Delivered.

The Global Logistics Magazine

ISSUE 05/2020

AUTO-MOBILITY SPECIAL

FOCUS

POWER STEERING

Why automotive supplier ZF is changing lanes

VIEWPOINTS

WINNING FORMULA

Looking back over 70 years of the Formula 1 World Championship

FINE-TUNED FOR THE FUTURE

How the auto-mobility industry is gearing up for change

Cover photo: Adobe Stock Photos: Marco Bottigelli/Getty Images; Bernard Cahier/Hulton Archive/Getty Images; Spacex/Science Photo Library

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Dear Reader,

You'll notice a difference across the following pages of *Delivered.* This time we're including articles on fashion and e-commerce – so, with more sectors to feature, we've decided to make this issue two magazines in one. A single theme is prominent throughout, however: how companies and industries have been dealing with massive change forced on them by COVID-19.

The automotive sector has been particularly affected by the coronavirus, with a fall in sales and the closure of assembly lines and vehicle dealerships around the world. With the industry in the early stages of recovery, our **Focus** feature asks what it might look like, post-pandemic. Of course, it's well used to dealing with disruption, usually of the technological kind. In our **Executive View**, Janine Montforts, an executive with long-established automotive supplier ZF, reveals how the company is gearing up to face further change in a future era of autonomous vehicles and advanced mobility systems.

One sector that has seen a massive uptick because of the coronavirus is e-commerce. Take jeans retailer **Levi Strauss**, which saw its e-commerce sales up 70% in June 2020 compared with the same month in 2019. Daniele Cipolletti, Levi's Operations Manager, Europe, tells us how flexibility and strategic thinking helped the company successfully navigate its way through the pandemic. We also report on the e-commerce boom in **Latin America** and the challenges that lie ahead if the sector in this part of the world is to continue to grow long term.

One thing is certain in this uncertain world: To thrive in a post-COVID-19 future, businesses will have to ensure they include a mix of talent in their workforce. Our **Essay** highlights the importance of doing this properly, by embedding diversity into company culture rather than bolting it on as an afterthought.

In these difficult times, I hope you'll find the stories in this issue both inspirational and helpful.

Sincerely,

Katja Busch
Chief Commercial Officer, DHL

Photos: DHL (3); Getty Images

NEWS

TAKE ME TO THE RIVER

As London's roads get ever busier, there is one thoroughfare in the capital that remains relatively traffic-free: the Thames. Now DHL Express is using that great artery to launch a riverboat parcel service as an efficient and reliable way of crossing London without the snarl-ups. The yellow DHL-branded boat will run daily at 7:30 a.m., taking parcels from electric vehicles at Wandsworth Riverside Quarter Pier to Bankside, where DHL cargo bicycles will make final-mile deliveries.

bit.ly/DHLuponThames

GLOBAL LINK-UP

DHL Global Forwarding has launched a new dedicated flight that links three continents in order to meet the increasing demand from customers in the Technology, Manufacturing, and Life Sciences and Healthcare sectors. The twice-weekly charter flight takes off from Chongqing in China, flies to Amsterdam, then on to Chicago and Incheon in South Korea, before returning to China. The pandemic has left the airfreight market in a volatile state, and the new service will offer customers the kind of reliable and agile supply chain that is vital for economic recovery.

bit.ly/ConnectingContinents

WASTE NOT, WANT NOT

The clothing industry often gets a bad reputation for waste and disposable "fast fashion." One Sri Lankan designer is setting out to change that with a range of eco-conscious, gender-neutral clothing. London-based Amesh Wijesekera is known for his colorful designs that combine local handwoven textiles with deadstock fabric – material that would otherwise go to waste – as well as leftover yarn. Wijesekera's loose-form coats, jackets and trousers can be worn by anyone. By using heritage techniques, he is able to support local Sri Lankan weavers – mostly women – with jobs and fair wages.

FLY ME TO THE MOON

NASA has awarded space robotics company Astrobotic two contracts to help develop scientific payloads for its rover vehicles to deploy on future missions to the moon. Astrobotic's CubeRover – the first commercial line of its kind – has been developed to give low-cost, mobile robotic access to the lunar environment. The two contracts, together worth more than $1 million, will develop ground-penetrating radar that can detect lunar lava tubes and subsurface water ice, as well as a neutron detector that can help scientists find water ice in the material that makes up the dusty lunar surface and learn how it got there.

bit.ly/AstroboticNASA

900

The number of new permanent jobs DHL eCommerce Solutions will add in the U.S.

LASER HEADLIGHTS ARE A SMART MOVE

Finding yourself dazzled by the new generation of LED car headlights? Japanese Nobel-winning physicist Shuji Nakamura, co-founder of SLD Laser, has developed a filter that can use laser light to create a white light headlamp that is a hundred times brighter than LEDs, but safe for human eyes. Because the laser lights are less diffuse, they can be aimed more precisely – on to the road, rather than into the eyes of other motorists. Intriguingly, because they employ fiber-optic technology, the headlamps could also be used to transmit or receive data, freeing up space in the crowded, sensor-laden front grilles of many modern cars.

TAKING THE WHEEL

We're used to new cars having clever technology, such as lane assist and sensors that warn of impending collisions, but what about the vehicles themselves taking control of speed and steering? The next generation of collision avoidance and lane-keeping technology is expected to be rolled out from next year, and U.K. government ministers are considering whether it should be legalized for use at speeds of up to 70 miles (113 kilometers) per hour in the slow lanes of motorways.

ZOOTUBE

An animal-loving warehouse manager in the U.S. state of New Hampshire has found an ingenious use for leftover cardboard tubes from rolls of plastic wrapping. Patrick Kerns works for DHL Supply Chain, managing the New Hampshire Liquor Commission warehouse, which generates about 1,000 waste tubes a year. Rather than send them to recycling, he and DHL GoGreen specialist Tiffany MacNeil donated some to New England Zoo in neighboring Massachusetts, which used them for anything from bedding materials to climbing structures. DHL Supply Chain will now make regular deliveries of 150 to 200 tubes to the zoo and has been an inspiration for other sites to follow.

Photos: Astrobotic; SLD Laser: Adobe Stock (3); DHL (3); PR (2)

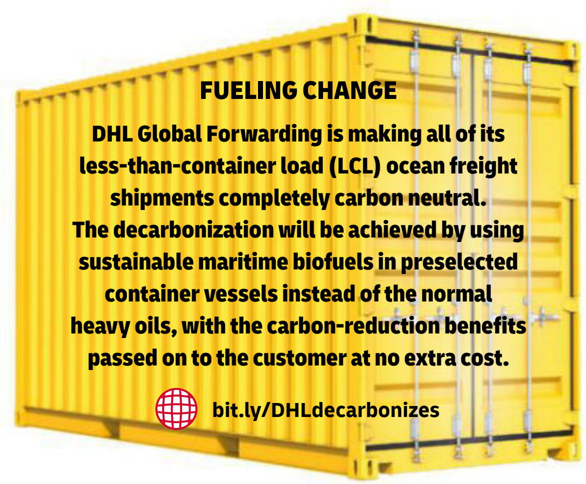
MOTORING FORWARD

DHL Global Forwarding has launched a first-of-its-kind Automotive Competence Centre in South Africa. Located in Port Elizabeth, close to the heart of the country's vibrant automotive industry, the new center is the first to provide comprehensive logistics solutions – from air, ocean and multimodal options to waste management and customs clearance. The automotive sector accounts for nearly 7% of South Africa's GDP and generates almost half a million jobs nationwide.

WORKING WELL

After ranking among the top 25 multinational workplaces for four years, DHL Express has placed #2 in Fortune's "World's Best Workplaces 2020." The annual report, compiled by the Great Place to Work Institute, acknowledges factors such as trust, psychological safety and open communication. "People are at the heart of our company," says John Pearson, CEO of DHL Express. "That was true for the time before COVID-19, it's true now and will be true in the future."

bit.ly/DHLGreatWork

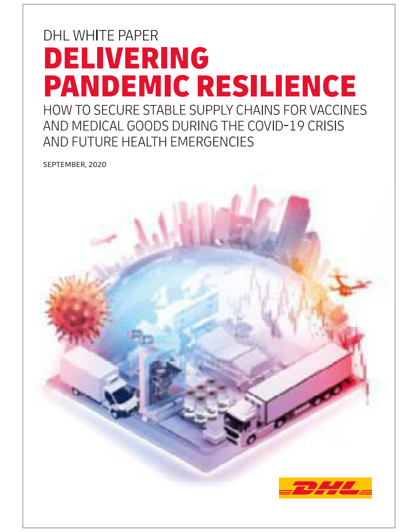


FUELING CHANGE

DHL Global Forwarding is making all of its less-than-container load (LCL) ocean freight shipments completely carbon neutral. The decarbonization will be achieved by using sustainable maritime biofuels in preselected container vessels instead of the normal heavy oils, with the carbon-reduction benefits passed on to the customer at no extra cost.

bit.ly/DHLdecarbonizes

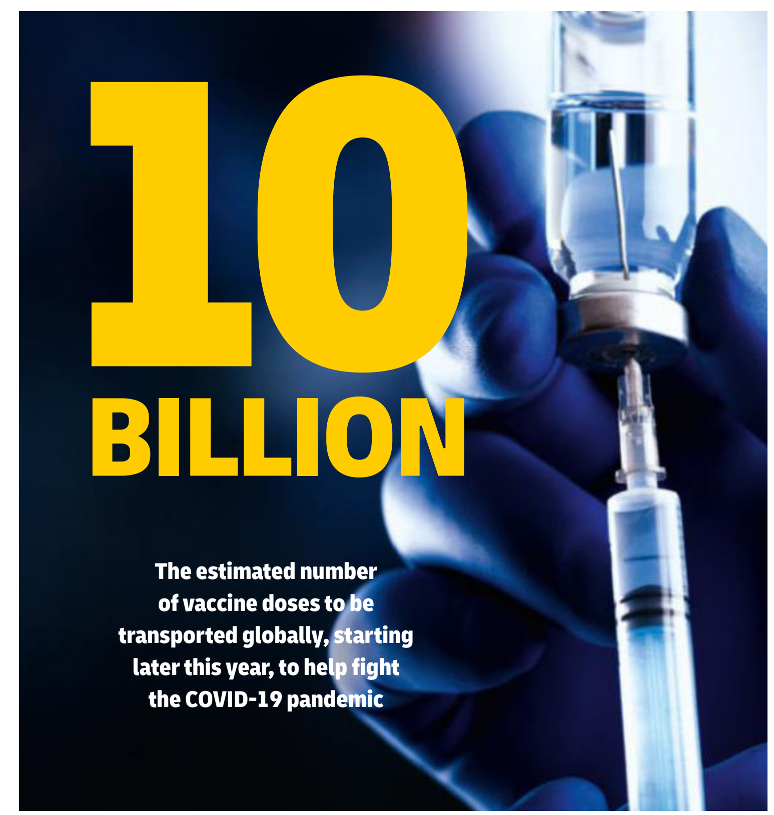
THE CHALLENGE OF COVID-19


DHL WHITE PAPER
DELIVERING PANDEMIC RESILIENCE
HOW TO SECURE STABLE SUPPLY CHAINS FOR VACCINES AND MEDICAL GOODS DURING THE COVID-19 CRISIS AND FUTURE HEALTH EMERGENCIES
SEPTEMBER, 2020

In the space of less than a year COVID-19 has ripped across the world, infecting well over 30 million people and, sadly, taking the lives of nearly 1 million. Now, more than ever, the importance of being able to access both medicines and medical supplies, such as personal protective equipment (PPE), is all too clear. And, as many experienced in the early days of the pandemic, disruptions to those supply chains can come at a heavy cost. The work to improve and maintain these vital links is by no means over – especially as the race continues to develop a vaccine, which will be followed by the huge job of distributing some 10 billion doses globally. With this in mind, a new DHL white paper, "Delivering Pandemic Resilience," looks at how to secure stable supply chains for vaccines and medical goods during the COVID-19 crisis. It draws on discussions with industry experts and non-governmental organizations and analysis by McKinsey & Company, as well as DHL's decades of global logistics expertise, to assess the challenges we may face over the coming months. And, importantly, it looks at how we might create a framework to tackle future health emergencies in the wake of the coronavirus.

Download the white paper at:

bit.ly/DeliveringResilience



10 BILLION

The estimated number of vaccine doses to be transported globally, starting later this year, to help fight the COVID-19 pandemic

THE ROAD AHEAD

The coronavirus pandemic brought the global automotive sector to an abrupt halt. Will it also change the industry's route going forward?

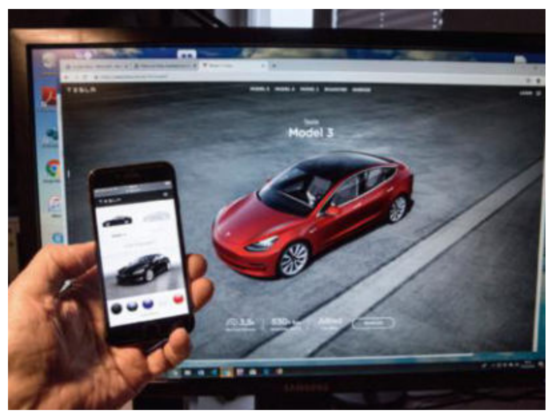
SAFE SPACE:
Social distancing measures are in place at car dealerships around the world.

16 PERCENT
The year-on-year increase in passenger car sales in China in July 2020

The automotive business is notoriously cyclical. For private customers, cars are a big-ticket purchase, easy to postpone if the immediate future looks uncertain. Businesses can follow the same logic, running the vehicles in their fleets for longer when times are tough, and replacing them as demand picks up.

For automotive supply chains, modifying to meet the ebbs and flows of demand is a continual juggling act. In the last big economic slump – precipitated by the financial crisis of 2007 and 2008 – storage lots, ports and disused airfields quickly filled up with unsold vehicles. More recently, customers faced long delivery lead times as manufacturers struggled to ramp up the production of popular vehicles, with delays exacerbated by shortages of electric vehicle batteries and other hard-to-make parts.

Then 2020 arrived. The coronavirus pandemic has not been a "normal" crisis for any industry. For the automotive sector, global lockdowns and the ensuing economic shocks resulted in disruption to both demand and supply on a scale unprecedented in peacetime. In February, Ralf Speth, Chief Executive of Jaguar Land Rover, told journalists that his company was being forced to fly in parts from China in suitcases, as the country's containment measures halted production and severed logistics links with critical suppliers. Within a month, public health measures had forced the closure of assembly lines and vehicle dealerships across much of the world. With millions of potential customers confined to their homes, and jobs in jeopardy, demand in key markets collapsed.



SMART BUY:
Because of the coronavirus, manufacturers are increasingly looking to sell their cars online.

Slamming on the brakes

By the middle of the year, the picture looked bleak. According to the European Automobile Manufacturers' Association, an industry body, passenger car sales in the region fell by 41.5% in the first six months of the year. In the U.S., major carmakers reported sales in the second quarter of 2020 some 30% lower than the previous year.

Data from a period of enforced shutdown is a poor guide to the longer-term health of an industry, which is why analysts have been watching sales and production figures particularly closely as the world's major economies emerge from lockdown. That data has painted a decidedly mixed picture.

China, the first country impacted by the pandemic, was also the first to emerge from it. In the world's largest car market by volume, the industry has enjoyed the V-shaped recovery that industry executives will have been hoping for. July passenger car sales in the country were 16% up on a year earlier, with four successive months of growth making up for much of the year's earlier declines.

In Europe, volumes have bounced back significantly from earlier lows, but sales in most markets are still below the corresponding figures for last year. And with lockdown measures having lasted longer and ended later in Europe compared with Asia, market watchers are struggling to differentiate underlying trends from delayed demand. In the U.S. meanwhile, where COVID-19 case numbers remain stubbornly high, passenger vehicle sales were still almost 20% down on the previous year in July.

Over the year, forecasters expect worldwide sales for passenger vehicles to be around 70 million units in 2020, a 20% drop compared to 2019. They expect the pain to be unevenly distributed, however, with the U.S. seeing a dip of around a quarter, while Europe, China and other big Asian markets fall by about 15%.

Back for good?

If there is still uncertainty over the pace of the automotive industry's post-crisis recovery, there are even bigger questions about its form. This was an industry, after all, that was already undergoing disruption before the pandemic struck. What impact will this year's slowdown have on the sector's ongoing shift to electric propulsion, and its pursuit of autonomous driving capabilities and other advanced, connected features?

If the early signs are anything to go by, this crisis is set to put some of the most important new trends into overdrive. Analysts at the International Energy Agency expect 2020 global sales of electric and hybrid vehicles to broadly match last year's numbers, for example. That will be an impressive result against the backdrop of the pandemic, and considering that government subsidies for new energy vehicles have been gradually shrinking in recent years.

Sales of cleaner vehicles are set to receive a further boost in the coming months as a number of governments reintroduce or extend their subsidy schemes as part of wider efforts to stimulate a "green" economic recovery. China, for example has postponed the phaseout of a support scheme from this year to 2022, while Germany has doubled the value of its EV subsidy grants.

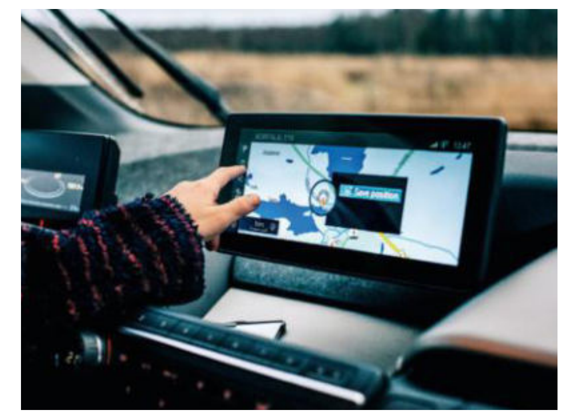
Photos: Marco Bottigelli/Getty Images (previous page); Andrew Boyers/Reuters; Ulrich Baumgarten/Ullstein Bild; Cavan Images/mauritius images; Maskot/Getty Images

> "We will see some consolidation in the industry, and some rationalization in product portfolios, but ultimately, the desire for mobility is a fundamental part of human nature."
>
> **Fathi Tlatli, President, Global Auto-Mobility Sector, DHL**

Jürgen Stackmann, VW's former Head of Sales, Marketing and After Sales, told journalists that his company's existing electric vehicles were "sold out" by July. The company says that, in the week orders officially opened, it received 37,000 reservations for its new ID3 model, the first VW to be built on a dedicated EV platform.

The pandemic is also set to accelerate the evolution of e-commerce in the automotive world. Carmakers have long used smart internet tools such as online

WELL-CONNECTED:
The pandemic could drive the development of advanced in-car tech features.



TAKING CHARGE:
Sales of electric vehicles in 2020 are expected to broadly match last year's numbers.

configurators to attract customers. Most, however, still rely on their networks of physical dealerships to handle the final sale, delivery and aftermarket support of their products. This year, with many dealerships forced to close, and customers reluctant to make unnecessary trips, the appeal of a contactless, online sales process is becoming overwhelming. Peugeot Société Anonyme says it aims to sell more than 100,000 cars a year directly via e-commerce, and Daimler says it expects a quarter of all passenger car sales to move to the internet by 2025. In Germany, VW says that customers will pay the same price for its new electric models, regardless of whether they buy in person or online.

Safer in the city?

The coronavirus crisis could also provide a boost for carmakers that few would have expected a year ago. With physical distancing measures set to be the norm for months or even years to come, travelers are wary of cramped trains, subways and buses. That could lead to a resurgence in car use for urban transportation.

Research by consultancy BCG found that a majority of city dwellers worldwide saw private car use as much lower risk than public transport in the post COVID-19 world. The same research identified significant regional differences in people's expected response to the pandemic, however, with only Chinese consumers saying that the crisis was much more likely to make them use, or own, a car.

In Japan, mini vehicles designed for use in dense urban environments have been one bright spot in an otherwise difficult automotive sector. The category, which includes cars with a maximum engine size of 660 cc, dipped only 1% in July, while the mainstream automotive market plunged by a fifth. Mini vehicles now account for almost 40% of the country's passenger car sales.In China, manufacturers and suppliers have rushed to respond to public health concerns with new products, including enhanced air filtration packages and air conditioners with UV sterilization systems.

Carmakers hoping for a boom in sales to urban customers may not have it all their own way. Providers of alternative transport technologies also see the pandemic as a chance to seize a bigger share of the market. Bicycle retailers in Europe and the U.S. have reported a surge in interest since the start of the crisis, with demand in some categories greatly exceeding supply.According to Germany's Zweirad-Industrie-Verband (ZIV), sales of electrically assisted bikes increased by 15.8% in the first half of the year. And in the U.K., the government has brought forward trials of electric scooter sharing services, originally scheduled for 2021.

The shape of supply chains to come

If the form of the post-COVID-19 mobility market is not yet clear, carmakers face further uncertainty behind the scenes. The steep, and potentially prolonged, fall in sales has left many short of cash. In a research note, Joe Vitale, Global Automotive Leader at consultancy Deloitte, suggested that auto companies "may be forced to divert capital to shore up continuing operations, starving R&D funding for advanced technology initiatives and other discretionary projects."

CHAIN REACTION: Sales of electrically assisted bikes are increasing.

STANDING FAST: The U.K. has brought forward trials of electric scooter-sharing services.

LITTLE WONDER: Mini vehicles now account for almost 40% of Japan's passenger car sales.

ON THE RIGHT TRACK: Newly assembled electric cars are ready to be transported by train.

Financial pressure might slow the industry's technological revolution, but Vitale adds that it could also accelerate strategic decisions to exit unprofitable markets and vehicle segments. Early evidence suggests that the fallout from the crisis might force further divergence between global car markets. Manufacturers in China and Europe are doubling down on their ambitious alternative energy programs, pushed by regulatory pressure to reduce fleet-wide emissions and aided by government stimulus. North American players, by contrast, may see more value in doubling down on the popular and profitable light truck and SUV segments.

That polarization could extend into supply chains too. "Nearshoring was already a big topic for the industry before the crisis, as manufacturers sought to reduce risks and increase responsiveness," says Fathi Tlatli, President, Global Auto-Mobility Sector, DHL. "Sourcing components more locally may be seen as even more advantageous, as product portfolios diversify further along geographical lines." Supply chain risk is also back at the top of the agenda, he notes, as companies restart disrupted production lines, and as the downturn puts some suppliers under acute financial stress.

The industry may be in for a bumpy ride, but Tlatli believes that it will survive this crisis as it has those of the past. "Modern automotive supply chains have proved to be remarkably flexible," he says. "We saw that in the heart of the crisis, as companies retooled their factories to make ventilators or protective equipment." While the transition to the next "new normal" for carmakers may take some time, he is confident that the sector will ride out the storm. "We will see some consolidation in the industry, and some rationalization in product portfolios, but ultimately, the desire for mobility is a fundamental part of human nature." ■ ***Jonathan Ward***

Photos: Thomas Trutschel/Photothek; Frederic Reglain/mauritius images; Jeff Spicer/dpa; Olivier Matthys/Bloomberg/Getty Images; DHL

3 QUESTIONS FOR...

1. How is the automotive industry recovering from the shock of the coronavirus crisis?
On the production side, things are looking much better than just a few months ago. From a period earlier in the year, when 80% of car plants were closed, we have seen a phased restart beginning in China and moving around the world. Nowhere is yet up to full capacity, but it is clear that the industry is moving in the right direction. Now we need to see whether the recovery in demand is sustained over the coming months.

2. Will the pandemic change the direction of the sector?
I expect that it will be more a question of pace than of direction. We have already seen that demand for electric and hybrid vehicles has been affected less than demand for combustion engines. The shift in powertrain technology was already underway before the crisis, but it might be accelerated now, especially as many of the most exciting, upcoming product launches are alternative energy vehicles. Carmakers will want to manage their resources carefully in the coming months and invest in the areas where they expect the strongest growth over the long term.

3. Are companies altering their supply chain plans?
A crisis always brings risk and volatility to the top of the agenda, and this crisis is no different. But in many ways, I believe the pandemic has shown that today's automotive supply chains are already very flexible and responsive. The industry is built on continuous improvement, however, so I'm sure there will be some further measures taken, notably some more nearshoring and efforts to make the supply of critical components more robust. We may also see greater collaboration between participants across the supply chain, as everyone looks to improve resilience while keeping costs under control.

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HIGH FLYERS

Tesla and SpaceX share a charismatic owner and a determination to disrupt their respective sectors. But do the two businesses have something more fundamental in common?

OUT OF THIS WORLD: SpaceX provides orbital launch services to governments and private organizations.

Elon Musk is one of the most polarizing figures in modern business. Fans laud his ambition and celebrate the technological triumphs of his companies. Cynics claim that the reality doesn't always live up to the hype.

There is no doubt, however, that Musk's two largest ventures – car company Tesla and rocket maker SpaceX – have had a huge influence on their respective industries. That's a difficult trick for an outsider to pull off in one sector. Doing it simultaneously in such apparently different industries may be an unprecedented feat.

Both Tesla and SpaceX were founded at the beginning of the 21st century and are based in California. But their technologies, product offerings and business models have little in common.

A tale of two cities

The older of the pair, SpaceX, was established by Musk in 2002. The company is based in Hawthorne, a city in Los Angeles County, close to the heartlands of Southern California's long-established aerospace and defence industry. Privately owned, SpaceX employs around 8,000 people. Using a fleet of in-house developed rockets, it provides orbital launch services to governments and private organizations from around the world.

SpaceX has shaken up the business of putting objects, and now people, into orbit. The stage-one boosters and other key components of its Falcon rockets are designed for re-use, landing under their own power or floating back to Earth on steerable parachutes. This concept has helped the company cut the cost of space flight dramatically.

By 2018, SpaceX had captured more than half the global market for commercial satellite launches. It charges customers between $60 million and $90 million per launch. That's about 75% less than the equivalent cost in the pre-SpaceX era. For its perhaps most prominent customer, NASA, SpaceX launched four astronauts to the International Space Station in mid-November – the first full-fledged taxi flight for the space agency by a private company.

Tesla, founded a year after SpaceX, is based in the Northern California city of Palo Alto, an area associated more with computers and software than cars and trucks. Today, the company employs around 48,000 people around the world. In 2019, it produced just over 367,000 of its four current models, all of them powered purely by electricity. That is a tiny fraction of the 70 million or so cars built each year, but the company has had an influence that far exceeds its relatively small size. Publicly owned, Tesla has attracted huge interest from investors. In September this year, a surge in its share price saw the company briefly become the seventh largest in the U.S. by market capitalization, worth more on paper than the combined value of the world's five largest traditional carmakers.

And a Berlin-Brandenburg gigafactory – a 300-hectare plant 35 kilometers southeast of the German capital – is now under construction. Set to start operations in 2021, the factory should eventually be capable of producing up to 2 million Tesla cars a year, as well as batteries and powertrains.

Stars in their eyes

Are Tesla and SpaceX simply two bold upstarts in different industries, or does something more basic bind the two companies together? With an undisputed talent for marketing, Musk has always been keen to exploit the idea of common ground between his ventures. He told journalists in 2012 that SpaceX expertise in lightweight aluminum structures had informed Tesla's vehicle designs. The company's flagship Model S uses the material extensively in its chassis and body. Similarly, Tesla has provided advanced battery technologies for SpaceX rockets. In 2018, a test flight of the largest SpaceX rocket to date – the Falcon Heavy – placed Musk's personal Tesla Roadster into orbit around the sun, complete with a dummy astronaut behind the wheel.

Tesla and SpaceX also share lofty, long-term ambitions. Tesla says its mission is to "accelerate the world's transition to sustainable energy." Musk wants SpaceX to reduce the cost of moving people and materials into orbit by a factor of 100, and then to send people to Mars.

Feet on the ground

The most significant similarities, however, may lie behind the scenes. Both Tesla and SpaceX have adopted an intensely pragmatic approach to product development, eschewing their respective industry's traditional supply chains and development approaches in the quest for higher speed and lower costs. Tesla's battery packs, for example, are assembled from hundreds of small commodity cells, similar to those used in consumer electronics applications.

For its Starship superheavy rocket, designed to carry the huge payloads needed to support a crewed mission to Mars, SpaceX has abandoned its original plan to use carbon-fiber composites as the primary construction material. The craft will now be made from stainless steel, a material that costs around 50 times less per kilogram, is easier to fabricate, and which Musk claims will offer real performance benefits in flight.

Photos: Getty Images; SpaceX/Science Photo Library; Tesla/Bestimage

> "SpaceX is showing that space flight could eventually be much more like travel on the ground."
>
> **Fathi Tlatli, President, Global Auto-Mobility Sector, DHL**

Both companies have also absorbed the software industry's agility, with an incremental test-and-learn approach to product development, and a willingness to reinvent products and processes if better solutions present themselves. The first three SpaceX Falcon 1 prototypes failed during launch. At the fourth attempt, a Falcon 1 became the first privately funded, liquid-fueled rocket to reach orbit. In the eight years since the Tesla Model S was first put on sale, the company's engineers have made multiple hardware and software upgrades, with many new features and improvements made available to existing owners via over-the-air updates.

How far could they go?

"Both these companies show just what you can do if you are brave and willing to approach problems in an entirely new way," says Fathi Tlatli, President, Global

GREAT SHAPE: Tesla's latest vehicle is the Cybertruck, a fully electric pickup truck with a design reminiscent of a Mars rover.

Auto-Mobility Sector, DHL. "A Tesla is perhaps more like a computer on wheels than a traditional car, and SpaceX is showing that space flight could eventually be much more like travel on the ground."

Could Tesla's production lines eventually be turned over to the manufacture of spaceships? The car company has already used its facilities to produce specialist tooling for its rocket-making cousin, so perhaps the idea isn't as unlikely as it seems. More certain is that both organizations will keep experimenting, testing and evolving, making the thousands of incremental innovations that can eventually add up to truly revolutionary change. ■ ***Jonathan Ward***

JANINE MONTFORTS:
Director, Advanced Technology Procurement, ADAS, ZF

GEARING UP FOR AUTONOMY

Century-old automotive supplier ZF is retooling itself for a future of autonomous driving and advanced mobility systems.

Photo: Thomas Pirot for *Delivered.*

The leading edge of technology sometimes takes you in unexpected directions. At the beginning of the 20th century, Count Ferdinand von Zeppelin was convinced the airship would be the key to future fast, comfortable and efficient mobility. Zeppelin chose a plot of land outside the city of Friedrichshafen, Germany, as the production base for his endeavors, using the sky above Lake Constance as a testing ground for prototypes.

By 1915, the city had become a hub for aviation innovation, with hundreds of engineers working to make Zeppelin's vision a reality. The airships were performing well, but one stubborn issue threatened their wider uptake: noise. The relatively primitive gearboxes between the fast-spinning engines and slow-turning propellors were so loud that Alfred Colsman, general manager of the business, described the sound in the main gondola of a craft as "almost unbearable."

The search for a solution led Colsman and his colleague Alfred von Soden-Fraunhofen to the work of Swiss engineer Max Maag, who had devised a way of manufacturing high-precision gears. The three men entered an agreement to license Maag's technology in Germany, establishing a new business called Zahnradfabrik Friedrichshafen GmbH close to the Zeppelin plant.

ZF, as the company became known, quickly found plenty of willing customers beyond the airship industry. Quiet, efficient gears were in demand across a wide range of sectors – including boats, agricultural machines and the fast-growing automotive industry. It was the last of those that came to dominate the company's future. By the end of the century, ZF had evolved into one of the world's major automotive suppliers, producing advanced transmission systems for cars, trucks and buses.

100+ MILLION

The distance in kilometers covered by the driverless shuttles of ZF subsidiary 2getthere on restricted routes

From smoother to smarter

Today, five years into its second century of existence, ZF is mid-way through another major transformation. The company that built its fortunes on excellence in mechanical design and production is looking for a dominant role in electronics, sensors and software.

As in its earliest days, ZF's reinvention has been led by a desire to address its customers' biggest challenges. The 2015 acquisition of U.S.-based TRW gave the company access to its portfolio of chassis and safety technologies, which complement its traditional powertrain expertise. It launched a dedicated e-mobility division in 2016, with a mission to develop motors and transmission systems for hybrid and fully electric vehicles. Two years later, ZF announced a new strategy, aiming to position itself as a key provider of "next-generation mobility" solutions, including technologies for autonomous and shared vehicles alongside its EV and hybrid offerings.

Shifting the primary expertise of an organization from metal to silicon is a hugely demanding undertaking, requiring new engineering, manufacturing and testing capabilities. It also requires the development of an entirely new supplier ecosystem.

ZF has incorporated electronics into its products for many years, says Janine Montforts, the company's Director Advanced Technology Procurement ADAS (advanced driver-assistance systems). She leads a specialist team set up to help the company build the technology supply base it needs to support its ambitions in autonomous and assisted driving.

But the challenges of advanced driving systems have dramatically altered the scope of its requirements. "In the past, we would ask our suppliers to provide, say, a simple electronic chip," she says. "Today, we are buying a package that includes the chip along with a lot of associated software, it's a much more complex proposition."

The company is working with aggressive timescales, too. Fully autonomous passenger cars are still some years away, although many of ZF's customers in the passenger car sector are currently offering Level 2 automation systems, which take over many driving functions while still requiring the driver to keep their hands on the wheel. Yet other mobility sectors are pushing forward much faster: "We believe that over the next decade, autonomous shuttles will become widely used in public transport systems – including airports, park-and-ride schemes and inner cities. "These types of vehicles will make a public transport system without timetables a possibility and will redefine urban mobility," says Montforts. ZF already offers autonomous shuttles today via its subsidiary 2getthere, which has successfully been running driverless shuttles on restricted routes for more than 20 years. Vehicles supplied by 2getthere have covered more than 100 million kilometers autonomously, transporting more than 14 million passengers with a system availability of over 99%.

The rapid pace of development places new demands on supplier relationships, says Montforts. "When you work with traditional automotive suppliers, they are used to long development cycles, with maybe four years between the start of a project and full-scale production. In autonomous driving we are in a world where the automotive computing power available even two years ago was regarded as sufficient but already today is requiring further upscaling. Innovation cycles are much shorter and you need to be always on the lookout for the next technological game-changer."

Growing up fast

Then there is the challenge of working with young, highly innovative companies. The autonomous driving sector is so new, says Montforts, that many potential suppliers "still have a startup mentality." Beyond identifying the most promising suppliers, much of the work of the Advanced Technology Procurement Group is about ensuring these companies can meet the exacting quality and delivery requirements of the automotive industry.

Component and systems suppliers like ZF are a critical link in the automotive sector's lean, just-in-time supply chains. "In our business, there is no leeway," says Montforts. "You can't miss a delivery to your automotive customer and just assume it will be okay to fill your order the next day."

It isn't just small startups that face a steep learning curve if they want to supply the automotive sector. Plenty of high-tech products come from the industry giants that also provide critical components for computers, phones and countless other product sectors. For these companies, says Montforts, the growing importance of the automotive market is encouraging a shift in attitudes.

"I started working in automotive electronics in 2002, and back then the sector was less than 5% of the high-tech market – for some suppliers even less than 1%. We were a 'nice-to-have' customer, not a critical one." Today, she says, big technology players value their automotive customers because they offer significant volumes and valuable stability. "Companies recognize that if they secure business with us, they will have that business for four or five years, which is the usual lifecycle of an automotive product."

Leveling up

ZF's push to the leading edge of autonomous driving is already winning customers. In August, for example, the company began the volume production of advanced solid-state LiDAR systems, which allow vehicles to construct a real-time, 3D model of their surroundings. The new sensors will start to appear on passenger cars in 2022.

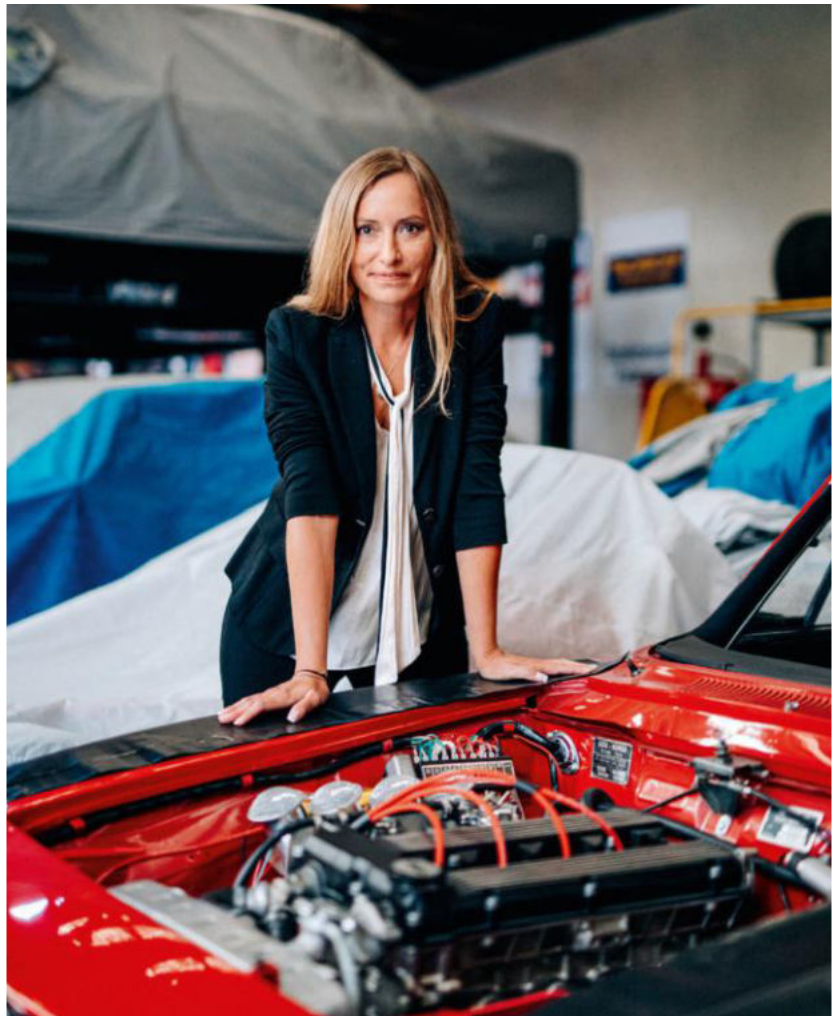
How long, then, before the industry achieves Level 4 or 5 autonomy, the point at which cars and trucks can really drive themselves in some (Level 4) or all (Level 5) conditions? "From a technical perspective, we're ready to go. The technologies needed – in particular radar, LiDAR and camera systems – are sufficiently advanced, and our central computer ZF ProAI can even manage complex maneuvers," says Montforts. "But in lots of countries, we still don't have a standardized infrastructure and legislation that would allow autonomous vehicles to operate in normal traffic."

Driving a vehicle safely in real-world conditions is a hugely complex task, too difficult for conventional, rule-based computer programming. Every major player in the sector uses AI technologies, with deep-learning models that must be trained through exposure to millions of real or simulated driving events. "Technically, training is the limiting factor right now," says Montforts. "But the timescale for autonomy will also be governed by regulations, and of course by the economic case."

For ZF, developing technologies for innovative and as yet unproven forms of transport is nothing new, of course. "One of the best things about working here is the willingness to take a long-term view, says Montforts. "With e-mobility, we spent many years developing our position, and we have reached the point where we are no longer developing new products for combustion engine vehicles. Now we are taking the same approach with autonomous driving."

For Montforts, the opportunity to spend time working at the forefront of a new technological revolution is thrilling. "For me, it's a bit like the introduction of the internet," she explains. "You know you are working on something that could eventually change the world." But if working with supercomputers and AI systems ever gets too much, she can ground herself in old-school automotive technology at home, working on her historic VW 181 Thing. "It's bright orange," she says, "and the battery is just about the only electrical thing on it." ■ ***Jonathan Ward***

www.zf.com



HIGH PRECISION: ZF develops motors and transmission systems for hybrid and fully electric vehicles.

Photos: Dominik Gigler/ZF; Thomas Pirot for Delivered.

NEED FOR SPEED: British driver Lewis Hamilton celebrates after securing his sixth Formula 1 World Championship in 2019.

Photos: Motorsport Images/image: Bettmann Archive/Getty Images; Gerhard Launer/akg images; Imagno/Votava/Interfoto

70 YEARS OF FORMULA 1

How Formula 1 remains the pinnacle of motorsport, and has grown from small beginnings into a global sport worth billions.

Saturday, May 13, 1950, was a milestone in motor racing history. Finally, after years of formalizing rules and regulations, the first Formula 1 World Championship race took place at Silverstone Circuit, England. The British Grand Prix was the first of seven championship races in that inaugural season.

An estimated 150,000-strong crowd, including members of the British Royal Family, watched as 22 cars took their place on the starting grid. All four Alfa Romeo cars made up the front row, with Giuseppe Farina on pole. After 70 laps, Farina took the win. His teammates Luigi Fagioli and Reg Parnell finished second and third, respectively. Future five-time world champion Juan Manuel Fangio retired from the race on lap 62 following an oil leak.

Fast-forward 70 years to Silverstone, Sunday, August 9, 2020. This time, the two Alfa Romeo cars started at the back of the grid and, thanks to COVID-19, the expected 140,000-plus race-day crowd was missing. Mercedes locked out the front row. Valtteri Bottas was on pole, and six-time world champion Lewis Hamilton was second. Tire strategy played a huge part in the race, and in the end it was the Red Bull of Max Verstappen who took the checkered flag, with Hamilton and Bottas second and third, respectively.

But how has Formula 1 changed in 70 years?

F1 safety

Motorsport is dangerous. Fact!
Over the last 70 years, a total of 52 drivers have been killed. In 1950, there were no safety measures in place, nor any medical presence, Silverstone's track was lined with hay bales and flower-topped oil drums, and drivers wore whatever they fancied – from overalls to shirt sleeves and trousers. Helmets were not compulsory, and the cars had no seat belts.

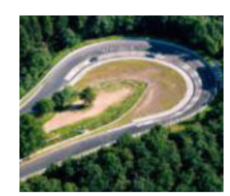
Since then the Fédération Internationale de l'Automobile (FIA) has put safety at the very top of their priorities. This dedication to safety has seen the number of deaths reduce each decade.

Today, all the circuits on the Formula 1 calendar are equipped with hospital-grade medical facilities and spacious run-off areas, wherever possible. There is also a dedicated Formula 1 medical team that travels to each race. Drivers all wear flame-resistant clothing and boots, full-face, carbon-fiber helmets that incorporate a head and neck support called the HANS device, and are strapped into the car by a

1950 **MAY 13, 1950** first F1 championship race, British Grand Prix, Silverstone

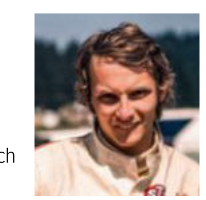
1958 **CONSTRUCTORS' CHAMPIONSHIP** introduced

1967 **NÜRBURGRING** first grand prix to be televised in color



1968 **SPONSORSHIP** first introduced in F1

1971 **NIKI LAUDA** makes F1 debut for March at the Austrian GP



1973 **SAFETY CAR** introduced at Canadian GP

1978 **BERNIE ECCLESTONE** becomes president of Formula 1 Constructors' Association

FAST TRACK:
Drivers battle it out during the 2019 Hungarian Grand Prix.

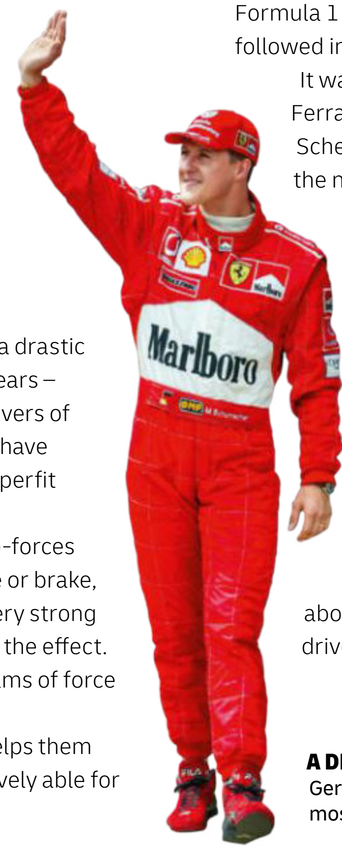
six-point racing harness. The cars themselves have a strong chassis structure and a halo feature around the cockpit.

From gentlemen drivers to world-class athletes

The drivers, too, have undergone a drastic transformation over the last 70 years – morphing from the gentlemen drivers of the 1950s and 1960s, who might have done the occasional run, to the superfit athletes that we see today.

F1 drivers experience severe G-forces every time they corner, accelerate or brake, which means they have to have very strong core and neck muscles to counter the effect. They also have to exert 80 kilograms of force every time they brake.

Being physically strong also helps them remain mentally alert and cognitively able for the duration of a race.



A DRIVING FORCE:
Germany's Michael Schumacher is one of the most successful Formula 1 drivers ever.

Michael Schumacher, a legend in his own time

Schumacher first tasted victory aged six, winning a karting championship in 1975. By 1987, he was both European and German Karting Champion. Following his 1990 German F3 Championship win, Mercedes signed him to their junior sportscars racing program.

In 1991, he made his Formula 1 debut for Jordan at the Belgian Grand Prix. He qualified in seventh place but retired with clutch failure on the first lap.

By the next Grand Prix in Italy, Schumacher had signed with Benetton-Ford and completed the season with them, scoring four points.

His maiden win came at Spa-Francorchamps in 1992, and in 1994 he became Germany's first Formula 1 World Champion. A second title quickly followed in 1995, after which he moved to Ferrari.

It wasn't until 2000 that Schumacher became Ferrari's first world champion since Jody Scheckter in 1979. He then went on to win the next four years, becoming the first driver to secure seven world championships, including five consecutive titles.

In 2006, Schumacher retired, but was tempted back in 2010 to drive for the new Mercedes team, headed by Ross Brawn, who had been the technical director at both Benetton and Ferrari during his championship years.

He retired permanently at the end of the 2012 season, when Mercedes signed Lewis Hamilton.

While arguments will always continue about who is the greatest-ever Formula 1 driver, one thing is certain: With seven world championship titles and 91 race wins, Michael Schumacher is undoubtedly one of the most successful Formula 1 drivers ever.

Photos: Mark Thompson/Getty Images (2); Firo/ullstein bild; action press; NurPhoto/dpa; Michael Kunkel/Audi Communications Motorsport; Steve Etherington/FIA Pool image/imago; Marka/mauritius images

SAFETY FIRST:
A safety car on track during the 2019 Italian Grand Prix.

Red Bull and Mercedes dominate the 2010s

The 2010s saw two teams and two drivers dominate the sport.

In 2010, Sebastian Vettel and Red Bull Racing won their first Drivers' and Constructors' World Championships. Red Bull won nine of the 19 races; their closest rivals, Ferrari and McLaren, won five races each.

The Drivers' Championship, on the other hand, went down to the final race in Abu Dhabi. Four drivers were in contention: Sebastian Vettel, Mark Webber, Fernando Alonso and Lewis Hamilton. In the end, Vettel became the second German and youngest-ever driver to win the F1 World Championship.

The Red Bull/Vettel ticket comfortably won the next three consecutive Drivers' and Constructors' Championships.

It all changed in 2014, when significant rule amendments were introduced – most notably the introduction of a 1.6-liter, turbocharged, hybrid V6 engine that incorporated an energy recovery system.

Mercedes dominated the first race in Australia and went on to win 16 out of the 19 races, securing the Constructors' Championship at the Russian Grand Prix. That domination continued, and 2019 saw Mercedes become the first team to win six consecutive Constructors' Championships.

Lewis Hamilton claimed two Drivers' titles in 2014 and 2015 against German driver Nico Rosberg, his nearest rival and teammate. Rosberg triumphed in 2016, sealing his maiden title at the final race, and then announced his retirement a few weeks later.

TURBO-CHARGED:
Motor racing is set to become even more exciting in the years ahead.

2020 – a record-breaking year

In October 2020, at the Eifel GP, Hamilton made F1 history twice. On October 11, he took his 91st race win, equaling Schumacher's 14-year-old record. Then, on October 25, he triumphed again, taking the total to 92. From now on, every Hamilton F1 race win will represent a new world record.

In a touching ceremony after the 91st race win, Schumacher's son Mick presented Hamilton with his dad's red racing helmet.

On November 16, Hamilton attained yet another historic victory. He snatched a seventh world championship title, equalling Schumacher's record and officially becoming the all-time most successful Formula 1 driver.

The future of Formula 1

As Formula 1 continues to evolve in an ever-changing world, and perhaps also in a bid to end periods of domination by one or two teams or drivers, big regulation changes have been agreed in principle.

Set to be introduced in 2022, they include changes to the car's bodywork and overall design. This will, hopefully, allow cars to get closer than they can at present, leading to more chances for overtaking, and more race excitement.

A new budget cap is also being introduced. Its aim is to make the sport both fairer and more sustainable for the next 70 years. ■

Claire Millins

1993 **FISA** abolished, and all motorsports come under the FIA. Safety car officially introduced

1994 **AYRTON SENNA** dies during the Italian GP at Imola

1995 **ENGINES** switch to 3L V10

2002 **DHL** is main title sponsor for Jordan F1 team

2004 **DHL** becomes F1 Global Partner

2004 **MICHAEL SCHUMACHER** wins his 7th WDC, his 5th in a row

2007 **FASTEST LAP AWARD** launched by DHL

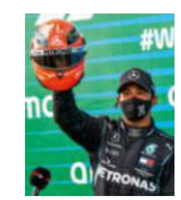
2008 **LEWIS HAMILTON** wins his first WDC with McLaren

2010 **REFUELING** banned completely

2013 **SEBASTIAN VETTEL** wins 4th WDC in a row

2019 **MERCEDES** becomes first constructor to win six Constructors' Championships in a row, with Lewis Hamilton's sixth WDC win

2020 **LEWIS HAMILTON** ties with Michael Schumacher's record 91 F1 wins and is presented with his helmet by son Mick Schumacher



2020 **SAUDI ARAMCO** becomes the 6th F1 Global Partner and hosts the first race at Germany's Nürburgring in five years

1954

The year Formula 1 driver Juan Manuel Fangio (foreground) won the French Grand Prix in Reims, debuting the iconic Mercedes Silver Arrow W196. Fellow Mercedes driver Karl Kling (middle) came in second, while Maserati driver Alberto Ascari (far right) had to retire from the race. The W196 had an aerodynamic closed-wheel aluminum streamliner body created for the Reims high-speed track. The three Grand Prix won by the W196 with Fangio at the wheel are the only races won by a closed-wheel car in the history of Formula 1.

Photos: Bernard Cahier/Hulton Archive/Getty Images; Grubenhelden

Delivered.

The Global Logistics Magazine

ISSUE 05/2020

E-COMMERCE & FASHION SPECIAL

BUSINESS

TRUE BLUE

Go behind the scenes at jeans giant Levi Strauss

VIEWPOINTS

PURCHASING POWER

Find out why online shopping is clicking in the Middle East

TAILOR-MADE FOR SUCCESS

Why e-commerce is all the fashion in Latin America

Embracing the e-commerce habit

We all remember that, as we entered 2020, e-commerce was high on the agenda, rewriting many of the rules about marketing, selling and distributing products all over the world. With the events of the past few months, e-commerce has now taken its rightful place at center stage in retail and is ready to show us what lies ahead.

I think you'll agree with me that there was a tremendous increase in e-commerce at the outbreak of the coronavirus pandemic – the accelerated development we saw in a matter of weeks was probably equivalent to that of the previous five years. More consumers started to shop online, doing so more frequently than ever before and with a growing sense of confidence and familiarity. What's more, this trend was evident across a broad range of industries, particularly within the healthcare sector.

Many companies in retail and fashion experienced huge demand spikes, and these sometimes triggered shortages and capacity issues. In response, a lot of thought has been given to completely reinventing business models, shifting sales toward online channels and, where necessary, enabling bricks-and-mortar stores to provide local fulfillment. In this special issue of *Delivered.*, we talk to two fast-thinking fashion names to find out how they innovated their way out of a crisis, driving up their e-commerce sales as a result: world-famous Levi Strauss and going-places new streetwear brand Grubenhelden. We also find out why e-commerce is experiencing huge growth in the markets of Latin America and the Middle East.

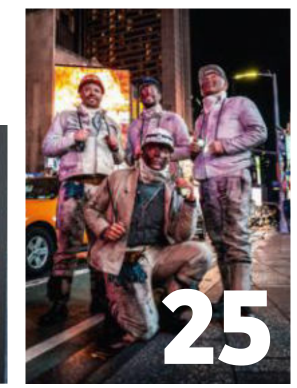
Our company has been innovating throughout this period, too. We've prioritized staying close to our customers and, most of all, been listening and collaborating with them to define the future customer-centric supply chain. We've also learned lessons. We're continuing to secure capacity and are monitoring this carefully so that we'll be better able to handle peak seasons even when they are the biggest we've ever experienced. At DHL, we're always enhancing and developing our e-commerce offerings and adapting to changing customer and market requirements.

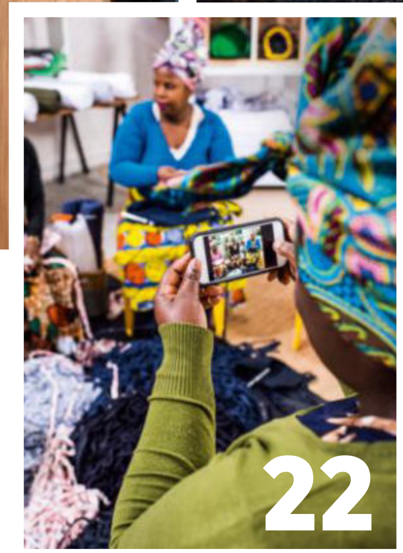
Our understanding is that the online spending fueled by the pandemic won't be a temporary shift. Instead, it's likely to become a habit – in other words, it will be a regular practice that will be hard to give up. And we think this habit will be evidenced not only in business-to-consumer transactions but also in business-to-business commerce.

The rules of the game have changed significantly, and the pace of this change is still increasing dramatically. I strongly believe that we can embrace the e-commerce habit by working closely together and keeping ahead of the curve.

Sincerely,

Mirella Muller-Wuellenweber
President, Global eRetail & Fashion, DHL





›› PLEASE TURN THE MAGAZINE OVER TO READ!

Cover photo: Adobe Stock Photos: DHL; Isabella de Maddalena for DHL Delivered.; Grubenhelden; Getty Images

DANIELE CIPOLLETTI: Levi Strauss' Operations Manager, Europe

Photos: Isabella de Maddalena for DHL Delivered.; Adobe Stock; Richard Baker/In Pictures/Getty Images

BUILT TO LAST

COVID-19 devastated the world's retail landscape, but that didn't stop Levi Strauss. A combination of swift fixes, strategic innovation and clever thinking steered the company through the crisis.

You don't have to be young to be agile. That might be the lesson learned from 167-year-old company Levi Strauss & Co. and its response to the surprises and challenges of the COVID-19 situation.

"We reacted by moving fast," notes Daniele Cipolletti, Levi Strauss' Operations Manager, Europe, who has been with the U.S. company for 14 years. Based in Milan, he had a close-up view of and insights on the beginning of the global pandemic and its subsequent lockdown phases.

Cipolletti and his colleagues at Levi Strauss faced notable challenges, from the supply chain to social media. Not just reacting to an unprecedented international event, but also facing up to the responsibility of keeping this seminal brand alive. "We decided to protect our journey," he says. "It's a long journey, but we want it to continue to grow longer in the next years."

Blue notes

Fans of denim know the sturdy fabric is built to last and, as a company, Levi Strauss appears to be, too. From its beginnings as a dry goods business founded by Bavarian immigrant Levi Strauss to its creation of what would become its classic riveted work pants, patented in 1873 and known since 1920 as blue jeans, the firm has always had an eye on resourceful solutions. Designed as workwear, jeans quickly became essential – and later, fashionable.

"This company has been investing in innovation from the beginning, when they invented the first blue jeans with the rivet," says Cipolletti. "It starts with the product, but moves through other areas of the company. There is always attention to innovation."

Today, the company's products (including the brands Dockers and Denizen) are sold in more than 100 countries around the world via various retailers, including 3,200 own stores and shop-in-shops. And the evolution continues, with the firm regularly introducing initiatives that shake up the decades-old denim business.

For example, the company's Project F.L.X. (future-led execution) allows for 90-second digital denim finishing, using lasers to create designs and wear patterns that replace dangerous chemicals and lengthy processing times. "It's a way to be both agile and sustainable," explains Cipolletti, "because if you reduce the finishing to only when you have a demand, you're not only creating efficiency in your supply chain, but you're also only producing jeans if there is a consumer."

These transformations have helped make Levi Strauss a well-oiled machine that has always run at a steady pace – until the emergence of COVID-19.

Winding down, ramping up

In mid-March 2020, most Levi Strauss locations, franchise sites and wholesale partners' retail stores closed in response to the global pandemic – from the Americas to Europe to Asia.

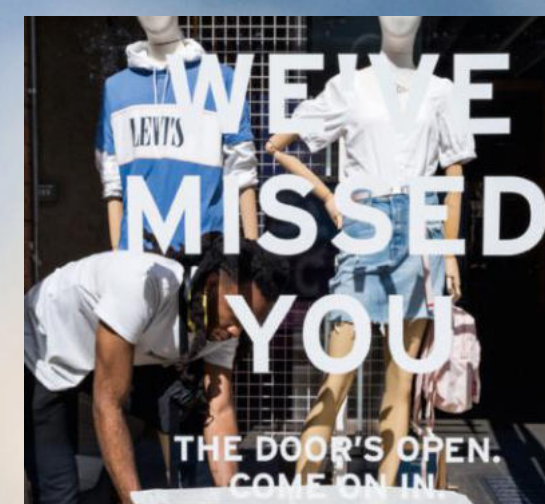
In response, the company took several actions. First, social distancing measures were put in place in warehouses and stores. Omnichannel initiatives such as virtual concierge, ship from store, buy online pick up in store, mobile app shopping and loyalty programs were enhanced to strengthen the direct-to-consumer business. At the same time, logistics strategies including same-day delivery were tested in some markets.

Although each country where Levi Strauss does business handled the lockdown in a different way, Cipolletti says the company was able to adjust and learn from the experience.

"As we closed the stores, we tried to feed them as much as we could until the last minute. All of the

50 PERCENT

The year-on-year increase in Levi Strauss' e-commerce sales in June 2020



BACK IN BUSINESS: The Levi Strauss shop on London's Regent Street prepares to reopen after lockdown restrictions ease.

organization helped to maximize the health and the flow to the market during the different lockdowns."

In the U.S., curbside pickup was introduced for customers to collect their orders. In India, Levi's on Wheels traveling stores stocked with work-from-home favorites rolled into select neighborhoods.

And to reduce costs and streamline operations, the company implemented cost reduction and inventory management initiatives. "Our overall supply chain reacted in a responsive way, showing elasticity and a sense of urgency, and good priorities," says Cipolletti, who oversees the company's biggest fulfillment center in Europe. Based in Unna, Germany, it is nearly 40,000 square meters in size, and delivers almost 70% of the business in Europe, including feeding Russia and Turkey via satellite locations.

Customers were also responsive, making up for lost time and heading for the digital checkout. Levi Strauss' net revenues dropped by 27% in the third quarter of 2020. Yet e-commerce revenue growth of 52% partially offset this decline. The company's global digital revenues grew by approximately 50% compared with the same period last year, to comprise about 24% of third-quarter returns – double the previous year's share.

"The pandemic is accelerating retail landscape shifts and consumer behavior in ways that play to the strength of the Levi's brand," Levi Strauss CEO Chip Bergh concluded upon the release of the company's second-quarter financial results. "And we are doubling down on our digital transformation, incorporating the power of AI and data science, and leveraging our iconic brands to have an even stronger focus on Gen Z and sustainability."

At the end of May, some retail stores reopened, with safe shopping procedures in place, but a wide variation in sales. Cipolletti says stores have seen less traffic but more purchasing behavior than before.

Staying home but not standing still

Keeping a connection with consumers was key to coming out of the crisis. "We're not going to let them forget about Levi's while they're cooped up in their home," Bergh told analysts in spring of 2020.

The brand continued a steady stream of novel releases to generate excitement. Cipolletti points out that a collaboration with the New Balance sports brand launched in April sold out in just a few hours.

Levi Strauss also stayed in touch with jeans fans online with a heavy social media presence, including a month-long virtual music festival called Live 5:01, featuring recording artists such as Snoop Dogg, Jaden Smith, Sharon Van Etten and Michael Franti, and had the company donating to the artists' charities of choice.

Community building continued through the slogan: "Stay Home. Stay Connected." It's part of a long line of company involvement in social justice issues, get-out-the-vote actions, equality messaging, and more. Awareness and activism are an inherent part of the brand's values, says Cipolletti. "Today, to talk to the new generation, you need to be able to speak the right language to the right devices, and of course engage with them in doing a kind of advocacy for rights," he explains.

> "Today, to talk to the new generation, you need to be able to speak the right language to the right devices, and of course engage with them in doing a kind of advocacy for rights."
>
> **Daniele Cipolletti, Levi Strauss' Operations Manager, Europe**

Blue jeans, green plans

The good fight also includes the green fight, and Levi Strauss has made great strides in an industry known for environmental challenges.

"We have to remain committed to sustainability in these tough times," says Cipolletti, noting that the company also developed reusable masks as part of their collection, thereby providing a Levi's brand experience accessory that protected against COVID-19 and could also take the place of disposable face masks.

Additionally, in July 2020, the company's jean geniuses introduced their most sustainable denim yet. Part of the eco-minded Wellthread line, the jeans for men and women are made from 60% organic cotton together with Circulose, a material developed by Swedish textile recycler Re:newcell, which contains 20% recycled denim and 20% sustainably-sourced viscose.

Taking stock

The crisis period has also been one for reflection for many firms, from taking literal stock to evaluating store locations, workforce, and company structure.

For the Levi Strauss team, working from home paradoxically resulted in more collaboration, notes Cipolletti, thanks to the implementation of online team working software. The stress now is on reviewing, redesigning and modernizing the process. The policy of open communication and connection extends outside the company too, he says, including taking decisions together with partners, such as DHL.

"We have a really one-to-one approach with our partners to share our outlook for the near future, because only transparency, visibility, and joint planning can help actors in the industry supply chain both to minimize and be successful, and to have a better reaction time."

And while digital and direct-to-consumer boosted the firm during the dark days of the pandemic, online alone is not the future of Levi Strauss, Cipolletti says.

"We need what we believe is an omnichannel approach, not just everything digital. And bricks-and-mortar is always traditional, but it also gives us the opportunity to tell a complete story and give that experience to the consumer." ■ ***Susanne Stein***

20 PERCENT

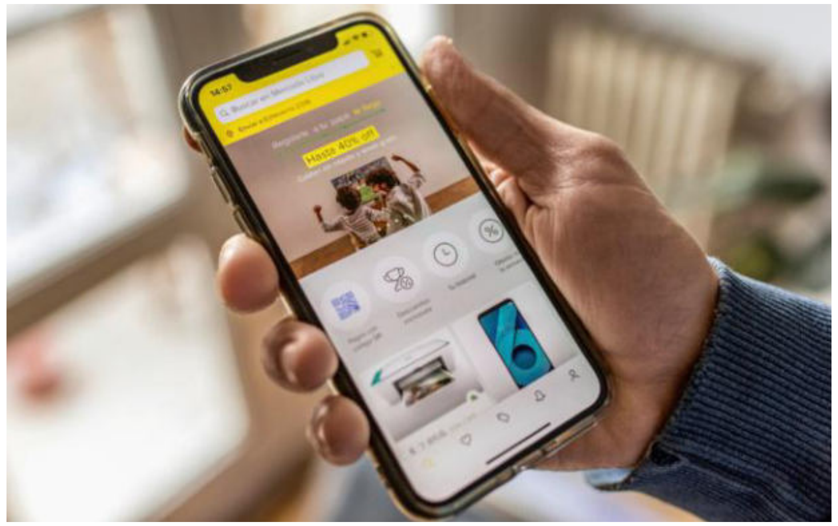
The amount of recycled denim in Levi Strauss' Wellthread jeans

Photos: Isabella de Maddalena for DHL Delivered (2); Adobe Stock (2)

TRUSTED BRAND: Levi Strauss' products are sold in more than 100 countries globally.

LATIN AMERICA'S E-COMM PROMISE

With a large urban population and widespread use of smartphones, Latin America is seeing a surge in e-commerce as the COVID-19 pandemic pushes up demand from both consumers and merchants.



SMART CHOICE: Nearly three-quarters of Latin America's population will have smartphones by 2025.

Upon completion of a 10,500-kilometer subsea cable between California and Chile in April 2019, Google started running a 1,000-kilometer branch of the fiber-optic system to Panama to make it a hub for providing increased bandwidth and connectivity in Central America.

This is good news for Panama as it seeks to become the premier gateway to Latin America for trade – particularly including e-commerce, which has experienced exponential growth during the lockdown measures against the spread of the coronavirus.

"It will help our companies be much more competitive," Panama's president Laurentino Cortizo said of the cable. "The more connected our communities are, the more opportunities they have."

E-commerce is growing in Latin America and the Caribbean, but it is still in its infancy, says Sean Summers, CMO of Mercado-Libre, the region's biggest e-commerce marketplace.

"When we look at what we have done at MercadoLibre over the last 20 years, we can say, 'Wow, that's incredible!'" he remarks. "But if we look ahead over the next 10 years, we think that the potential is infinitely greater." E-commerce as a share of retail sales was just 3.1% in Latin America in 2019. In contrast, its share of retail sales was about 10% in the U.S., 13% in Denmark, 16% in South Korea, 18% in the U.K. and 27% in China, according to research firm eMarketer.

Foundations for growth

Latin America and the Caribbean have what is needed to catch up. For starters, they have the fourth-largest economy in the world after Asia, North America and Europe, according to World Bank data.

Of their combined 650 million population, 80% is mainly concentrated in four countries – Argentina, Brazil, Colombia and Mexico. In this region, just two languages are used officially in their trade market – Spanish and Portuguese – as opposed to the multiple tongues spoken in Africa, Asia and Europe.

With more than 80% of the region's population living in cities, it is the second most urbanized region in the world after North America, according to U.N. figures. And the penetration of smartphones in the region is expected to reach 73% of the population in 2025, up from 67% in 2019, according to GSMA Intelligence, a trade group for mobile operators.

The combination of a large urban population and widening use of smartphones is beneficial for e-commerce, as together they spur competition to drive down the prices of broadband and data plans and encourage banks and merchants to scale up e-commerce payments and sales services. According to Americas Market Intelligence, online retail sales are on track to increase at a 22% compound annual growth rate from $100 billion in 2018 through to 2021.

Challenges for the future

There are hurdles. One is to increase digital payments in a market with only 55% financial inclusion, according to World Bank data. MercadoLibre has created its own payment platform, competing with new entrants such as Brazil's PagSeguro and the international apps Apple Pay and Google Pay.

But the largest challenge for e-commerce growth is improving logistics to cut delivery costs and times, says Summers.

Only a few years ago, online shoppers would pick up orders physically, even pay cash on the spot, because of costly, poor and untrustworthy deliveries and payments systems. To improve this, e-commerce companies are offering their own logistics services, from fulfillment and cross-docking centers to delivery hubs.

Brazil is the only market with enough domestic vendors to meet e-commerce demand. The rest rely on imports because of underdeveloped inventory systems. Many of the orders are carried out through Miami because of the scale and low price of moving products from U.S. factories or overseas suppliers via Miami International Airport.

But for the Latin American marketplaces – as well as Asian e-commerce powerhouses, such as China's Alibaba and JD.com, which target Latin America – it makes sense to keep inventory closer to destination to speed delivery times, according to a study by DHL and Panama's Ministry of Commerce and Industry.

The last mile

Other obstacles, such as traffic jams and theft, encumber the last stretch to consumers. Cornershop, Rappi and other courier services are speeding up the final leg of delivery with an Uber-like model that connects sellers with independent couriers to make deliveries by car, motorcycle or bike, helping to cut costs and transit times.

MercadoLibre is building its own fulfillment warehouses in the region. "They are faster," Summers says. "With time and more scale, they are going to make it possible to reduce the cost."

The transition to faster deliveries accelerated this year as the spread of COVID-19 pushed up demand for e-commerce during lockdown, boosting stay-at-home orders across the region and helping more people overcome their worries about shopping and selling online.

"Changes in consumer demand brought about by the pandemic have accelerated adoption of digital platforms significantly throughout the region," MercadoLibre CFO Pedro Arnt said in a conference call with investors in August.

The amount of items sold over MercadoLibre's platform doubled in the third quarter of 2020 as compared with the same period in 2019. The number of active users also surged by 92.2% to 76.1 million – almost twice the 2019 figure – the company stated in a press release for its third-quarter financial results.

Panama as a hub

Building on its geographic advantage in the center of Latin America and its streamlined logistics capacities, Panama wants to position itself as a hub for the region's e-commerce growth. As well as its famous canal – the quickest, shortest connection between the Atlantic and Pacific – it also boasts the largest ports in Latin America – one of which is the second-largest free trade zone in the world – and an airport with direct flights to 90 destinations.

The startup Undercover Boots, for example, brings boots from China to Panama over the ocean, stocks them in a free zone and flies them to buyers overnight.

To make shipping even easier and faster, the government plans to build warehouses at the airport in Panama City. This is key in e-commerce, a 24/7 business with no days off and no tolerance for delays. And it is something that people in the business are increasingly confident can be achieved in the region, as more logistics infrastructure is built and people become more comfortable with shopping online after testing it out during the pandemic.

Mike Parra, CEO DHL Express Americas, indicates that the volume of e-commerce forecast for 2022 is expected to be achieved two years early – not least because merchants have had to market their products online while their shops were closed to the public, allowing them to build an internet presence, sometimes for the first time.

"Everyone has used this opportunity to buy online while they are at home," Parra says. "We are seeing a boom in e-commerce." ■ ***Charles Newbery***

bit.ly/dhlusecommerce

THE WHOLE PACKAGE: Latin America has all the ingredients necessary to become a growth center for e-commerce.

Photos: Sarah Pabst/Bloomberg/Getty Images; Andriy Popov/Alamy/mauritius images

OPEN FOR BUSINESS: The Panama Canal has been giving ships a shortcut from Atlantic to Pacific since 1914.

GATEWAY TO THE AMERICAS

Since the first European explorer landed in Panama, the country's potential as a trade hub has been heralded as a port with two oceans. The government now wants to make it the most attractive gateway for business in Latin America, including for e-commerce as it booms during the COVID-19 pandemic.

In 1513, Vasco Núñez de Balboa, a Spanish conquistador, climbed a small mountain in Panama and looked out on an unexpected expanse of blue. He was the first European to see the Pacific Ocean from the New World. The short distance between the Atlantic and Pacific Oceans, as little as 30 miles (48 kilometers), also caught the attention of Simón Bolívar, a Venezuelan military and political leader who led much of Latin America's independence from Spain. In 1815, he predicted that, in time, Panama would become "the emporium of the universe" by reducing the distances for global trade.

Laurentino Cortizo, Panama's current president, is taking steps to realize this potential to make the country the most attractive hub and gateway for business, e-commerce and trade in Latin America.

"We want to consolidate as the best business center for services and logistics in Latin America," he said in his inaugural speech on July 1, 2019.

He has his work cut out for him. The Panamanian economy slowed to 3.7% growth in 2018 and then 3% in 2019, its worst performances since 1.2% in 2009, according to statistics agency INEC.

The economy took a harder hit in 2020. Before the pandemic, the World Bank had forecast a 4.2% rebound for the year. But the COVID-19 crisis instead cut that to a 2% contraction, and caused the expected recovery not only to be delayed until 2021, but also to be reduced from 4.6% to 4.2%. Dulcidio De La Guardia, a former minister of economy and finance in Panama and a partner at the law practice Morgan & Morgan Group, points out that, while copper production should rise, the impact of the pandemic on government infrastructure spending and tourism is dampening growth prospects.

Panama's misfortunes, however, are not as dire as those of other countries in the region, which could see a contraction of 7.2% in 2020, one of its worst on record, led by its three biggest economies – Argentina, Brazil and Mexico. And De La Guardia says that Panama "has all the key ingredients for multinational companies to set up their headquarters," – from air connectivity and logistics efficiency to a business-friendly process for bringing in foreign staff. This should add incentive for companies who are betting on Panama as a more stable hub and economy for doing business in Latin America.

Decades in the making

Cortizo's initiative to up Panama's profile as a hub follows on nearly two centuries of infrastructure works to harness the geographical advantages of the isthmus for world trade – from the construction of an interoceanic railroad in the 1850s to the opening of the 82-kilometer Panama Canal in 1914. The canal slashed transit costs and times, giving ships a welcome shortcut and alternative to the long and treacherous journey around the southern edge of South America and the even less popular Arctic routes.

Traffic has surged from fewer than 1,000 crossings in the first full year of activity to surpass 13,700 in 2019, according to the Panama Canal Authority (ACP). Its growth was augmented by a more than $5 billion expansion of the canal from 2007 to 2016 to accommodate the increasing number of supertankers in global trade – including those transporting soybeans, sugar and other products in bulk. The amount of cargo shipped through the canal increased by 38% – from 340.8 million Panama Canal/Universal Measurement System (PC/UMS) tons in fiscal year 2015 to 469.5 million PC/UMS tons in 2019, according to the ACP.

Burgeoning economy

The project also fueled economic growth of an average of 7% per year between 2010 and 2017, one of the fastest rates in the region, which has helped make Panamanians some of the wealthiest Latin Americans in 2019, according to Latinex.

With the bustling economy boosting a rise in tax revenue, the government poured money into building the first two lines of the Panama Metro – easing traffic in Panama City – and the construction of a second terminal at Tocumen International Airport, the country's busiest. In the pipeline are a third metro line, a widening of the Inter-American Highway and a fourth bridge over the Panama Canal. A $4.1 billion high-speed railway, which would be the first in Central America, has also been proposed.

Panama's 2030 National Logistics Strategy, approved in 2017, calls for enhancing infrastructure to make the country even more competitive in trade. Projects call for the construction of multipurpose port facilities as well as solutions to bottlenecks and over-capacity challenges in the ports, helping to speed up logistics.

According to the World Bank's most recent Logistics Performance Index, published in 2018, Panama has the best logistics services in Latin America and is ranked 38th in the world. Its ports are the largest in Latin America. The Colón Free Zone on the Atlantic is the second-largest free trade zone in the world after Hong Kong, with another substantial free trade zone, Panamá Pacífico, on the other side of the slender country. And Copa Airlines, the flag carrier, has direct flights to 80 destinations.

"All of this together makes for amazing connectivity in the region," says John Otto Knohr Guardia, Country Manager, Panama, DHL Global Forwarding. "That's the key factor for having a hub."

Betting on the isthmus

According to the Ministry of Commerce and Industry, more than 150 multinational companies have set up regional headquarters in Panama since 2007, including the world's largest pharmaceutical companies – such as Pfizer, Hoffmann-LaRoche and Sanofi Aventis – and major consumer and technology brands – such as Adidas, LG Electronics, Huawei, Red Bull and Samsung.

This makes sense. "Instead of having a warehouse and inventory in each country in the region, you have one warehouse in the free zone in Panama, and you're only one day away from each market in the region," Knohr Guardia says.

HIGH-RISE: Panamanians are among the wealthiest people in Latin America.

Photos: Kathy Tuite/EyeEm/Getty Images; Sergi Reboredo/Alamy/mauritius images

DUTY FREE:
Panama's Colón Free Zone is the second-largest free trade zone in the world.

Easier logistics

This consolidation cuts distribution and inventory costs, and makes it easier to meet the different regulations around the region, he adds. A pharmaceuticals manufacturer, for example, can stock its inventory in Panama and use inkjet printing to tailor the product labels for each market. If there is a change in the regulations in Ecuador, for example, but the product is already in transit from Germany with a label, then adaptations will take longer, he says. "If you have the product in Panama without the specifics, then you can add the specifics and send it out at the last minute to the destination market."

It's similar with technology products, which can become obsolete fast, and automotive spare parts that can be slow to sell. Instead of stocking them in each country, where the goods can sit for months, "it's better to have the inventory in one place and to send the right product at the right time to the right market," Knohr Guardia says. "You can save a lot of money on inventory."

President Cortizo wants to expand the warehousing and distribution business by encouraging more companies to do light assembly, customization, repairs and updates locally, helping to sustain economic and job growth over the long term.

By way of illustration, Knohr Guardia points out that footwear-makers are starting to do this by bringing in shoes, opening the boxes, putting on the label and sales price for each country, then loading them into containers segmented by store for easy delivery.

Adding assembly to the mix

According to Mike Parra, CEO DHL Express Americas, Panama has an opportunity to become "a specialized location for product assembly and value-added services, such as a repair hub for the tech industry," or a distribution hub for smaller quantities of temperature-controlled biologics and personalized medicine.

"Stock orders and emergency orders can be fulfilled within 24 to 48 hours," he says.

To speed up the process even more, the government plans to build warehouses at the end of the runway at Tocumen Airport, part of its strategy to make the country the best hub for e-commerce in Latin America. Having storage capacity right at the airport – as opposed to kilometers away – makes aircraft delivery cheaper and faster than bringing goods in through traffic from off-site warehouses.

All the ingredients

This is key for e-commerce, a fast-growing business in Latin America – and vital to the post-COVID-19 economy. The world's biggest e-commerce marketplaces, such as Amazon and Alibaba, are looking at how to fulfill cross-border sales to meet the rising demand. Panama is the best positioned to capture their business thanks to its easy and fast connectivity, free trade zones and professional support, according to Americas Market Intelligence. The research firm has found that Panama City's readiness to become a hub for drop shipping into the region beats that of Miami, Montevideo and Los Angeles – and labor costs are 30% to 40% lower than in U.S. cities.

More companies are looking at Panama as a strategic geographic location for consolidating their warehousing and cross-border distribution to Latin America. "It's a strategic point for forwarding," says Parra. "Once you bring products in by ocean and you stock them in a free trade zone, you can immediately turn around and have them delivered to the end consumer within 24 to 48 hours."

Other advantages of using Panama as a hub are fiscal incentives; a stable, U.S.-dollar-based economy; a large financial services sector; and major fiber-optic cables. Whereas in much of the region plans and policies change with each government, Panama has "a long-term view on logistics," Knohr Guardia says.

Cortizo is also focusing on cleaning up politics after a spate of corruption scandals over the past decade or so, helping to improve the business climate.

"This is a new beginning, to rescue Panama," Cortizo said at his inauguration of his proposal to improve the country's image.

PANAMA

Population: 3,894,082

GDP: $66.80 billion (2019 est.)

World Economic Forum's Global Competitiveness Report 2019: 66th out of 141

World Bank Group's Ease of Doing Business Index 2020: 86th out of 190

DHL Global Connectedness Index 2018: 53rd out of 169

Overhauling education

He also wants to tackle the country's high inequality: 14.1% of Panamanians live in poverty despite the economic boom, according to the World Bank. Although this is a substantial reduction from the 40.5% poverty rate in 2001, a further reduction must come from improving education and health care, the president says.

He has a lot to do. According to the latest results from PISA, an international assessment of student performance, Panama was in the bottom 10 in 2018.

De La Guardia maintains the education system must be overhauled "to sustain economic growth in the long term," as it will be key for training the future workforce to meet demand from businesses who want to use Panama as a hub. Other challenges include improving the rule of law and providing more checks and balances on the branches of government.

"Everybody is aware that these are issues that we should tackle," he explains. "It's just a matter of getting them done. It will take a while, but I'm optimistic that they will get done."

DHL's Parra concurs: "We've seen growth in Panama since the pandemic started. I see a bright future for the country. The connectivity is good and you have a strong infrastructure. Now it's time to leverage it for growth." ■ ***Charles Newbery***

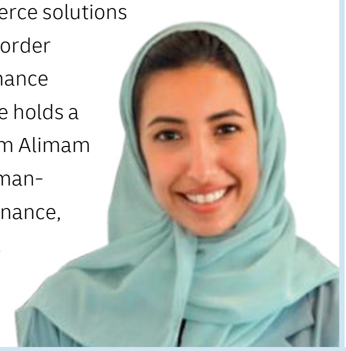
JET SET:
Copa Airlines, Panama's flag carrier, has direct flights to 80 destinations.

Photos: Bertrand Rieger/hemis.fr/ddp; Adobe Stock; Daniel Slim/AFP/Getty Images

RETAIL VERSUS E-TAIL – THE NEXT CHAPTER

REEM ALDAGHFAQ

Reem AlDaghfaq is eCommerce Product Manager, DHL Express Saudi Arabia. She develops new business opportunities and strengthens customer relationships with advanced knowledge of innovative e-commerce solutions and value-added services. Reem enables cross-border cooperation, working with all stakeholders to enhance the service level of products and to add value. She holds a bachelor's degree in Business Administration from Alimam Abdulrahman bin Faisal University, covering the management and leadership aspects of accounting, finance, project management, marketing and other fields.



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The COVID-19 pandemic has seen a large number of consumers shift online. Take Saudi Arabia, where I head eCommerce for DHL Express. The kingdom is the second largest country in the Middle East in terms of size, and the largest across the region in terms of GDP. Saudis love to shop, traditionally in many of our large and often luxurious malls and, of course, while traveling. However, partly because of COVID-19, Saudi Arabia is now one of the largest emerging e-commerce markets within the Middle East. Our company is experiencing this first hand: Our own e-commerce business in Saudi Arabia has seen an unprecedented 500% growth.

Yet these are concerning times for any business, with many small- and medium-sized enterprises (SMEs) globally and in our region hit hard by stringent lockdowns. In this series of op-eds, my colleague Mike Parra, CEO DHL Express Americas, highlights how a global e-commerce strategy can help those smaller businesses affected by the fallout of the pandemic to survive and thrive.

The United Arab Emirates is another significant, fast-growing e-commerce market, as well as a hub for global e-commerce. Mohsen Ahmad, CEO of Dubai South Logistics District, shares his outlook on how the country is positioning itself to capitalize on what he sees as major emerging trends and opportunities.

Despite the arrival and growth of luxury e-tailers such as Net-a-Porter, MatchesFashion and Farfetch, most luxury brands have been slow to set up online, preferring to rely on personalized sales in their opulently designed showrooms and flagship stores. Is all that about to change? Marriam Mossali, Saudi Arabia's global fashion influencer and owner of luxury brand consultancy Niche Arabia, is an avid shopper herself and works with many leading brands, so her insights on this market segment are second to none.

There is one thing all of us agree on: Businesses of all sizes all need to have smart strategies for recovery when COVID-19 relinquishes its grip. I believe that one of the best ways to do this is via e-commerce, which can help companies do well in difficult times – and set them up for further success in a post-pandemic world. ■

Photos: Adobe Stock; DHL; Mostafa ElGameil

REDEFINING THE FUTURE OF E-COMMERCE IN THE MIDDLE EAST

The current pandemic has changed the way in which business is conducted, and its impact has been monumental in the Middle East. Due to the lockdown, consumers have opted to shop online more than ever before. Hygiene, skincare and makeup products have witnessed a drastic hike in online sales since mid-February. We are now witnessing a number of trends that are going to boost the e-commerce sector. These include the "buy now pay later" platforms (BNPL) that are considered a financial disruption model and the next big payment trend in the online retail world. The Middle East is continuing to experience rapid growth in e-commerce, with an estimated market value of $28.5 billion by 2022, a value that is expected to increase fourfold over the coming years.

The United Arab Emirates (UAE) is taking giant strides toward becoming one of the fastest-growing e-commerce markets in the Middle East, with the local e-commerce sector set to contribute AED 12 billion (approximately €2.8 billion) to the local GDP by 2023. Exceptional logistics facilities and seamless connectivity are game-changers that reinforce growth in the industry. Being a focal point for distribution, with low-cost margins for logistics and infrastructure, the UAE is an ideal place for e-commerce to thrive.

As the future of trade in the UAE is emphasizing digitalization, in line with the nation's drive toward creating smart cities, the growth of e-commerce is occurring in tandem. Cashless payments and e-commerce are top government priorities, as outlined in the UAE Vision 2021 Strategy. Government policies and consumer behaviors seem to be merging as UAE consumers increasingly trust digital payments over cash – and, according to the latest reports, 84% of surveyed consumers prefer digital payments.

The UAE's pivotal position in the global trade map, its large storage capacity and its extensive logistics networks, coupled with the support of its government, are all contributing to the growth of the sector. The e-commerce market has gained momentum, with customers today able to get their hands on a vast range of consumer goods and services, all via a tap, click or swipe on their devices. In the immediate future, we will see an uptick in demand for this model. Startups have realized this innovation and will integrate it into their business lifeline.

With the UAE advancing on its compound annual growth rate (CAGR) by 11%, Dubai has bridged the gap in e-commerce in the emirate and across the Gulf Cooperation Council (GCC). Ultramodern infrastructure, the regulatory framework, connectivity and facilitated logistics have placed the country at the forefront of the global e-commerce industry. A purpose-built, operational e-commerce zone, such as EZDubai, would also demonstrate the ability of the region to manage and facilitate the growth in e-commerce.

The 920,000-square-meter zone within Dubai South's Logistics District was launched to unlock the vast potential in online commerce. The intention behind setting up a sophisticated e-commerce zone is to support and complement the Dubai eCommerce Strategy, which was launched in 2019 by HH Sheikh Hamdan bin Mohammed bin Rashid Al Maktoum, Crown Prince of Dubai and Chairman of the Dubai Executive Council, to attract more foreign direct investments to the e-commerce sector and consolidate the emirate's position as a hub for global e-commerce.

EZDubai provides a range of logistics facilities and customized business solutions designed for startups, SMEs and multinationals. The aim is to support local, regional and transcontinental businesses serving both business-to-business and end-consumers. Logistics movers benefit from the optimal solutions and unparalleled access to cross-continental distribution networks, extending their reach to the high-growth markets of the Middle East, North Africa and South Asia (MENASA) region. ■

MOHSEN AHMAD

Mohsen Ahmad oversees Dubai South's entire Logistics District as its chief executive officer (CEO). He leads the overall execution of the District's operations, manages its financial planning, and is responsible for setting the District's strategic directions and goals. As an industry veteran, Mohsen played an instrumental role in developing Dubai's overall e-commerce strategy to consolidate the Emirates' position as a hub for global e-commerce and the development of EZDubai, a purpose built e-commerce zone at Dubai South that supports the growth of the sector.

He holds a bachelor's degree in Logistics and Transportation from the University of Tennessee in the U.S., and a Master of Science degree in Logistics and Supply Chain Management from Cranfield School of Management in the U.K.

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LUXURY RETAIL: ADD TO CART

Long before words like lockdown and pandemic became part of our everyday vernacular, retail was already struggling to find its place in a world that finds itself increasingly divided between digital interactions and IRL (aka “in real life”) scenarios.

With the spread of COVID-19 upsetting worldwide markets and crushing even the strongest economies, it was inevitable that the luxury market would be one of the first segments to be hit hard. But what may surprise most is the bold resilience of the luxury consumer. Trust me, no global pandemic can stop her from getting her hands on the latest Bottega Veneta clutch if the intrecciato weave is what she wants! Just ask concierge shopping companies, who have all seen a significant rise in inquiries for luxury items.

Luxury brands that were late to the e-commerce game found themselves left behind. Even Dior and Chanel had to compromise their anti-e-commerce stance, with both offering distance purchasing through their VIP client services. But what happens when you remove that physical VIP service – one of the main differentiators luxury brands use to sell their offerings? And what happens to travel spending, when all the planes are grounded on the tarmac? In the Gulf States, for example, we are spending zero on international travel due to the travel restrictions, with consumers increasing their spend on domestic travel or “staycations” instead. But even then, the amount spent regionally doesn’t come close to usual international spending, and many luxury brands in places such as London, Marbella, and the South of France – meccas for Gulf travelers – are feeling the loss.

Again, to the shock of many brands, consumer spending seemed to spike in the second quarter of the global lockdowns. Perhaps the restlessness finally won out, and luxury addicts found it easy to justify unnecessary spending by rationalizing the savings from not traveling for spring break or summer vacation. At least, that’s what I told my husband.

Thankfully for us self-confessed addicts, luxury brands have found a way to be accessible, even if not entirely adopting the e-commerce approach. Today, you can WhatsApp your LV sales staff and order that monogram bikini wth a few messages, the same way you would purchase a cake from a bakery. The VIP service that has long defined luxury brands’ bricks-and-mortar experience has now become obsolete, thereby evening the playing field for the low-hanging fruits of retail.

Another surprise for retailers was the sudden spike in purchases once these luxury items became available. We saw this on the day Hermes opened in China after the lockdown, where a single boutique brought in a record $2.7 million in sales in one day. But these spikes are just that: not trends, nor long-lasting behaviors. And they definitely don’t make up for months of complete shutdown. In fact, they simply prove one thing: In times of uncertainty and pandemics, the only real cure is indulging in a little retail therapy. ■

$2.7 MILLION

Amount of sales in a single day at the Hermes flagship store in Guangzhou, China, post-COVID-19 lockdown

MARRIAM MOSSALLI

Marriam Mossalli is the founder of Niche Arabia, the Kingdom of Saudi Arabia’s premier luxury consulting agency, where she offers strategic planning, communication services and marketing implementation for international brands entering or re-establishing their position in the Saudi market. A self-made female entrepreneur, she began her career in the fashion industry as a lifestyle editor and journalist, developing a global network of contacts that has allowed her, as a publicist and branding guru, to build a portfolio of blue-chip luxury companies, among them Mercedes-Benz, Fendi, Piaget, Harvey Nichols and Christie’s. Marriam, who has the unique distinction of being the only Saudi national on the prestigious Business Fashion 500 list, recently published Under The Abaya: Street Style from Saudi Arabia, a photography book that explores the progressive attire of the contemporary Saudi woman.

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GOING GLOBAL: A LIFELINE FOR SMES AMID COVID-19

Around the globe, the coronavirus pandemic has drastically altered the way businesses reach their customers, care for their employees and plan for the future. During the lockdowns of February and March, small businesses in particular found themselves in unprecedented circumstances, and many were forced to close their doors.

But the pandemic has done more than generate disruption and uncertainty. It has unleashed a new spirit of creativity and perseverance. It has also amplified the power and importance of global e-commerce, as new buying habits and behaviors fuel growth in what was already a rapidly expanding online marketplace. For small- and medium-sized enterprises (SMEs), the message of the last few months is clear: In order to survive and thrive in the current economic downturn, bold strategies are necessary, and those strategies should include a robust e-commerce plan with a strong cross-border component.

To launch or expand international online sales, SMEs will need to pursue a careful mix of market research, website and marketing enhancements and logistics planning. Considering that some countries are poised to see 20% overall growth in e-commerce sales by the end of the year, even while the overall economy contracts, the potential results more than justify the effort.

Today, there are more resources available than ever before to help small businesses develop their export strategies. In the U.S., The International Trade Administration’s Export Solutions at trade.gov and the Small Business Administration’s Office of International Trade provide valuable market information, assistance with plan development and financing information. Globally, there are resources such as GlobalTrade.net that provide market analyses by country and industry, as well as other global business tips. To get started with your company’s cross-border e-commerce plan, it’s critical to choose the right markets for your products based on need and demand in each particular country, as well as on regulatory and cultural issues. Ultimately, targeting individual countries or regions instead of pursuing a blanket approach will improve outcomes.

Additionally, your international website needs to reflect not only the local language of your customers, but also cultural considerations and locally accepted payment methods. A thorough localization of your website requires going beyond simple plug-in translation programs; content must be fully customized. Shoppers will generally not purchase from international websites unless they are certain that payment methods are safe, shipping procedures are clear and company information is accurate.

A great product matched to the right international audience, along with a localized website and good payment functionality, will only get your business so far. If your goods don’t reach your international customers quickly and cost-effectively, you will lose trust and miss out on future sales. Creating a sound shipping plan means partnering with a logistics organization that has a strong global footprint, advanced technology tools to help you navigate international customs requirements and the ability to provide the express shipping options that online customers demand.

By opening the digital doors of their businesses to international consumers, SMEs can chart a course to recoup the in-store revenues lost due to COVID-19, while simultaneously supplementing domestic e-commerce sales.

Critically, this near-term goal will strengthen businesses for the long-term shift toward e-commerce that is already underway. COVID-19 will forever change retail shopping and consumer habits, and organizations that adapt now will be ahead of the curve. ■

20 PERCENT

The estimated rate of e-commerce growth in some countries in 2020

MIKE PARRA

With over three decades of transportation and logistics experience, Mike Parra leads the second-largest region within the DHL Express network, the Americas, as the CEO. His strategic direction of 56 highly diverse countries and territories, encompassing approximately 27,000 employees, has contributed to the organization’s enormous success in growth, quality and employee satisfaction. As a member of the DHL Express Global Management Board, he also has direct oversight of the company’s best-in-class training and development program (Certified International Specialist), as well as its portfolio of global sponsorships. Mike exhibits his passion for social responsibility by building housing for poverty-stricken families, biking for multiple sclerosis (MS), and being active within his church.

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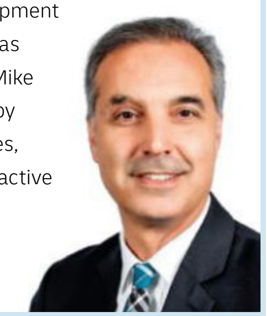

Photos: private; DHL

THERE IS NO EXCELLENCE WITHOUT DIVERSITY

It's no use simply bolting diversity and inclusion initiatives on to your corporate strategy. Diversity must be firmly embedded into your company's culture – and become part of its DNA.

THOMAS OGILVIE

Thomas Ogilvie has a degree in psychology from the University of Bonn, Germany, and a PhD in Economics from the University of St. Gallen, Switzerland. He has been with Deutsche Post DHL Group for more than 15 years. During this time, he has held a range of management roles across various functions and divisions. Since September 2017, Ogilvie has been Board Member for Human Resources and Labor Director, Deutsche Post DHL Group.

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Is your organization proud to operate a diversity and inclusion (D&I) strategy? Admittedly, that's a naive question because, over the last 10 years, the topic has been climbing up the corporate agenda. In fact, according to the latest Diversity and Inclusion Benchmarking Survey by PwC, 87% of organizations surveyed list diversity as a "stated value or priority area."

Yet – in my view – there is little value in an organization "having" a diversity and inclusion "strategy." It should never be bolted on as a boardroom afterthought. Why? Because by doing so, you are demonstrating that you regard D&I as nothing more than a current trend or perhaps a pet project.

If you want to engage the full potential of an organization, then diversity, equity and inclusion must be part of its DNA – otherwise management guru Peter Drucker will be right again: Company culture will eat "strategy" for breakfast.

It should go without saying why diversity deserves proper contemplation, not just symbolic action. Take the example of gender: the disproportionately low number of women in management roles in Fortune 500 companies. When half of the available talent pool is being unconsciously missed – or, worse, consciously discounted – the impact splays out in all different directions. The overlooked female candidates suffer and, perhaps unnoticed, the unbalanced teams suffer, innovation suffers, customers suffer and, ultimately, the company suffers. Age, and educational and social background, can be taken as another example: If a board meeting is like an alumni get-together of people who all graduated from the same business school in the 1980s, then you might have great synergies within the board, but it won't represent the full variety of your employees, customers and stakeholders. So, while there may be a temptation to regard diversity and inclusion as a "soft topic," it absolutely isn't. It's fundamental to the setup of an organization because, quite apart from the moral issue of ensuring fairness for all, it guarantees variety. And variety stops a company from falling into the dangerous trap of groupthink.

Illustration: Nina Tiefenbach for Delivered.

A fermentation ground for greatness

After all, if you only listen to the opinions within your own group – and if everyone within that group looks and sounds the same – then you become oblivious to any external challenges you may face. You also lose the ability to adapt quickly to meet those challenges and, as a result, your competitive edge is blunted.

Working with people who have a variety of attributes, perspectives and opinions is a fermentation ground for excellence. Diverse thinking and a mix of skills encourage better innovation and create more opportunities for growth and development. The bottom line is that, without diversity, your company will fall behind.

Of course, D&I isn't just an internal issue, because no organization operates in a vacuum. At Deutsche Post DHL Group, our guiding principle is "connecting people, improving lives." We sincerely believe that connectedness makes humans, societies and companies less vulnerable to disruption. What's more, the tighter these connections, the more resilient they become, leading to better innovation, quality and the potential of greater prosperity for all.

A convincing diversity narrative

So how does an organization become more diverse and inclusive? First, make it clear that diversity and inclusion are an integral part of your definition of excellence. If you don't have a convincing narrative about all the benefits diversity brings, then it won't make it onto the must-do lists of your middle managers.

Know your numbers

You will also need to be very clear about the type of talent you will require in the future, and understand why problems in securing that talent might occur. For example, is the organization's attrition rate higher for men or women? Africans, Asians, Americans or Europeans? Younger or middle-aged employees? And if yes, why? And why are not enough members of ethnic communities finding their way into management roles? Dig deep for answers. The more knowledge and transparency there is, the easier you can approach it and "manage" it like every other business topic.

Walk the walk

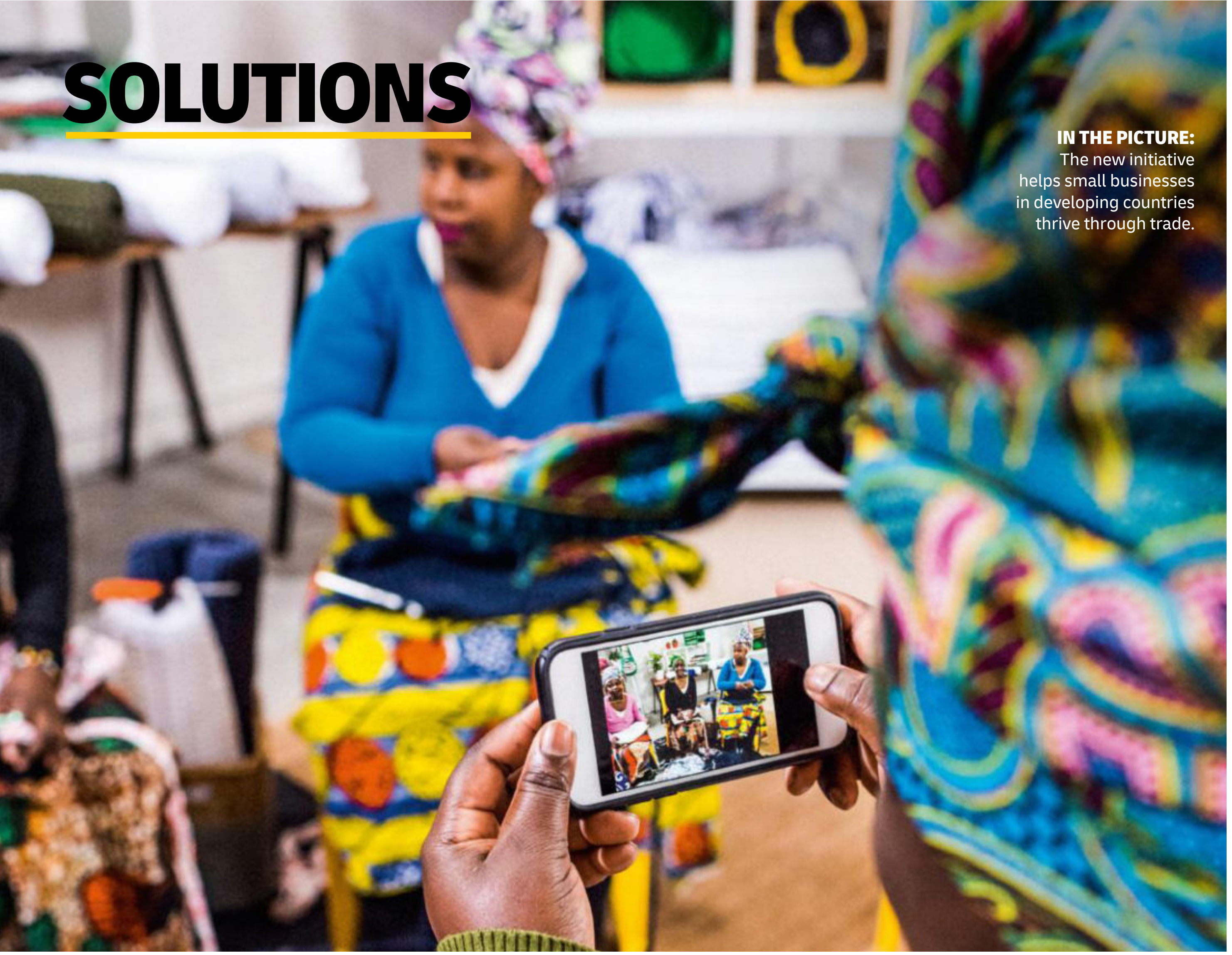
Perhaps most importantly, a company needs to show that it can walk the walk when promoting diverse candidates into positions of responsibility. You can keep stressing how strongly you believe in giving senior roles to female, ethnic, LGBTQ+ or disabled people, or those from disadvantaged backgrounds. But if you consistently and steadfastly refuse to do so, the company's credibility will be damaged, and all talk of adherence to diversity and inclusion will remain just that: talk.

Nevertheless, a word of caution: When embarking on this journey, don't expect a quick fix. Embedding diversity and inclusion into your business strategy, then reaping the rewards, will take some three to five years on average. One major stumbling block to success is a lack of patience. D&I requires a high level of attention and awareness until it's hardwired into your organizational culture.

There is no global "one size fits all." Be flexible in applying your values, but without compromising on them. Other countries may have a different understanding of diversity, and some are at the very beginning of the diversity curve. The fact is that homosexuality is still forbidden by law in more than 70 nations, and equal rights for women are still evolving in many countries. Ceasing operation in those markets is not the right answer, nor is trying to push for the most liberal approach everywhere. But credibly demonstrating that long-lasting excellence needs diversity is a huge opportunity for companies – especially large ones – to lead the way on this topic.

Companies must lead the way

I believe global multinational companies such as ours can and must make a significant contribution to the future shape of diversity and inclusion. But we can only do that by listening to and working with all viewpoints. Plainly, the views that are closer to our own will be easier to accept; but we must realize that not everyone will think the same way – which, ironically, is one of the reasons to champion diversity. ■



IN THE PICTURE: The new initiative helps small businesses in developing countries thrive through trade.

A FAIRER WORLD

To improve the lives of their citizens, developing countries need to be able to trade globally. Unfortunately, that's sometimes easier said than done. Now, a new initiative has been launched by the Deutsche Post DHL Group (DPDHL) to drive positive change and make it easier for small businesses in developing nations to thrive through trade.

Global trade is, literally, a lifesaver. It has lifted millions out of poverty, created new jobs and reduced prices for consumers. Indeed, the World Bank notes that, for the extremely poor, global trade isn't just beneficial, it's absolutely essential. "Countries that are open to international trade tend to grow faster, innovate, improve productivity and provide higher income and more opportunities to their people," the World Bank reports.

The problem is that developing countries often struggle to access global markets. For example, they can be disadvantaged by the anti-competitive business practices of major players, or hampered by unfavorable regulatory environments. As a result, they miss important trading opportunities, the effects of which are often felt by their poorest citizens. That is a human tragedy, according to pro-globalists who believe that, in the long run, business and trade will help improve lives in developing and least developed countries (LDCs) more efficiently than development aid ever can.

This is why DPDHL has launched a new initiative called GoTrade.

The company already runs sustainability programs called GoTeach, GoHelp and GoGreen that are committed to making the world a better place through social and environmental action. Now, with GoTrade, a fourth pillar has been added to the "Go" family.

"With GoTrade, we want to help small businesses in developing countries thrive through trade," says Steven Pope, Head of GoTrade. In a two-pronged approach, the program will focus on small- to medium-sized enterprises, or SMEs, with e-commerce as a key driver of trade. At the same time, the Group will work with governments on legislative reforms to make doing business in these countries easier.

"With this program we can use our global footprint and scale to influence the trading environment – to drive positive change," explains Pope.

Evolving into GoTrade

Bringing significant expertise to the table, Pope previously championed a DHL Express program called Power Up Your Potential to aid SMEs in developing countries in increasing exports, thereby bringing hard currency into the economy. He also joined forces with the German Federal Ministry for Economic Cooperation and Development (BMZ) on an initiative aimed at reforming customs legislation to encourage trade in LDCs.

It is these separate but related projects that eventually evolved into GoTrade. "The trade facilitation work I was doing just kept growing," says Pope. "It became so big, I felt we needed a Group-wide program to look after it."

Launched in October 2020 with a Memorandum of Understanding (MOU) between DPDHL and Germany's BMZ, the program cemented the company's position as a major partner in the German government's work to facilitate business and trade in developing countries across the globe, with the goal of sustained economic growth. The BMZ and DPDHL have committed to a partnership, with DPDHL supplementing the BMZ's investment via an "in kind" contribution comprising expertise in e-commerce, trade legislation, and customs and border processes.

Battling red tape

Customs and border issues – red tape, inefficiency and corruption – are some of the biggest barriers to the smooth movement of goods across borders in many parts of the world.

"In some countries, shipments take 21 days to clear customs," says Pope. "Others can clear a shipment of goods in a day or less. We have a key indicator known as 'Cleared on Arrival' – the percentage of goods cleared into a country within one hour of arrival. We are looking to push that percentage higher around the world."

Fighting inefficient practices is challenging, but far from impossible, Pope believes. In fact, a formula for effective trade facilitation already exists: The Trade Facilitation Agreement, or TFA, agreed by the World Trade Organization in Bali in December 2013, which entered into force in February 2017.

"The TFA is like an instruction manual on how to create economic growth via trade," says Pope. "The more measures countries implement, the more these countries will create an environment that allows businesses to thrive."

Support for SMEs

Through GoTrade, countries will be encouraged to implement the TFA and move higher up the World

BUSINESS MODEL: Doll company Malaville – owned by fashion model Mala Bryan – participates in the GoTrade program.

Photos: Getty Images; Malaville

TRADING UP: Increased business and trade will help improve lives in developing countries.

Bank's Ease of Doing Business Index, which ranks countries according to the conduciveness of their respective environments to doing business. The work involves everything from advising on legislation reform and training customs officers to facilitating discussions on best practices with a country that has already improved its status.

But GoTrade doesn't only focus on policy and governance; the business aspect, with its focus on SMEs, is also absolutely key to the program's success. The method: Identify and aid individual SMEs to navigate the world of exports and e-commerce.

"We'll find SMEs with a good product that they may not be exporting, and show them the benefits of exporting it," Pope says. "We help them market it and find suitable platforms for export. For example, we teach them search engine optimization to increase their chances of being found online, how to photograph their goods and the rules they need to follow."

From market stall to internet platform

The internet can be a game-changer for businesses in developing countries, expanding their reach exponentially, Pope says. "For businesses in many of these countries, it's still the case that their product is only seen by people who walk past their shop window – or even their market stall," he explains. "Now the whole world can see your goods. And you can ship to the whole world, too."

One place where the initiative has already made an impact is Rwanda, where DHL has been cooperating with German development agency GIZ and the non-profit International Trade Center (ITC) to enhance cross-border trade for SMEs. Since 2017, when the project began, 150 SMEs have been trained in logistics and e-commerce, and workshops have been conducted to teach on-the-ground coaches various logistics modules – including security, customs and regulations, and dangerous goods. Work has also begun on the development of an e-commerce services center in Kigali.

More recently, the Group joined the German government's Pan-African E-Commerce Initiative, which is being implemented in Rwanda, Kenya and Tanzania. It's a perfect fit, as the initiative aims to improve the framework conditions for companies to participate in cross-border e-commerce through digitalizing trade.

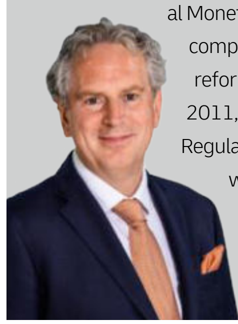
Globalization for the win

When all is said and done, GoTrade is really about enabling globalization in the best possible way: one in which everyone wins. "Everywhere around the world you'll hear globalization being attacked," Pope says ruefully. "Everyone is talking about onshoring. But at the end of the day, the real driver for growth is globalization."

Ultimately, the goal of the new initiative is to create a better world, which is why Pope hopes that GoTrade will become a key element of the Group's business strategy. "We have a sense of corporate responsibility as a global citizen and a large multinational company," he says. "This is about us using our scale, our local knowledge and our global footprint to positively drive change and be a champion for global trade." ■ ***Jennifer Abramsohn***

STEVEN POPE

Steven Pope spent 26 years in various public sector positions, including at Her Majesty's Customs & Excise, her Majesty's Treasury and a stint at the International Monetary Fund, working on trade compliance, taxation policy and trade reform. Pope joined DHL Express in 2011, where he was VP, Customs and Regulatory Affairs, Europe. In 2019 he was named Head of GoTrade.



s.pope@dpdhl.com

Photos: Joseph Okanga/Reuters; DHL (2)

GLOBAL TRADE – CONNECTED

An interconnected world is a better world. With the Connected World program, DHL provides a contextual framework of the various initiatives that support, enhance and facilitate globalization through its international network and global reach of companies, organizations and enterprise.

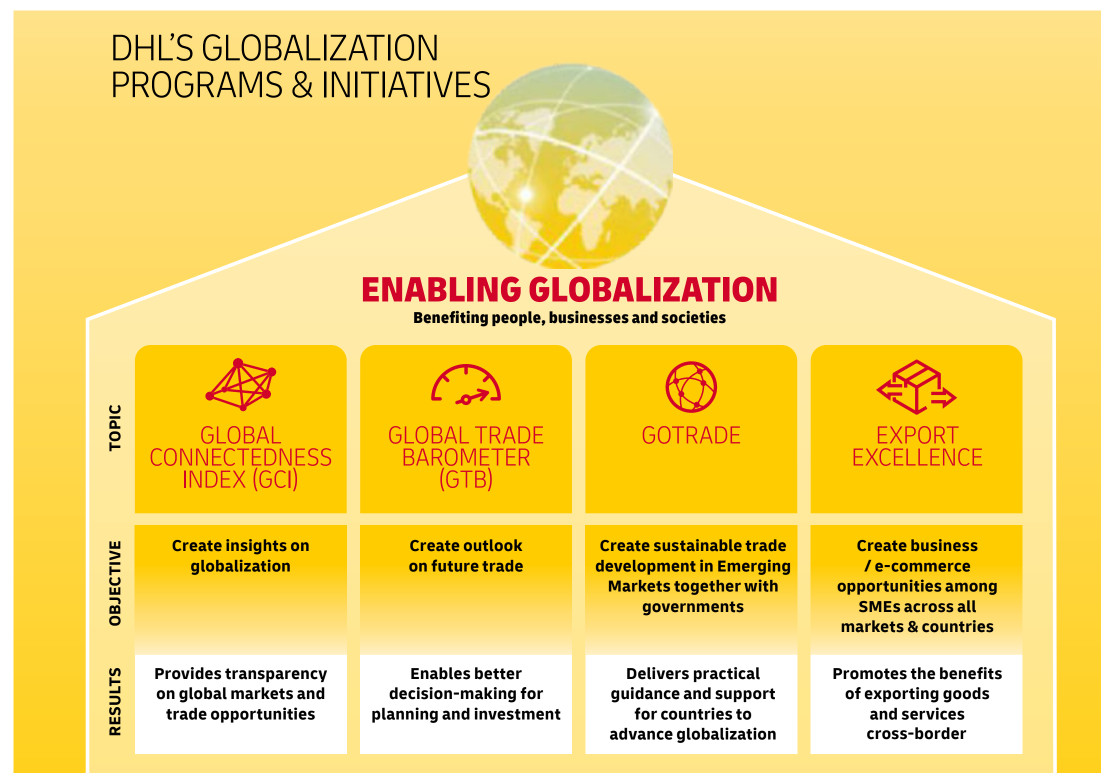
For decades, increased trade and international interaction have raised prosperity, reduced poverty, cultivated diversity and enriched lives. Deutsche Post DHL Group's leading position in the global logistics industry affords a unique perspective on globalization's impact on businesses, individuals and society at large. Besides the insights it gains through its operations in 220 countries and territories, the company also uses the findings from initiatives such as its Global Connectedness Index and Global Trade Barometer to shape its strategy, support its customers and drive the ongoing debate about the social and economic benefits of globalization.

Launched this year, the program brings together four DHL initiatives, all designed to support the companies, organizations and individuals that make globalization an unparalleled force for good.

- The DHL Global Connectedness Index (GCI) is a thorough analysis of the state of globalization at a worldwide, regional and individual level for more than 150 countries (see page 20 of the brochure).
- The DHL Global Trade Barometer (GTB) is an aggregated index drawing on several industry sectors representing 75% of global containerized trade.
- The GoTrade program provides support and practical advice to small and medium companies and other stakeholders in developing countries, helping them to take advantage of the opportunities offered by the international standardization of trade policies and procedures (see pages 22-23 of the brochure).
- DHL's support for Export Excellence awards in many countries around the world is designed to recognize the role of individuals, businesses and leaders who are using their talents and strengths to improve people's lives in local communities and society as a whole. ■ ***Jonathan Ward***

To learn more about all the DHL initiatives that make up the Connected World program, visit:

spotlight.dhl/globalization



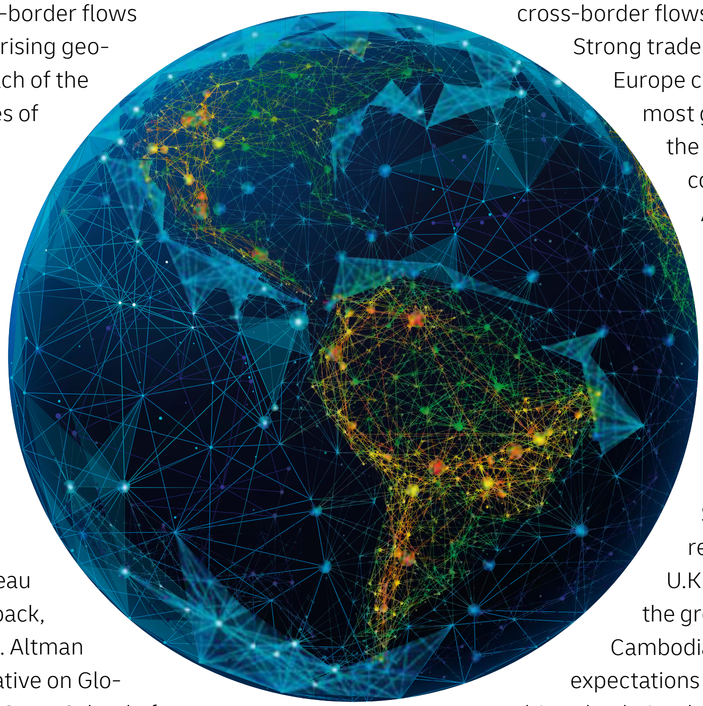
1.3 BILLION

The number of people who have escaped poverty in the last 30 years

RESILIENT FLOWS IN A VOLATILE WORLD

The coronavirus pandemic might have dented the world's global connections, but it hasn't broken them, according to the latest edition of DHL's Global Connectedness Index.

The worst health crisis for more than a century forced governments and companies around the world to take unprecedented action. Borders closed, flights were grounded and millions of people faced restrictions on their work and social lives. Arriving at a time when cross-border flows were already under pressure from rising geopolitical tensions, the scale and reach of the crisis might have stopped the forces of globalization in their tracks.



Yet the defining economic trend of recent decades has proved surprisingly resilient in the face of these challenges. That's a key finding from the latest edition of DHL's Global Connectedness Index (GCI), which tracks the flows of goods, people, capital and information that power the globalized economy.

After a bumpy recovery from the 2008 financial crisis, global connectedness had reached a plateau in 2019. The pandemic knocked it back, but the report's authors – Steven A. Altman and Phillip Bastian of the DHL Initiative on Globalization at New York University's Stern School of Business – expect their overall measure of connectedness to remain above its 2008 level this year.

From airport to remote support

The impact of the coronavirus has played out very differently across the four flows that make up the GCI. Flows of people have been hit hardest, with international travel expected to fall to levels last seen in 1990. Trade in goods, by contrast, rebounded quickly after a steep drop early in the crisis. Capital flows, which also saw a sharp fall, are showing signs of a recovery as policy responses by governments and central banks help to stabilize markets. Digital information flows, meanwhile, have spiked as remote working became the norm for many, and more business and leisure activities moved online.

Some countries and regions have always been more connected than others, and the GCI also provides insights into the breadth and depth of cross-border flows on a national and regional level. Strong trade links and people flows helped Europe claim the top spot as the world's most globalized region, with eight of the 10 most globally connected countries located there. North America, meanwhile, is the top region for information and capital flows.

Network effects

At the national level, the Netherlands emerges as the world's most globally connected country, while second-place Singapore has the largest flows relative to domestic activity. The U.K., meanwhile, is the country with the greatest global distribution of flows. Cambodia, Vietnam and Malaysia all beat expectations on overall global connectedness, driven by their roles in regional supply chains.

Beyond the impact of the pandemic, the GCI team also looked for signs that geopolitical tensions are putting globalization into reverse. Their data suggests that the decoupling of the U.S. and China economies has advanced over the past year, but they found no strong evidence so far that the world economy is fracturing along regional lines.

That's good news, the report concludes. Countries that connect more to international flows tend to enjoy faster economic growth, and stronger global connectedness could accelerate the world's recovery from the COVID-19 pandemic. ■ ***Jonathan Ward***

www.dhl.com/gci

Photos: Adobe Stock (2); Grubenhelden

FASHION-FORWARD HISTORY

Drawing from mining heritage and tradition, Grubenhelden honors its home region while creating a sustainable streetwear brand.

"Without coal, I wouldn't be here," says Matthias Bohm. It's a surprising admission for the owner of a sustainable startup business, but for Bohm it's a truth he cherishes. And it's an identity that's inherent in his company, Grubenhelden.

The streetwear firm is based in Gladbeck, a small town in the Ruhr region, Germany's "Rust Belt." Coal mining drove Gladbeck's economy – and much of Germany's – from the 1870s, and continued to do so throughout the region for close to 150 years.

Grubenhelden, which means "heroes of the mines," was founded as an homage to Bohm's great-grandfather and the many other coal miners whose work powered Germany. "Their work and sacrifices are sometimes forgotten in the race toward eco-friendly energy and modern technology," says Bohm, whose clothing brand uses visual and cultural touchstones to celebrate mining and working-class culture through its design, bringing the message of traditional values such as team spirit and hard work to the fashion-forward clientele.

Building on history

While Germany has largely moved on to greener fuel sources, coal and prosperity were once inseparable here, particularly in the postwar period.

The mines provided around half a million jobs to the Ruhr region, and brought people to Germany from across Europe – immigrants from Poland, Turkey, Greece and Italy.

"With coal, strangers became friends," German President Frank-Walter Steinmeier said, referring to this wave of workers, in an address at the closure of Germany's last black coal mine, Prosper-Haniel, which shut in 2018 after 155 years in operation.

This is precisely the legacy that is exemplified by Matthias Bohm's Grubenhelden. "I wanted to tell the story of my home," he says. "And I started with clothes, because everyone in the world wears clothes."

Digging in

Grubenhelden launched as an online shop in March 2016. Three months later, the apparel brand opened its first retail location in Bohm's hometown of Gladbeck. There are now three, including one in CentrO Oberhausen, the biggest shopping center in

2018

The year Prosper-Haniel, Germany's last black coal mine, closed after 155 years in operation

BUCKLE UP:
Former miner Marian Pogorzalek works for Grubenhelden creating handmade leather belts.

GOT IT COVERED:
During the pandemic, Grubenhelden has been making masks from DHL couriers' upcycled polo shirts.

Germany, and one at the UNESCO world heritage site Zeche Zollverein in Essen, plus a mobile pop-up shop.

On offer? A range of casual garments for men, women and children, each featuring a special nod to mining. The brand's signature blue-and-white striped original fabric can be found in every garment – lining the pockets of shorts, as a small strip inside a T-shirt collar, as a patch pocket on a dress or prominently featured as a color-blocked element. Some pieces feature a coal wash effect, or a numbered zipper pull tab based on the miners' identification marker. These are printed, in remembrance, with "306" – for March 1906, when the Courrières mine disaster took place. It was Europe's worst such incident; German mining teams traveled to France to aid the rescue effort.

There's one more unique thing about Grubenhelden designs, explains Matthias Bohm: "In each of our items we print a verse from a German coal miners' song – it's called 'das Steigerlied'."

Such harmonious touches have helped put the brand in the spotlight and broadened its reach.

CASUAL LOOK:
The brand creates clothing using a signature blue-and-white striped fabric.

Grubenhelden received the Tacken Marketing Prize for best startup in 2017, and took part in New York Fashion Week in 2019, receiving a writeup from The New York Times – a usually unattainable coup for a small fashion label.

"I have the chance to tell this regional history on the biggest stage in fashion," Bohm told the newspaper. Next up, Bohm hopes to bring a collection to Tokyo Fashion Week.

From black gold to green style

Coal and sustainability are rarely in tandem, but that's proven to be the case for Grubenhelden. The brand produces according to fair conditions in Portugal – but more importantly, also locally in Gladbeck, which helps to keep carbon emissions lower. Recycled plastic is used for packaging and as many garments as possible are made from recycled fabrics. Yet their eco-friendly approach hasn't really been talked about; the mining story has always taken first priority. That's soon to change, says Bohm.

"This year and next year we will be communicating about the way we produce our clothes," he explains, noting that many believe – and often insist to him – that local production is too costly. "Germany has a huge history in producing clothing. It's not expensive, it's all about how you produce. We want to tell this story, too."

Valuing teamwork

Miners know that working together guarantees success. Teamwork is definitely a value that's embraced at Grubenhelden. Many of the firm's employees have mining history in the family, sometimes going back generations. And the team also includes five former coal miners, the oldest aged 70. Now above ground, they put their skills to work creating handmade leather belts, as well as also telling stories to their younger colleagues about their days hundreds of meters beneath the Earth's surface.

Protective gear

Sometimes innovation comes from instinct. Grubenhelden's latest success came courtesy of a prescient moment.

"When we went to scout Tokyo last September, ahead of our planned Fashion Week appearance, I was one of the very few people not wearing a mask at the train stations," remembers Bohm. With a show at Tokyo Fashion Week in its sights, Grubenhelden began to discuss making masks for the event as a fashion item geared to local preferences – far ahead of the coronavirus crisis in Europe.

When the pandemic hit Germany, doctors in the region were severely short of personal protective equipment. So they contacted Bohm and asked him to put his sewing team to work stitching masks. In a matter of months, Grubenhelden became possibly the largest mask producer in the Ruhr area.

The firm then teamed up with DHL to make masks from couriers' upcycled polo shirts. At first, the red and yellow masks went exclusively to DHL, but they can now be purchased by anyone.

Up next for the alliance is a collaboration with DHL Express: limited edition, DHL-Grubenhelden T-shirts and hoodies that wed the colors of DHL with the charcoal grey and striped mining shirt motifs that are the signature of Bohm's firm.

Forming the future

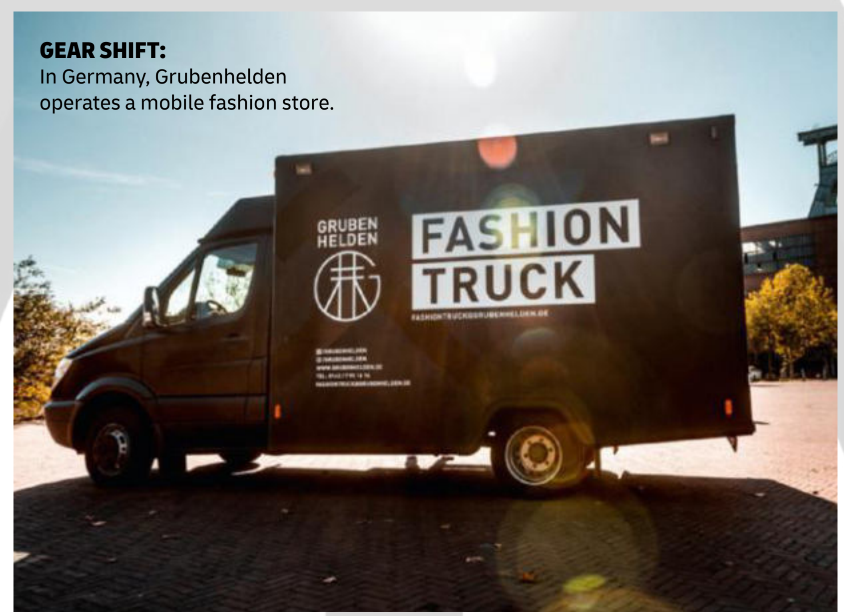
Remaining calm under pressure is another core value for miners. And nothing has put retailers under more stress recently than the global coronavirus pandemic. Before COVID-19, Grubenhelden's three stores in Germany generated 80% of sales. Now, online and in-store sales each contribute 50%.

Before the virus struck, Bohm and his colleagues had already laid the foundations for online growth with a sustainable economic and logistics plan, with the goal of making Grubenhelden an international brand. Through social media, the firm has already found interest and affinity with customers in the many places across the world that share its mining history. With e-commerce and deliveries possible around the globe with DHL as a partner, Grubenhelden hopes to break through to the next level soon.

"This region where I come from," says Bohm, "has changed in the last several years, and will in the next few years, too. We are determined to play a part in that." ■ ***Susanne Stein***

www.grubenhelden.de

50
PERCENT
Grubenhelden's percentage of online sales in the wake of COVID-19



GEAR SHIFT:
In Germany, Grubenhelden operates a mobile fashion store.

MATTHIAS BOHM

The founder of fashion startup Grubenhelden was born and raised in Germany's Ruhr area. After studying sports science, he worked for many years in the sponsoring and marketing department of a Bundesliga soccer club. Grubenhelden started out as a hobby that turned into a passion, with Bohm deliberately giving up professional security to gain freedom and fulfillment. His mission is to honor his great-grandfather who was a miner, and pay homage to all the miners who helped lay the foundations of Germany's economic prosperity.

Photos: Grubenhelden (6); Adobe Stock

1975

The year Marian Pogorzalek started work as a coal miner at the Prosper-Haniel mine in Bottrop, Germany. Having retired from mining in 1998, Pogorzalek today puts his skills to use creating handmade belts and other leather goods at German fashion startup Grubenhelden. The oldest in a mixed team that comprises former miners, designers and other fashion experts, Pogorzalek, now aged 70, is popular with the team for his wide-ranging skills, which also include helping with store design.

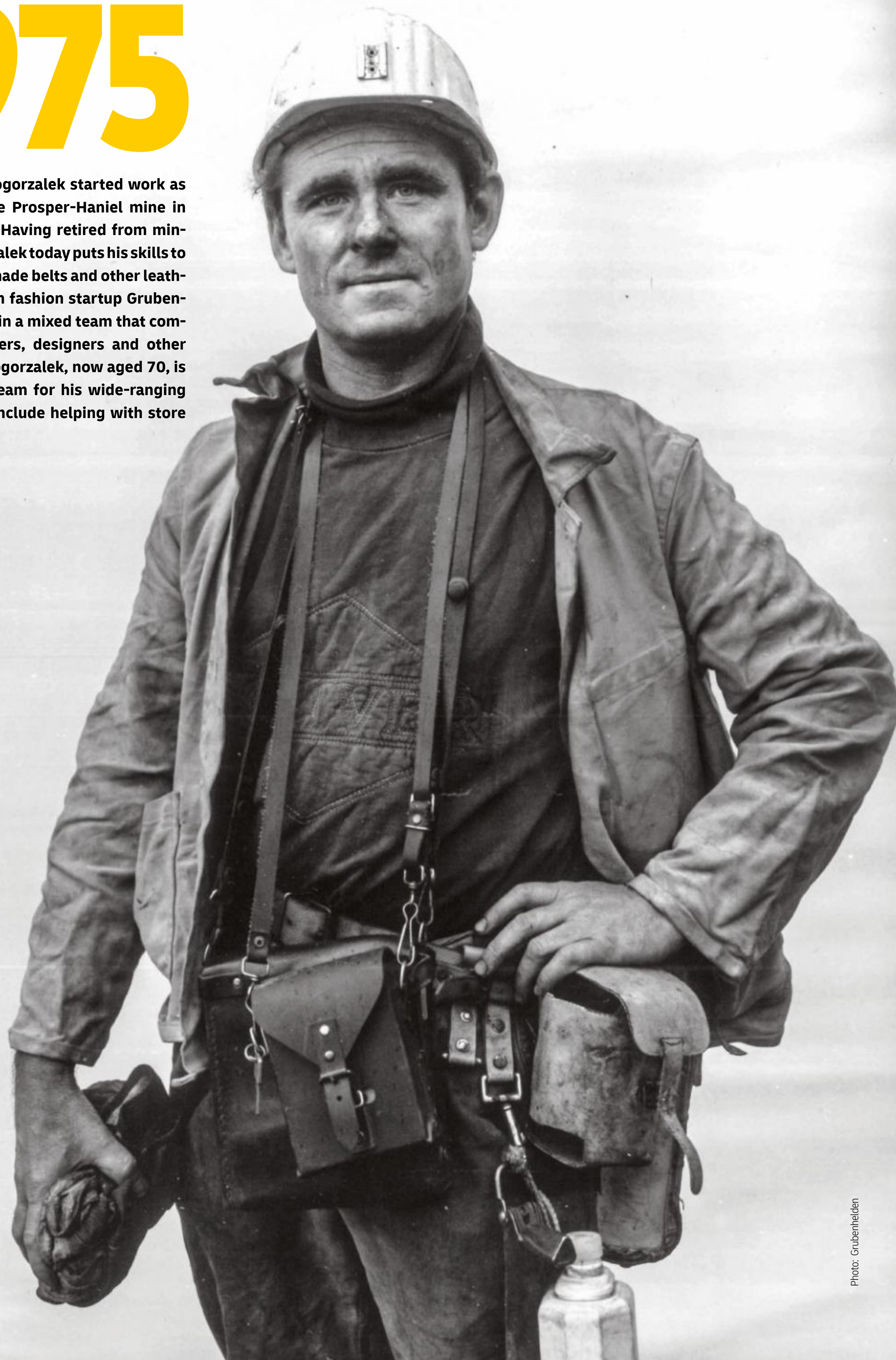


Photo: Grubenhelden