first glance. In the US, for example, DHL uses End-to-End Express, while a separate hub handles shipments for other North American destinations. Asian shipments use DHL's Ship-it-Smarter system, which combines air freight for heavy goods and Parcel Express for lighter shipments. For Europe, bulk shipments go through DHL's hub in Leipzig, Germany.

Door-to-door visibility means that both DHL's customers and regulators can easily follow any shipment, while the use of a single provider with automated logistics cuts costs significantly.



NXP'S SUCCESS STORY

NXP was founded over 50 years ago as Philips Semiconductors and makes computer chips that drive automotive, government identification, telecommunications, and computing products. It operates in 25 countries and had sales of \$4.2 billion in 2011.



VIEWPOINTS

DHL, not playing around

This tilt-shift photograph of the DHL Express Hub in Leipzig can only capture a fraction of the hustle and bustle during a typical night at the German airport. Leipzig is, along with three other super hubs in Hong Kong, Cincinnati, and – its newest investment – Shanghai, the backbone of DHL's global express network. Leipzig works around the clock, 365 days a year. Every day, up to 75 aircraft from destinations around the globe land on the 3.6 kilometer long runway, including on some days DHL's newest round-the-world flight linking Hong Kong, Los Angeles and Leipzig. One of those taxiing down the tarmac is also the hub's 3,500th employee, pilot Silvia Hofmann, who joined DHL in late 2012.

DELIVERED. KICKS OFF WITH...

Denis Irwin

When I was growing up in Ireland," says Denis Irwin, "everybody dreamed of playing for Cork at hurling." He was good at this ancient Gaelic field game, but the sport Denis came to love was football – and the team he will forever be associated with is Manchester United. He was with the side for twelve glittering years, and is now established as one of United's best-ever full-backs, an expert free-kick and penalty taker, and one of the club's modern greats.

After playing for Leeds United and Oldham, Denis moved to Manchester in 1990. He was a wise signing by manager Sir Alex Ferguson. His first season culminated in a European Cup Winners' Cup victory – and in the 1992–93 Premier League-winning season, he scored five goals. As United snatched trophy after trophy, Denis remained a solid presence in an outstanding side, winning no fewer than 13 medals.

Ask him to name a trophy that stands out, and he struggles to pick just one. "They're all very special to me," he says. "The first Premier League title in 1993 was special and the Winners' Cup in 1991 when we beat Barcelona was my first trophy. Of course, everybody remembers when we beat Bayern Munich to win the Champions League in 1999."

Denis left United in 2002 after 529 appearances and 33 goals. He also appeared for Ireland 56 times, scoring four goals and playing in the 1994 FIFA World Cup. Now 47, he has a career as a newspaper columnist and as a presenter at MUTV, the club's TV channel. He can look back in his career with some satisfaction. "I had twelve special years at Old Trafford, says Denis, "at what I feel is the best club in the world."

Dennis, what makes Manchester United so special?

The club has incredible history and tradition. We are now the most successful team in the country domestically, too. Being part of a big family is a great feeling – this gives the club a fantastic following globally.

Who is your ultimate Manchester United legend?

Well, I wasn't a United fan growing up and I'm too young to remember the great teams of the 1960s; but everyone knows how great Denis Law, George Best and Bobby Charlton were. I started watching more when I moved over to England. Bryan Robson more or less carried the club through the 1980s. I had four great years playing alongside him.



DENIS JOSEPH IRWIN was born on October 31, 1965. In 1990 he joined Manchester United, going on to make 529 appearances for the club, as well as earning 56 international caps for Ireland. He retired as a player in 2004.

We've always had special players here – like Keano Keane and Eric Cantona. Robbo Robson was a very special player. When you see the likes of Scholes and Giggs still playing after nearly enough 20 years, it's probably them. The longevity of Scholesy and Giggsy is just unbelievable. It's phenomenal what they have achieved.

How has the game changed over the years?

It's more professional and it's got a lot better technically. The main thing is the game has gotten faster. The changes are definitely for the better. Better players have come in and there's a good mixture of teams playing with different styles. The Premier League is the most watched league in the world. The fans are very, very passionate.

Who is the best player of all-time?

Pele was slightly before my time. In the 1980s, Maradona was by far above anybody else. What he did at Napoli in particular was phenomenal. Having watched this lad Lionel Messi now over the last few years, he's definitely right up there. Time sometimes makes you forget how good players were back in the day. I remember watching Marco van Basten, Johan Cruyff and the like. However, I would have to choose Maradona and Messi. They're the best I've ever seen.

When you look back over your career, have you exceeded your expectations?

Yes definitely. I was lucky that I had a small amount of clubs and managers, so this gave me a lot of stability in my career.

What are your expectations for the current 2012/13 season?

I think the Premier League is so hard to win that we will be in a battle with Manchester City certainly again, and you could probably add Chelsea and Arsenal in the mix.

And Europe?

It will be hard in Europe. Barcelona and Real Madrid are really good teams and will be favorites for the trophy. Having said that, there's no reason why we can't go all the way.

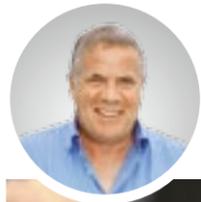
— Tony Greenway

Additional information on Manchester United:

tinyurl.com/DHLManU



TOP DEFENDER: For many seasons a solid presence in an outstanding Manchester United side, Denis Irwin is today regarded as one of the club's finest ever full-backs.



WHAT'S THE STORY, MR. MELLER?

"WE MOVED EVERYTHING AND ANYTHING THEY NEEDED FOR FILMING SKYFALL"



CONSTANTLY ON THE ROAD

The spectacular fight scene on top of a train was filmed in Turkey.



Shooting the stunts: DHL transported the largest free-standing crane in Europe for *Casino Royale*.



Post-production: Laban Dearden and Judi Dench, who plays M, on a flight.

IN BED WITH M

From classic cars to cunning gadgets, DHL Global Forwarding made sure all the equipment James Bond needed in *Skyfall* arrived neither shaken nor stirred. John Meller of the WAM team remembers the shoot.

"*Skyfall* broke box-office records worldwide. But dazzled by its spectacular climax, some in the audience may have missed these words among the credits: 'Shipping by DHL Global Forwarding.'"

We're proud of that credit in Hayes, Middlesex, where DGF UK's WAM team is based. WAM stands for (Keith) Williams and (John) Meller. Keith and I head the unit, which specializes in film, concert, and exhibition logistics, and is now on the approved list for both Universal Pictures and Disney. For *Skyfall*, we did it all. We moved anything and everything needed for filming on location in China, Turkey, and the United Kingdom – including no fewer than

38 VW beetles and a couple of caterpillar diggers. Previously, we'd also handled all the logistics for both *Casino Royale* and a *Quantum of Solace*. Our team members were willing to go the extra mile, even in bed. My colleague, Film Project Manager Laban Dearden, was on location for the entire *Casino Royale* shoot. When someone was needed to pose as M's husband, asleep in bed while she answers the phone, Laban was happy to comply.

Will team members take on further on-screen roles? Well, we'll never say never again, but I think we'll stick to what we do best – our job behind the scenes."

Location scouting started in April 2011, filming began in November 2011 in and around London, moved to Turkey, China, and back to Europe.

133 DAYS was the length of **principal photography** – the filming phase with actors on set and cameras rolling.

\$798.4 MILLION was the worldwide **box office result** in the film's first month.

DHL CALENDAR EVENTS AROUND THE WORLD

FEBRUARY

9-18

Chicago, USA. The Chicago Auto Show is the largest and the longest-running auto show in North America. This year marks the 105th edition of the show.

www.chicagoautoshow.com

MARCH

15-17

Melbourne, Australia. The Formula 1 Grand Prix of Australia, staged in Melbourne, is the country's oldest motor racing competition and has been held 77 times.

www.grandprix.com.au

MARCH

17-23

Tokyo, Japan. The Mercedes-Benz Fashion Week Tokyo is one of the most important fashion weeks in the world. It is held twice a year.

www.tokyo-mbfashion-week.com

MARCH

26-28

Paris, France. SITL is one of the most important European meeting places for transport and logistics. In 2012, it had an attendance of more than 40,000 professionals.

www.sitl.eu

Best of Logistics

ONLINE

1 Global cities of the future: An interactive map by McKinsey & Company
tinyurl.com/citiesfuture



2 The connected era: Perspectives from tomorrow's leaders in a digital world
tinyurl.com/connectedera



3 The future of mobile payments: New online players are competing with banks
tinyurl.com/futurepayment



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FOCUS

CONDITION FOR GROWTH: HOW ENGINEERING & MANUFACTURING COMPANIES RELY ON TAILORED LOGISTICS SOLUTIONS

BUSINESS

MATTER OF PRIDE: THE NATIONAL HEALTH SERVICE OF THE UK



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OUR DELIVERIES ARE ALWAYS ON TIME. OUR INNOVATIONS ARE LIGHT YEARS AHEAD OF IT.

• • • • •

DHL stands for more than just first-class service, environmentally friendly technology and a sustainable corporate philosophy. In our division Solutions & Innovation, we are paving the way to a responsible future for us, our customers and our partners. The Innovation team fosters a close relationship between scientific research, industry expertise and cutting-edge technology in pursuit of a common goal: future-ready logistics solutions that can be applied the world over. It's what enables us to deliver the logistics of tomorrow, today.

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