

Winning Strategies in Logistics Industry

Organizer



Hong Kong Sea Transport and Logistics Association
香港航運物流協會

Winning Strategies in Logistics Industry

Winning Strategies in Logistics Industry (WSLI) is a collection of effective business strategies adopted by selected logistics service providers in Hong Kong. *WSLI* can be obtained from the Shipping Research Centre, Department of Logistics and Maritime Studies, Faculty of Business, The Hong Kong Polytechnic University, Hong Kong.

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Preface

A series of seminars was organized by the Hong Kong Sea Transport and Logistics Association to share winning strategies with practitioners in Hong Kong's Logistics Industry. The seminar series was initiated under the "Hong Kong Logistics Practitioners Upgrading and Branding Programme", which was funded by the Hong Kong Trade and Industry Department.

The first seminar was held on 18 April 2013. In the seminar, the following topics were shared with practitioners in the logistics industry:

- B2B Platform to Emerging Market
Speaker: Paul Li – President, Transland Shipping (1971) Group
- ASEAN Logistics
Speaker: Brian Wu – Director, BEL International Logistics Limited
- Global Logistics Network
Speaker: Norman Lok – President, Vinpac Group

The second seminar was held on 15 June 2013. In the seminar, the following topics were shared with practitioners in the logistics industry:

- An Easy Way to do Development in China
Speaker: Edmon Fung – Managing Director, OYM Logistics Company Limited
- Brand Building and e-Commerce Partner
Speaker: Estella Chow – Director (Product Development, Marketing & Sales), Hong Kong Post
- SME Service Strategies
Speaker: Bonnie Yip – Managing Director, Pan World Shipping Company
- 3 Dimensions Strategies in Business Development
Speaker: Eric Wong – CEO, Marina Container Line (HK) Limited
- Food Supply Chain
Speaker: Ken Chung – General Manager (Business Development), DCH Logistics Company Limited
- FMCG Operation for Catering Industry
Speaker: Sila Chan – Logistics Manager, Wing Sang Cheong Limited
- Human Remains Logistics
Speaker: Alan Leung – Managing Director, A&G Logistics
- In Sourcing Reengineering
Speaker: Rita Chan – General Manager, Havi Freight Management Limited

The third seminar was held on 20 July 2013. In the seminar, the following topics were shared with practitioners in the logistics industry:

- Trace and Track in Confidential Waste Logistics
Speaker: Harold Yip – Executive Director, Secure Information Disposal Services Limited
- Service Strategies for New Markets
Speaker: Peter Shum – CEO, Merchant Marine Limited
- IT Logistics
Speaker: Elsa Yuen – Director and General Manager, Korchina Distribution & Storage Limited
- Merchandising Logistics for Pakistanis
Speaker: Leslie Chung – General Manager, NAC Consolidators Limited
- Blue Ocean Strategy for a SME Logistics Services Provider
Speaker: Ronald Lee – General Manager, Grand Dragon Group, China

The fourth seminar was held on 24 August 2013. In the seminar, the following topics were shared with practitioners in the logistics industry:

- Corporate Culture Management
Speaker: Anthony Tam – Vice President, Sankyu Eastern International (HK) Company Limited
- Beyond Logistics Services: From Sourcing to Delivery at One-Stop-Shop
Speaker: Lawrence Yip – Managing Director, Prorsum Group Holdings Limited
- Warehouse Management System and Automation
Speaker: Godwin Hung – Vice President (China Logistics Management Group), WPG Electronics (HK) Limited
- Sustainability of 3PL
Speaker: Stephen Chan – Managing Director, Power Hub Limited
- Critical Success Factors for SME Freight Forwarding Operators
Speaker: Byron Lee – Managing Director, China Global Lines Limited

The objectives of the seminar series include understanding the contemporary logistics market, reframing the value chain, brainstorming to develop winning strategies for the logistics industry, promoting collaboration among practitioners in the industry, and providing opportunities to share knowledge on innovative business models.

B2B Platform to Emerging Market

Business-to-business (B2B) refers to commercial transactions between companies. Adoption of B2B platform in the logistics operations provides an opportunity for buyers and suppliers to complete their transactions efficiently. Logistics service providers (LSPs) can use the B2B platform as an effective tool to manage information flows to facilitate business transactions, money flows to settle payments, and physical flows to transport goods from production points to consumption points.

LSPs using B2B platform provide shipping services to consolidate small shipments to fully utilize shipping space and reduce transport cost. B2B platform can also be an effective tool for LSPs to provide such value-added services as intermediaries to accept shipments and settle payment on behalf of their customers. These value-added services provided by LSPs are recognized as a source of potential competitive advantages. Use of B2B platform also allows buyers and suppliers to (1) source products effectively and penetrate new markets, (2) reduce the inherent financial risks, and (3) coordinate buyers and suppliers within a global approach.

LSPs equipped with B2B platform can provide valuable services to their customers from emerging markets. Emerging markets are located in developing countries where their economic growth outpaces developed nations. Emerging economies are expected to grow much faster than developed regions. One of the characteristics of emerging market is the presence of small buying firms. A B2B platform allows small firms to place their orders for a vast selection of goods from different suppliers.

It's difficult for suppliers and buyers from emerging markets to come together because of the geographic distances and cultural barriers. The B2B platform provided by Transland Shipping Group makes buyers from emerging markets readily accessible to manufacturers to source products on one hand and saves suppliers time and effort to penetrate to new markets on the other hand.

Transland's motto is "Customer's Success is Our Success". Transland's B2B platform provides the following functions to suppliers and buyers:

- Multi-lingua information
- Multi-currency transaction
- Catalogues of all products for browsing
- News of the latest product
- Shopping baskets
- Enquiry form
- Information of featured products

- E-news and subscription
- Photo and description of products
- Form for placing orders
- Seller contacts
- Customer contacts

Effective information through the use of B2B platform provides visibility from completion of buying-selling agreement to goods delivery and payment settlement. In the case of Transland's B2B operations, product suppliers may provide updated product information, e.g., product description and price list. With the B2B platform, all updated information can be browsed by potential buyers. Providing such product information is beneficial to both buyers and suppliers.

Buyers are usually worried about the receiving of goods with poor quality products after payment has been made in full. On the other hand, suppliers concern about the collection of payment. As a LSP, Transland offer a range of customized options to meet customer requirements. For instance, basic product inspection on behalf of the buyers can be conducted by Transland at the supplier premise before cargo pick-up. Transland can also act as agent to settle the payment between buyers and suppliers.

The B2B platform is one of the strategies for Transland to build its brand. Smaller firms, with limited resources to evaluate various factors in making purchasing decision, tend to have strong brand preferences. Branding is also important in doing business in emerging markets where there is a high degree of uncertainty. Transland strives to achieve its stated mission of "Professionalism, Integrity, Quality and Reliability" through its B2B platform.

In the case of Transland, benefits to buyers to use the B2B platform are:

- Fewer business trips
- Friendly transactions
- Reliability
- Sources consolidation
- End-to-end logistics support

Benefits to suppliers to use Transland's B2B platform include:

- Access to emerging markets
- Cash on delivery
- Reliability
- Direct contact with buyers
- Additional business opportunities

To build the B2B brand, Transland organizes global road shows and participates in events organized by various institutions as means to raise the brand awareness in emerging markets. Key concern of doing business in emerging markets is reliability. Transland treasures its partners to develop win-win-win projects together, and believes that “the knowledge enables the society reducing wastage, saving resources, enhancing productivity, producing more green products, and developing a better tomorrow”.

ASEAN Logistics

In 1967, the Association of Southeast Asian Nations (ASEAN) was established in Bangkok, Thailand, with the signing of the ASEAN Declaration with Indonesia, Malaysia, Philippines, Singapore, and Thailand. Then, Brunei Darussalam joined in 1984, Vietnam in 1995, Lao PDR and Myanmar in 1997, and Cambodia in 1999, making up the ten Member States of ASEAN. A Free Trade Agreement (FTA) with the ASEAN ten members and the countries of New Zealand and Australia was signed in 2007. This FTA is expected to boost aggregate GDP across the twelve countries in the following decades. ASEAN members together with six other major trading partners (i.e., Australia, China, India, Japan, New Zealand and South Korea) began the first round of negotiations in 2013 to establish the Regional Comprehensive Economic Partnership.

ASEAN aims to complete its free trade agreements with China, Japan, South Korea, India, Australia and New Zealand by 2013, and to establish the ASEAN Economic Community by 2015. ASEAN emphasized regional cooperation in the “three pillars”, i.e., security, socio-cultural integration, and economic integration. In the past decade, ASEAN logistics market expanded significantly, alongside various FTA being implemented within ASEAN and with ASEAN dialogue partners.

In 2006, ASEAN Economic Ministers decided “Logistics Sector” as one of the priority sectors for accelerated economic integration. The “Roadmap for the Integration of Logistics Services” was also adopted. The roadmap contains specific measures to (1) create an ASEAN single market by 2015 to strengthen ASEAN economic integration in the area of logistics services, and (2) support the establishment and enhance the competitiveness of an ASEAN production base through the creation of an integrated ASEAN logistics environment.

“Logistics Sector” plays an important role in the development of ASEAN economy. By outsourcing logistics operations to logistics services providers (LSPs), manufacturers and traders can deploy resources on their core business to enjoy higher efficiency. Customers expect LSPs provide one-stop logistics services including the integration of transportation, warehousing, and distribution services coupled with effective information flow that enables the tracking of goods. The high quality comprehensive logistics services provided by LSPs will further encourage the outsourcing of logistics activities to achieve cost competitiveness.

BEL International Logistics Limited was established in 1978. BEL is a Certified Sales Agent granted by the China Civil Air Transport Service. BEL is also a “Class A” Freight Forwarding Agent in China, a Non-Vessel Operating Common Carrier, an IATA and a FIATA Cargo Agent. BEL received awards as Top Cargo Agent from such top cargo carriers as Cathay Pacific, Dragonair, Cargolux, British Airways, Air France, KLM, and Malaysian Airlines. As one of the

leading LSPs in Hong Kong, BEL provides one-stop-shop value-added logistics services, supporting their customers to concentrate on their core competencies and business expansion. The services provided by BEL include air freight services, sea freight services, domestic logistics, warehousing, and customs clearance.

To ensure customers are provided with the best service, BEL has set up branch offices in the Greater China Region. The company also expanded to other Asian cities and growing economies. ASEAN is one of the target areas that BEL planned to extend. The logistics market in ASEAN is gradually growing to meet the need for multi-national companies doing business in ASEAN. The removal of trade barriers between ASEAN members creates opportunities for LSPs to offer comprehensive and integrated services on one hand and encourages investors to increase investment in the region. However, the development of the ASEAN logistics market is very much dependent on the infrastructure development (e.g. roads, ports, airports, and communications) in the region.

Global Logistics Network

The logistics industry plays an important role to facilitate Hong Kong's success as the 10th largest world merchandise trading entity. The core business of a logistics service provider (LSP) is to transport a shipper's consignment to consignee. Other activities of LSPs include booking shipping space, handle cargo consolidation, supervise cargo loading and unloading, arrange customs clearance, prepare and complete relevant documents, settle freight payment, arrange for trucking and inland transportation services. Facing rising expectation from customers, LSPs also provide a variety of value-added services ranging from warehousing, distribution to total logistics solutions. As LSPs provide worldwide services to their customers, a wide global logistics network is essential for their operations.

The term 'network' is often used to describe any relationship ranging from a manager's 'black book' of useful contacts to integrated organizational activities. Network members provide a function that is complementary to and synergistic with other members in the network. The need for complementary resources explains why network members in the logistics industry will network together, whereby they collaborate beyond their organizational boundaries to attain cost and service advantages.

In response to intense competition and fast pace of change, a more flexible network-style took place in the logistics industry. This network perspective represents an alternative that recasts the notion of logistics operations in a more relational and socially embedded direction. Many LSPs are organizing themselves into the network-based form of organizations. The importance of managing inter-firm relationships and their impact on performance is a topic that has attracted much management interest. Network members join networks to access resources for business growth and performance gain. Strategic interdependence, a situation in which one firm has the resources or capabilities beneficial to but not possessed by the others, can be developed among members within a global logistics network.

LSPs collaborate with air carriers, sea carriers, truckers, rail operators and barge operators to provide transport and cargo delivery services to their customers. Through the collaboration, comprehensive services can be offered to LSPs' customers. A global logistics network emerges when members in the network obtain benefits from the business environment by forming and enforcing the network. The potential benefits provide economic incentives for members to invest in the relationships with others in the network. Success factors for managing a network include cooperation and trust among network members, as well as their ability to deploy resources to establish and operate the network. In the context of logistics operations, the phenomenon due to increased customer requirements has prompted players in the logistics industry to be more cooperative.

Vinpac Group established an international network of overseas agents and offices. These network members strategically located to make a global presence. With the support of a global network, Vinpac is able to provide its worldwide customers with a wide scope of reliable and flexible logistics services. Services provided by Vinpac include ocean freight, air freight, China transshipment, land haulage, cross trade, sea/air service, and warehousing. Vinpac also invested in an integrated service network and state-of-art systems to enhance its service quality.

President of the Vinpac Group is Founding Chairman of the Pacific Global Association and the Hong Kong Sea Transport and Logistics Association, Director of the Hong Kong Economic and Trade Association. Vinpac also established a global logistics network to provide customers with a full spectrum of comprehensive logistics services. The global network of air, sea and land carriers and associated cargo-handling agents operating in major ports and cities provide customers timely and reliable logistics services.

There are more than one hundred members in the global logistics network. To become a member of the network, LSPs are required to pay a deposit. Services provided by the global logistics network to its members include:

- free debit and credit services for members,
- standardized bill of lading,
- arbitration of disputes between members,
- application for AMS in the USA,
- standardized electronic forms,
- dispatches of information from members on local situation,
- liability alerts for inner circulation,
- credit underwriting, and
- insurance for bills of lading.

The global logistics network also organizes annual general meetings to gather all the members to strengthen the linkage and develop mutual trust among members. As global sourcing and distribution continue to accelerate in the market place, the global trade volume has been consistently exceeding that of the world output. Such a growth in trade demand requires better logistics services, in both quality and quantity, to support the corresponding increase in cargo flows. In the global logistics network, member firms and their business partners share resources to seek operational gains. It is a common practice for LSPs to fully utilize their networks to maximize their cost and service advantages, where to access to network resources is an important source to gain competitive advantages.

An Easy Way to do Development in China

Outsourcing logistics services to third party logistics (3PL) service providers is popular for business enterprises to achieve their business objectives of performance gains in terms of service enhancement and cost reduction. 3PL services include management and execution of various logistics services, e.g. transportation, warehousing, information management, and other value-added services. The relationship between the buyer and seller of logistics functions requires management support, in addition to the operational services, ranging from simple inventory management to professional consultancy about realignment of supply chain management. The fourth party logistics (4PL) targets management of the entire process of services, and the service provider acts as a general contractor managing other 3PLs, truckers, forwarders, custom house agents, and takes responsibility of a complete process for the customer.

Logistics service providers and their customers see themselves as members of an alliance that collaborate on a range of services from a narrow scope of activities to broad set of value-added services, including procurement, assembly, repacking and supply chain integration. The alliance allows competence leverage through sharing of resources, knowledge and experiences. Limited firms have all the resources needed to remain competitive in a dynamic economic environment. Strategic alliance becomes important for firms to acquire essential resources to survive on one hand and on the other to allow partners to focus on their competitive advantage. Alliance members can also work with each other across national boundaries to achieve a synergy that benefits gained from the alliance will be greater than efforts spent.

OYM Logistics Company Limited is a young firm founded in 2005 to provide its customers with 3PL and 4PL services to support their customers' supply chain management in Hong Kong and China. The OYM Logistics Alliance was established to cope with growing demand for logistics services in China and to serve its global customers with a local delivery service in the second and third tier cities in China.

The OYM Logistics Alliance provides sharing of financial, technological, physical and managerial resources in the following specific areas:

- One unique platform: real time standardized platform informs all concerned parties the actual performance with savings
- Optimized business opportunity: broadens sales business in Greater China without setting up new offices or other facilities
- Optimized resource sharing: extra cost or investment is not needed for Co-Agents to gain new business
- Innovated logistics alliance: helps Hong Kong small-to-medium-sized 3PLs preserve competency of Hong Kong as a world logistics centre

- Logistics resources sharing: shares storage space and delivery capacity with Co-Agents to minimize expenditure and to reduce wastage
- Global alliance integration: shares the experience gained in Mainland China with alliance members in APEC, Russia, and Eastern Europe countries

The scope of services of the OYM Logistics Alliance includes provision of cargo storage, pick and pack, delivery service in Hong Kong and China, e-commerce logistics and supply chain solution for 3PL and 4PL, and consultant service. An electronic information platform, “Platform as a Service” (PaaS) was created to provide real-time logistics data and service information. The members of OYM Logistics Alliance make use of the PaaS to their service providers across countries to reduce transaction costs.

The modules of information system include:

- A warehouse management system that allows alliance members and their customers to control their cargo
- A parcel transportation system that enables customers to manage small parcels
- A transportation management system that enables members to conduct track and trace to monitor the cargo flow
- A problem parcel handling system that coordinates problems and complaints

The OYM Logistics Alliance has more than 500 service stations and 18 branches in Mainland China that are locally operated with management headquarters based in Hong Kong. The partnerships open for joining the Alliance are categorized in the following functions:

- Logistics Service Provider
- Warehouse Equipment Supplier
- Cargo Owner
- Warehouse Rental
- Advertiser
- Regional Tender
- IT System Alliance

The objectives for the OYM Logistics Alliance are to provide smooth operations, enhance efficiency, and ultimately increase marginal profits. The Co-Agents contribute a monthly 5% income to OYM. Partners complement each other with various resources and they also share financial, technological, physical and managerial resources. Management of specialized resources requires expertise or know-how which can be learned or accessed through alliance members. Awareness of cultural, economic and institutional differences of partners is conducive for the development of trust to pursue mutually beneficial objectives.

Brand Building and e-Commerce Partner

Logistics activities are inter-dependent and contribute to the primary activities of the value chain of firms. The ideal logistics strategy for service providers for their business success is to simultaneously possess effective outcome with low operating cost. The Direct Mailing service provided by Hong Kong Post is an effective and low cost operation for firms to build their brand.

With a proven track record as a quality postal service provider, Hong Kong Post strategically positions itself as a hassle-free, flexible, cost effective, and one-stop packaged logistics solution to be integrated in the supply chain functions of its customers. The seamless one-stop integrated logistics solutions provided by Hong Kong Post include picking and packing of goods, flexible options for goods reception, inventory and delivery status report, place of orders by electronic means, and so on. The SMEs are given postal and electronic logistics support for their business to business (B2B) and business to customer (B2C) operations.

Direct marketing is “a form of advertising that businesses communicate straight to the customer through the use of such communication tools as mobile phone message, email, online display advisement, flyer, catalogue distribution and promotional letters”. Direct advertising has been practiced by businesses of all sizes from small start-up store to big international corporations. Direct marketing directly addresses customers of a target market and relies on the acquisition of email addresses, mobile phone numbers, or postal addresses to deliver tailor-made message. A well planned and executed direct marketing campaign can bring positive returns on investment with an enlarged market share and a higher company profile.

Hong Kong Post provides business firms direct marketing know-how covering strategies for direct mail advertising, links to various directories, successful case stories, privacy precautions, contacts for enquiry and postal solutions. In addition to providing access to potential customers in Hong Kong, Hong Kong Post partners with China Post to launch the China-Hong Kong Direct Mail Service. The Hong Kong-China partnership creates a synergy effect that gives Hong Kong Post considerable network leverage. The China-Hong Kong Direct Mail covers 11 Mainland cities with a registry of 320 million individual addresses and two million corporate addresses. The service gives Hong Kong companies a customized marketing solution for promoting their products to Mainland consumers efficiently and effectively.

Creation and provision of value-added services has been the trend for service providers to enhance competitive advantage. Value-added services of design and printing of direct mails are integrated in Hong Kong Post’s postal solutions for business firms to meet their needs. Depending on the requirements, such options as non-bulk mail, bulk mail, local courier, circular service and premium circular service are available.

Information technology is incorporated in Hong Kong Post's postal service to meet customer demands for increased transparency and responsiveness. For example, Smart Post is a new service for domestic delivery that alerts customers via email when a mail item has been successfully delivered to the recipients or picked up at the designated post office. Smart Post comes with online tracking facility and has been an economical delivery option particularly for valuable and small package items. Smart phone users can also download Hong Kong Post's mobile application for tracking and information.

Furthermore, Hong Kong Post extended its logistics service through the Shop Thru Post platform to provide reliable and cost-effective delivery and counter collection service. Through direct data interface, Hong Kong Post can facilitate the order management and provide alternative pick-up options for the customers. PostalPlus was created as a communication platform to provide a full-ranged and cost-effective postal solution to leverage Hong Kong Post's reliable services and extensive resources to support and assist SMEs in enhancing their competitiveness. PostalPlus possesses tens of thousands of corporate members who enjoy such services ranging from receiving eNews of the latest postal service to covering a wide range of solutions and practical tips.

SME Service Strategies

Care, customer-orientation, professionalism, innovation, and synchronization are the five values that Pan World Shipping Company attaches to its services. Pan World evolved from a forwarder to a supply chain logistics service provider targeting markets in Southeast Asia with regional offices in Shenzhen, Shanghai, Guangzhou, and Hong Kong.

Changes in the container transport service related industries have forced logistics service providers to enhance both the breadth and depth of their services. Actions taken by logistics service providers to meet challenges include increasing the geographical span of their services, expanding their logistics services to conform to market expectations, and enhancing vertical integration of logistics related businesses.

The majority of Hong Kong's logistics service providers are small and medium enterprises (SMEs). One of the key features of these SMEs is their flexibility and efficiency. Pan World's service strategy comprises the following elements: targeted markets, flexible and efficient solution, cost effectiveness, IT solution, human resource management, and risk management. Its comprehensive range of innovative logistics solutions encompass the entire supply chain through sea and air freight forwarding, warehousing and distribution hub services, third party logistics management, and integrated supply chain management. These solutions are designed to provide value-added services and deliver cost-effectiveness.

From the perspective of business options, business decision such as make-or-buy, outsourcing, and integrated planning can be used to minimize operating costs and maintain excellent logistics services. From the perspective of Pan World, provision of integrated logistics services is a needs-based positioning in response to customer and industry demands for high value-added logistics services ranging from storage to supply chain management. As a full-service freight forwarder and logistics service provider, Pan World offers a diverse range of supporting services, e.g. cargo insurance, arrangement for import/export customs declaration in Hong Kong and China, application for China Form A, Certificate of Origin, Certificate of Non-Manipulation China Inspection, provision of bank letters of credit for inward/outward bills, re-work/re-packing, picking and packing, labelling and tagging, consolidation/deconsolidation and sorting. Full service logistics providers tend to perform better because the breadth and depth of their customer-focused capabilities place them in a better position to satisfy the needs of customers for various logistics services.

Business performance is linked to logistics function in ensuring the smooth flow of materials, products, and information throughout a company's supply chain. Information technology-based communication system makes intra-organizational integration possible for improved coordination between organization units. Pan World applies IT logistics solutions, electronic

data interchange, bar code and radio-frequency identification technology in its warehouse management system.

Management of supply chain, information, and risk are keys for overall firm performance. Risk management is particularly pertinent to the survival of SMEs, which requires constant alertness and review of management policies. Pan World also conducts evaluation on its partnering agents and customers for prevention of risks, alongside the usual insurance purchase and ISO certification.

3 Dimensions Strategies in Business Development

Shipping is concerned with the transport of cargo between seaports by ships. The international shipping industry is responsible for the carriage of 90% of world trade. Sea transport is the backbone supporting international trade and accelerating globalization. Demand for shipping services arises from demand for goods, which is dependent on the economy of the destination country.

Changes in the market and demands of shippers forced the shipping industry to provide a wider scope of services ranging from storage and consolidation to inventory control and supply chain management. Forwarders, shipping lines, terminal operators, warehousing operators and other actors in transport chains have to form networks to offer a range of value-added logistics services to maintain their competitive advantage.

Marina Container Lines was originally established in Singapore in 1987 to provide freight cargo handling services. With the economy of China opening its doors to foreign investors, MCL was subsequently set up in Hong Kong in 1992 and renamed as Marina Container Lines (HK) Limited (MCL). Over the years MCL has progressively established a network of its own offices in China. Having its head office in Hong Kong, MCL possesses its 'A' license and 'NVOCC' license that allow the company to perform cargo transportation and logistics services in China.

Facing the current business environment of sluggish international trade, weak Hong Kong currency, stagnant turnovers, and limited space to expand its geographic and service scope, it is essential to identify effective strategies in business development. Traditional transport activities are no longer able to provide sufficient returns and the current business environment has propelled companies into widening and customizing their services. To cope with the operating environment, MCL adopts three overlapping strategies, i.e., extend geographic reach, expand services, and increase customer retention.

MCL expanded its geographical presence in the West Pearl River Delta, along with the Pacific with an emphasis on Indonesia and French Polynesia. An extended logistics and shipping network is formed with the benefits of greater geographical reach. In addition to its general agent for shipping lines in Hong Kong and China, MCL works with its strategic alliance in the region to reap the benefits of having local partners.

MCL's partnerships with local agents provide it with access to wider market. Besides extended geographic reach, MCL also expanded its service. The scope of services of MCL covers multi-modal transportation, ocean and air freight forwarding, road haulage with its own fleet of transport composing trailers and prime movers for local and cross-border delivery in addition to

partnerships with logistics subcontractors. MCL also provides such value added services as project cargo handling, customs clearance and marine insurance.

MCL's feeder capacity ranges from 45 TEUs to 150 TEUs with over 20 feeders between Hong Kong and the Pearl River Delta, covering 16 ports. Its logistics services cover warehousing and warehouse management, shipment consolidation and finished goods distribution. For example, its presence in Yantian bonded logistics park provides temperature-controlled warehousing, cargo mixing and consolidation, that are all designed to provide value-added services to its customers, dubbed as 'customer stickiness' by MCL.

Food Supply Chain

DCH Food Mart performs retailing services to offer a wide range of food products, e.g. frozen seafood, meat and poultry, dried seafood and basic groceries, sourced globally to local customers in Hong Kong. The scope of services of the DCH logistics operations include customs clearance, inventory management, warehousing, cold storage, distribution, labelling and repacking, and freight forwarding. The logistics centres of DCH are located in Hong Kong, Macao, Guangdong, and Shanghai.

In order to achieve a seamless supply chain from the sourcing of materials to just-in-time delivery of the finished products, logistics service providers have to ensure there is no disruption or delay in the entire process, especially when high-value and/or time-critical merchandise is involved. Integration of information technology in the supply chain is particularly important in food logistics for managing multi-temperature warehouse to ensure food safety and quality, operation of refrigerated trucks, smooth and timely delivery of merchandise.

The strategy of food supply chain presented by DCH involves food safety management at one of its logistics centres situated in Xinhui, Guangdong. The logistics centre consists of a multi-temperature bonded warehouse and performs such activities as packaging, customs declaration representative, cargo import/export, national transportation, food testing, vendor-managed inventory and cold chain management (CCM). The logistics centre supports customers to market their products to Mainland China. All imported frozen food must undergo strict control and internal approval procedure from sourcing, processing, delivery to stores to uphold DCH's reputation as a quality food supplier.

The customs declaration requirements on safety assurance for imported foods in China involves customs, China Inspection and Quarantine Department (CIQ), on-site inspection and regulation compulsory testing for frozen food, dairy products, cosmetics, medicines and health products. International Standard Certifications are needed to conform to proliferating local and international standards and authentication requirements.

Food importers face the following challenges in China:

- The imported goods may be officially destroyed if non-compliance
- CIQ testing may fail for the imported food
- There may be unexpected outcomes in inspection and quarantine
- China's economic relation with other countries may have different updates of relevant regulations
- Outbursts of endemic diseases in the importing country may create uncertainty of importation goods to China
- It is difficult to find reliable importers and distributors

- It is essential to comply with China labelling requirements
- It is essential to comply with requirements of CIQ approved frozen warehouse

Temperature is an important parameter in food safety and quality. Deviation in temperature during the logistics process may affect the condition of the products. Globalization of the food sourcing and distribution increase the importance of CCM, which involves various stages of the food supply chain. DCH's seamless CCM flow consists of five steps: (1) verification of temperatures of arriving refrigerated trucks from suppliers; (2) unloading of cargoes at temperature-controlled warehouse; (3) retrieval of frozen goods from frozen-temperature warehouse; (4) delivery of goods by refrigerated trucks fitted with GPS system; and (5) infra-red examination of temperature before handling goods. Alert message will be sent to the cell phone of staff if the temperature monitoring system in the warehouse records a deviation of three degrees Celsius. DCH also implements radio-frequency identification (RFID) technology in its food safety tracking system to identify, categorize, and manage the flow of goods and information throughout a supply chain.

FMCG Operation for Catering Industry

Wing Sang Cheong Limited (WSC) is a catering supplier that provides fast-moving consumer goods (FMCG) in Hong Kong with an array of customers located in the New Territories, Kowloon, Hong Kong Island and outlying islands. Their customers include restaurants, fast food chains, wholesalers, retailers, hospitals, elderly homes, care homes, and charity food banks. Due to the complexity of the operating environment, FMCG operation is facing the following challenges: (1) meeting customers request on delivery time and different procedures; (2) delivering goods with great difference in volume; (3) complying with building facility restrictions; and (4) accommodating traffic and weather conditions.

There is a trend for food logistics to shift from manufacture-oriented to consumer-oriented, resulting in high frequency and timely deliveries with smaller shipment size. The transportation cost increases in proportion to the growth in the number of deliveries to customers. Logistics service providers also face growing customer demand to broaden their range of services from simple transportation and inventory services to more advanced supply chain solutions. Features of contemporary FMCG include: faster inventory turns, reduced customer storage space, increased direct store delivery, varied order frequencies, and short order time. To meet the market needs, high speed logistics and fluctuating consumer demand has to be met with flexible logistics operations.

Order size and geographic dispersion are important factors affecting the distribution strategy. Distribution model has to be formulated not only to provide effective delivery services and minimize fuel cost, but also to cater for such requirements as routing flexibility, picking list design, storage design and time control. For instance, the picking list can be grouped according to district, area, building, customer, bulk order and first drop order. A well-prepared delivery strategy is essential to reduce the handling steps in loading and unloading of goods.

The FMCG that WSC handles can be classified into food, oil, condiment, canned food, fresh food, snacks, frozen food, liquor, hygiene paper and wraps, tableware, cleaning chemicals, kitchen knives, and dry grocery. It requires clever warehouse storage location design to facilitate both picking and handling. Stock keeping unit (SKU) weight per case, SKU sales turnover, storage environment requirement, product classification, and brands are factors that need to be taken into account for easy picking. Among them, SKU weight per case and SKU sales turnover per month are the main considerations for storage assignment.

Picking performance is evaluated in terms of efficiency, accuracy and idle time control. Time control of each shipment involves the following interconnected elements:

- Loading time before departure
- Traffic time

- Lunch duration of delivery people
- Distance
- Handover time of documents and cash at day end
- Variation with standard delivery time per order

Picking performance is measured in ratio unit, standard time use per picker, projected time use in picking, and actual time use in picking. Performance indexes of storekeepers are derived from the set of elements over a timescale. At peak seasons of customer demand, the performance indexes can be used to choose fast and accurate pickers to meet orders. On the other hand, food deliveries are labour intensive with a high attrition rate. Neglect in work safety and labour rest time can be costly for work-related injury claim.

Support from sales and customer services team is also important for excellent FMCG operations. WSC's sales teams are an integral support unit to keep track of successful sales records and board channel networks to maintain 5,000 accounts. Services provided by the sales department include pricing, sales approach and follow up in the retail and catering market, after-sales support and in-store promotion activity.

Human Remains Logistics

Going into uncharted waters gives an opportunity of being the pioneer in a niche market that promises unrivalled profits. This has been the strategy taken by A&G Logistics to explore markets of humanitarian logistics in Hong Kong, including transportation of medical supplies such as blood, food supplies for safety testing, and human remains to stay ahead of the fierce competition in the logistics industry.

The human remains service of A&G started with an unexpected incident from a friend working at a funeral parlour. Handling of human remains mainly come from four sources: the funeral parlors, consulates that need to transport the bodies of their citizens back home, insurance companies that need to have the bodies of the insured brought home, personal contacts or individuals such as pastors.

Humanitarian logistics is related to the delivery of aid relief to disaster-hit areas. When natural disasters happen, there is demand for humanitarian logistics to deliver aid and post-disaster distribution of medicine, food and transportation of victims. Thus, networking with disaster relief organizations and governments for development into a post-disaster humanitarian logistics service provider will not only diversify and expand the niche market portfolio of A & G but also establish its expertise in this unique area.

Traditional business logistics are primarily concerned with the transportation of goods on a routine basis from the place of manufacture to place of markets where the demand is known, which enables the logistics service provider to optimize operating cost and minimize transportation cost. Humanitarian logistics is different from general business logistics in the following ways:

- Nature of goods requires special care and handling
- Periodic humanitarian logistics activities with no fixed pattern making it hard to optimize operations
- Requests for humanitarian logistics activities are unpredictable and require quick response
- The element of learning and improvement by repetition may be less applicable because each shipment of human remains can be an individual case
- Forecast of demand and advanced planning is difficult
- Operates in a dynamic, less standardized and informal structure

As humanitarian logistics is distinctly different, it is essential to know about the technical aspects of handling human remains shipping, e.g. shipping documentation and procedures, regulations and security requirements, airline schedules and guidelines. In general, the documents required to handle human remains include the following: passport of the deceased, certificate of death,

certificate of fumigation (if required), certificate of encasing and sanitary approval from the funeral parlor, certificate of embalming, permit for removal of the corpse from the government, and consulate documents with translation complete.

More importantly, onsite handling of caskets requires valuable expert knowledge. The casket containing human remains has to be sealed with wax, nailed, and sterilized. The coffin has to be inspected by the consulates of the destination and then transported by hearse to the warehouse or the airport depot to be uploaded with the assistance of a roller-fitted pallet. Air is the usual means of transport because of its direct routing eliminates the transshipment delays and additional handling.

In Sourcing Reengineering

HAVI Logistics is a global company founded in 1981 with locations in Asia, North America and Europe. HAVI Freight Management's scope of services includes licensing management, customs management, international freight forwarding, long haul inland freight management, premium export drayage, and information on international freight guidelines of different governments. Its one-stop-shop cold chain logistics have five components: one order, one delivery, one integrated solution, one logistics service provider and one invoice. HAVI is also responsible for delivery of frozen food and napkins to McDonald's stores around the world. As a leading logistics supplier, it upholds the business philosophy of 'Deliver the Promise' by providing a one-stop-shop for customers who need solutions for the entire supply chain.

In logistics operations, outsourcing is a popular tool for firms to focus on their core business. In-sourcing is the opposite of outsourcing referring to the cessation of contracting with external vendor and the commencement of performing the tasks internally. The cessation decision is often made to maintain control of critical production or competencies, and to optimize cost and profits.

The determinant factors for HAVI to make in-sourcing decision include direct management, end-to-end logistics solution, reduced operational cost and process flow, customer driven and increased professional resources.

HAVI Freight Management Limited was established in 2010 as a result of HAVI's in-sourcing decision to manage ocean and air freight, place orders, and handle customs brokerage. The aims of integrating freight management include:

- Enhance firm performance and gain competitive advantage
- Accomplish long-term organizational goals
- Increase company competency
- Improve customer services
- Reduce operational cost
- Manage organizational and operational processes effectively
- Streamline process flow

The steps for planning and developing an in-sourcing strategy are:

- Identify and evaluate the situation
- Develop strategic plan
- Choose initiatives and progress measurement methods
- Gain internal alignment
- Gain external collaboration
- Set a roadmap and a timetable

- Sustain competitive advantage

The strategy can be summed by four mathematical functions:

1. Add variety to existing products
2. Subtract non-essential components in the process
3. Multiply the benefits of innovation
4. Divide successful components into smaller units for expertise development and new creation.

Advantages of in-sourcing activities in the supply chain allow a company to better control its operations, more flexible in handling shipment, higher visibility, and lower operating cost. On the other hand, in-sourcing requires training and recruitment of a skilled workforce to take up the new duties that used to be outsourced. Staff training is indispensable for sustaining the competitive advantage of a company in the areas of risk mitigation, teamwork building, operation optimization, supply chain visibilities, and brand integration.

Trace and Track in Confidential Waste Logistics

Paper waste involves confidential or sensitive information, such as passports and identity cards, which have to be disposed properly without compromising on privacy. Waste logistics service providers need to pay attention to confidential issues. Breach of confidentiality may pose serious legal and financial consequences. Destruction of confidential information needs to comply with the relevant rules and regulations.

The core business of Secure Information Disposal Services Limited (SSID) is to secure disposal and manage confidential information. Methods for destruction include recycling, shredding or burning of hard copies, disks and microfilm, and electronic imaging.

Components of SSID's disposal solutions include:

1. **Traceability:** SSID provides customers with RFID tagged waste bags for collecting waste papers. The information stored in the RFID chip is read and monitored in real-time electronically from bag collection, through transportation, to the arrival at the processing facility for destruction. In each stage, RFID chip is read and data is sent instantaneously to SSID's IT system for record-keeping and monitoring. An email notification will be sent to the customer at two stages: upon data arrival at the processing facility and completion of data destruction. At the end of data destruction, the customer will receive a summary listing all relevant information regarding the completion times of the respective steps. Destruction is documented with a certificate of disposal for customer retention and adheres to regulatory requirements.
2. **Transparency:** The customer can keep track of the entire waste disposal process via on-site visits to the processing facility or real-time online monitoring.
3. **Security:** All packages are traceable, properly sealed, and handled at the processing facility where CCTV system is installed. All confidential materials collected are carried by SSID drivers in unmarked trucks that can be located with a GPS system. All shredded materials are directly fed into the flotsam packing mechanism to remove any risks of loss and theft during the process. Staff members of SSID are security vetted and highly trained to ensure the secure destruction of confidential materials.
4. **Customer Satisfaction:** The customer source of SSID is 70% from its competitors and 30% first-time users. The customer satisfaction rate is 98%. SSID also provides professional advice to customers on document management to reduce risks of information disclosure. Staff members are trained on information security management to raise awareness on information security.

Although the adoption RFID in waste logistics is relatively expensive, SSID's customers see it as a 'sexy' technology that instills confidence. SSID's use of RFID technology reduces the

company's operating cost by 30%, searching cost by 50%, accompanied with dramatic reduction in waste processing time. The RFID chips' reusability makes it a worthy investment.

Confidential shredding can be time consuming, costly, and insecure. The use of RFID can overcome the following traditional problems associated with confidential shredding:

- Lack of labels on waste bags for identification of the content
- Opacity in what is being disposed of
- Loss of packages with unknown content
- Difficulty in retrieving information related to bagged waste

SSID's future plan is to develop reverse logistics operations related to the reuse of products and materials. Its software development for the use of RFID system is an important resource for the company's sustainable development. The price of waste paper fluctuates greatly but SSID is confident that the paper recycling rate in Hong Kong can be pushed from 50% to 80% giving it ample room to grow.

Service Strategies for New Markets

Similar to other small-medium enterprises (SMEs) in Hong Kong, Merchant Marine Limited targets its market in Southern China. The scope of services provided by the company includes custom brokerage, feeder, and non-vessel operating common carrier (NVOCC).

The complexity of China customs rules and regulations makes customs clearance or declaration process prone to delays if the importer or exporter is not familiar with the ropes. Non-tariff barriers such as import restrictions, import licensing requirements, complex customs regulations, and other administrative requirements continue to remain a concern for companies importing into and exporting from China. It saves both time and manpower, especially for SME, to hire a professional consultant or outsource the customs clearance to a customs brokerage agent to clear their goods for timely export.

As a member of the World Trade Organization (WTO), China uses transaction value as the primary method of appraisement for imports. China is also a member of the World Customs Organization (WCO) and uses the Harmonized System for tariff classification of its imports and exports. The government authority with respect to import and export management in China is the General Administration of Customs (GAC), a ministerial-level government agency. The essential tasks of GAC are entry and exit control, revenue collection, smuggling avoidance, foreign trade statistics compilation, duty collection, customs control, management of bond operations, audit-based control, intellectual property rights protection, and port management. There are local customs offices that handle day-to-day customs matters and are subordinate of the GAC. GAC's local organization structure is composed of district customs offices, customs houses, and customs clearance control stations.

Customs brokerage usually involves the preparation of documents and electronic submissions, the calculation and payment on behalf of the client for customs taxes, customs duties and excises, VAT, and facilitating communication between the importer, exporter and governmental authorities. Customs brokers need to be familiar with the tariff schedule, a listing of import duty rates items, the regulations governing importations found in the Code of China Customs Regulations to avoid costly delays or seizure of the merchandise. Customs brokers have to obtain license through examination and passed background check conducted by the China Customs Service.

To serve its customers, Merchant Marine Limited locates its business operations in South China's industrial parks. The company's scope of customs brokerage service includes: (1) declaration services in Hong Kong and China; (2) dealings with Administration of Quality Supervision, Inspection and Quarantine (AQSIQ), a ministerial administrative organ directly under the State Council of the People's Republic of China (PRC) in charge of national quality,

metrology, entry-exit commodity inspection, entry-exit health quarantine, entry-exit animal and plant quarantine, import-export food safety, certification and accreditation, standardization, as well as administrative law-enforcement; (3) claiming preferential tariff treatment such as ones accorded by the Economic Cooperation Framework Agreement (EDFA), a preferential trade agreement between the governments of the PRC and the Republic of China (Taiwan) that aims to reduce tariffs and commercial barriers between two places; (4) preparing Certificates of Origin such as Form A and Form E for exporting goods to claim import duty preferences under agreements between China and other countries. Form A is also called Generalized System of Preferences Certificate of Origin required by furniture importers of European countries who provide preferential treatment to China. Form E is 'ASEAN-China Free Trade Area Preferential Tariff Certificate of Origin', which is applicable for exports and imports between China and ASEAN countries; and (5) application for various other preferential Certificates of Origin for consignments.

Merchant Marine Limited markets itself as a One-Stop-Shopping service provider offering exclusive customs brokerage, warehouse logistics service, trucking service, and cargo transportation to its targeted customers, mostly sweatshop owners in Southern China. Customs brokers have to cope with changes in regulations and procedures not only from the corresponding customs authority but also from other regulating agencies involved in imports and exports to facilitate and negotiate transactions for the importer and exporter to deliver the goods into a customs territory. Securing commitment of sweatshop owners in an industrial park to use its customs brokerage services enables Merchant Marine Limited to focus on service quality and motivate frontline licensed customs brokers with bonus schemes to maintain a high level of customer satisfaction.

IT Logistics

Founded in 1994 as a Hong Kong based freight forwarder, the scope of services provided by Korchina extended to solution provider in logistics, offshore company management, insurance, trading, and retail business. Its logistics related services include worldwide air and sea freight forwarding, warehousing and logistics, and trucking and distribution. Its worldwide network coverage includes Hong Kong, Korea, Singapore, Thailand, Malaysia, Taiwan, Cambodia, Japan, Vietnam, Indonesia, the Philippines, the USA, Europe and 16 branches in Mainland China.

Korchina's IT logistics flows facilitate cargo movement and enhance cargo visibility to enable their customers to monitor their consignments in real time or view their goods virtually. Korchina's logistics solution consists of three separate components, i.e. Tailor-Made Service, IT-Logistics, and One Contact Solution:

- Korchina's logistics consulting team commits to understand customers' logistics requirements and production environment. Through Tailor-Made Service, clients' requirements turn into logistics operations.
- IT-logistics is to exchange shipping information through the Internet via Korchina's own IT platform to conduct such activities as Internet Booking, Cargo Tracing, Web-based Inventory Control and Electronic Document System.
- One Contact Solution is to give customer easy access to Korchina Network which consists of such functions as One Network, One Payment Channel and One Responsible Party.

IT logistics is a key component of Korchina's trademark. To provide transparency and visibility in the steps of consignment handling, Korchina provides such e-services as cargo checking, online bill of lading printing, web inventory and web based GPS truck tracking. The IT logistics systems of Korchina include:

- Own-developed forwarding system "Logicbox" for air/sea operations
- Integrated system for branch office to increase speed and accuracy
- Web-based document printing and emailing system
- Web, app and mobile-based cargo flow tracking service
- Barcode-based real time cargo tracking
- Web-based inventory management system

Logistics service providers nowadays are facing new challenges in terms of value-added services from customers requesting visibility for logistics processing that usually involves real time transactions and electronic documentation. Customers also expect to have access to information on purchasing order, inventory level, cargo movement and shipping status. IT logistics plays an essential part in meeting these challenges to facilitate the involved parties to communicate effectively and efficiently from order to delivery. With a corporate culture centering on

innovation in thought and practices, Korchina is well primed to position itself as an innovative IT logistics solution provider.

Merchandising Logistics for Pakistanis

NAC was founded in 2006, with headquarters in Hong Kong to provide freight forwarding and logistics services to markets in Hong Kong, China, and Pakistan. The philosophy of NAC is “WE CARE” about customers’ requirements, expectations and service standards. NAC also cares about its employees because they are the main assets of the company and serve as the cornerstones to provide quality services to the customers. The aim of NAC is to take over the logistics and forwarding duties from the customers, so that they can focus on their core businesses. NAC has branches not only in cities in Taiwan and Shanghai but also in Pakistan. According to the World Bank (Doing Business 2013), Pakistan stands at 98 on the ease of starting a business, and at 70 on the ease of getting credit in the ranking of 185 economies. The economy of Pakistan ranked 27 in the world with an average economic growth of 4-7% between 2001 and 2011.

In 2010, Pakistan simplified business startup by introducing an e-service registration system, allowing online registration for sales tax, and removing the requirement to make declaration of compliance on a stamped paper. According to data collected by the World Bank (Doing Business 2013), starting a business in Pakistan requires 10 procedures, takes 21 days, and costs 9.9% of income per capita. The economic reform makes Pakistan an investment-friendly nation. In recent years, Pakistan has experienced rapid growth in such industries as apparel, textiles, cement, and services including telecommunications, transportations, advertising, and finance.

NAC has two offices in Pakistan located in Karachi and Lahore to offer logistics services and trading referrals to facilitate buyers in Pakistan to identify the right trading partners in China and Taiwan. Karachi is the main seaport and financial centre of Pakistan. Lahore is the cultural heart of Pakistan and the nation’s centre of publications. The distinctness of cultures and languages between Pakistan and China makes communication through intermediary essential. NAC plays the role as a middleman and adviser to facilitate communications and transactions between traders. Multi-functional logistics services providers are being incorporated in the supply chain to form a seamless flow of communication in the buying and selling process.

NAC’s well-established logistics services backed up with an extensive regional and global network enable it to efficiently complete order fulfillment process which involves logistics related functions ranging from placement of order to delivery of goods. This third-party logistics services by NAC benefits both buyers and sellers via significant cost saving and service improvement of their business operations.

Merchandising logistics aims to link purchasing and sales. NAC’s role as a service provider to provide merchandising logistics services in trade referrals to match up buyers and sellers between Pakistan and the rest of the world. Merchandising logistics also consists of such services

as goods receipt and delivery, inventory management, valuation, warehousing, shipping and payment. As a niche player, NAC aims to be a specialist in selected emerging markets. In addition to providing services to its customers from its own offices in Shanghai, Hong Kong, Taiwan, Karachi, and Lahore, NAC works with agents from the WCA Network with over four thousand member offices in 188 countries around the world. In providing merchandising logistics services to its customers, NAC does not charge the buyers and sellers for its trade referral services. The start-to-finish support NAC provides for the order fulfillment process between manufacturers and wholesalers/retailers includes installed payment of goods on behalf of its clients. This gives NAC customers flexibility in their cash flow.

However, emerging markets are facing challenges. Decades of political disputes and low levels of foreign direct investment have led to slow economic growth in Pakistan. The current account of Pakistan turned to deficit in the fiscal year 2012, spurred by higher prices for imported oil and lower prices for exported cotton. Pakistan remains stuck in a low-income, low-growth trap, with growth averaging about 3% per year from 2008 to 2012. Multi-channel marketing may need to be applied to ensure return on investments. Cost efficiency is still vital. With its extensive network, NAC aims to provide seamless high quality services to its customers.

Blue Ocean Strategy for a SME Logistics Service Provider

Small and medium enterprises (SMEs) are one of the principal driving forces in economic growth. They are flexible and able to adapt quickly to the changing market environment. In the logistics industry, competition exists in the areas of freight forwarding, inland waterway, warehousing and trucking. With the forces of reducing price and shrinking profit margins, service providers need to seek a “blue ocean” where ample opportunity for growth is to be tapped with promising profits.

Blue ocean strategy¹ is an analogy to describe “the wider, deeper potential of market space that is free of competition and yet to be explored”. The key concept of the blue ocean strategy is “innovation” which can be defined as “the simultaneous pursuit of differentiation and low cost”. The Grand Dragon Group adopts the blue ocean strategy in its business operations. Grand Dragon Group is a China and Asia based logistics service provider set up in 1993. The company struggled with competition in 2008 and needed to search for a blue ocean. The “innovation” Grand Dragon Group came up with was to form a joint venture with a local mainland company for polymer repackaging. The local mainland company provides the technology required for its operations.

The four-action framework of the blue strategy is “eliminate, reduce, raise, and create”. By using the four actions in the polymer repackaging operations, Grand Dragon Group manages to significantly reduce cost and record sharp increase in sales. The actions taken by Grand Dragon Group are listed as follows:

- Eliminate transactional business, cross subsidy, non-core activities and fixed solution
- Reduce threat of health/safety and operational risk
- Raise regional coverage and production scale
- Create postponement solution, response to market and activity based costing

Principles of blue ocean strategy formulation are: (1) create uncontested market, (2) focus on big picture, (3) reach beyond existing demand, and (4) get the strategy sequence right:

- Create uncontested market: In the case of Grand Dragon Group, the polymer repackaging is an uncontested market. Factors examined by Grand Dragon Group to create the uncontested market are industry, strategic group, buyer group, scope of product and service, functional-emotional orientation, and time/trend.
- Focus on big picture: The Group’s annual import cargo throughput is 22,000 TEU and 22,000 TEU out from its Nansha hub.

¹ Kim W.C. and Mauborgne R., 2005, *Blue Ocean Strategy*, Harvard Business School Press

- Reach beyond existing demand: The operation in Nansha consists of a 16x300m³ silo, three warehouses with a total space of 32,500 m² plus 20,000m² of space for workshop and utilities, two 25kg bagging machines, 650kg packaging line, and a container yard. This hub serves the customers located in Greater China and Asia including Vietnam, South Korea, Thailand, Japan and the Philippines.
- Get the strategy sequence right: By expanding its services to include supply chain management for polymer repackaging, Grand Dragon creates a blue ocean. The regional distribution hub for repackaged polymer is well-established in Nansha, a Free Trade Port in Guangdong situated in the Pearl River Delta, connected with Hong Kong through direct shipping routes.

Corporate Culture Management

The name of Sankyu originates from the English “thank you”. Found in 1918 in Japan, the guiding principle of Sanyu Group is “valuing people”. According to Collins and Porras in *Built to Last*, visionary companies are premier institutions in their industry. These companies offer innovative products and services and consistently outperform their competitors. Sankyu Eastern International (Hong Kong) Company Limited is a member of Sanyu Group. The five core values of the company are: (1) compliance to staff rules, (2) respect for others, (3) quality management, (4) safety, and (5) activity groups.

With regard to staff rules, all employees are required to observe “three principles” of appreciation, execution and self-examination. Respect for others is institutionalized in daily greetings. The execution of the company goals is summed up in a new slogan each year to motivate staff to realize such goals. Regular visits to regional offices of the Group are arranged as part of staff training to urge the drive towards common goals.

Kanzen is a Japanese workplace philosophy for quality management that encourages making continuous improvements. Staff members are encouraged to come up with new ideas and suggest to the management team. Members of the management team meet frequently to review the suggestions for workplace and work process improvements. Financial incentives are built into the quality management mechanism of the Group to encourage employees to raise improvement suggestions (Kanzen). The incentive includes a small award of HK\$30 for a Kanzen regardless of the scale and complexities required for changes, and a bonus of HK\$10,000 to the employee who is chosen for the best improvement suggestion of the year. The company receives more than 1,000 Kanzens each year. The management team honors employee initiatives by following up on improvement suggestions and concluding with written reports. The integration of Kanzen philosophy explains the company’s efficient operations and high quality standard.

To provide a safe working environment, the company organizes regular fire drills and staff training to maintain a high level of safety standard. High risks tasks (e.g., forklift, loading docks vehicle operations) are reviewed regularly to identify room for further improvement and the workplace is visited and examined. Visit reports with detailed analysis and observations are required to be submitted to branches or regional offices.

The company’s commitment to team activities enhances a team culture that fosters staff members’ ability to work and communicate with others, and drives them to achieve common goals. Sankyu encourages its staff members to form various activity groups including festival gatherings, dining, sports, and cultural exploration. For example, a study on Hong Kong eateries was once conducted by the Japanese staff and dirty toilet was listed as one of the

characteristics of Hong Kong eateries in the study. Such activities may seem irrelevant to the company's daily routines but help team building which is essential for team members to share common values and attitudes.

The employee turnover rate of only 1% provides evidence that Sankyu's management of corporate culture is successful. The share of common values, attitudes, standards and beliefs between staff members and the management team is fundamental for corporate culture. The corporate values are identified by top management and disseminated to staff members, so that they are widely shared and held throughout the Group with common attitudes and beliefs.

Beyond Logistics Services: From Sourcing to Delivery at One-Stop-Shop

Prorsum Group Holding Limited is a Hong Kong company established in 2005 providing services in purchasing from China and evaluating suppliers in China and Asia. One-stop-shop can be defined as a company that offers a multitude of services to provide efficient and effective service to a customer. It also creates opportunity for a company to sell more services to its clients. The one-stop-shop approach of Prorsum is to provide comprehensive supply chain solutions covering sourcing and purchasing, logistics and freight management, warehousing and logistics, and valued-added business support services.

Sourcing and purchase services provided by Prorsum include supplier/factory source (SFS), product design development (PDD), samples collection and delivery (SCD), drop shipping service (DSS), supplier capability survey (SCS) and production process monitoring (PPM). Its warehousing and logistics services include sea freight forwarding (SFF), air freight forwarding (AFF), warehousing and distribution (WD), cargo consolidation (CC) and land transportation (LT). Its value-added supporting services include quality assurance (QA), customs brokerage (CB), and marine cargo insurance (MCI).

Prorsum's supplier capability survey, which is essential for quality assurance of China-made products, includes a comprehensive supplier profile report covering identity check, business information, operations, financial condition, capability, potential growth, public filings, banker relationship, and credit ranking in English. Prorsum acts as the buyer's offshore branch to receive the merchandise from the suppliers, perform the tasks of pick-and-pack and relabelling in accordance with buyer's shipping marks, and ships the cargo upon buyer's order. This reduces the buyer's logistics and warehousing cost and speeds up the order fulfillment process in an efficient and cost-effective manner. Prorsum promises buyers the following:

- Products in excellent quality and made according to specification
- Competitive pricing
- Reliable services and professional people
- Quick delivery time
- Adequate production capacities
- Wide variety of items selection
- Value-added solutions (customized packaging in plastic bags or carton boxes or pallets, kitting, stock keeping & controlling, auto-replenishment, vendor managed inventory, just-in-time delivery)
- Sourcing difficult to source items, tailor-making samples and prototypes
- Arrangement of OEM and ODM

- Global logistics and distribution solution (door-to-door, port-to-port in FCL/LCL)
- Buyer cargo consolidation with multi-vendors' commodities from multi-locations
- Flexible trade terms (FOB, CFR, or landed cost with customs clearance and import duty and tax paid)
- ISO-9002 systems and quality assurance in place from ordering to producing to delivering

Overseas buyers may not have their representatives in China. It may not be easy for overseas buyers to identify suppliers in China. To eliminate the difficulties of purchasing from China, Prorsum provides one-stop-shop services in sourcing offshore manufacturing, purchasing, business process streamlining, global supply chain management and logistics services. Prorsum provides value enhancement to its client as follows:

- Cost saving from off-shore production and purchasing
- Increase cash flow
- Reduce inventory and handling cost
- Enhance management efficiency and overall operation productivity
- Streamline activities in purchasing, quality control, logistics, and distribution

Warehouse Management System and Automation

Founded in 2005, WPG Holdings is Asia's number one and one of the world's top three electronics distributors. It operates through seven leading semiconductor distributors in Asia, serving as a franchise partner, for about 250 worldwide brands. WPG Electronics (HK) Limited occupies a floor area of 72,000m² with 19,000 pallets in its storage and manpower of 620 staff. Its warehouse management system and automation is driven by the requirements of save manpower, increase accuracy and space capacity. Among all the warehousing processes, the highest priority for efficiency improvement is order picking. The reason is obvious - the ability to quickly and accurately process customer orders is highly associated with customer satisfaction and operating cost.

The outbound transaction is a big portion of the total warehouse labor budget. Product characteristics and operations are the key factors in order picking. The characteristics of the product being handled, total number of transactions, total number of orders, picks per order, quantities per pick, picks per SKU, total number of SKUs, value-added processing such as private labelling, and handling of piece pick, case pick, or full-pallet loads are important to the decision on order picking method and equipment.

The criteria for WPG to select picking equipment include space utilization, idle time minimization, shortened processing time, and reduction in manual handling. Based on these criteria, WPG selected automated conveyor system as its warehouse design. WPG utilizes its warehouse space by storing multiple items on a pallet, utilizing all available space, and concentrating work area in the same floor. To fully utilize storage space, no single company or item enjoys a designated storage area in WPG's warehouse.

The use of this automated conveyor system significantly reduces the manpower by 110 headcounts in the order picking operations while increasing order picking productivity by 41%. Productivity in order picking is measured by the pick rate. Since the actual amount of time it takes to physically pick the product from the location is fixed regardless of the picking method used, productivity gains are generally in the form of reducing the travel time. WPG pick-by-location, same-floor work stations and last-station consolidation model, aided with in-house designed labels, save another 40 headcounts in the operations while it increases order picking productivity by half.

To further automate its warehouse operations, WPG links barcode data to its warehouse management system and conveyor where the data are decoded without manual input. Data of shipping documents (e.g., packing list, invoice and booking form) are generated automatically after packing process. This arrangement reduces the shipment process time by 15 minutes per shipment. The information system is also integrated to other work processes, e.g., work stations

receive pre-loaded shipping notices with simplified instructions for delivery, and customers are informed of the arrival status of goods by email.

WPG demonstrates that the warehouse management system is useful to enhance warehouse operations via higher efficiency and better customer service. It is a cost-saving and effective approach to integrated work processes from goods receiving to dispatch to realize maximum benefits.

Sustainability of 3PL

Power Hub Limited (PH) is a Hong Kong-based third party logistics (3PL) service provider that provides logistics services to its customers. The services provided by PH include warehousing, transportation and value-added logistics services. PH also provides other related services that include consulting, training and facilities management. PH operates a distribution hub at the Hutchison Logistics Centre located within Kwai Chung with drive-in access for container and distribution vehicles. The location of the distribution hub enables fast turn-around and easy access to port. The commodities PH transported include personal care product, watch, jewelry, health food, skin care and cosmetic, confectionary and snack, and small home appliance.

Founded in 2007, the company is making steady growth. Its warehouse space and transportation fleet have doubled, and the manpower has increased four times to 200 employees. To compete in the industry, PH identifies seven key challenges for the logistics industry: (1) finding a good partner; (2) capital and scalability; (3) creation of synergy effect; (4) staff loyalty; (5) weighing between customers and investment; (6) finding the first customer; and (7) customer loyalty.

PH identifies four key factors for the sustainability of its business, i.e., employee management, business approach, business partnership, and client selection.

- In terms of employee management, PH management leads by role-model to set an example of discipline. Discipline implies conforming to the code of conduct established by the company, such as punctuality, diligence, and trust. Discipline is fostered to ensure productivity and efficiency of operations. Work recognition, fair and equitable treatment of employees, attractive pay packages, job security are also important components of employee management.
- Maintenance of core competency is central to PH's business approach to stay sustainable. PH made the decision of steady growth in the early stage of its establishment to focus its business in Hong Kong. As a 3PL service provider, PH uses a service-minded and flexible approach to forge long-term relationships with its customers.
- While it is desirable to work with business partners to share resources, a partnership business can be a relationship. Common vision and long-established trust are essential for a successful business partnership. To this end, PH states clearly on the division of labour and mutual commitment with its business partners in order to achieve common objectives.
- It is essential for a company to monitor its cash flow and liquidity proactively. PH is insistent on timely payments by its customers and stipulates all payments are to be received within 30 days of invoice issuance.

To share its strategies to overcome challenges for sustainable growth in the logistics industry, PH suggests: (1) maintain sound financial status; (2) maintain profitability; (3) do not be too hungry

for business; (4) do not be too greedy and too short-sighted; 5) get up to date market intelligence; (6) be focused; (7) build and maintain the company image; (8) form alliances with strategic partners; (8) invest in manpower and staff training; (9) attend to team building; and (10) keep on learning. More importantly, PH emphasizes happiness over profit, responsibility for employees, and a balance between work and life.

Critical Success Factors for SME Freight Forwarding Operators

China Global Lines Limited was established in 1999 in Hong Kong. Over the years it progressively expanded into a nation-wide company with over 150 staff members. Its business scope includes sea and airfreight forwarding, customs clearance, trucking, distribution, buyer consolidation, project cargo transportation and logistics services. Headquartered in Hong Kong, China Global has branches and associated offices in mainland China including Shenzhen, Guangzhou, Xiamen, Shanghai and Ningbo. In 2004 to 2007, China Global invested over RMB10 million to obtain Class A and NVOCC licenses in China, and trade under the name “CGL Flying Fish Logistics (Shanghai) Limited” to provide a full range of logistics services throughout China.

The majority of logistics service providers in Hong Kong are small-medium enterprises (SMEs). It is desirable to identify critical key factors for SMEs to be successful operators in the logistics industry. In this respect, China Global identifies five critical success factors, i.e., challenge recognition, business development, relationship building, human resource management, credit control and financial management.

Challenges recognition: To begin, it is essential to identify challenges. To recognize challenges, think thoroughly about the future scene and consider concerns and problems related to it. These may include challenges to achieve good business, challenges to build up good relationship with business partners, challenges to retain and acquire human resources, challenges to control credit and financial issues.

Business development: The market position and competitiveness is closely related to the ability of SMEs to cooperate with partners. Many SME logistics service providers join international networks to enhance their worldwide coverage in order to secure business globally. SMEs are flexible and responsive to customer requirements. The ability to adapt to market changes is positively associated with business performance.

Relationship building: China Global identifies social capital as a valuable factor for building up business to increase a company’s earning capacity. Through networking, joint ventures or forming strategic alliances, SMEs can pool resources and share the costs of training, researchs and marketing to create possibilities to meet market needs. To retain social capital effectively, it is essential to maintain positive relationships with business partners through fulfilment of contract terms and meeting commitments. It is also desirable to build up personal relationship with decision makers of shipping lines, airlines, truckers, and customs brokers.

Human resource management: Human capital, e.g., competent sales professionals, is critical for soliciting cargoes from customers. Recruitment and retention of talents is inseparable to the success of an SME. Human capital is the most important and valuable asset. An SME relies on its human capital to deliver professional service to enhance customer satisfaction and develop loyal customers.

Credit control and financial management: Cash flow, i.e., movement of money into and out of the business timely, remains the scarcest resource of SMEs. Insolvency, i.e., the amount of money coming into the business is inadequate to allow a company to be able to continue its operations, may lead to company failure. China Global's philosophy is that "to get paid is more important than to get business" since getting no payment after the delivery of service means loss of overhead plus costs in buying services from service providers. Suggested hints from China Global for SME financial management include: (1) keeping down the buying cost and purchasing insurance to protect the company from being bankrupted by bad debts, (2) checking the credibility of direct customers, co-loaders and agents with the help of professional bodies, (3) offering only limited credit amount to each business partner to maintain a healthy liquidity, and (4) setting up a professional account receivable team to monitor outstanding amount against the agreed credit level is useful to screen out bad customers.

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- Hong Kong Logistics Association
- Hong Kong Productivity Council
- Hong Kong Shippers' Council
- Hong Kong Small and Medium Enterprises Association
- Hong Kong Trade Development Council
- Information and Software Industry Association
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