



Technology sector must prepare for future of ‘permanent volatility’ Diversification and agile supply chains hold the key to managing uncertainty in global technology industry

London, 10 November 2009: A report published today warns that the technology industry must prepare for ‘permanent volatility’ as leading industry experts agree risk and uncertainty will define the future global business environment and reveal ways for companies to manage their way through an unstable future marketplace.

The report, *Embrace Volatility – A route to steer technology supply chains out of the recession* from the independent think tank – FreshMinds – has been commissioned by the global market leader in the logistics industry, DHL Supply Chain. The study is based on extensive research carried out with over 30 leading technology and supply chain academics and experts as well as supply chain directors and managers from some of the world’s largest technology companies including Kodak, Lenovo and Sun Microsystems.

Recognised as a bell-weather for the economy, the technology sector has been one of the hardest hit by the downturn. As market watchers struggle to draw definitive conclusions about the global economic future, the report out today highlights the biggest threats to market stability including, erratic consumer demand, supplier risk, fluctuating foreign exchange rates and increased transportation costs, which will require fundamental shifts in technology business models.

The report reveals that technology companies only making cost saving changes such as supplier squeezing and near shoring, are in a delicate position. While it is critical to focus on the immediate effects of the recession, the study urges technology companies to look longer term in order to mitigate risk, even out demand and prepare for any circumstances.

One contributor to the report, Yossi Sheffi, Director of the Centre for Transportation & Logistics at MIT says: “The problem is that many of the issues that make supply chains really more responsive require long-term investment and, in fact, we see some of the opposite - people are not putting in long-term investment.”



To prepare for and manage the state of permanent volatility, the DHL report pinpoints diversification and agile supply chains as being critical to the future strategy of all technology companies. This is based on six key areas of adoption:

- **Dynamic pricing** – technology companies that can integrate sales, forecasting and stock management systems will be able to manipulate demand for products depending on supply in order to alleviate the risk of supply shocks and falls in demand.
- **Risk management** – supplier solvency, cost fluctuation, demand volatility, security threats, labour strikes and systems failures all pose significant risks but are often overlooked. Businesses are not at the mercy of these forces – technology companies will need to take steps to identify potential risks to manage, mitigate and even insure against them.
- **Multi-channel sales strategies** – a varied route to market can even out fluctuation to create a more consistent flow of demand. While companies are reluctant to invest in new routes to market, a multi-channel approach will enable the movement of stock where demand is stronger.
- **Developing markets** – the recession has impacted each country in different ways, and the speed of recovery will also be varied. By adopting a regional distribution model, companies can spread risk, reduce costs, and mitigate the volatility of demand in individual markets.
- **Horizontal collaboration** – the downturn has compelled companies to reappraise the potential for competitor collaboration. The technology sector is particularly suited to this due to an overlap in the generic nature of products at various stages in the supply chain (e.g. transportation and inventory costs). Such ‘co-competition’ will allow companies to share the risks and capital investment required when entering new channels or markets.
- **Sales, marketing and supply chain alignment** – as businesses look to diversify, commercial and logistical operations must be aligned. Entry into a new channel or geography ripe for sales will need to be underpinned by viable supply chain strategies to succeed.

Humberto Florez, global Technology president of DHL Supply Chain says: “This report highlights the need for technology companies and the wider business community to accept that we aren’t going to return to business as usual. We are now in a commercial world that bears little resemblance to the one we knew and business models need to change accordingly. It’s encouraging that some changes are afoot but rather than reactive responses to challenges as they occur, businesses need to plan for the future – particularly when the future looks so volatile.



“The insights from across the sector have revealed steps that technology businesses can take to shore up business security. Some of the ideas may seem rudimentary but they aren’t being practiced while others will introduce entirely new thinking to the sector. However, all the insights and recommendations in the report are there to help technology companies manage their way through uncertainty to ensure they perform strongly through all circumstances.”

Among the contributors to the report who predict a volatile future for the technology industry is Alessandro Mariani, Director of European Logistics for DeLonghi. He comments: “The real issue is that no one knows what is going to happen even once we are out of the crisis and which kind of world is going to wait for us there.”

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Alternatively you can also register for a copy of the full report at <http://www.dhl-technology-supply-chains.com/>

Notes to Editors:

The report, Embrace Volatility – A route to steer technology supply chains out of the recession, was written by FreshMinds and commissioned by DHL Supply Chain in September 2009.

All conclusions in the report have been drawn from the insights of 30 industry experts including; supply chain directors and managers; sales and marketing professionals in the technology sector; and leading technology and supply chain academics. A full list of the experts that participated in the study is included on page 46 of the report.

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