



Regional Summary: APAC

2013 UPS Change in the (Supply) Chain Survey

High-Tech Global Supply Chains: Shifting Gears



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High-tech logistics executives in APAC are operating in a unique market environment: not only do companies there manufacture many of the newest high-tech gadgets but the region is also home to many emerging economies with a growing middle class of end consumers. Combined with the pressure to innovate, desire to keep costs down and expectation for best-in-class customer service, there are a number of strains on the APAC high-tech supply chain. In the 4th annual UPS Change in the (Supply) Chain survey, we see these impacts as high-tech logistics decision makers in APAC prepare for significant “gear shifts” in their supply chains to get ahead in an increasingly competitive marketplace.

This survey, conducted by IDC Manufacturing Insights, gathers insights from executives around the world on their current and upcoming plans for driving change in the “chain” to meet larger business goals. Nearly 350 executives were surveyed in Asia, North America, Europe and Latin America this year, 103 of which are high-tech decision makers in Europe. The following executive summary reveals the top findings from APAC executives as they prepare to shift gears in their supply chains to meet evolving business goals.

Among the findings from APAC, we see executives:

- Capitalizing on and growing their already-established presence in emerging markets
- Bolstering global product launch execution capabilities by overcoming challenges such as maintaining product security
- Recognizing opportunities for improvement in product lifecycle management, ranging from global launch to product retirement
- Creating more customer-centric supply chains

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APAC high-tech export outlook

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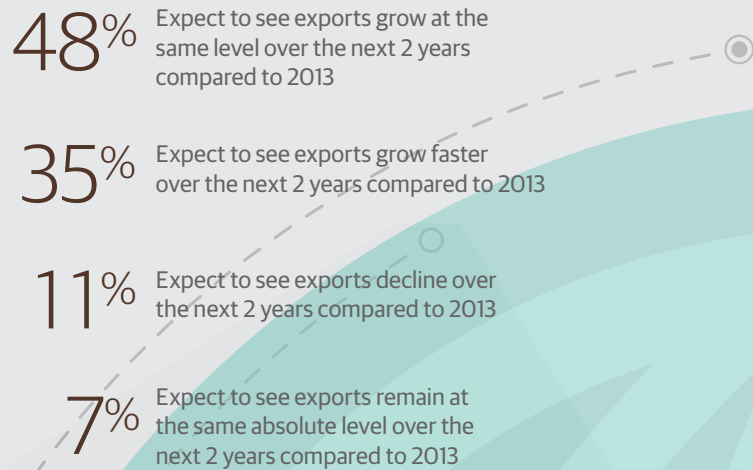


APAC high-tech export outlook

As demand comes from new places near and far - including new markets and an emerging middle class - high-tech companies are gearing up to capture new global trade opportunities.



Future of APAC high-tech exports



UPS Change in the (Supply) Chain: IDC Manufacturing Insights, November 2013

Growth around the world

High-tech logistics executives in the APAC region are increasingly tapping into new markets, whether it's a mature market or a new opportunity within the region. In this landscape, 48% of executives surveyed expect high-tech exports will grow at the same level over the next two years compared to 2013, while 35% expect to see their exports increase over the next two years compared to 2013.



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Near-shoring: Fact or fiction

High-tech companies are seeing merits of near-shoring, with 24% of high-tech logistics decision makers in APAC planning to embrace near-shoring, which is slightly lower than their counterparts in Latin America and Europe. Likely due to the cost benefit of low cost manufacturing countries, many more are not planning on near-shoring (76%), illustrating that barriers still remain.

Drivers

- Improving service levels by bringing production closer to demand **76%**
- Cost benefit to China or low cost manufacturing countries is no longer compelling **32%**
- Improving control over quality and intellectual property **28%**
- Diversification of manufacturing due to natural and socio-economic risks **28%**
- Skills or technology limitations **20%**



Barriers

- Cost benefit to China or low cost manufacturing countries remains compelling **56%**
- Location of key suppliers **32%**
- China or low cost manufacturing countries are our default manufacturing location **32%**
- Current sourcing footprint best supports expected global demand demographics **31%**
- Fixed infrastructure is not movable **27%**
- Growing China or low cost manufacturing countries' consumer market **17%**

APAC executives in-line with European counterparts when it comes to near-shoring

Worldwide, those planning to near-shore varies by region:

- Latin America (44%)
- Europe (26%)
- North America (19%)

When looking at the global picture, adoption of near-shoring also varies by company size, and both the very small (\$5-250M annual revenue) and very large (greater than \$1B) companies are leading the near-shoring charge, likely because small companies have the agility and large companies have the resources to embrace near-shoring.

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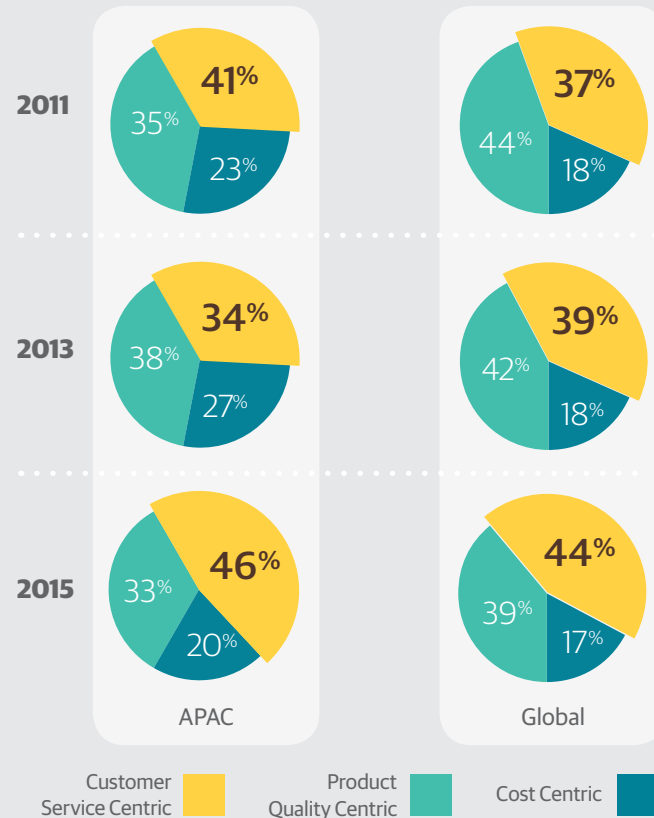


Future importance of the customer-centric supply chain

By 2015, providing a best-in-class customer experience will be the top supply chain priority for the APAC high-tech industry as demand comes from new places and competition heats up. In two years, 46% plan to become more "customer-centric" versus 34% who consider themselves customer-centric today.



Supply Chain Focus - Top Priority



High-tech companies to differentiate through customer service

Top drivers for becoming more customer-centric globally include:

- More intense global competition and the need to differentiate through customer service (56%)
- Belief that better customer service performance drives improved sales and profits (39%)
- Growing influence of the end consumer (39%)
- Increased focus on customers (37%)

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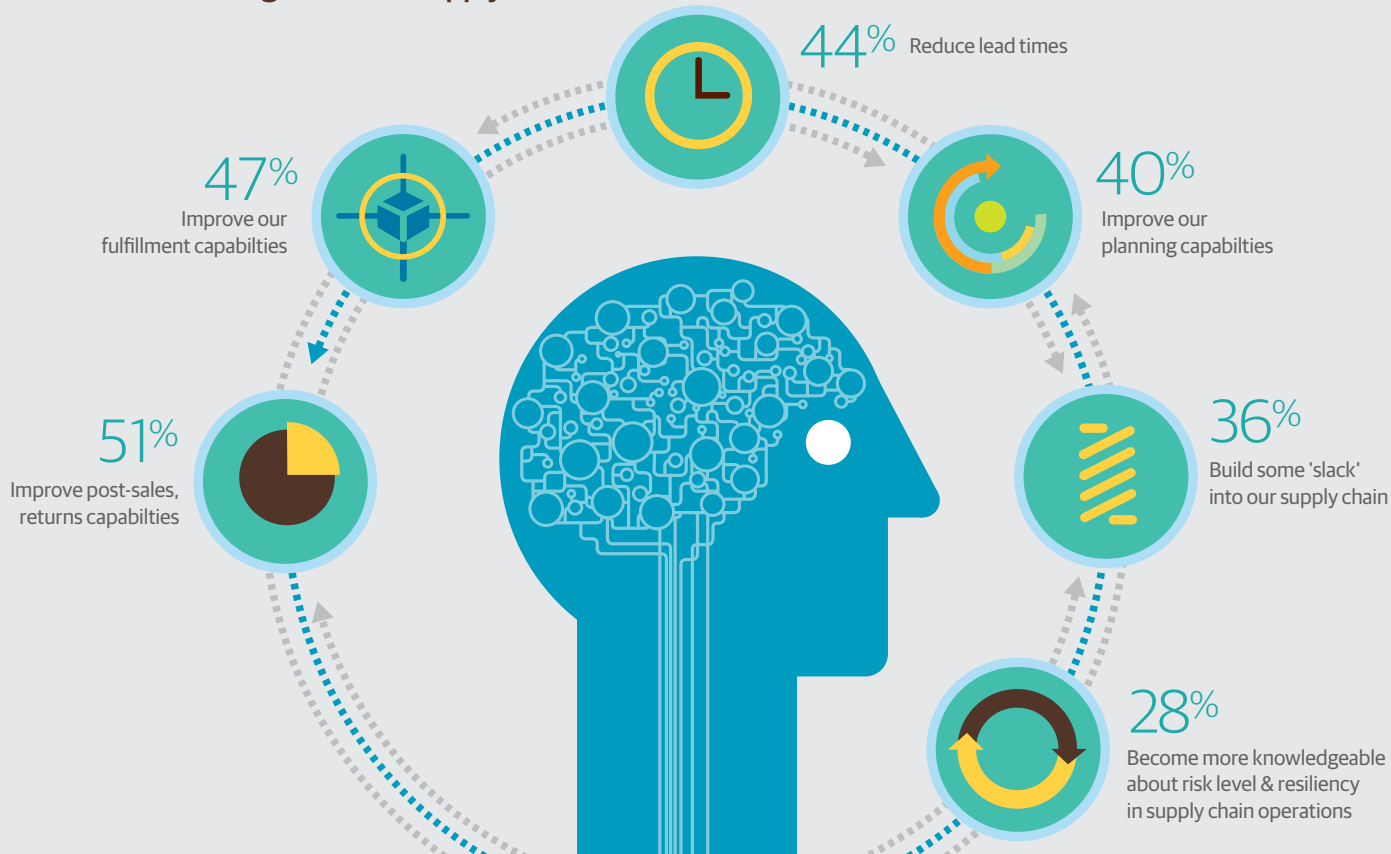


Future importance of the customer-centric supply chain

The trend of becoming more customer-centric has significant implications for the high-tech supply chain. As a result, APAC executives are making changes to their supply chain strategy.



Planned changes in "the (supply) chain"



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Executives re-shaping supply chains to deliver on customer centricity

While APAC high-tech executives are embracing a variety of supply chain strategies to improve customer service, two strategies rise to the top: 51% are improving post-sales and returns capabilities, and 47% have improved or plan to improve their fulfillment capabilities. Companies also see opportunities to drive service improvement through a focus on reducing lead times.



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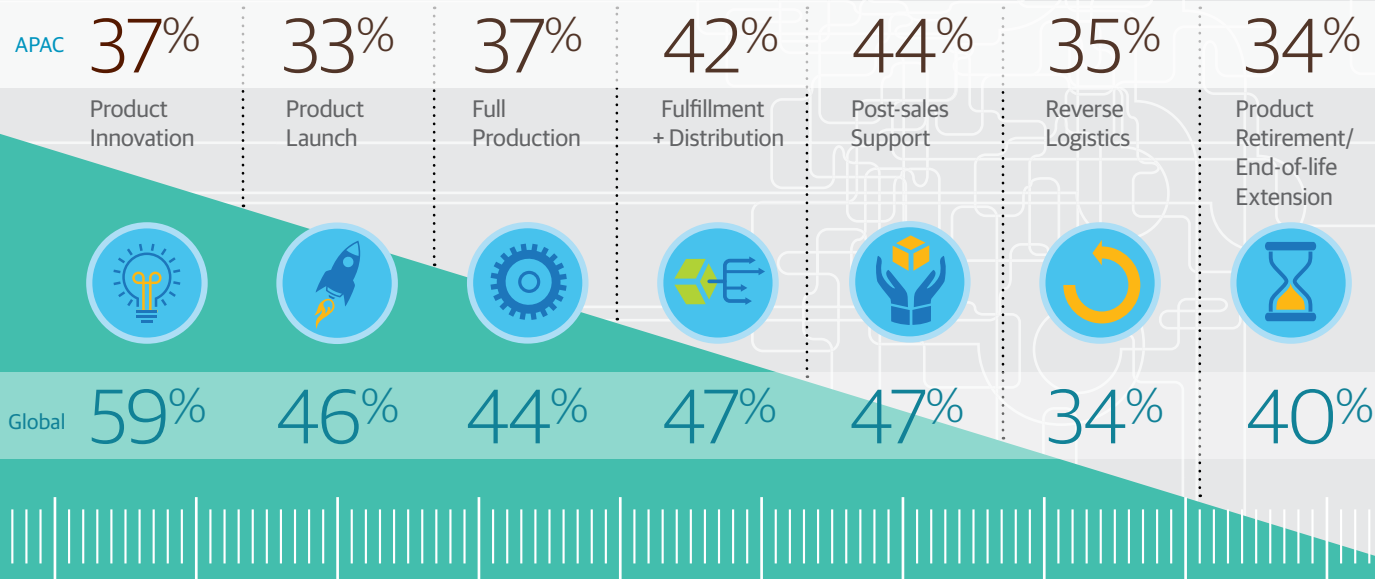
The high-tech product lifecycle

Managing the high-tech product lifecycle is increasingly important in achieving a number of goals, including becoming more customer-centric, increasing global competitiveness and managing costs.



Low confidence in capabilities across the product lifecycle

APAC executives classified themselves as market leaders



Opportunities for APAC executives in product lifecycle management

The majority of high-tech executives in APAC do not consider their capabilities as market leading in any phase of the product lifecycle. Partnering with outside experts and building resources can help companies enhance their capabilities in key areas including product launch, reverse logistics and end of life extension.

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Global product launches

In the APAC region, 51% of executives across all segments of the high-tech industry cite a flawless initial product launch (time-to-market) and quickly reaching a full-scale manufacturing capacity (time-to-volume) as critical aspects of the product lifecycle.



Challenges during global product launches



29% Ensuring product security throughout the supply chain

26% Collaborating with OEMs and/or value-added service providers during the product launch

19% The local coordination needed to enable day-specific final delivery in various markets

18% Managing 3PLs and other transportation providers

Challenges remain in high-tech global product launches

Among APAC executives, 59% say the ability to carry out a high-profile product launch is becoming increasingly important, which is significantly higher than their counterparts in other regions. Despite the importance of product launches, only a third of high-tech logistics executives rank their companies as market leaders in this area, and a variety of challenges surround high-tech product launches, with ensuring product security throughout the supply chain ranking as the top challenge.

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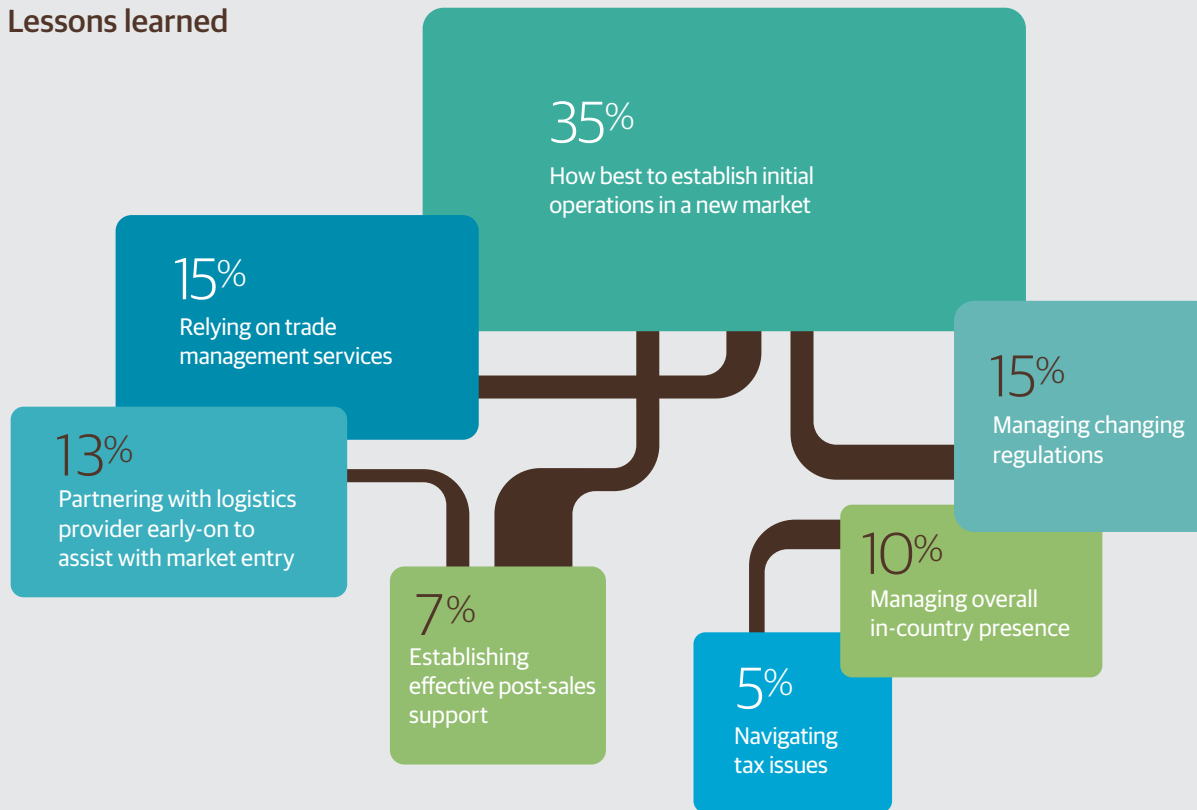


Asia leads in emerging market expansion

As emerging markets grow in importance to the high-tech industry, 56% of APAC executives have already established a presence and capabilities in these locations, indicating their keen understanding of future demand.



Lessons learned



Companies establish presence in emerging markets

High-tech executives cite key lessons learned from emerging market expansion, with the top critical area being how to best establish initial operations in a new market. Managing changing regulations was cited by 15% of high-tech decision makers, while 15% said relying on trade management services was the most important lesson learned. Finally, 13% of those surveyed said partnering with a logistics provider early to assist with market entry was their biggest important lesson learned in emerging markets.

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While emerging market expansion is a key priority for APAC high-tech logistics executives, barriers to expansion remain.



Barriers to global expansion



Overcoming barriers to global expansion

When considering barriers to global expansion, 19% of high-tech executives surveyed say that understanding the appeal of their products in new markets is a key barrier for their company.

Other top barriers include the ability to execute new in-market strategies, the current state of the economy and finding in-market partners. To address these barriers and other challenges, 36% of logistics decision makers say they need a turn-key solution for entering new markets.

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