

Press Release

First Global Market Expansion Services report by Roland Berger and DKSH introducing Market Expansion Services (MES) as the new industry category that takes outsourcing to a new dimension in market development

- **MES is the new and intelligent outsourcing concept that helps businesses gain access to customers in new markets, and supports them with marketing, sales, distribution, logistics, and after-sales services**
- **The growth of the emerging markets and the rising middle class is increasing the demand for consumer and industrial goods, particularly across Asia Pacific**
- **MES is a new and evolving industry that is expected to grow from over USD 2 trillion today to over USD 3 trillion in 2015 (representing around 7% growth per year)**
- **Large multinationals and small to medium-sized enterprises alike are engaging specialized service providers to assist them in market expansion and business development**

Zurich/Munich, October 4, 2011 – Continued globalization is challenging companies to optimize the utilization of resources and focus on their core competencies. This constellation has given rise to a new breed of specialist companies: Market Expansion Services (MES) providers. These dedicated providers help both multinationals and small to medium-sized enterprises (SMEs) to not only reduce costs by outsourcing non-core activities such as sales and after-sales services, but also to improve revenues and increase market shares. Those abilities are fundamentally different to traditional outsourcing activities.

Continued strong growth in the emerging markets, the rising middle class, and the growing demand for consumer and industrial goods are forces driving the growth of MES and the growth potential of MES providers. This is one of the results from the report "Market Expansion Services – taking outsourcing to a new dimension" by DKSH and Roland Berger Strategy Consultants. Roland Berger had obtained the findings of the report, the first of its kind, by systematically analyzing extensive market data, and conducting over 100 interviews with senior executives from relevant industries.

Manufacturers of consumer goods, pharmaceuticals/healthcare products, specialty chemicals, and engineered products are all using the services of MES providers to enter into new markets, or expand in existing ones quickly, successfully, and with limited risk. Cost savings are a welcome spin-off as companies penetrating new markets often face soaring costs to overcome entry barriers. The local networks and on-the-ground experience of professional MES partners can help companies avoid fixed overheads while enhancing efficiencies.

Fragmented and fast growing MES market with considerable potential

According to the Roland Berger analysis, the global expansion services market is expected to grow from over USD 2 trillion today to around USD 3 trillion by 2015, equivalent to an annual growth rate of around 7%. Hence, the MES market is estimated to be growing faster than the total consumption market (around 6%). Developed and emerging markets alike offer tremendous growth opportunities for MES providers. In 2010, most of the revenue from MES was generated in Europe, followed by Asia Pacific, and North America. However, the growth potential is shifting steadily towards the emerging markets: Roland Berger predicts that by 2015, MES will have an average annual growth exceeding 11% in Asia Pacific (excluding Japan), almost 13% in Latin America, and over 10% in Africa and the Middle East.

Emerging economies are investing heavily in infrastructure and facilities to meet the needs of their rapidly growing middle classes. To achieve these aims, they require technologies and ingredients that often cannot be found in their local markets. This situation presents substantial opportunities for well-established MES providers, particularly since entry barriers for newcomers are high. Consequently, the authors of this study are also expecting consolidations within the MES industry. High value-added services such as marketing and sales will be in greater demand in the future. This will lead to further growth among MES providers, both organic as well as through mergers or acquisitions.

Different needs of multinationals and SMEs

Large multinationals and SMEs alike benefit from market entry and market expansion services offered by MES providers. For multinational corporations, cost reductions and efficiency gains are the primary incentives for partnering with an MES provider, who can offer local platforms and existing networks.

SMEs are driven by different needs. They often lack the experience and resources to enter new markets and establish themselves on their own. In order for them to successfully start up in a new market, they need to have access to local market expertise and contacts – both with potential customers as well as with the local authorities.

Market Expansion Services for consumer and industrial markets

Consumer goods manufacturers are benefiting from the changing consumption habits of the new Asian middle classes as well as from their growing appetite for Western luxury goods. In the healthcare industry, according to Roland Berger, almost half (44%) of the market is outsourced to MES providers, particularly for sales, distribution, and logistics. Partnerships with MES providers allow pharmaceutical companies to bring new drugs faster to the market. With increasing purchasing power and the aging populations making up the consumer background, it is easy to see the substantial growth potential of these markets, and for dedicated MES providers.

According to the report, companies in the engineered products and specialty chemical industries currently account for around 15% of the MES market. For the distribution of high-quality machinery and chemical products, manufacturers need a partner who understands the local markets and has access to local decision makers. MES providers play an important role in bridging the gaps between these international manufacturers and local customers.

"Globalization is an irreversible trend, presenting new opportunities and challenges for both multinationals as well as for SMEs," says Dr. Martin C. Wittig, CEO of Roland Berger Strategy Consultants. "The rules are constantly changing and companies must constantly redefine themselves. To enable this to happen, they need highly professional support from external service providers."

"The rapidly growing middle classes in the emerging markets, particularly in Asia Pacific, are leading to increased purchasing power and higher demand for consumer and industrial goods. Those markets are becoming increasingly attractive for many Western companies to sell and market their products, which in turn is driving the growing demand for MES," says Dr. Joerg Wolle, President & CEO of DKSH Group.

"Due to the constantly growing number of companies looking to enter and/or expand in complex markets, it is advisable to choose an MES provider who has proven expertise and know-how, a comprehensive range of services, and a widespread network. This not only avoids unnecessary costs, but will bring sustainable profit," says Beatrix Morath, Managing Partner of Roland Berger Strategy Consultants Switzerland and co-author of the study.

The study can be downloaded at www.marketexpansion.com

About DKSH Group

DKSH is the leading Market Expansion Services Group with a focus on Asia. As the term "Market Expansion Services" suggests, DKSH helps other companies and brands to grow their business in new or existing markets.

With 610 business locations in 35 countries – 590 of them in Asia – and over 23,000 specialized staff, it is one of the top 20 Swiss companies ranked by sales and employees. In 2010, DKSH generated a Transaction Value of nearly CHF 10 billion.

The company offers any combination of sourcing, marketing, sales, distribution, and after-sales services. It provides business partners with expertise as well as on-the-ground logistics based on a comprehensive network of unique size and depth. Business activities are organized into four specialized Business Units that mirror DKSH fields of expertise: Consumer Goods, Healthcare, Performance Materials, and Technology.

Although DKSH is a Swiss company with headquarters in Zurich, it is deeply rooted in communities all across Asia Pacific. This is because the company looks back on a nearly 150-year-long tradition of doing business in and with the region.

About Roland Berger Strategy Consultants

Roland Berger Strategy Consultants, founded in 1967, is one of the world's leading strategy consultancies. With over 2,000 employees and 43 offices in 31 countries, the company is successfully active on the world market. The strategy consultancy is an independent partnership owned by more than 200 partners.

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