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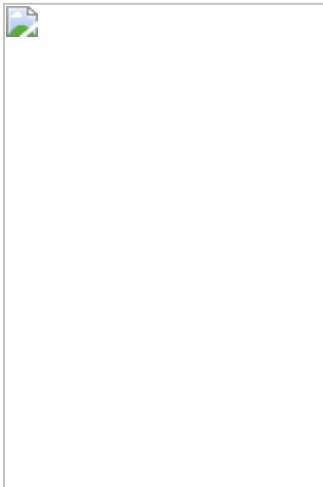
### Events Forenotice

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**Dragon Sourcing Seminar**    May 27th, 2008  
Best Trends and Practices in Procurement, Shanghai Jin Jiang Tower

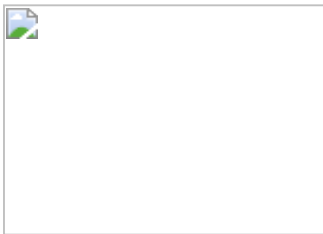
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### NEWS AND TRENDS



- New high record for government procurement in 2007
- China applies for joining WTO procurement agreement
- Support for innovation by domestic enterprises
- Wal-Mart to hold China procurement steady
- Aisin Seiki to centralize purchasing
- Fiat to buy more parts in China
- Tokai boosts metal purchases in China
- Heelys opens first sourcing office in China
- Purchasing pros and business owners also find capital spending plans remain healthy
- Retailers attend exclusive event to meet China suppliers
- China mobile implements energy saving strategy for outsourcing
- Global manufacturers committed to outsourcing in China
- Anti-counterfeiting & supply chain security summit

### INTERVIEW



#### Bekaert interview

Bekaert is an European based company, founded in 1880 and headquartered in Belgium. The group, present in 120 countries and employing 20,400 people, generates combined annual sales of more than 3.4 billion Euros. It produces and markets a wide range of products based on its two core competences: advanced metal transformation and advanced materials and coatings. ...

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### ARTICLE

#### Ways and Means in Logistics

Upwardly-mobile hotels increasingly characterise China's urban skyline. As the hospitality industry grows and diversifies, hotel owners and management companies face new market challenges.

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## NEWS AND TRENDS

### **New high record for government procurement in 2007**

China purchased RMB 400 billion Yuan (USD 55.6 billion) of goods and services in 2007, a new high record compared to the 368.1 billion Yuan in 2006. Given the procurement recorded only 100 billion Yuan in 2002, the expansion is described as outstanding.

There are 13,000 people engaged in purchasing nationwide. Government consumption has expanded from solely commodities in the beginning to services and engineering. Procurement list has been revised twice to include 18 categories with nearly 4,770 items. Energy-saving products account for a large percentage of the newly-added items.

In 2008, student textbooks for primary and junior high schools, medicine, farm machinery, and other items to distribute to the needy free of charge or at inexpensive prices will be added to the list.

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### **China applies for joining WTO procurement agreement**

China has signed a written application for joining the Agreement on Government Procurement (GPA), and a list on the opening of the government procurement market has been submitted to the Secretariat of the World Trade Organization (WTO).

GPA currently has 40 full member countries and regions. It aims to have the most free trade in the global market, and requires its members to open up their domestic government procurement markets. China became a GPA observer in 2002, and it pledged in 2006 to start the GPA entry negotiation process before the end of last year.

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### **Support for innovation by domestic enterprises**

A new policy has been promulgated by the Ministry of Finance, stipulating that the government will make preferential purchases of products that are newly or independently developed by domestic enterprises, that tally with the growing demands of the economy and that capture a technological trend.

The government procurement law has been in force for five years and quite effective in helping save money. However, domestic products are often turned down by the government because they might cost a little more. The government will use this policy to stimulate the growth of these products, believing that independent innovation reflects the core competitive edge of a country. Various measures will be in place to guide industrial development and support independent innovation.

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### **Wal-Mart to hold China procurement steady**

Wal-Mart expects procurement in China to hold steady this year at about USD 9 billion despite the rising exchange rate and product safety concerns. It believes that Chinese suppliers have stayed competitive amid higher inflation and a rise in China's currency, the Yuan, by improving efficiency and product quality.

There could be certain categories of products that may be decreasing or increasing from China, but there won't be any major variation in procurement from the 2007 total of USD 9 billion. China will continue to be a major production portion of direct purchases by Wal-Mart for a long time. Wal-Mart is also watching product

quality closely in China. It has been expanding retail sales rapidly in China, and opened 30 outlets last year, bringing its mainland total to 102.

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### **Aisin Seiki to centralize purchasing**

Japanese automobile parts manufacturer Aisin Seiki Co. plans to set up two procurement centers in China to centralize the parts purchases of its subsidiaries across the country. The project aims to strengthen quality control on the parts and cut down the costs of the procurement.

The company built its first plant in China in 1995, and has 18 subsidiaries now, supplying most of their products of automotive parts in various fields to Toyota Motor's businesses in China. Aisin Seiki plans to set up the two procurement centers in Tianjin and Guangzhou, where Toyota's two Chinese joint ventures are located.

Currently, Aisin Seiki has about 340 suppliers in China. Among them, 120 are Japanese companies or their joint ventures, and the rest are Chinese domestic companies. Centralized procurement will enable Aisin Seiki to better control the quality of the locally sourced parts, and to lower purchasing costs.

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### **Fiat to buy more parts in China**

Fiat group is looking to increase the proportion of components it sources from emerging countries, particularly China and India, by 1.5 billion Euros (RMB 15.70 billion Yuan) by 2010. A group purchasing division has been newly created.

The Italian conglomerate wants to raise the value of goods bought in low-cost countries for its European production to 11 percent of its annual goods purchasing budget from 8 percent last year. Components purchasing is set to rise to about 32 billion Euros (RMB 334.5 billion Yuan) from 25 billion Euros (RMB 261.3 billion Yuan) in 2007.

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### **Tokai boosts metal purchases in China**

Tokai Rubber Industries will double purchases of auto parts in China by 2012. The company mainly buys in China metal products that accompany its anti-vibration rubber parts and rubber hoses.

Tokai Rubber will raise purchases in China of anti-vibration products to about 536 million yen (USD 4.7 million) every month, about 2.6 times the current figure. Most of the components will be supplied to Tokai Rubber's eight production facilities in China, and a small part will be delivered to the company's plants in Japan and the United States.

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### **Heelys Opens first sourcing office in China**

Heelys Inc., the Dallas-based youth sports lifestyle company, has opened its first representative office in China. The new office located in Qingdao, is Heelys' first company operation outside of the U.S. It will provide multiple sourcing functions including quality control, price negotiation, logistics and product development.

Heelys serves over 6,000 stores in the US and more than 70 international markets around the world. The new office in Qingdao is led by Will Albers, vice president of sourcing, with 13 full-time staff. It will also enhance the communication between Heelys and its distribution partners, expand its global presence, and give Heelys more direct control over its sourcing.

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### **Purchasing pros and business owners also finds capital spending plans remain healthy**

Wal-Mart Stores Inc., a major buyer of Chinese-made shoes, toys and other goods, expects procurement in China to hold steady this year at about \$9 billion despite a rising exchange rate and product safety concerns.

The retailing giant's vice chairman said Chinese suppliers had stayed competitive amid higher inflation and a rise in China's currency, the Yuan, by improving efficiency and product quality. He told reporters that he wouldn't see any major variation in procurement from the 2007 total of \$9 billion. China will continue to be a major production portion of direct purchases by Wal-Mart for a long time.

His comments were a positive sign for Chinese exporters that have been squeezed by the Yuan's rise against the U.S. dollar, which makes their goods more expensive in the United States. The Yuan has risen by 16 percent against the dollar since July 2005, when Beijing ended a direct link between the currencies. Some exporters have been forced to close, while others are trying to switch to more competitive products.

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### **Retailers Attend Exclusive Event To Meet China Suppliers**

Nine buyers with combined annual sales of US\$85 billion met with 71 promotional gift suppliers from Greater China at Global Sources' Private Sourcing Event in Shenzhen recently.

Buyers scheduled to participate in the Promotional Gift Private Sourcing Event include Brook stone, Hal fords, Hallmark, Kmart, and Staples.

Global Sources' Chairman and CEO, Merle A. Hinrichs, said that more of the world's top buyers are participating in their Private Sourcing Events. Not just because of the convenience they offer, but because they know that every supplier they meet is a Global Sources verified supplier.

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### **China Mobile Implements Energy Saving Strategy For Outsourcing**

China Mobile has released a strategy for the outsourcing of system equipment and complementary equipment with energy-saving and emission reduction features, and a total of 15 manufacturers have become potential bidders for this initiative. China Mobile's president previously presided over a meeting in which he asked that resource utility be improved in the field of mobile communications to ensure the work on energy-saving and emissions control to be fully implemented.

The requirements that China Mobile has raised for network system equipment and complementary equipment manufacturers include reducing the quantity of materials used for equipment, reducing the weight of each piece of equipment, increasing equipment's integration capacity and lowering equipment's power costs.

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### **Global Manufacturers Committed To Outsourcing In China**

Global manufacturers remain committed to outsourcing to China despite the recent spate of tainted product recalls, according to survey findings released by the Smart Cube, a professional services firm specializing in customized market and business research and analyze.

Seventy-eight percent of global manufacturers surveyed said they are confident that their existing supply chain management procedures are more than adequate while less than 25 percent of respondents had reviewed their supply chain management practices after recent product recalls. Only one in five respondents said they were considering changes to their quality control process.

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### **Anti-counterfeiting& supply chain security summit April 1st-2nd 2008**

The growing problem of counterfeiting threatens businesses in nearly every industry and every region of the world. The damage affects both the brand and subcontractors that supply materials, spare parts and finished products. One important area over which businesses can exert a large measure of control is the security of

supply chain. Lax security creates opportunities for counterfeit and stolen goods to make their way into legitimate production, wholesale, and retail channels. Globalization, the Internet, and advanced technology have made it easier for counterfeiters to put fake products into the supply chain and then into markets around the world.

To assist the companies raise awareness of the importance of supply chain security, assess the effectiveness of your supply chain practices; coordinate with government authorities, AVAIL developed this summit that includes government officials and companies from a variety of industry sectors to share their experiences in protecting your businesses, consumers and brand.

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## INTERVIEW

**Bekaert is a European based company, founded in 1880 and headquartered in Belgium. The group, present in 120 countries, employing 20 400 people, generates combined annual sales of more than 3.4 billion Euros in 2007. It produces and markets a wide range of products based on its two core competences: advanced metal transformation and advanced materials and coatings.**

**Bekaert entered Chinese market in early 1990s, and right now is the largest Belgium investor in China. It has 15 legal entities in China with its regional headquarter Asia located in Shanghai. We were pleased to get the opportunity to talk to Mr. Frank Cai, procurement director Bekaert China.**

### Frank and his unique procurement mission

Frank has been in the procurement industry for many years. He worked at 3M for over five years and at Philips for more than six years before joining Bekaert. He built Bekaert China central and plant purchasing teams. In order to develop an important China sourcing platform to serve all the business units, Frank invented a very specific and clear way to explain the team's mission.



- **Pur-chase**  
To ensure smooth material supply and avoid material shortage
- **Pur-chain**  
To work with logistics, planning, import and export department to reduce total supply chain cost for Bekaert China business

- **Pur-channel**  
Communication: to continuously listen to the internal and external customers' needs carefully and react fast with good service quality, and to have a comprehensive supplier database to share supplier and marketing information and resources
- **Pur-change**  
Improvement of purchasing process and way of working, and supplier base optimization: to make related supplier strategy based on different business and market situation
- **Pur-chance**  
More cost reduction projects needed to support business units in China to win the competition
- **Pur-challenge**  
To develop the competence of Bekaert China purchasing team

### **People development**

The development roadmap of a purchaser, as described by Frank, starts from the operational level, goes to the tactical level, and finally reaches the highest – strategic level. Frank believes that good purchasers are top negotiators, and long term and total cost thinkers, who understand their business and customers' needs, and who can manage supplier relationships, select the best suppliers and speak the "languages" in fields such as legal, finance, engineering, marketing, etc.

Everyone in the procurement teams has his or her specific training requirements in the annual purchasing training matrix. A series of training programs have been conducted by corporate purchasing, HR, other related functions and external experts in the topics of purchasing, logistics, legal, technical knowledge, communication, marketing, finance, leadership, etc.

### **Indirect purchasing and capital investments**

Bekaert has invested heavily in China to support their dramatic business development. It built three new plants in 2006 and one new plant, one R&D centre in 2007. Before the China central purchasing function was established in April 2006, each plant handled its own plant building project, and there was no standard process for the purchasing of new plant construction.

China central purchasing provided great help to identify synergies across all investment projects. First, it clearly defined the roles and responsibilities between the project and the purchasing teams to solve unnecessary conflicts. Then, it set up a standard bidding process and template. It also promoted information benchmarking and best practice sharing inside the group. China central purchasing encouraged the sharing of bidding plans, information about suppliers, and organized several best practices sharing sessions among different plants on new building projects. Additionally, various cross plant support activities were also initiated.

### **Spare parts localization**

Bekaert Engineering Company manufactures the equipments for the group. In 2006, there was no dedicated sourcing team in Bekaert Engineering. Due to the high workload for the equipment business in 2006 and 2007, the purchasing department in Bekaert Engineering had limited resources to source more local parts. A large amount of spare parts still needed to be imported from Belgium headquarters, wasting a lot of time, energy and money.

In order to expedite the spare parts localization, central purchasing and Bekaert Engineering purchasing department set up a joint team in November 2006. The team identified the top priority spare parts, grouped the list and assigned each group an owner. Then they made a plan and divided the project into seven steps in order to monitor the progress being made. A monthly project meeting was arranged within the team to review the status and action plans. The team also invited the equipment maintenance managers of the plants to join the project to better understand the real needs of the internal customers.

The project team identified a great opportunity: more than 6000 imported items could be localized and significant cost savings could be realized. In June 2007, the project team had completed 12 groups of parts localization covering 200 parts with cost savings of 90,000 Euros. The project is still continuing. The Project team is exploring new parts for localization based on the spend analysis of spare parts consumption from Bekaert plants in China.

### **Future development**

Through people development, cost saving projects, enhanced communication, and SAP system and process improvement, Bekaert China central purchasing has achieved great success. The cost savings for the first quarter of 2007 reached 2.78 million Euros.

As to the future development plan, as Frank mentioned, the people factor is the number one driver. He wants to build up a strong and lasting central purchasing organization and develop purchasing people's competence in Bekaert China. The central purchasing team will continue to speed up the cost saving projects with out-of-the-box thinking. They have already completed the Contract Management System in SAP for general purchasing in Bekaert China, and they will develop the Supplier Management System for central purchasing suppliers.

Nowadays, people want things “faster, faster and faster”, and “cheaper, cheaper and cheaper”. To make it simpler, shouldn't “faster and cheaper” be our focus in the procurement sector?

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## ARTICLE

### Ways and Means in Logistics

**Shanghai Business Review**, November 2006, volume 3, issue 10

By Anthony Lin, Editor of the Shanghai Business Review

**Upwardly-mobile hotels increasingly characterise China's urban skyline. As the hospitality industry grows and diversifies, hotel owners and management companies face new market challenges.**

**Shanghai's logistics infrastructure development and growth are trailed by the less tangible means of IT implementation, paperwork and safety. How these components develop will determine the industry's future.**

When it comes to logistics development, Shanghai's infrastructure is impressive. What awes business people and visitors alike is not only the size of construction, but also the speed with which much of it has risen. The city that is primed to be China's commercial flagship – and desires to be a hub for Asia Pacific – boasts two airports, two shipping ports, three train stations, dozens of designated industrial zones and a vast network of highways linking them together. All that has come into being during the last decade or so, and each aspect is still being made bigger, better or both.

Yet, beyond the concrete, steel and glass constructions, the existing logistics system in Shanghai and throughout China is still immature, say industry operators. Many cite factors that have not been fully realised or utilised by the logistics market as a whole or by official policies. These factors range from IT systems implementation to personnel management to safety – the 'intangible' factors.

Even if they are not as visually impressive as the Yangshan Port, these elements are equally essential to the efficiency of logistics operations. In fact, with added efficiencies created by, for example, freight management software or streamlined processing, businesses will achieve higher capacities and revenues, and, ultimately, the economy could experience additional, and higher-quality, growth.

A 2005 McKinsey report, entitled *Logistics in Emerging Markets*, states: “Governments in markets such as Dubai, Hong Kong and Singapore already understand the need to balance brick-and-mortar projects with policies, regulations and enforcement measures. But many other developing nations have a single-minded devotion to expanding their hard infrastructure and thus overlook network components – such as efficient customs clearance and quality trucking services – that can have a strong impact on GDP.”

#### Growing Pains

In logistics terms, Shanghai is certainly no Hong Kong or Singapore. But, as it strives determinedly to reach their level of operations, it is suffering from its own growing pains – reaching a point where the 'hard infrastructure' is largely in place, but waiting for the 'soft' components to catch up. For now, the overall logistics system works, but most would agree that it doesn't work well enough – yet.

One immediate area for improvement is the city's port system. “To sharpen the competitiveness of the Shanghai port, we must greatly improve its software, meaning its functions as an international shipping hub, with support services in finance, insurance, maritime arbitration and other areas,” says Xu Peixing, Director of the Shanghai Port Administrative Bureau, speaking at a September maritime forum in Shanghai.

Shanghai is expected to handle 21 million 20-foot containers and 500 million tonnes of marine cargo this year – up from last year's 443 million. The city's port operator, Shanghai International Port Group, and regulators are working to offer tax rebates for exporters, to create opportunities for foreign firms to invest in port services, and to facilitate capital settlements offshore.

While many of those efforts would move Shanghai towards becoming an international-standard port, much of its current traffic remains regional or just domestic trade. Therefore, the operations of, for example, trucking services, 3PLs and freight forwarders will also require a similar scale of upgrading.

## People, Systems, Process

Put simply, the ways are there, but the means of transporting goods from, say, Shanghai to Chengdu is still far removed from an optimal efficiency level. Logistics professionals list a variety of issues, the most common of which relate to HR, industry regulations and, generally, processes.

Marco Leporati, Shanghai-based Director of Savino Del Bene, the Italy-based freight forwarder, places HR issues at the top of his list. "There are few personnel with international-oriented skills," he says. Ian O'Connell, CEO of Grand Cyber, sees HR as an issue particularly in warehousing and transportation. "To find someone with a more sophisticated expertise is very difficult," he says. Grand Cyber is a Shanghai-based independent consulting company focusing on logistics and supply chain.

O'Connell also notes that licensing can be a "complex process" due to the country's decentralised regulations. "It's different everywhere you go," he says. "The regulations in the last few years have improved," says Leporati, "but the problem is the difference between the declaration and implementation of rules." He refers, in particular, to taxation and business registrations.

Yvonne Lim, BDP International's Regional Manager, Sales & Marketing, North China, would like to see "more specific regulations, keeping in step with global transportation and logistics regulations and also safety material handling."

Andy Weber, Managing Director of Kuehne + Nagel (Asia Pacific) Management, places particular emphasis on innovation in products and processes – and on IT investment. "The deployment of state-of-the-art information technology for the visualisation of complex logistics processes is increasingly important," he says.

For Weber and others in the industry, the 'intangible' components are the key to not only forming the links in the logistics network, but also making the network run more smoothly.

Large foreign retailers like Wal-Mart have not been able to gain a foothold in China the way they have in other large markets, such as Europe and the United States, because of operational inefficiencies here. In talking about Wal-Mart and its recent rumoured purchase of a major retail chain in China, The New York Times says: "It has had high costs in China because systems for purchasing, transportation and distribution are clogged and complicated in a country that is still largely inefficient and without a strong national highway grid."

## Customs and Communications

IT solutions relating to logistics were among the highlighted components at the Transport Logistics 2006 exhibition held in September at the Shanghai New International Expo Centre. "Logistics is high-tech," says Manfred Boes, President of the International Federation of Freight Forwarders Associations (FIATA), who spoke at the trade show.

"The continuous demand for more modern means of transport, for the control of complete and complex process chains and for the management of suppliers requires state-of-the-art communications and IT tools," Boes adds.

"IT and technology are essential for visibility and also for management of customer information," says Lim of U.S.-based BDP. "It will not only bridge the gap between the service provider and the customer, it can also be a warehouse of information which the customer can tap into to improve their overall growth." BDP's services run from supply chain consulting to inventory control, and help clients manage everything from transportation issues to customs declaration and clearance. IT helps the company link with clients and its network of offices in 113 countries worldwide, while it also helps, says Lim, "to work with crucial industry partners like shippers, airlines and trucking services – without forgetting the most important linkage with customs in various parts of the world."

Customs issues in China also top the list for Joe Li, but, for the general manager of Aprile Asia Ltd., they relate primarily to customs clearance and declaration. The Italy-based logistics company, with a Hong Kong branch and offices in Shanghai and Shenzhen, handles air and sea transport for overseas manufacturers of consumer goods and computer components. "It's a pretty good system, but the process still takes a long time."



Another challenge of operating in China is the basic issue of communication. In an industry that is about the movement of goods, information is crucial, says Li, "but the Internet speed is too slow, and we're often disconnected."

### **Managing Goods**

For Kuehne + Nagel, IT solutions drive productivity within the company, while "widening the range of products offered to the customer at more competitive rates," says Weber. "With IT, we are able to improve the management of the whole supply chain. To a certain extent, growth has been driven by IT."

The Switzerland-based integrated logistics company has been expanding its contract logistics services since acquiring U.S.-based USCO Logistics in 2001, gaining access to that sector in the United States. Kuehne + Nagel operates in more than 100 countries, and, in China, it received a Class A license two and a half years ago to provide international forwarding and contract logistics. It employs about 2,000 people in 21 cities in China.

To manage a complex network of operations, it also employs a variety of IT tools, such as Order Management System (OMS), Material Management System (MMS), Container Management System, all of which help customers monitor purchase orders throughout the supply chain. These programmes fall under KN Login, the company's own standardised IT solutions through which, says Weber, "the customer can efficiently manage the delivery of goods and the product offers full door-to-door supply chain transparency."

"Transport and logistics are service businesses in which the quality of customer care and the level of technological innovation make a world of difference," says Thomas Gronen, Director, Sales & Marketing, Eastern China, at Shanghai E&T Geodis Overseas. The company, part of the France-based logistics provider, uses IT solutions, such as Warehouse Management System (WMS) and Transport Management System (TMS), to plan the physical flow and resource allocation of goods, manage documentation and compliance.

### **Big and Small, Adding Value**

For large-scale logistics companies, implementing IT to manage operations is practically crucial, and they also have the capacity, whether financial or technical, to build such solutions into their business. Such technology used to communicate with customers, process data and monitor the supply chain, helps to add value to what they offer to the customers. Logistics, after all, is a service industry.

"The forwarders – and I'm talking about the small- and mid-size forwarders – are not investing sufficiently in IT systems and software programmes," says Nol van Fenema, Publisher and Editor of Payload Asia, a regional air freight publication based in Singapore. "That investment is coming, but it takes money." To similarly add value in their services, smaller companies find it just as important to utilise their software infrastructure to a maximum extent. Collyer Logistics – an integrated group of logistics companies based in Germany, India, Hong Kong and Shanghai (including 7 branches throughout China) – has been using off-the-shelf software to manage primarily financial aspects of its business.

Off-the-shelf software, says Andy Russell, Collyer's Shanghai-based Managing Director, provides basic, yet limited, functions for the company's operations. "Such software works fine if your company fits their system," says Russell, of IT solutions providers in general, "but it becomes troublesome if you want their system to fit your company."

Ryder Logistics (Shanghai), a subsidiary of the American transport company, uses IT to help clients manage warehouse inventory and transportation systems and facilitate data exchange. "IT also plays a key role in implementing our clients' business strategy, processes and operation," says Christopher Woodward, the company's Vice President and Managing Director, Greater China. For Collyer, which acts as the handling agent in Asia for smaller NVOCCs, "communication and information flow are integral to our business," says Russell.

Netherlands-based Pon Logistics Solutions is engaged in the logistics flow, but focuses on the physical movement of goods. Officially registered in Shanghai since March this year, Pon sells and services materials handling equipment – its forklifts, industrial doors, docklevelers and warehouse racking equipment can add value to and boost the efficiency of a logistics operator, says Toon Nouwens, the Managing Director in Shanghai.

Pon has tapped a niche market within China's logistics industry, and that market remains "very price-conscious." Some companies will rather opt for cheap manpower over machinery. "Modern companies cannot do without proper materials handling equipment," says Nouwens, adding that "we're selling for the long-run," during which the overall efficiency of moving and storing goods can be achieved.

### **Paperless Freight**

Cyber Global, the logistics consulting company, helps clients – for example, in 3PL, consumer goods manufacturing or logistics investment – identify the appropriate software in the market. "A lot of the time, it's what software to choose," says CEO O'Connell. At times, says van Fenema, of Payload Asia, "The problem is that there's too much choice. There's no jack-of-all-trades systems software."

In fact, companies are moving towards web-based applications to facilitate client communication and information management. Collyer, for example, expects to go online by mid-2007 allowing its 160 partner agents worldwide to access information from a web browser.

In fact, the International Air Transport Association (IATA) launched the e-freight and e-booking project in 2004 to help link airlines and ground forwarders. Van Fenema, of Payload Asia, who finds the development "very interesting and very challenging," says, "What it simply means is that it's trying to get away from the tonnes of paper that is being used still today, and do everything electronically."

Van Fenema estimates that one shipment requires 30 pieces of paper before it can be delivered, and, if there are 100 shipments a week, then it not only becomes a cumbersome process, but also creates waste. Paper used in processing shipments every year could fill 39 747-400 freighters, according to IATA.

### **Safety and Security**

Where the work of people can be replaced, or at least supplemented, by technology is in ensuring the safety in various aspects of logistics. Operators, including Ryder and Geodis, employ GPS systems in the transport of goods and CCTV surveillance systems in warehousing, in addition to Electronic Data Interchange, or EDI solutions, which ensures data security in transfers of real-time information to customers. But, ultimately, insurance for all cargo in transport or storage "is a must," says Woodward.

There are also several industry initiatives that businesses follow in order to provide optimal security, and to allay customers' concerns. BDP, for example, is certified in the Operation Safe Commerce (OSC), an effort developed after 9/11 to heighten cargo security, and the Trade Support Network (TSN), begun by the U.S. Customs.

The Technology Asset Protection Association (TAPA) offers certification in maintaining security standards in storage and distribution of high-value goods. The Customs-Trade Partnership Against Terrorism (C-TPAT) is another U.S.-led security initiative protecting cargo flow. Several large-scale companies are now certified for both TAPA and C-TPAT.

### **Personal Touch**

As important as safety and security measures may be, it is still the quality of service provided that wins over logistics customers, whether in China or elsewhere. Ultimately, it comes down to personalised and dedicated people and processes.

What smaller companies like Collyer may lack in scale for sufficient technological investment, they compensate with their human workforce. "Small is beautiful," says Russell, who believes that logistics companies are growing and consolidating at the same pace as the industry's shipping lines. With the imaginative use of technology, he says, "we are able to give employees more time to talk to clients, rather than just permit them to handle more volume."

"Improvement is expected but, in a service industry like logistics, IT should only be used as a tool and not as a replacement for personalised customer service. IT will only get easier to use with greater visibility," says BDP's Lim. "But it will still take 14 days for the physical cargo to move from Shanghai to Los Angeles regardless of how quick you can get the information or how accurate the information is. So, in other words, IT is only a tool for all service related industries. It is critical to have for higher visibility and better information

flow.”

“[Logistics] is a matter that goes far beyond transportation from A to B,” says Boes of FIATA. “It is a matter of system solutions, be it for the automotive sector, the electronic industry or for supermarkets and department stores and consumer goods manufacturers.”

As developed as Shanghai's infrastructure appears to be, the city is still a developing market, and the means are still shadowing the ways. If precedent development in other logistics markets is any indication, the lack of advancement in these areas may well hold back further growth in the sector.

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