

Dealing with disruption *16th Annual Global CEO Survey*

Key findings in the transportation & logistics industry

February 2013

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Introduction

Introduction

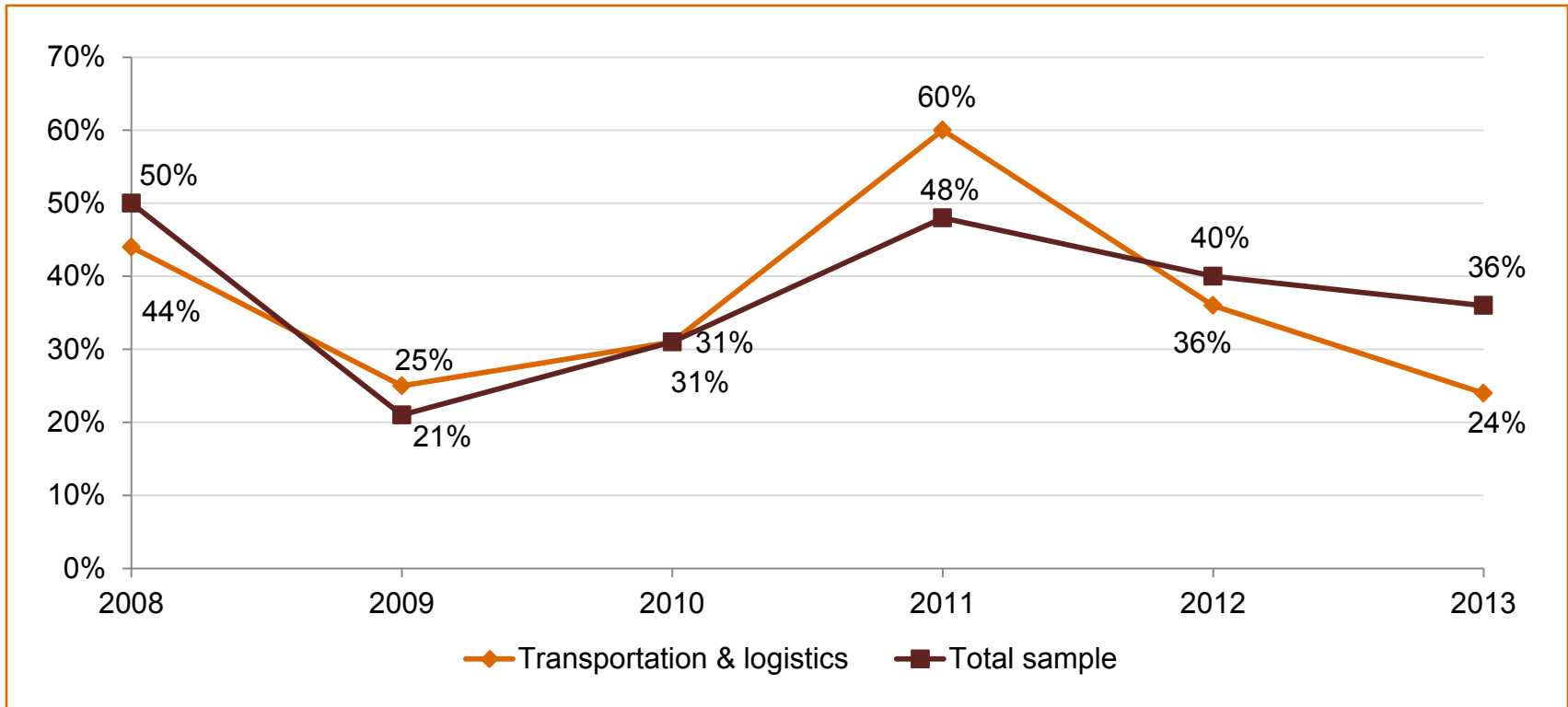
- 16th Annual Global CEO Survey polled 1,330 CEOs in 68 countries – 109 transportation & logistics CEOs in 43 countries – 33 face-to-face interviews including 2 from the transportation & logistics industry
- Far-reaching changes are leading to a new ‘stable instability’
- The only solution is to build organisations that can thrive amidst disorder
- How are transportation & logistics CEOs in particular dealing with disruption?
 - Looking to growth regions like Southeast Asia and Africa
 - Improving operational efficiency, for example by cutting costs and outsourcing
 - Rethinking their risk strategies
- Key investment priorities: growing the customer base and improving customer service; developing the workforce
- To see the full results, please visit www.pwc.com/ceosurvey.

The disruptive decade

only
24%

of transportation & logistics CEOs are very confident they can raise the revenues their companies generate over the next 12 months

T&L CEOs confidence levels reflect turbulent times



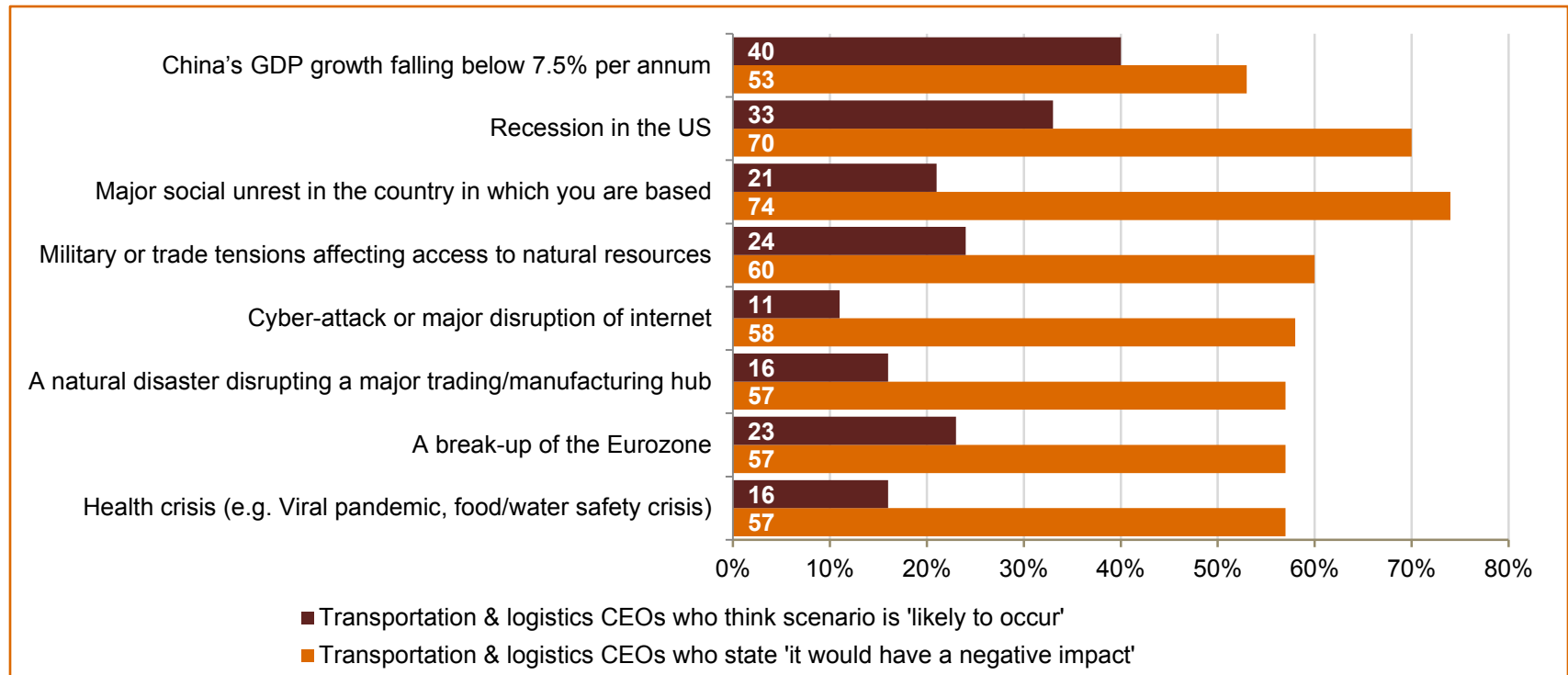
Q: How confident are you about your company's prospects for revenue growth over the next 12 months?

Base: All respondents 2013 (Total sample, 1330, Transportation & logistics, 109); 2012 (Total Sample, 1258; Transportation & logistics, 98); 2011 (Total sample, 1,201; Transportation & logistics, 60); 2010 (Total sample, 1,198; Transportation & logistics, 67); 2009 (Total sample, 1,124; Transportation & logistics, 67); 2008 (Total sample, 1,150; Transportation & logistics, 50)

Source: PwC 16th Annual Global CEO Survey 2013

Most transportation and logistics CEOs don't expect the worst to happen

...but if it does, there will be a big impact



Q: How likely are the following scenarios to occur? How would your organisation cope with the following scenarios, if they happened within the next 12 months?

Base: All respondents (Total sample, 1330; Transportation & logistics, 109)

Source: PwC 16th Annual Global CEO Survey 2013

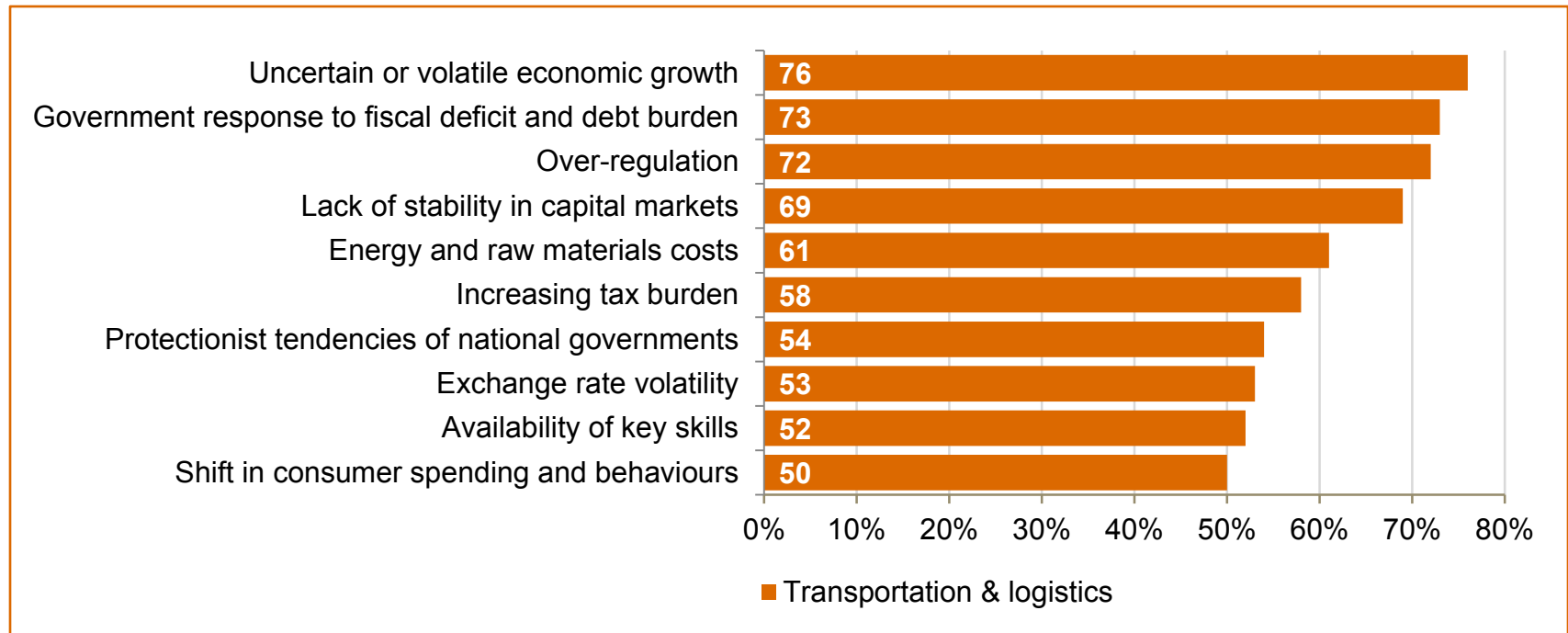
What worries CEOs?

“As far as the global economy is concerned, the threat is the start of economic stagnation, which, in turn, could encourage protectionism across the various economic blocks. The solution to stagnation is not protectionism. Instead, the solution lies in structural changes that will unlock productivity and growth potential.”

Dr. John Coustas, President & CEO,
Danaos Corporation, Greece

Macroeconomic worries are top of mind for T&L CEOs

...but energy costs and skills issues are concerns too



Q: How concerned are you, if at all, about each of the following threats to your growth prospects?

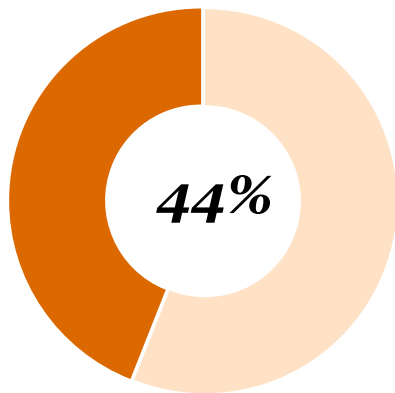
Base: All respondents (Transportation & logistics, 109)

Note: Respondents who stated 'extremely' or 'somewhat' concerned. Only the top 10 threats for transportation & logistics CEOs are listed. List combines 'economic and policy threats' and 'business threats'.

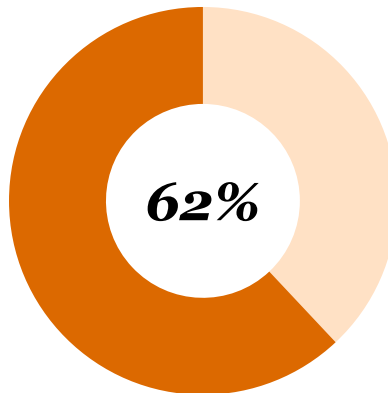
Source: PwC 16th Annual Global CEO Survey 2013

Infrastructure gaps are looming too, and T&L CEOs want governments to take action

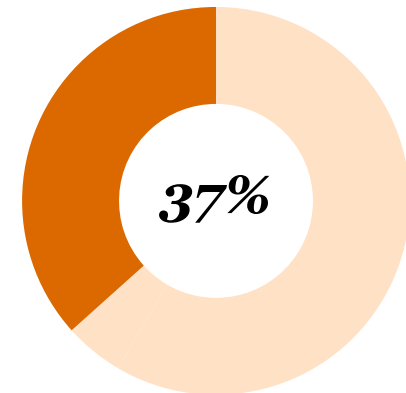
44% of T&L CEOs say they're concerned that inadequacy of infrastructure could hurt growth



62% think it should be one of the government's top 3 priorities



And 37% are increasing their own investments in addressing infrastructure gaps



Q: What are your top 3 investment priorities in the next 12 months? To what extent do you anticipate changes at your company over the next 12 months with regards to an increase in R&D and innovation capacity?

Base: All respondents (Total sample, 1330; Transportation & logistics, 109)

Source: PwC 16th Annual Global CEO Survey 2013

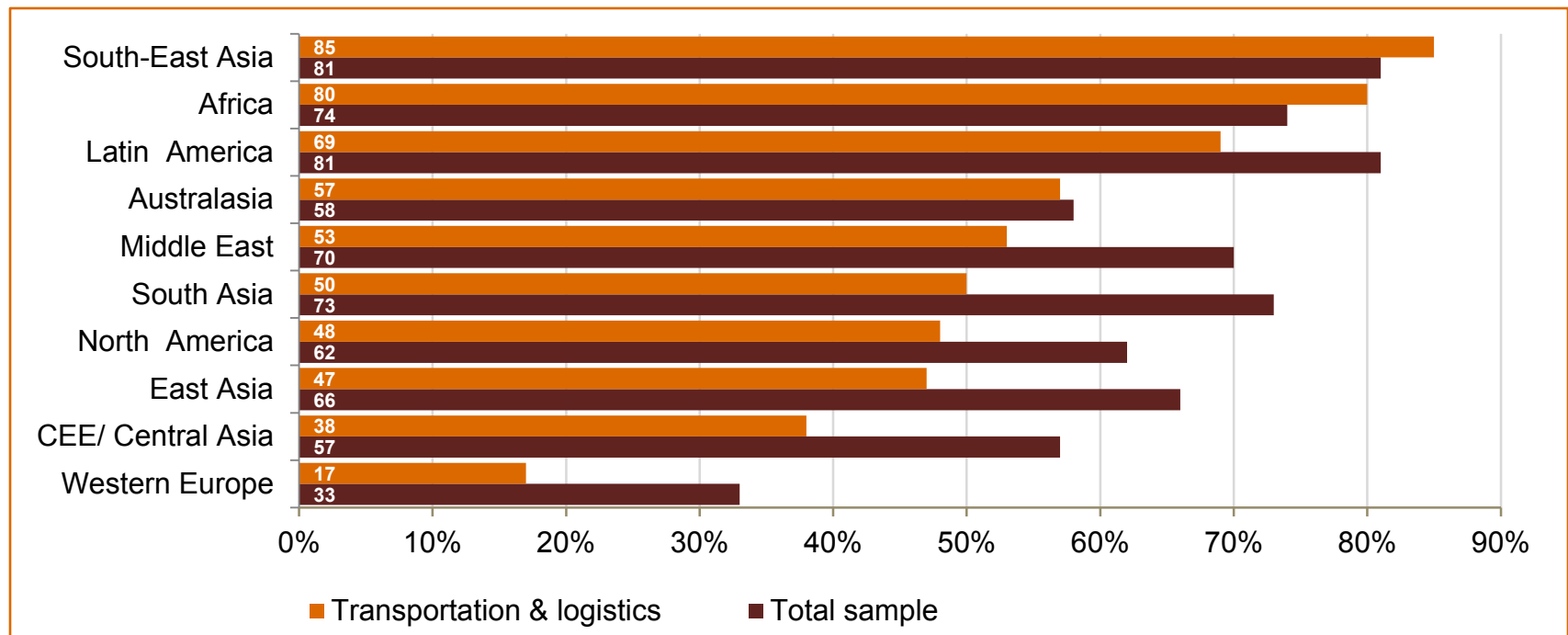
Targeting pockets of opportunity

“We see it as really important to capture the market in Southeast Asia with its 600 million population base. It has a geographical landscape which is very conducive to air travel as land transportation is virtually non-existent. It also has one of the highest growing GDPs in the world, with a median population age of about 27 to 28 years, and it has one of the highest growth rates in terms of middle income earners.”

Aireen Omar, CEO, AirAsia Berhad,
Malaysia

Sector CEOs are less optimistic about regional growth

...but glimmers of hope in South-east Asia and Africa



Q: In the next 12 months do you expect your key operations in these regions to decline, stay the same or grow?

Base: All respondents (Total sample, 170-533; Sector, 14-48). Note some regions have small sample sizes so data should be viewed as indicative only.

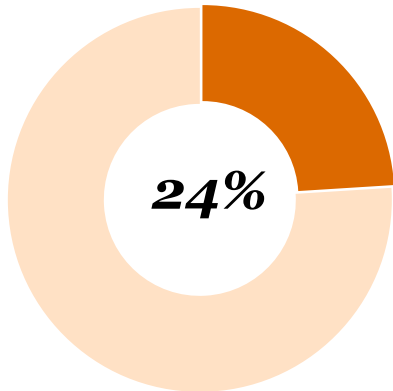
Note: Respondents who expect operations to grow

Source: PwC 16th Annual Global CEO Survey 2013

Partnering is getting more important

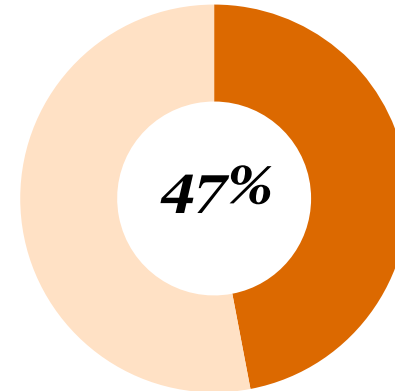
Past 12 months:

24% say they've entered into a new joint venture or strategic alliance already



Coming 12 months:

And 47% are planning on joining forces this year



Q: Which, if any, of the following restructuring activities have you initiated in the past 12 months

Base: All respondents (Total sample, 1330; Transportation & logistics, 77)

Note: Respondents who named "Enter into a new strategic alliance or joint venture"

Source: PwC 16th Annual Global CEO Survey 2013

Concentrating on the customer

“Naturally, our customers (we call them our guests) are a big influence on us. They’re going to buy our product so we need to be able to understand them, to get the right kind of feedback, to be able to customise our service to their needs. So they are the key.”

Aireen Omar, CEO, AirAsia Berhad,
Malaysia

Listening to customers

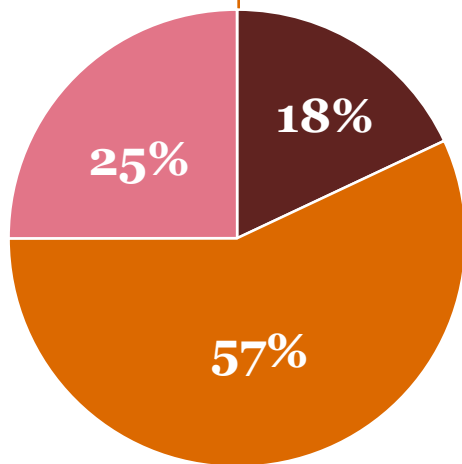
80%

*of transportation & logistics
CEOs say customers have a
'significant' impact on their
strategy.*

So they're changing course to serve customers better and win their loyalty

82%

82% of transportation & logistics CEOs are changing customer growth/retention/loyalty strategies — and 25% say they'll make 'major' changes



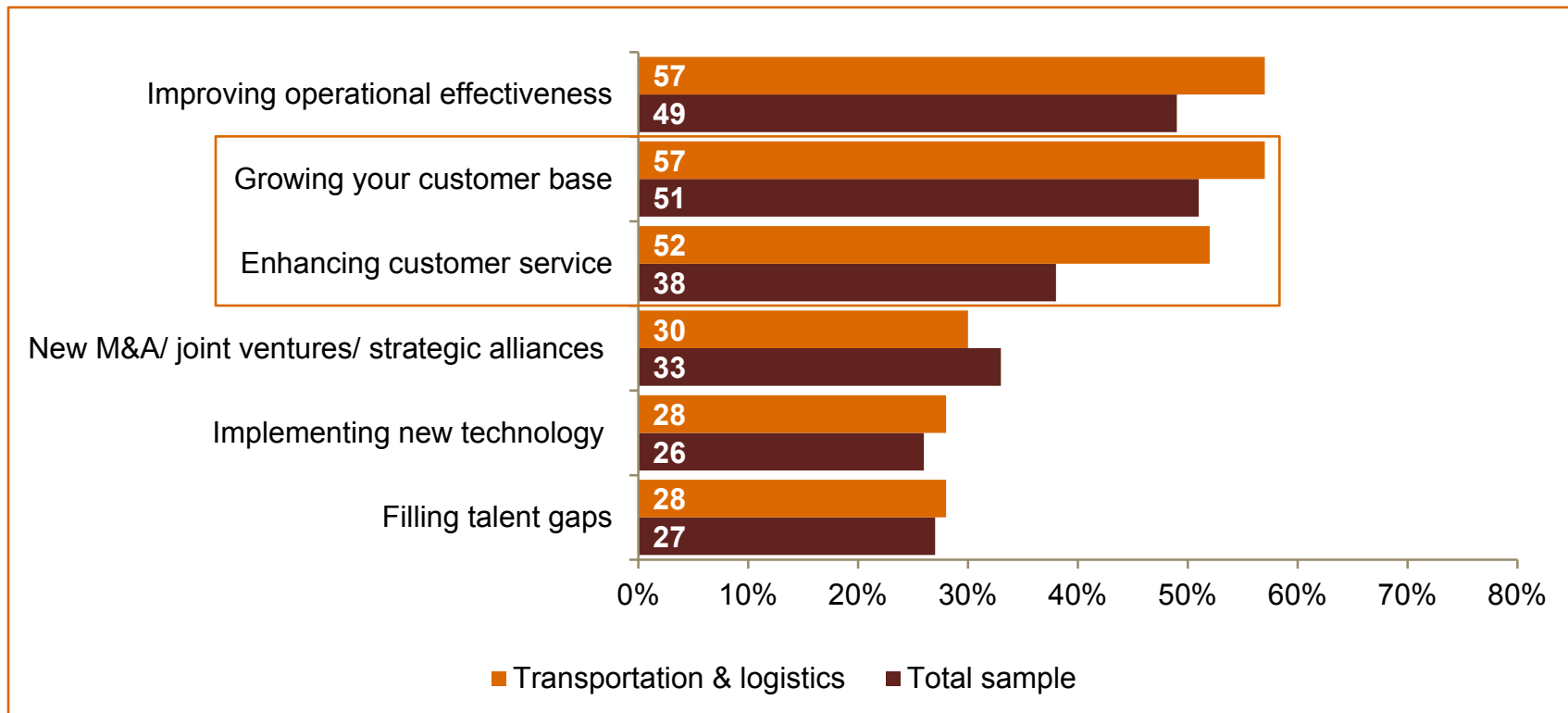
■ A major change ■ Some change ■ No change

Q: To what extent do you anticipate changes at your company over the next 12 months with regards to customer growth /retention/loyalty strategies? Do you anticipate no change, some change or a major change?

Base: All respondents (Total sample, 1330; Transportation & logistics, 109)

Source: PwC 16th Annual Global CEO Survey 2013

And customers top the list of investment priorities too



Q: What are your top 3 investment priorities over the next 12 months?

Base: All respondents (Total sample, 1330; Transportation & logistics, 109)

Note: Only top 6 choices listed.

Source: PwC 16th Annual Global CEO Survey 2013

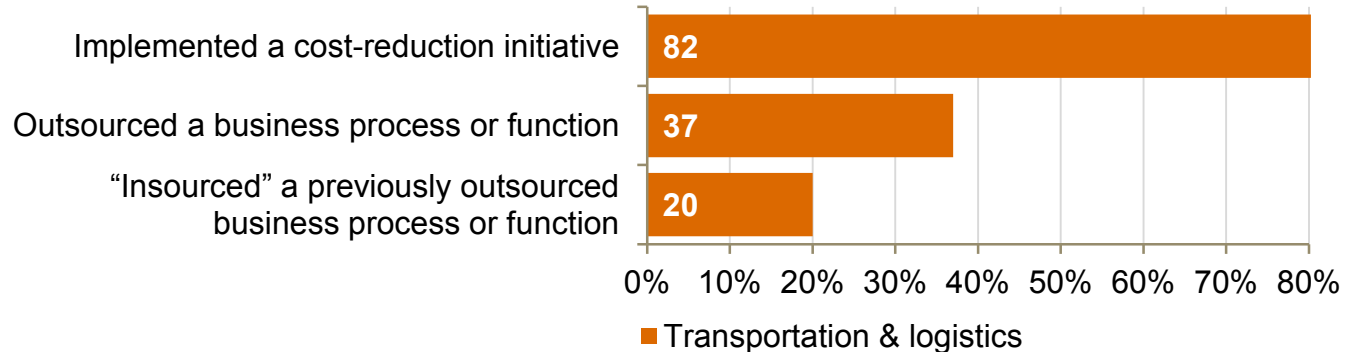
Improving operational effectiveness

57%

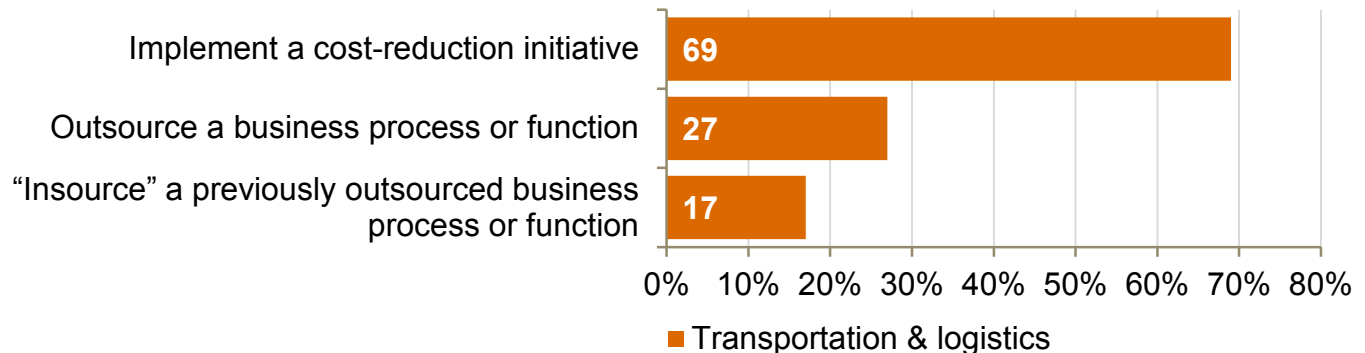
of transportation & logistics CEOs say its one of their top investment priorities.

Transportation & logistics CEOs are making cost-cutting a priority

Past 12 months



Coming 12 months



Q: Which, if any, of the following restructuring activities have you initiated in the past 12 months? Which, if any, do you plan to initiate in the coming 12 months?

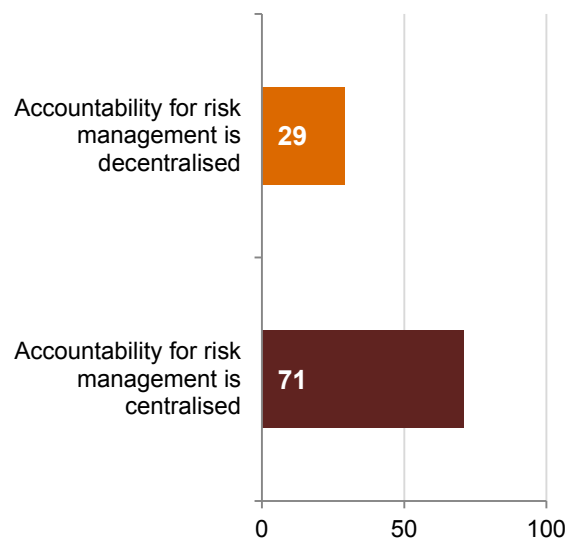
Base: All respondents (Total sample, 1330; Transportation & logistics, 109)

Note: Does not list all restructuring activities.

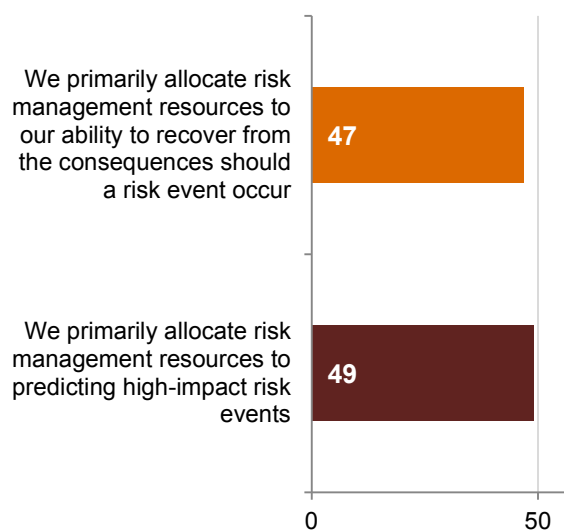
Source: PwC 16th Annual Global CEO Survey 2013

Rethinking risk

Most transportation & logistics CEOs currently say accountability for risk management is centralised.



Strategies are evenly split between predicting high impact scenarios and preparing for the consequences of them should they occur.



With **59%** of transportation & logistics CEOs saying they'll change their approach to managing risk in the next 12 months, this picture may look different next year.

Q: Which of the following statements most accurately describes the approach you take to managing your organisation?

Base: All respondents (Total sample, 1330; Transportation & logistics, 109)

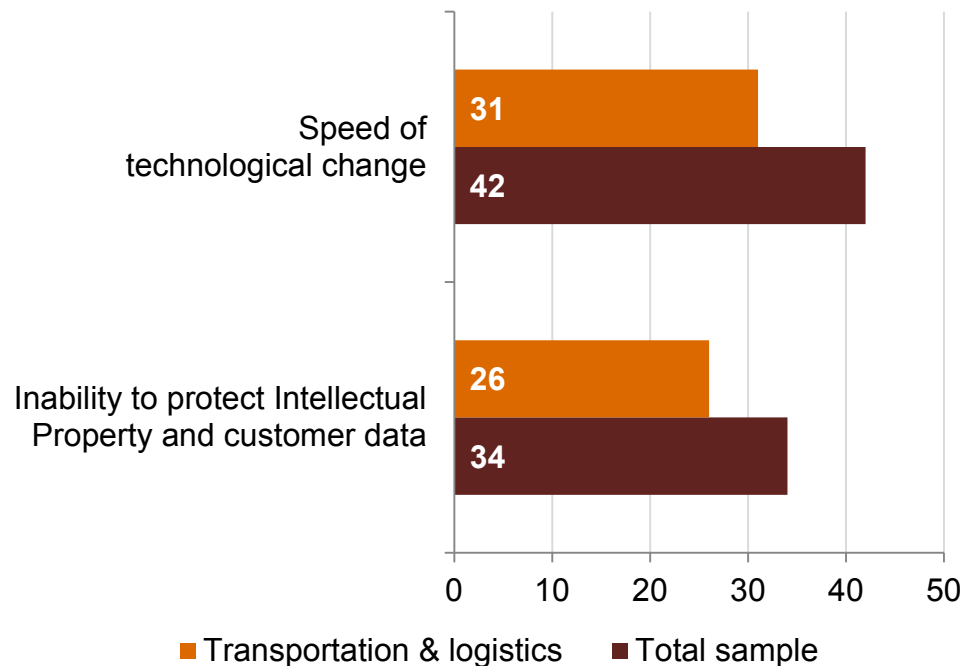
Note: Don't know/refused excluded.

Source: PwC 16th Annual Global CEO Survey 2013

Underestimating cyber threats?

Transportation & logistics CEOs are less worried than peers across the sample about their ability to protect IP and customer data. They're also not as concerned that the speed of technological change could pose a risk to growth.

And only 11% of sector CEOs think a cyber attack or major disruptions of the internet is likely; 38% just aren't sure. But 58% say such an event would have a negative impact on their business.



Q: How concerned are you, if at all, about each of the following threats to your growth prospects?

Base: All respondents (Transportation & logistics, 109)

Note: Respondents who stated 'extremely' or 'somewhat' concerned.

Source: PwC 16th Annual Global CEO Survey 2013

Engaging with people

“Trust is a key word here: you trust that you have employed the best people to help you with your expansion plan. When you have that trust and you delegate as much as you can, you give employees the freedom to be creative and reward them for it. That is extremely motivating for anyone who wants to build a career.”

Aireen Omar, CEO, AirAsia Berhad,
Malaysia

It all starts with motivated, engaged employees

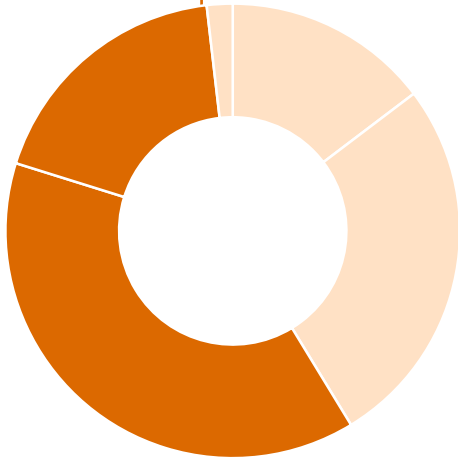
77%

***of transportation & logistics
CEOs are making changes to how
they manage their people***

Investing in the future workforce

57%

The majority of transportation & logistics CEOs are increasing their investment in creating and fostering a skilled workforce. It's their number #1 priority looking out over 3 years. And keeping the workforce healthy ranks second on their list.



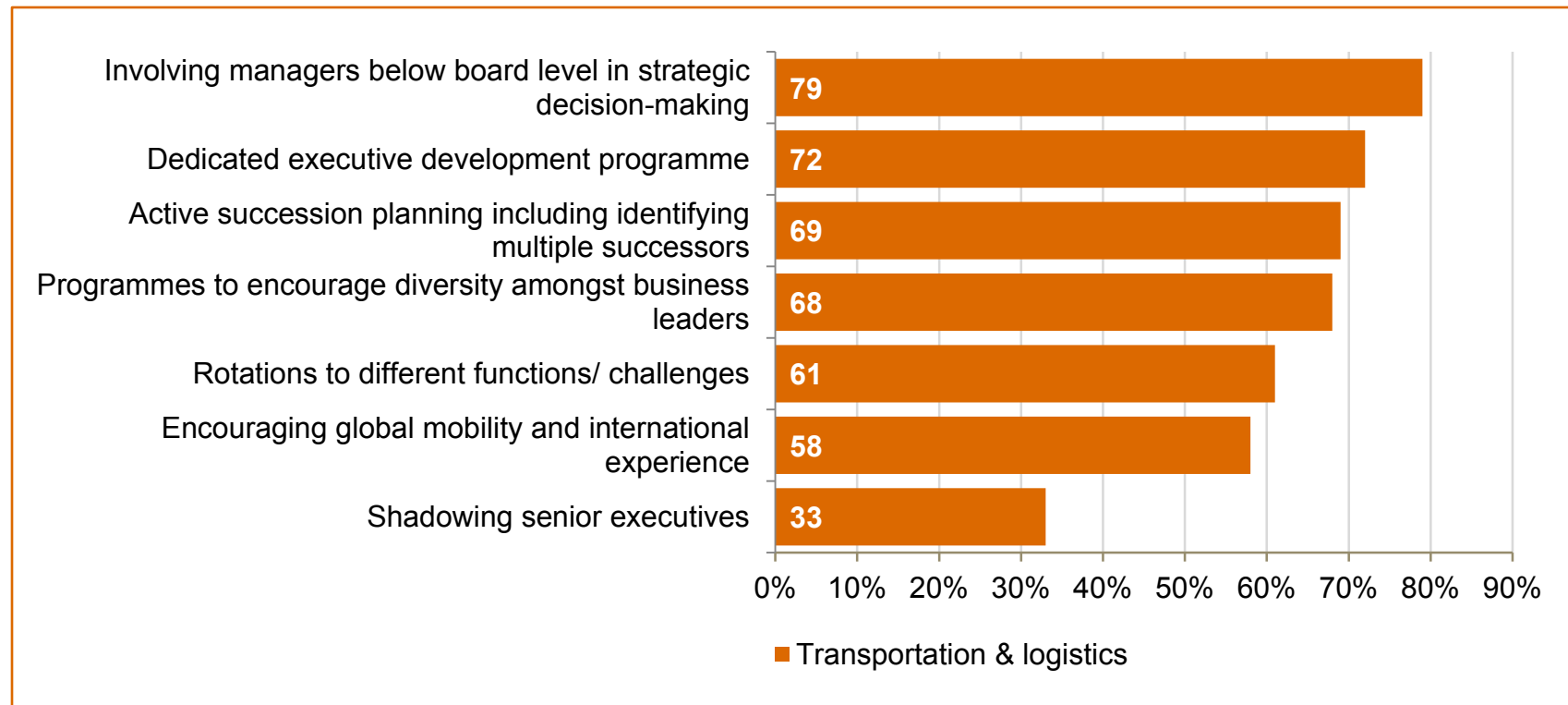
Q: How much does your company plan to increase its investment over the next 3 years to create and develop a skilled workforce in the country in which you are based?

Base: All respondents (Total sample, 1330; transportation & logistics, 109)

Note: 57% represents respondents who stated 'some increase' or a 'significant increase' and does not include respondents stating 'a small increase'

Source: PwC 16th Annual Global CEO Survey 2013

Transportation & logistics CEOs say they're working hard to develop their leadership pipeline



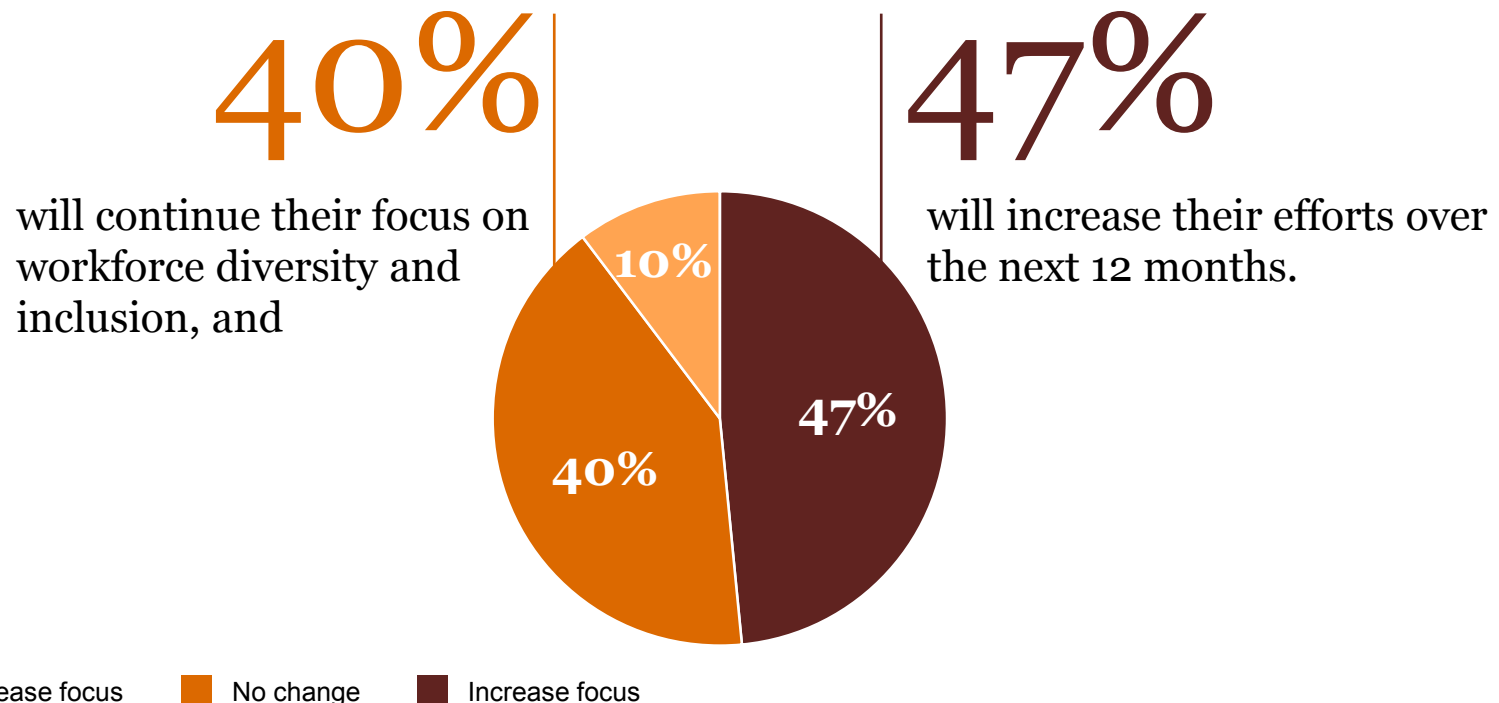
Q: Do you deploy any of the following to develop your leadership pipeline?

Base: All respondents (Transportation & logistics, 109)

Note: Respondents who stated yes.

Source: PwC 16th Annual Global CEO Survey 2013

Most transportation & logistics CEOs are focusing on workforce diversity and inclusion



Q: Please indicate to what extent your organisation plans to focus on workforce diversity and inclusion over the next 12 months?

Base: All respondents (Total sample, 1330; Transportation & logistics, 109)

Note: Don't know/refused excluded .

Source: PwC 16th Annual Global CEO Survey 2013

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Acknowledgements

PwC gratefully acknowledges the contribution to the 16th Annual Global CEO Survey: Key findings in the transportation & logistics industry provided by:

- Dr. John Coustas, President & CEO, Danaos Corporation, Greece
- Aireen Omar, CEO, AirAsia Berhad, Malaysia

Download the main report, access the results and explore the CEO interviews from our 16th Annual Global CEO Survey online at www.pwc.com/ceosurvey.



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