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## **Zebra's business map for China**

Publication: Railway Purchase and Logistics

Reporter: Ning Guangjing and A Hui

In recent years, the penetration of RFID technology has promoted the development of automatic identification in various industries. Zebra Technologies has successfully used its technologies in the manufacturing, retail, healthcare, logistics and government sectors. Zebra Technologies, a company which boasts over 10,000 channel partners and over 90 percent of *Fortune's* World Top 500 Enterprises as its clients, started its China journey after securing the North American market. Recently, Mr. Anders Gustafsson, CEO of Zebra Technologies, Mr. Hugh K. Gagnier, Senior Vice President for Business Development and Operations at Zebra Technologies, and Mr. Andrew Tay, President of Zebra Technologies Asia Pacific, visited China and gave an interview with Chinese media over Zebra Technologies' sales strategies in China, Asia Pacific and the world.

### **Reporter: What value can Zebra Technologies bring to Chinese customers?**

**Anders Gustafsson:** Zebra Technologies can help its customers increase their operating speed, including the turnover rate at their logistics centers and the speed of goods loading/unloading at their container docks, ultimately bringing greater operating revenues. In addition, Zebra can help its customers operate their businesses more efficiently, realize workflow automation and improve operational efficiency.

Zebra does not just provide products or devices to its customers; we provide them with applications and solutions. Our enterprise solution division adopts RFID technology and GPS to expand application platforms, aiming to provide optimized asset tracking and management solutions for goods logistics in complicated logistics operating environments. With these solutions, customers can identify, track and manage their asset transactions or human resources so that they can plan and implement detailed automatic management systems amid complicated logistic operations. Zebra needs to ensure that its customers can handle the right asset at the right time and in the right place. This is a grand vision, a vision that we hope can help Zebra enter even more fields in the future.

### **Reporter: What industries are Zebra Technologies involved in?**

**Gustafsson:** Industrial manufacturing and retail are the two main industries that Zebra focuses on. For example, suppliers of Wal-Mart adopt barcode systems that rely on Zebra's solutions.

While we have achieved good business growth in these traditional markets, we hope that we can promote such businesses to wider business fields. In the past year or so, we have found that there is large demand in government and healthcare sectors. We believe

that Zebra Technologies can put its advantages into better use in these fields. In addition, the company is also involved in the new fields of export logistics, air transportation, shipping, industrial production, government, aviation and national defense.

**Reporter: The economic environment is currently recovering from financial crisis, and companies in various fields are still handling its aftermath. Despite this, the Chinese government has increased its investment in railways. As a result, there is huge potential in the railway field. What progress has Zebra made in the railway sector? What plans do you have for entering the railway market?**

**Andrew Tay:** Zebra has done a lot of work in the railway field. The railway industry takes up a big share of China's RMB 4 trillion economic stimulus package, and so this industry is offering tremendous market potential. Zebra has taken steps to cover the railway market. For example, Zebra can provide railway stations with printing technology and mobile printing solutions. For example, by using mobile printers, railway stations can solve the problem of long ticket queues during Spring Festival. Currently, many railway companies have used Zebra solutions for these types of applications.

In addition, Zebra Technologies can also reduce the incidence of fake tickets by using technologies in our barcode printers to print out train tickets. In response to this demand, Zebra is cooperating with more ticket companies. In the future, your cinema tickets and concert admission tickets will all have been made possible with Zebra solutions.

**Reporter: Zebra has moved its three technical centers in the United States to Guangzhou. What factors affected this decision?**

**Anders Gustafsson:** In fact, Zebra still carries out R&D work in the United States. In Guangzhou, the company will mainly research suppliers and other cooperative partners. The reason that Zebra has chosen to increase its investment in China is not just to reduce costs. We need people with different skills to process product, and we can find this talent in China. Moreover, China offers sound infrastructure in all other aspects. China accounts for 50 percent of our operating revenues in the Asia Pacific Region. This is, therefore, an enormously promising market – one that Zebra will invest great amounts of funds and effort in.

**Reporter: What is Zebra's market share in China? How will Zebra implement its plan to expand into second and third-tier cities?**

**Andrew Tay:** Currently, Zebra enjoys around 45 percent of China's barcode printer market. However, its share of the card machine market has not reached the same level. Compared with the barcode printer market, Zebra has many strong competitors in the card machine field. We cannot ignore this if we want to make our market bigger. Be it first, second or third-tier cities, Zebra will always adopt a channel-driven product sales strategy as it has done in the past. Zebra does not advocate the direct sales model. Instead, it segments its partners and clearly divides between dealers and agents etc.

**Reporter: Zebra has long attached importance to the Asia Pacific market. I understand that Zebra has a plan to expand its distributor network in 2009. Before this, Zebra held talks with some new distributors. What will this expansion involve? Will it involve a national or regional distribution, or rather an industry agency format?**

**Andrew Tay:** Zebra has three major distributors in China: Digital China, Ingram Micro and Shanghai ChinTek. In the past, Zebra attached high importance to the market in the electronic manufacturing industry. Now, it needs to develop new industries, such as healthcare, logistics, retail and mobile services. We therefore need new agents that have a profound understanding of their industries. Currently, Zebra has only businesses in Shanghai, Beijing, Guangzhou, Nanjing, Shenyang and Hangzhou. We have yet to enter other first-tier cities. Consequently, first and second-tier cities are still big markets for distributors. New market niches need to be followed up with new products. Zebra EM220, HC100 and our new card machine, for example, will fill these new gaps.

**Reporter: At present, combining barcodes and RFID looks set to become a trend. How does Zebra plan to respond to this increasing demand?**

**Andrew Tay:** I think that there are bright prospects for RFID. Compared with passive models in the past, more active RFIDs, including ultra-wide wrist bands, have now emerged. Zebra is now more concerned about overall applications in a company, and the returns in this area are relatively high. Throughout the whole supply chain, Zebra's RFID technology will bring more value to its customers. Zebra will customize its products based on customer demand. In order to manage their assets, customers will need greater technical support. This may include barcode technology, RFID technology or company solutions from Zebra.

**Reporter: Zebra is gradually shifting to card technology, with its products also involving card and RFID fields in China. What plans does Zebra have for these areas?**

**Anders Gustafsson:** Zebra offers certificate/card printers with RFID functionality that covers the whole industry. For example, some buildings have used Zebra technology and product in their entry/exit control.

A particularly interesting example in the United States involved cooperation with a skiing club that uses Zebra's RFID technology is used in their admission cards. Currently, this is mainly used to reach a certain floor or pass a certain gate. We hope to expand this use. For example, we can use information based on a person's skiing ability. To determine which areas he or she can access.

**Reporter: The application of RFID appears to be on the increase. How does Zebra**

## **Technologies globalize its product and take the lead in the market?**

**Andrew Tay:** Zebra Technologies is very lucky in that our businesses fit well with certain global trends. Economic globalization is an irreversible trend, and supply chains are getting longer as economic globalization deepens. Many products are produced in different parts of the world, and producers and retailers, including those of Zebra's, are distributed in different places around the world. In order to further improve operational efficiency on the whole supply chain, powerful tools are needed to offer support. The products and solutions provided Zebra Technologies meet such a trend. In addition, Zebra's product ranges are much wider than any of our competitors, allowing Zebra to get an important leadership position in the market.

Reporters' note: Zebra's clear strategic analysis of the Chinese market has deeply impressed us. Zebra is making great strides in China, and we hope that Zebra can make new ground in the Chinese market.

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