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The Logistics & Supply Chain Management Society
The Regional Professional Body for Logistics Practitioners

OCTOBER/NOVEMBER 2016

LogiSYM

The Magazine for Supply Chain Executives

this issue

Manufacturing Trends in Malaysia and the ASEAN

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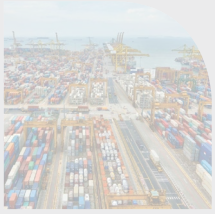

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from the editor

.....Why are Trade Agreements proving so difficult to implement?

Dear Readers,

The euphoria to engage Countries and Regions to negotiate workable trade agreements seems to have lost some momentum. But why is this so?

The Trans-Pacific Partnership {TPP} was always going to be a tough agreement to reach. But having attained a workable format, it now finds obstacles at the highest levels. The Regional Comprehensive Economic Partnership {RCEP} gained some momentum while TPP was in full swing. But now it too seems to be slowing down. The EU trading block, post BREXIT will also be a major development to watch.

APEC is keen to promote the FTAAP. But how would this initiative change the dynamics of the other initiatives and agreements in the pipeline. However it is clear that for shippers and users, this is all very confusing and complex to implement its benefits.

But this raises an even bigger question of maybe why free trade agreements have lost some steam. What we see is a slow down in growth in the APEC countries. The group was the biggest growth region in the world, driven by merchandised trade. But we have seen this trade stream drop significantly, with APEC no longer the top growth region in the world. The drop in merchandise trade in the region may also account for the price pressures on carrier, lower trading volumes and ultimate collapse – i.e. Hanjin

What are the possible reasons for this drop in merchandised trade? Several possible reaons: A key contributor has been on shoring back to US & other regions. The impact on China's energy evolution and its slow down in imported demand is another. The growth in services has also had a major impact to replace merchandise growth in the APEC Region, notably in Technology, data exchange, telecoms and financial services.

APEC has undoubtedly several challenges that they need to deal with across a whole spectrum of issues. Not least is the social evolution of aging populations and the different level of affluence in the APEC countries. I believe these key issues can strongly influence how trade agreements will evolve in the region. Could this be a clue as to why other past agreements have not be successful?

The development of e-Commerce business channels in the region will be an important platform for SMEs to leverage their regional and global outreach. This in turn will impact a larger section of the population, with many positive opportunities.

The FTAAP could be the way forward to deal with specific regional issues that would enable a rebalancing of trade flow and changes amongst the member states. What could we expect from the FTAAP that others could not deliver ? We await the next APEC meeting in November.

As usual, I look forward to receiving your feedback at **info@lscms.org** and even publishing an article of yours.

Joe Lombardo
International Editor

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- Exploring Future Directions for Global Supply Chains
- Last Mile: The New Frontier in the E-Commerce Supply Chain
- Changing Business Landscapes in Middle East Supply Chains: Is Globalisation Dead?
- The Logistics Property Play: Why Logistics Property Assets are in Hot Demand in the Middle East at Present and What Happens Next
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a word from the president

What Next?

The "big" news in Supply Chain this month has been the collapse of Hanjin. Many of us have seen instances of hindrance where cargo is not only stuck in ports or on vessels, but where we are facing issues with retuning empty Hanjin containers to container yards.

The ramifications are being felt throughout the industry and will carry over into 2017. I am pretty sure however that rates will not continue at the inflated level that we are seeing today when Trans-Pacific shipping rates spiked by as much as 56% one week into Hanjin's bankruptcy. Prices have since stabilized but are still about 40% higher than before Hanjin filed for bankruptcy.

It is fairly obvious to industry punters that rates will drop after the current peak-season but some other reasons around this are:

Overcapacity – a plethora of newbuilds with larger capacities are constantly coming on line. This supply far outweighs market growth

Overcompensation – Carriers are quickly attempting to fill the gap left by Hanjin so much so that I expect to see overcompensation along these routes.

Global Shipping Recession – Whilst TEU growth capacity has tapered off to 2 – 3 % annually, shipping demand growth is anticipated to be fairly flat. In the last days of September, The World Trade Organisation (WTO) revised down its 2016 global trade forecast by more than a percentage point, warning growth had hit its slowest pace since the global financial crisis.

The WTO now estimates that global trade will expand by just 1.7 per cent in 2016, compared with its April projection of 2.8 per cent, and compared with a projection a year ago that trade would swell by 3.9 per cent this year. The agency also revised down its forecast for next year, with trade now expected to grow between 1.8 and 3.1 per cent, down from the previously anticipated 3.6 per cent so it looks like the bumpy ride will continue into the near horizon. With most of us working on budgets for 2017 at the moment, forecasting growth in our respective organisations is proving a challenge – and the above outlines just one of those faced by 3PL's. Looking at the landscape however, opportunities abound for those with a keen eye and business sense coupled with the willingness to invest and take calculated risks.

LogiSYM and our network of experts will continue to draw attention to some of these and we hope you continue to find these useful and support what we do.

Raymon Krishnan
President
The Logistics & Supply Chain Management Society

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Korean Air Approves Funds for Unloading Hanjin Cargo

Korean Air Lines, the biggest shareholder in Hanjin Shipping, said it will provide KRW60 billion (US$53 million) to ease a supply-chain disruption after Hanjin filed for bankruptcy, reports Singapore's Straits Times.

The flag carrier only will give the money after Hanjin Shipping puts up its stake in a terminal in Long Beach as collateral, Korean Air said. The money will be used for payments to unload cargo from some of Hanjin's vessels that have been stranded in North America, Europe and Asia after Hanjin filed for receivership.

Hanjin Group, which controls Korean Air, had said it would provide KRW100 billion, including KRW40 billion from chairman Cho Yang Ho.

South Korea's ruling Saenuri Party also asked the government to offer about KRW100 billion in low-interest loans on condition the owners provide collateral. Hanjin Shipping operates the Long Beach terminal in partnership with Mediterranean Shipping. It remains unclear whether the badly indebted company could provide matching collateral. About US$14 billion worth of cargo for companies such as Samsung Electronics is stuck on 92 Hanjin vessels, including 78 containerships, stranded at 51 ports in 26 countries.

Some companies have unloaded their cargo from the vessels and are looking at alternative ways to transport their goods, according to the authorities in the South Korean port city of Busan.

Container lines including Hyundai and Maersk are offering extra services to take on some of Hanjin's containers left stuck at ports.

The bankruptcy of Hanjin Shipping, if it happens, would be by far the largest in the history of container shipping, which is suffering its worst downturn in six decades because of a slump in global trade and a slowdown in China.

Boeing: China Will Be First US$1 Trillion Aviation Market

Boeing sees demand for new commercial planes in China reaching over US$1 trillion in the next 20 years, making it the first trillion-dollar market in Boeing's forecasts.

The aviation giant said in its annual China Current Market Outlook, that it expects commercial airplane demand in China to hit 6,810 new planes over the next two decades, up 7.6% from its prior outlook. The planes are valued at $1.025 trillion. Boeing sees single-aisle demand accounting for 75% of new deliveries, hitting 5,110 through 2035 as low-cost carriers expand to meet demand from the rising middle class.

"As China transitions to a more consumer-based economy, aviation will play a key role in its economic development," Randy Tinseth, vice president of marketing at Boeing Commercial Airplanes, said in a release. "Because travel and transportation are key services, we expect to see passenger traffic grow 6.4% annually in China over the next 20 years."

Air cargo is expected to grow as more shoppers head online to sites like Alibaba and Vipstore. Boeing expects cargo demand of 180 new freighters and 410 converted freighters over the next 20 years.

Boeing has been dominating the Chinese market, accounting for nearly 50% of all commercial planes according to the company.

Shippers Want Bigger Say in Shaping Air Cargo Regulations, Says GSF

THE Global Shippers' Forum (GSF) is developing a closer relationship with ICAO in order to give the UN organisation a wider view of the impact its regulations have on the whole air cargo supply chain, the London's Air Cargo News reported.

GSF secretary general Chris Welsh said ICAO attended its recent annual meeting in Colombo, Sri Lanka, and he had held a meeting with the organisation's new secretary general Fan Liu, at IATA's World Cargo Symposium event earlier in the year. The drive for closer engagement comes as ICAO looks to develop an air freight strategy. "It is the first time that ICAO is really reaching out to shippers independently, as well as all the other stakeholders that are already on the scene, such as TIACA and IATA," said Mr Welsh.

"IATA has been seen as the main voice of the air cargo industry and in the sense that IATA represents air cargo carriers that is true.

"But what is more interesting is ICAO wants wider engagement with cargo interests, the wider air cargo supply chain and sees the value of that - notwithstanding the huge amount of co-operative work we are doing as an industry with TIACA, IATA and FIATA on a range of issues."

> "It is the first time that ICAO is really reaching out to shippers independently, as well as all the other stakeholders that are already on the scene, such as TIACA and IATA
>
> **Chris Welsh**
> **Secretary General**
> **GSF**

Mr Welsh said at the meeting in Colombo the GSF was able to discuss ICAO's air freight strategy to understand how it could assist in the process.

"ICAO is very keen to have shipper involvement in that process and the GSF is going to be the vehicle for shippers to move that agenda on," he said. But wanting to join, form and dominate another shipping organisations is typical of the GSF, which has not always been on the same side as shippers, but tends to voice pro-regulator views.

In the container mandatory weigh-in controversy, GSF joined the debate not on the shippers side that wanted none of it, but in a petty dispute over which weigh-in system to favour, derailing any discussion on whether weigh-ins should be mandated at all.

GSF has had well publicised disagreements with the European Shippers Council and Asian Shippers' Council, which together formed a rival group called the Global Shippers Alliance.

The Asian Shippers Council (ASC) quit the Global Shippers Forum because of membership rules that would have diluted its vote by allowing smaller regional councils, which it formerly represented, to join as full members.

That left the ASC free to join the European Shippers Council (ESC) in its opposition to mandatory container weigh-ins before loading because of the costs, red tape and lack of clarity over liability.

APL Adds Oxygen and CO2 monitoring to Reefer Shipment Tracking

APL is adding oxygen and carbon dioxide monitoring capabilities on top of temperature and humidity tracking to its satellite tracking system, SMARTemp, designed for reefer shipments.

Powered by a microprocessor controller affixed to an APL reefer container, SMARTemp records precise readings on temperature, humidity, oxygen and carbon dioxide levels of the reefer cargo shipment in real-time. Transmitted via satellite to the shipping line's central server, customers can retrieve the data on APL's e-commerce portal, HomePort.

Live monitoring of oxygen and carbon dioxide levels comes in most useful for cargoes filled with delicate items or produce that are moved using the carrier's SMARTCare+ technology. This atmospheric control solution manipulates oxygen and carbon dioxide levels within the reefer containers to preserve the qualities and prolong the post-harvest life of the cargo.

Head of Special Cargo, Ng Kar Loke, said in a statement: "APL deploys only the best reefer solutions that protect cargo integrity during every APL voyage. APL will continually innovate through our range of SMART reefer technologies to deliver customer value."

More Mergers and Acquisitions Says Drewry

Poor first half results in container shipping in the first half make it more likely that more merger activity can be expected, says London's Drewry Maritime Research. First half revenue from Maersk, Hapag-Lloyd, MOL, NYK, OOCL, and "K" Line, was down by 18 percent on average, notes Drewry's Container Insight Weekly.

If this persists for a full year, carrier income would fall US$29 billion against 2015, below the record lows of 2009, said Drewry analysts.

"With carriers waving goodbye to likely more than US$50 billion of sales in two years since 2014 - in 2009 the sales reduction was about US$66 billion in just one year - it should be no surprise that most of the big players are losing money and that some are close to the financial abyss, or that a number of lines are merging in order to better prepare for such hard times," Drewry added.

After years of little M&A activity, there has been much recent action such as the merger of Cosco and China Shipping, French carrier CMA CGM buying NOL/APL, and Germany's Hapag-Lloyd merging with UASC.

Said Drewry: "On top of all that, carriers have developed bigger alliances to pool their resources and try and find more cost savings. All of these moves are defensive strategies forced upon carriers by the weak state of the market."

King Abdullah Port Gets US$720 Million for Second Phase Expansion

SAUDI Arabia's first fully privately owned port, King Abdullah Port (KAP), has secured a SAR2.7 billion (US$720 million) Arab National Bank and Saudi Arabia British Bank loan for the building of a new container facility, ro-ro and bulk terminals.

This second phase of KAP's master plan will double annual container capacity to six million TEU, ro-ro storage capacity to 600,000 vehicles and enhance its bulk cargo handling capacity to three million tonnes, reported Colchester's Seatrade Maritime News.

A portion of the 14-year loan will also be dedicated to the development of a logistics hub inside the port.

KAP's container throughput in 2015 soared 73 percent to 1.3 million TEU while Japan ro-ro operator NYK has committed to two new ro-ro berths. The first phase of bulk and ro-ro cargo terminals is scheduled to be completed by early next year.

Managing director of Ports Development Company which owns and operates KAP, Abdullah Bin Muhammed Hameedadin, who's an engineer, has overseen a number of key developments in the port's short history including the opening of a fourth pier in May last year, raising container capacity to around three million TEU.

KAP occupies a total area of 16 square kilometres and is linked to King Abdullah Economic City's Industrial Valley and bonded zone. Once complete, KAP will be able to handle 20 million TEU, 1.5 million vehicles and 15 million tonnes of clean bulk cargo annually.

Oceanwide Logistics Opens Dubai Office

OL International has opened an office in Dubai, United Arab Emirates. Oceanwide Logistics Dubai joins the company's growing global NVOCC network of 18 offices and more than 120 agents worldwide, many of which are part of the Oceanwide Logistics Global Network.

This integrated network allows OL International to deliver powerful and seamless service to and from Dubai and ports around the world, the company said in a press release.

Oceanwide Logistics Dubai will be led by managing director Paula Bellamy, an industry veteran who previously managed Allseas Global Logistics Dubai and Ocean World Lines UK offices.

"The team and I are thrilled to be able to dramatically expand the breadth and strength of our services to clients by leveraging the power of the Oceanwide Logistics Global Network," said Bellamy. "Not only will we be able to improve client experience with industry-leading features like Track & Trace, and the EDI-fed reporting directly from carriers, but as of today we are in a leadership position in an exciting time for the growth and maturation of Dubai as a port of choice in global shipping."

Alphaliner: Maersk Could Sell APM Terminals and Damco

Danish shipping major Maersk Line's container shipping related units, APM Terminals (APMT) and Damco, could be spun-off or divested entirely, following the company's strategic and structural review, according to Alphaliner.

The move could be made as the company faces "tough divestment choices" after posting an operating loss of USD 111 million and a net loss of USD 151 million for its container shipping business in the second quarter of 2016.

The ocean carrier's losses have dragged down overall net profits of the A.P. Møller-Maersk Group to only USD 118 million for the quarter, compared to USD 1.1 million in the same quarter last year.

Alphaliner added that the appointment of Søren Skou as the group CEO in June, and his concurrent role as CEO of Maersk Line, suggested that container shipping would remain central to the group's new strategy.

Maersk expects to disclose details of the review at the end of September, at which point it would decide on whether it "should stay as it is, or whether it should be split up."

CH Robinson Expands Global Network, Acquires APC Logistics

Minneapolis, US-based transport and logistics company C.H. Robinson has continued to grow its global presence and has announced it is to acquire APC Logistics, a provider of freight forwarding and customs brokerage services in Australia and New Zealand.

The two companies have had a long-standing exclusive agent relationship for business in Australia and New Zealand. The agreement is subject to certain customary closing conditions, including regulatory approval.

"This acquisition allows us to add great talent to our Global Forwarding team and advances the strategy to expand our global network," said John Wiehoff, chairman and chief executive officer of C.H. Robinson. "We will work hard to successfully integrate the valued employees, customers and suppliers of APC."

APC Logistics is a privately held international freight forwarder, providing ocean, air, customs brokerage and consultancy services, currently serving over 3,000 customers and suppliers. Founded in 1974 and headquartered in Melbourne, Australia, APC Logistics employs approximately 300 people and has seven offices in Australia and two offices in New Zealand. APC had AUD $334.2 million in total revenues for the financial year ended June 30, 2016. C.H. Robinson intends to purchase APC Logistics for approximately AUD $300 million in cash. The acquisition is expected to be accretive in 2016 and 2017 and will be financed through cash and funds drawn from C.H. Robinson's existing revolving credit facility.

"By joining C.H. Robinson, we are building on the business we have done together for more than 16 years," said Tony Considine, chief executive officer of APC Logistics. "We are extremely excited to have our business be part of C.H. Robinson, a leading global company, and believe this will position us to better serve our customers and foster growth by leveraging C.H. Robinson's vast network and core service offerings."

Kintetsu World Express Opens Pharma Warehouse in Hyderabad

KWE India, the Indian subsidiary of Kintetsu World Express (KWE) and part of the Japanese global conglomerate Kintetsu Group, has unveiled the country's first Good Distribution Process (GDP) warehouse at the Hyderabad airport cargo satellite building to exclusively handle pharmaceutical logistics.

KWE India Managing Director Mineo Suzuki inaugurated the facility. With this, KWE becomes the first to set up a unique and one of the kind facilities by any freight forwarder and logistics company in India.

Strategically located at the country's pharmaceutical hub, this facility will be exclusively utilised to provide logistics support for the pharmaceutical shipments - including both export and import trade.

Set up in non-bonded area, the state-of-the-art facility is equipped with 24x7 temperature ambient control, CCTV, control access, racking, temperature and humidity indicators, alarm system and skilled & trained manpower to follow GDP compliant process throughout the shipment handling.

Kerry Logistics Network H1 Profit Increases

JUNE 30, 2015
HK$701.01 million

JUNE 30, 2016
HK$709.08 million

Kerry Logistics Network Limited has reported that profit attributable to shareholders for the first six months ended June 30, 2016 was HK$709.08 million, or HK$0.42 per share, compared to HK$701.01 million, or HK$0.41 per share, for the same period ended June 30, 2015. Turnover for the first six months ended June 30, 2016 was HK$10.46 billion, compared to HK$10.13 billion for the same period ended June 30, 2015.

Operating profit for the first six months ended June 30, 2016 was HK$1.1 billion, compared to HK$1.1 billion for the same period ended June 30, 2015.

Profit before taxation for the first six months ended June 30, 2016 was HK$1.08 billion, compared to HK$1.09 billion for the same period ended June 30, 2015. William MA, Group Managing Director of Kerry Logistics, said, "The operating environment remained tough in 2016 1H due to flat global demand and stagnated trade flow in the logistics industry. Negative currency effects caused by the strong US dollar also affected our overall performance. Nonetheless, we held on strong to our core competences and achieved sustainable results, in which performance from major markets recorded steady growth. Riding on the complete integration of APEX in the US in the next 18 months, the IFF division is expected to achieve higher growth than the IL division in 2016."

DAFZA Signs Landmark MoU with China (Guangdong) Pilot Free Trade Zone

The Dubai Airport Freezone Authority (DAFZA) recently signed a Memorandum of Understanding (MOU) with China (Guangdong) Pilot Free Trade Zone (GDFTZ) – Nansha Area of Guangzhou (Nansha FTZ), which is aimed to further enhance bilateral cooperation between the two parties.

The landmark agreement was signed by Nasser Al Madani, Assistant Director General, DAFZA and Pan Yuzhang, General Director of the General Affairs Office of GDFTZ and the Chief Economist of the Administrative Committee of the Nansha Economic and Technological Development Zone. Under the terms of the MOU between DAFZA and Nansha FTZ, both parties will collaborate on expanding bilateral trade exchange; promote mutually-beneficial investments and business partnerships as well as cooperation in information technology, cross-border e-commerce and shipping logistics; exchange expertise and experiences in planning, strategy, general operations and employment models; and engage in other areas of cooperation they jointly agree on.

This strategic agreement will help in further advancing the implementation of China's Belt & Road Initiative, a development strategy launched by the Chinese Government to foster economic cooperation among countries along the proposed Belt and Road routes.
The strategy has aided the countries engaged in the initiative in achieving USD 100 billion as value of cooperation.

DAFZA's agreement with Nansha FTZ will consolidate their respective strengths as leading free trade zones to mutually pursue business and investment growth. It also positions DAFZA as a major contributor to the Belt & Road Initiative which aims to extend China's global commercial ecosystem and reenergize the trade routes of Central and West Asia, the Middle East, and Europe.

UPS First Global Logistics Integrator To Launch On-Demand 3D Printing Manufacturing Network in Asia

- Singapore to serve as newest location for Fast Radius 3D printing factory
- Dedicated UPS team to help customers integrate 3D printing manufacturing and distribution solutions into their global supply chains
- Manufacturers get "floor-to-door" solution with UPS's global additive manufacturing and logistics network and co-innovation agreement with SAP

UPS (NYSE: UPS) today said its partner Fast Radius will open a 3D printing factory in a UPS facility in Singapore by the end of this year, expanding the UPS on-demand 3D printing network to Asia and enabling customers to increase their supply chain efficiency with additive manufacturing.

UPS also will establish an Advanced Solutions team in Asia to create a Centre of Excellence that develops supply chain solutions and promotes wider applicability of 3D printing with customers. Businesses can use the Fast Radius On Demand Production Platform™ to produce industrial parts, which are expedited for delivery via UPS's global and intra-Asia transportation network.

"3D printing will have a significant impact on industrial manufacturing and 21st Century supply chains," said Ross McCullough, president of UPS Asia Pacific region. "At UPS, we are embracing disruptive technologies and integrating them into our global logistics network. We believe that much like ecommerce digitized and transformed retail, 3D printing will have a similar impact on manufacturing."

"UPS is the first integrated logistics provider to establish an on-demand 3D printing manufacturing and logistics network in Asia," McCullough added. "This network will help Asia strengthen its position as a manufacturing hub."

UPS announced the expansion during a press event that also was attended by representatives from the Singapore Economic Development Board, Fast Radius and SAP. In May, UPS and SAP announced a co-innovation agreement to collaborate on a solution that would integrate SAP's extended supply chain and internet of things solutions with the UPS additive manufacturing and logistics network, to "connect the manufacturing floor to the customer door."

Companies that virtualize their inventories can not only save costs by reducing the number of parts made "just-in-case" but also can produce smaller quantities cost effectively and with the same quality, in addition to minimizing lead-times because parts are produced closer to where they are needed.

Businesses of all sizes can use 3D printing to:

- Reduce inventory for slow-moving parts
- Lower transportation costs as goods travel digitally
- Produce less costly and shorter production runs compared to traditional manufacturing
- Prototype and manufacture initial production runs with lower capital and less time
- Customize goods in a more cost-effective manner
- Create and receive high quality rapid prototypes quickly

"UPS's 3D printing Centre of Excellence reinforces Singapore's position as the leading logistics hub of Asia and its commitment to driving innovation for economic growth," said Michelle Ho, managing director of UPS in Singapore. "Having Fast Radius' factory connected to UPS's network means customers can send their 3D printing orders by 5 p.m. and have them delivered to their customers in most major Asian cities within 24 hours. This vastly changes how manufacturing companies in Singapore and the region will operate, especially at the proto-typing stage, before products are taken to the market. We are excited to be playing a key role in accelerating the adoption of 3D printing technology and establishing this offering as a core service for our clients throughout the region."

"The decision to locate the first international on-demand 3D printing factory here is testimony to Singapore's readiness to partner with logistics companies in creating innovative supply chain solutions. We recognize that additive manufacturing

could potentially transform supply chains. We believe that deepening our capabilities in this area could further strengthen the logistics industry through business model innovation and the creation of new solutions," said Lee Eng Keat, director of logistics, Singapore Economic Development Board.

Once the facility opens customers can place their 3D printing orders either via the Fast Radiuswebsite or by visiting the factory located at UPS House in Singapore. Fast Radius will direct the order to the optimal manufacturing location either in Singapore or the U.S. based on speed, geography and product quality requirements. UPS can ship as early as the same day. In the U.S., the 3D printing network also includes more than 60 The UPS Store® locations, providing multiple printing locations and geographic coverage.

Rick Smith, CEO of Fast Radius, said, "Our expansion into Asia in partnership with UPS is a significant step in fulfilling our vision of a globally distributed manufacturing and distribution platform serving this rapidly growing industry. Wohlers Report 2016 predicts the 3D printing industry will grow from $5.2 billion in 2015 to $26.5 billion in 2021. The report says that if 3D printing penetrates just five percent of the world manufacturing economy, it would reach $640 billion annually."

For more information about 3D printing at UPS, please visit www.ups.com/3D printing or click herefor more information on The UPS Store 3D printing capabilities. Other resources include the UPS Newsroom or the SAP NewsCenter. UPS is a minority investor in Fast Radius through the UPS Strategic Enterprise Fund, a venture capital group focusing on developing critical partnerships and acquiring knowledge returns in technology companies and emerging market spaces.

Henkel Opens Global Supply Chain Hub in Singapore

Photo: Courtesy of Henkel

German adhesive technologies and consumer goods giant Henkel has opened its global supply chain hub in Singapore as part of its efforts to merge the firm's supply chains around the world.

As reported in the Straits Time, the hub at PSA Building in Alexandra Road and another newly opened hub in Amsterdam will standardise and merge the firm's purchasing, production and logistics processes across its three business units: adhesive technologies, beauty care, and laundry and home care.

It will help steer Henkel's "biggest transformation initiative", said Mr Thomas Holenia, president of Henkel Singapore, at the launch.

"The goal is to simplify the organisation and secure the company's long-term competitiveness in terms of efficiency, speed and agility."

Mr Holenia, who is also corporate vice-president of global purchasing and managing director of Henkel Asia-Pacific supply chain, noted Singapore was chosen for its excellent logistics capabilities, availability of supply chain talent, and its position in the heart of Asia, one of the firm's key growth markets.

The Singapore hub, which began operations in November last year, now has around 50 staff, and is further beefing up its workforce.

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Nike Ramps Up U.S. Manufacturing Effort, Teams with Apollo Global Management

Nike has announced its latest effort to manufacture products in the U.S. The sportswear giant has teamed with Apollo Global Management to improve Nike's supply chain in the Americas. The partnership is designed to build domestic manufacturing infrastructure (most Nike products are made in Southeast Asia) and help Nike get products to customers quicker, including customized merchandise.

Terms of the partnership weren't disclosed. Nike has US$32.4 billion in annual revenue. Apollo is a global alternative investment manager with US$186 billion in assets under management. "We are excited to be working with Apollo to rethink a new supply chain model to revolutionize apparel manufacturing in the Americas," said Eric Sprunk, Nike's chief operating officer, in a news release.

As part of the partnership, Nike and Apollo formed a new supply chain company. It has acquired existing apparel suppliers in North and Central America. The company also will invest in new technology and likely acquire additional companies.

"The new company, under Apollo's leadership, is committed to embedding sustainability and transparency into the business, investing in new technology, vertically integrating critical elements of the supply chain and delivering the best Nike performance product to our retail and sports partners," Sprunk said, in the release. Nike isn't the only sportswear company investing in domestic manufacturing. Adidas last week said it will open its first U.S. factory near Atlanta in 2017. The facilities are expected to be largely automated and allow companies to get products to consumers quicker and cheaper than shipping merchandise from Southeast Asia.

Chinese Air Conditioner Maker Eyes Electric Vehicles

Gree Electric Appliances, China's largest air-conditioner maker, is entering the fast-growing electric vehicle market with a CNY13bn (US$2bn) acquisition of electric vehicle manufacturer Zhuhai Yinlong New Energy.

According to Bloomberg, the appliance maker, which announced its intention to buy Yinlong in March, is among the dozens of startups and industrial companies venturing into the field of electric vehicles after China designated new-energy vehicles a strategic industry as part of a broader push to upgrade its manufacturing sector. Electric vehicles also would curtail tailpipe emissions that contribute to worsening air pollution in major cities.

Gree is making the purchase in order to support the Chinese government's push to clean up the environment and promote greener technologies, Chairman Dong Mingzhu reportedly said in an interview in Beijing in March. "The decision was made with the premier's work report target to have blue skies, green pastures and clear water," she said, referring to Premier Li Keqiang's report to the legislature that listed the government's priorities for the year.

According to Bloomberg, Yinlong started manufacturing batteries for electric vehicles in 2009 and has a line of seven electric passenger cars and 18 electric buses. The company sold 3,189 electric buses as of January, giving it a market share of 3.6% in China, Yinlong said.

The report added Gree is entering a crowded electric vehicle market with tough competition from other well-funded investors. Over 200 Chinese companies are developing 4,000 models of new-energy vehicles and unveiling prototypes.

VW Targeting East Africa Market with New Kenya Factory

After a four-decade pause in production in Kenya, VW would establish an assembly plant to initially produce its Vivomodel, President Uhuru Kenyatta and Volkswagen South Africa chief executive Thomas Schafer said. Emerging market production is familiar territory for VW, whose familiar Beetle model was a favourite on the streets of Mexico, but Kenya's car market is dominated by low-priced second-hand imports from countries such as Japan.

VW, which assembled cars in Kenya in the 1960s and1970s, will join other brands already being put together in the country, including Isuzu, Toyota, Nissan and Mitsubishi.

"Volkswagen South Africa will now again establish an assembly plant to produce motor vehicles at the Kenya Motor Vehicle Manufacturers Limited in Thika," Kenyatta said yesterday after meeting Volkswagen South Africa executives.

Kenya mostly assemble strucks, pick-ups and buses from kits supplied by foreign manufacturers, although data from the Kenya National Bureau of Statistics showed the number of vehicles assembled between January and April was down 31% year on year to 2 258 vehicles.

The Kenya Vehicle Manufacturers Association attributed the slowdown to tough economic conditions for buyers, including high interest rates and cuts in government spending, while Volkswagen said it saw opportunity in the market.

"We believe Kenya has the potential to develop a very big fully-fledged automotive industry," Schafer said.

"The East African Community has got the potential, and today is the first step in this direction that we want to take with our passenger cars."

World's Largest Retailer to Advance Australia Fare

Chinese e-commerce giant Alibaba will step up its promotion of Australian meat, dairy, seafood and other fresh food into the Chinese consumer market through its online trading platforms as part of a deal signed in Hangzhou yesterday with Austrade.

The deal, witnessed by Malcolm Turnbull and Alibaba founder Jack Ma at the company's head office in Hangzhou, which has been the site of the G20 leaders meeting this week, will result in Alibaba and Austrade launching an annual Australian fresh food week sales promotion on its food platform, Tmall Fresh.

Alibaba has also agreed to use its new video channel to promote Australian goods, including fresh foods, on Youku.com, a leading video and streaming provider in China with more than 500 million active monthly users. The deal with Alibaba, which overtook US company Walmart as the world's largest retailer earlier this year, with a gross merchandise volume of more than $US476 billion ($627bn), comes as the Chinese company has announced plans to set up an office in Australia later this year.

More than 1300 Australian brands including Suisse vitamins, Blackmores, Bellamy's Organic, Penfolds wines, a2 milk and Jurlique cosmetics already sell on Alibaba's e-commerce platforms including Tmall and Tmall Global.

Alibaba has also been working with retailers including Australia Post, Woolworths and Chemist Warehouse to help promote Australian products on its sites.

Senior Austrade Commissioner Michael Clifton said the improvements in "last mile cold chain logistics" were making it increasingly viable for fresh food from Australia to be exported to China.

"Australia is a key market for Alibaba," said Maggie Zhou, the managing director of its Australian business.

"With Alibaba's new Melbourne office opening later this year, our local team will be dedicated to providing businesses the information and tools they need to advance their international growth." Alibaba has an active consumer base of more than 420 million across China but Mr Ma has long-term ambitions to develop it as a global e-commerce platform.

Snapdeal Enables 'Next Day Delivery' Options For Over Five million Products

India's largest online marketplace Snapdeal has announced the option for the next day delivery for over five million products. These five million products are stocked within its 69 SD+ (Snapdeal Plus) centers, spanning more than three million sq feet and spread over 25 cities across India. Snapdeal's Next Day Delivery network is present in 104 cities and expanding fast. Snapdeal launched its SD+ centers in 2014, and has scaled them to a robust 69 fulfillment centers, which have a peak capacity to handle over 14 million products.

In July 2016, Snapdeal opened six new mega logistics hubs in NCR Delhi, Lucknow, Hyderabad and Kolkata to store stocks closer to the large consumption centers in the country.

Every product shipped from SD+ centers are thoroughly checked and go through an x-ray scan in cases of sealed products like electronics. "Next Day Delivery is a key preference driver for our consumers and through the five million+ stocked products across our nationwide network, we can now provide next day delivery in 104 cities while ensuring significant quality checks for each product," said Chief Customer Experience Officer Snapdeal, Jayant Sood.

The SD+ centers provide complete solution for all the logistics needs, including warehousing, packaging and tracking of shipments for sellers at a nominal cost. This service has tremendously helped small and medium sized sellers to rapidly scale their business in a cost efficient manner.

They are also able to fulfill orders faster without any operational hassles, since orders are packed and shipped within two hours from SD + centers ensuring faster deliveries.

Past the Tipping Point: Digital Shipping Management is Now a Must

INTTRA, the world's largest ocean shipping e-commerce marketplace, will soon celebrate its 15th Anniversary with substantial business momentum: The company recorded a 17 percent year-over-year container volume increase in the first half of 2016 as the number of container orders on its core transaction platform surged to record levels. Having processed 18.4 million container orders through June 30, INTTRA is forecasting continued strong volume growth as it leverages its unique role as the ocean industry's only neutral transaction and information platform.

Photo: Jim Whalen, INTTRA's President, Asia

> "INTTRA entered the second half of 2016 with a strengthened core business and two vital new products to equip the industry for the SOLAS VGM era and an industry economic environment where efficiency through technology has never been more important – or more achievable

As INTTRA's CEO John Fay said recently, "The global shipping industry has reached a tipping point where digital shipping management is now a competitive necessity and INTTRA's comprehensive platform is meeting their needs."

One sign that the tipping point has been passed is the industry-wide response to SOLAS VGM, the International Maritime Organization's new requirement that every container have a verified gross mass (VGM) – or certified weight – in order to be loaded onto a ship. INTTRA led an industry initiative to develop common standards and express a common preference for a digital approach to compliance across the industry.

Ten months after the initiative was formed, the global shipping community is expressing its preference overwhelmingly. Whereas INTTRA estimates that only 50 percent of all container orders are digital, carriers are telling the company that roughly 90% of VGMs are being submitted digitally. Reflecting this trend, the network for the INTTRA eVGM Service has quickly expanded to include more than 45 carriers, including Maersk, Cosco and NYK, and hundreds of freight forwarders and shippers, including Kuehne + Nagel, DB Schenker and APL Logistics. INTTRA sees this strong digital preference as signaling further acceleration in digital shipping management.

Not only can freight forwarders and shippers realize substantial savings by digitally submitting bookings, shipping instructions, eVGMs, and other shipping management documents such as bills of lading and invoices; they can also gain additional, crucial competitive advantage by leveraging next-generation analytics to optimize decision-making, improve customer service and achieve operational excellence. INTTRA has taken a big step in this direction by introducing its first-generation Decision Support tools, which consist of dashboards that enable analysis of shipment reliability, booking speed, and detention and demurrage.

The dashboards are underpinned by the largest single repository of data in ocean shipping. INTTRA captures 35% of status events for all container transport globally. This data provides the core of INTTRA's analytics on key areas of performance for its customers, with the ability to drill down to specifics such as commodity or trade lane. Such analysis can allow for more informed decisions resulting in greater efficiency going forward.

"Freight forwarders and shippers that have standardized on the INTTRA platform are making the most of the dashboards," said Jim Whalen, INTTRA's President, Asia. "They have the most extensive scope of data readily available on their own shipment histories, which can be analyzed to measure their performance. For businesses that are still operating mainly in a manual mode, the growing use of analytics must create a sense of urgency to move to a digital first approach if they hope to stay competitive."

To further help the industry prepare for the future, INTTRA has executed one of the richest periods of product introduction in its history in 2016. Most notably, with a July 1 deadline, INTTRA developed and successfully launched INTTRA eVGM to provide industry participants with the operational capabilities for digital submission, receipt, processing, and auditing of VGM information.

INTTRA eVGM is the first product that INTTRA has developed in the cloud, which allows for faster development and greater agility, and offers greater storage capacity at a lower cost. Given the industry-wide urgency for a SOLAS VGM solution, and uncertainties around business processes and IT systems for an entirely new mandate, INTTRA's cloud infrastructure enabled the company to quickly respond to customer input on development and feedback after the Service went live. Adjustments that would have taken months with standard technology could be made within hours. INTTRA is in the process of migrating all of its technology to the cloud.

In addition, INTTRA has further elevated customer satisfaction by introducing a new web user interface for its core platform that integrates ocean schedules, container booking requests, shipping instructions, and web bill of lading into a common user experience.

"With Decision Support dashboards, INTTRA eVGM, enhancements of existing products, and a new web interface to access INTTRA's full range of shipping management services, INTTRA entered the second half of 2016 with a strengthened core business and two vital new products to equip the industry for the SOLAS VGM era and an industry economic environment where efficiency through technology has never been more important – or more achievable," Whalen concluded.

North Asia 2016/2017 Salary Guide

With numerous impacts affecting the North Asian economies, there are some definitive opportunities for growth and some areas of contracting within the marketplace.

Naturally, the areas related to E-Commerce are continuing to be buoyant across China, Hong Kong and Japan. This growth is realizing opportunities across Brands with a strong Omni Channel Platform, E-Tailers, cross border logistics service providers and also IT and ancillary service providers aimed at harnessing the continued growth in this sector. Naturally, certain roles are more in demand than others and these include Trade & Compliance, China CIQ Regulations and Customs experience and Cross Border Logistics. That said, the salaries of these roles whilst enjoying higher than market average increments of 8-10%, are still significantly behind the years gone by of double digit salary increments.

On the whole, we are seeing 5% salary increments for the majority of roles. However, there are some across China and Hong Kong where average salaries have reduced. This is largely a reflection of the challenges across the broader North Asian economies where most organisations are deferring non-critical hires and then are also making negligible salary increments this year as a result.

With a general softening of the market, the critical elements for employers are candidates who are proven performers with solid evidence of consistent delivery and attainment of targets. In return, we are seeing these employers position themselves as long term career partners who are delving into 5 year growth and career development plans with top tier candidates and creating very stretch targets with lucrative bonuses to reward the exceptional performance in ways which can not be typically remunerated with double digit base salary increments. As a result, high performing employees are seeking the best out of employers and looking to align long term with those that will deliver not only the remuneration short and long term, but the learning opportunities and career growth to enable the ongoing attainment of their career goals. With a myriad of online training resources available to the market place, this is an area where numerous employers are paying more attention than ever before due the high yields with employee satisfaction from relatively low investments.

Conversely, those candidates keen to realign their skillsets into the more buoyant areas of the industry are increasingly seeking out personal career coaching to assist them in bridging the gaps and developing their leadership and soft skills. This is very much the norm in China amongst mid management level talent keen to acquire Director and Senior Director job titles and has become the new point of differentiation amongst candidates.

It appears the market conditions are bringing some evolution and more mature market practices to the region as North Asia continues its metamorphosis.

*****Salary data is shown as a range from low – high and is displayed as an Annual Base Salary in USD Per Annum. Additional benefits such as annual bonus, company vehicles or travel allowances may apply. For further information contact Cassandra Lee – GM North Asia at cassandraL@logisticsexecutive.com**

INDUSTRY / SUPPLY CHAIN MANAGEMENT

POSITION	SHANGHAI	HONG KONG
MD / GM Logistics	180 – 300 K	150 – 300 K
Supply Chain VP / Director	180 – 250 K	130 – 250 K
Logistics Director	100 – 200K	110 – 180 K
OPERATIONS / WAREHOUSING		
Regional Logistics Manager – North Asia Region	130 – 180 K	130 – 180 K
Warehouse / DC Manager	65 – 100K	70 – 100K
Warehouse/Operations Executive	40 – 60 K	35 – 60 K
Lean / Quality / Six Sigma Manager	90 – 130 K	90 – 130 K
Logistics Specialist	75 – 120 K	80 – 120 K
CONSULTING & PROJECT MANAGEMENT		
Project Implementation Manager/Director	115 – 180 K	125 – 200 K
Supply Chain Consultant	140 – 215 K	135 – 180 K
Project Manager	125 – 250 K	150 – 250 K

INDUSTRY / SUPPLY CHAIN MANAGEMENT *(continued)*

	SHANGHAI	HONG KONG
TRANSPORT		
General Manager Transport	80 – 130 K	80 – 130 K
National Distribution Head	80 – 120 K	80 – 120 K
Transport Controller	55 – 85 K	50 – 80 K
Transport Coordinator	45 – 65 K	35 – 60 K

	SHANGHAI	HONG KONG
SALES & MARKETING		
Sales Director	100 – 150 K	100 – 150 K
GM Marketing	170 – 250 K	170 – 250 K
National Sales & Marketing	70 – 110 K	75 – 125 K
Regional Brand Manager	50 – 70K	55 – 75 K
National Sales Manager	65 – 125 K	70 – 130 K

	SHANGHAI	HONG KONG
FINANCE & IT & HUMAN RESOURCES		
CFO	160 – 240 K	160 – 240 K
CTO	135 – 190K	135 – 190K
VP Human Resources	150 – 225 K	150 – 225 K
Finance Director	125 – 200 K	125 – 200 K

	SHANGHAI	HONG KONG
IT Director	95 – 135 K	100 – 150 K
HR Director	130 – 170 K	130 – 170 K
Finance Manager	85 – 125 K	85 -125 K
IT Manager	60 – 100 K	60 – 115 K
HR Manager	45 – 75 K	45 – 75 K

LOGISTICS SERVICE PROVIDERS (LSP/3PL'S)

	SHANGHAI	HONG KONG
CEO / MD / Country Manager	170 – 300 K	180 – 250 K
VP	150 – 220 K	150 – 200 K
General Manager	100 – 180 K	80 – 180 K
Branch Manager	70 – 100 K	70 – 100 K

	SHANGHAI	HONG KONG
SALES & BD		
VP / GM / Sales Director	150 - 200 K	150 – 225 K
National Sales Manager	125 – 200 K	125 – 200 K
Regional Sales Manager / Territory Manager	90 – 150 K	100 - 140 K
BD Manager (3PL)	50 – 100 K	50 – 100 K

	SHANGHAI	HONG KONG
SALES & BD		
BD Manager (Freight)	40 – 65 K	50 – 75 K
Key Account Manager	60 – 75 K	60 – 75 K
Sales Executive	25 – 35 K	25 – 35 K

	SHANGHAI	HONG KONG
OPERATIONS		
National Operations Director	135 – 185 K	135 – 185 K
Operations Director	100 – 150 K	90 – 130K
Operations Manager	75 – 100 K	75 – 100 K

	SHANGHAI	HONG KONG
OPERATIONS		
3PL Contract Manager	85 – 125 K	85 – 110 K
Warehouse/Operations/ DC Site Manager	65 – 100 K	50 – 90 K
Warehouse/Operations Executive	45 – 65 K	35 - 60 K
Import/Export Manager	40 – 60 K	40 – 60 K
Air Freight / Sea Freight Manager	50 – 70 K	50 – 70 K
Shipping Clerk	20 – 35 K	25 – 35 K

	SHANGHAI	HONG KONG
PROJECT MANAGER		
Senior Project Implementation Manager / Director - Operations	130 – 180 K	130 – 180 K
Project Manager – WMS/ TMS	100 – 160 K	120 - 170 K
Project Manager	70 – 120 K	70 – 120 K
SAP Implementation Director / Manager	150 – 250 K	150 – 300 K

	SHANGHAI	HONG KONG
TRANSPORT		
General Manager Transport	130 – 180 K	100 – 150 K
National Transport Manager	100 – 140 K	80 – 120 K
Line-haul Manager	60 – 90 K	60 – 80 K
National Compliance Manager / Safety Manager	80 – 120 K	70 – 100 K

	SHANGHAI	HONG KONG
TRANSPORT		
Site Manager	70 – 90 K	65 - 85 K
Fleet Manager	70 – 90 K	65 – 85 K
Workshop Manager	40 – 60 K	40 – 60 K

RETAIL, MERCHANDISING & SOURCING

	SHANGHAI	HONG KONG
MD Regional Sourcing Office >$750MM USD FOB	200 – 350 K	200 – 400 K
MD / GM Sourcing Office <$750MM USD FOB	150 – 250 K	150 – 250 K
Satellite Sourcing Office Branch Manager	90 – 150 K	100 – 180 K
Supply Chain Director / Quality Director	150 – 250 K	150 – 275 K
Operations Director	120 – 180 K	120 – 200 K

	SHANGHAI	HONG KONG
Operations Manager	65 – 115 K	70 – 125 K
Regional GM	200 – 350 K	200 – 400 K
Regional Retail Stores Operations Manager / Director	175 – 250 K	175 - 250 K
Country GM	160 – 190 K	175 – 225 K
Retail Stores Operations Manager	150 – 200 K	150 – 200 K
Regional Trade & Compliance Specialist	125 – 175 K	150 – 200 K
Retail Stores Area Manager / Large Format Store Manager	110 – 180 K	100 – 150 K
Retail Store Manager	60 – 120 K	50 – 100 K

SOURCING & BUYING	SHANGHAI	HONG KONG
Sourcing Director	150 - 250 K	150 – 250 K
Sourcing Director - Indirect	110 – 150 K	110 – 160 K
Sourcing Manager - Category	75 – 125 K	75 – 140 K
Senior Buyer	60 – 90 K	60 – 100 K
Buyer	35 – 70 K	35 – 70 K

INVENTORY, PLANNING & DEMAND	SHANGHAI	HONG KONG
Demand/Supply Planning Head	150 – 180 K	150 – 210 K
Planning / Forecast Manager	80 – 130 K	80 – 125 K
Planner - Senior	45 – 65 K	40 – 60 K
Planner - Junior	25 – 40 K	25 – 40 K
Inventory Manager	80 – 130 K	80 – 125 K
Inventory Controller	60 – 80 K	60 – 80 K
Production & Planning Supervisor	35 – 60 K	35 – 60 K

MERCHANDISING & BRAND MANAGEMENT	SHANGHAI	HONG KONG
Merchandising Director	160 – 200 K	160 – 200 K
Merchandising Manager / Category Manager	100 – 150 K	100 – 155 K
Senior Merchandiser	60 – 80 K	60 – 85 K
Merchandiser	40 – 70 K	40 – 70 K
Brand Director	160 – 200 K	160 – 200 K
Brand Manager	70 – 115 K	70 – 115 K

QC / QA & PRODUCTION	SHANGHAI	HONG KONG
Senior Quality Manger / CSR Director	90 – 140 K	100 – 150 K
QC Manager / CSR Manager	70 – 110 K	65 – 100 K
Supplier QA Engineer	20 – 40 K	30 – 65 K
Quality Control – Field / CSR Field	30 – 60 K	30 - 50 K
Production Manager	70 – 100K	70 – 130 K
Textile Manager	65 – 85 K	65 – 85 K
Textile Designer	30 – 55 K	40 – 75 K
Textile/Garment Inspector	25 – 40 K	28 – 45 K
Packaging Officer	15 – 35 K	20 – 40 K

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For further information contact Cassandra Lee – GM North Asia at **cassandraL@logisticsexecutive.com**

Cassandra Lee
General Manager - North Asia & Greater China, Logistics Executive Group

With more than 16 years Industry experience Cassandra has provided senior level executive recruiting and consulting services to organizations around the world, which delivers profitable leadership change to key organisations. Cassandra exemplifies excellence in her innate ability to connect executive talent with businesses across the supply chain.

Navigating Talent Challenges in North Asia

Successfully navigating talent challenges across North Asia - A topic spoken about in Seminars and Conferences repeatedly across the region, yet a subject that so many fail to truly comprehend let alone excel at.

Lets break down some of the key elements of North Asian Talent Challenges and gain insight as to how one of the world's largest express logistics providers has risen to the challenge and delivered returns.

FULL EMPLOYMENT

Hong Kong is suffering this challenge currently with unemployment at circa 3.5% nationally. This presents numerous challenges, one of which is salary pressure and this heavily impacts a vast array of businesses at an operational level for any front line staff.

Across the supply chain, if there is not front line staff processing orders, providing customer service, loading planes and trucks and delivering goods there is a phenomenal negative impact on the economy.

> “finding people with the right skillset is no doubt important, but even more so is finding those with the four key attributes of speed, a can-do attitude, passion and getting-it-right first time
>
> **Donna Kong**
> **VP Human Resources**
> **DHL Express, Hong Kong**

Whilst skilled workers demand higher salaries and customers demand lower prices, how does an organisation fill these roles and keep the equilibrium balanced? Ms. Donna Kong, VP, Human Resources, DHL Express, Hong Kong who well knows this challenge shares that whilst “finding people with the right skillset is no doubt important, but even more so is finding those with the four key attributes of speed, a can-do attitude, passion and getting-it-right first time”. Very simple solution, right? However, putting that into action and driving alignment across an organisation strategically to embrace applying a pragmatic approach is not always easy, and takes a true business partnering HR approach and a commitment to training and development – more on that later, - but if an organisation as large as DHL Express can align and hire with a focus on attitude – there is no excuse for anyone else.

At Logistics Executive, we know that seeking talent that is motivated to execute the task at hand is fundamental to achieving the desired outcome. This principle applies to talents at all levels of spectrum and extensive, tangible evidence of the application of this fundamental has been the passion of my personal guru of Talent – Mr. Lou Adler. (Side note – If you have never heard of Lou Adler, you simply must do yourself, your team and your organisation a favour and immerse yourself. I was fortunate to start reading his material over 15 years ago and have had the gift of his personal training.)

EQUALITY IN THE WORKPLACE

Traditionally, some roles across the supply chain have been largely dominated by one gender vs. the other. It's exciting to see the role of women becoming so prominent and very highly represented across most functions of the supply chain and very heavily in particular countries. However, some more culturally traditional markets have required a little more education and support to achieve this.

Mr. Akira Endo, VP, Human Resources, DHL Express, Japan, shares how they have taken a balanced performance and capability oriented view on talent through initiatives such as 'Women in Leadership', which is a volunteer based group of men and women in DHL Express Japan assisted by HR, to help increase the share of women in leadership positions. This program has been so successful in starting to break down the barriers that DHL's customers now look to them to share their program to drive a wave of change across Japan.

This is further reinforced by DHL's global initiatives such as the Employee of the Year recognition program, which is celebrated at a regional and local level.

TALENT RETENTION

Probably the biggest issue most organisations have had to face and many continue to struggle with. During the peak of China's growth, I repeatedly challenged some organisations that double-digit staff turnover is not and never should be acceptable under any circumstances. Whilst many clients heeded our advice and focused on realigning expectations, hiring programs, leadership capability and made sensible and sustainable investments to develop their teams – there were some in the industry that found them on the mouse wheel of constant hiring.

No matter whether the economy is in a boom or bust mode, you simply must be training and developing your talent. Failure to do this will be at an organisation's own peril and honestly it will likely result in spending more money on hiring practices than what your training investment would be and has significantly less yield from our experience. There is a vast array of training initiatives available in the Industry and Logistics Executive has proudly been awarded as the sole global education partner to CSCMP, the American Council of Supply Chain Management Professional, a pre-eminent industry body with effective online quick courses and supply chain management essential programs to deliver accredited training outside of the US. Training that is on line, affordable and effective to support organisations to retain and develop their teams.

From an organisation perspective, DHL Express is a shining example of consistency in training and development and reaps the rewards of high talent retention. Known in the Logistics Industry as a leader with in-house training programs, DHL has elevated training standards to a new level with the award winning Certified International Specialist (CIS) program. The program provides world class comprehensive training on the fundamentals of international shipping, company strategy and culture to all employees, with managers being accredited as trainers to lead and facilitate a successive series of internal training. Mr. Akira Endo shares that "the program has been a great success and resonates with employees who see management take the time to invest in the staff. The managers are trained to pass on knowledge to the staff and are well placed to answer questions in the context of the business. And the end result shows that both the yield is higher and employee satisfaction is greater."

In Hong Kong, Ms. Donna Kong also shares her insight on the CIS training program. Within DHL Express, this program has been rolled out to over 100,000 employees globally including the entire Hong Kong team which has seen "enhanced engagement and service levels across the board" according to Ms. Kong.

Its no surprise that with consistent execution of local and regional initiatives that the HR teams in DHL Express Japan and Hong Kong have been driving that both countries have been awarded the "Best Companies to Work For" accolade by the Great Place to Work Institute.

With evidence such as this, the critical pillar to the ongoing success of both countries is their consistency in driving initiatives that support the ongoing training and development of their teams. It is a path that requires a holistic and strategic approach, yet one which clearly brings great rewards to the employees, the organisation and its customers and is a shining example of effective application for the Logistics Industry.

Many thanks to the contributors of the article: Ms. Donna Kong – VP, Human Resources, DHL Express, Hong Kong and Mr. Akira Endo – VP, Human Resources, DHL Express, Japan

Hong Kong

The Super Connector and Logistics Mega Hub

With its unparalleled global connectivity, well developed logistics cluster and power-house cargo handling capabilities, Hong Kong has long been at the epicentre of global supply chains. In recent years it has also become established as the Super Connector for trade between the Mainland and the rest of the world - and the leading Logistics Mega Hub serving the booming economies throughout the Asia Pacific Region.

Leveraging its long standing role as a global trading centre with unparalleled international access to China, Hong Kong has taken full advantage of its geographical position to become one of the world's leading integrated logistics hubs.

SUPER CONNECTOR FOR BUSINESS

Of course, the business of logistics is the logistics of business and as Asia's World City, Hong Kong is also one of the world's leading business hubs. With its strategic location and time-zone linking Asia and Europe, Hong Kong is a major global centre for trade, finance, business and communications.

International business continues to value Hong Kong as the prime location for regional operations in Asia - because of its simple and low tax regime, free flow of information and free port status. Over 7,900 international companies from overseas and mainland China have established a presence in Hong Kong, with 3,798 of those serving as regional headquarters or regional offices, thus reinforcing Hong Kong's role as the super connector between China, Asia and the rest of the world.

Renowned for fostering a business-friendly environment for companies large and small, Hong Kong is also home to over 320,000 Small and Medium Enterprises (SME) businesses, accounting for 98 per cent of the total local enterprises and employing 50 per cent of the private sector workforce.

TRADE AND LOGISTICS A MAJOR ECONOMIC DRIVER

Trade and Logistics - the largest of Hong Kong's four major economic pillars - account for 24% of Hong Kong's GDP and over one third of total employment. Hong Kong's visible trade of goods in 2015, including domestic exports, imports and re-exports, amounted to $8.4 trillion, approaching four times of GDP. Home to Asia's largest community of shipping, freight forwarding and logistics providers, Hong Kong is also seen as a pioneer in e-logistics.

As an integrated Logistics Mega Hub, home to the world's largest air cargo hub and fifth largest container port, Hong Kong enjoys an unassailable leadership position amongst its peers - uniquely fulfilling all the four essential roles to efficiently and effectively serve global supply chain ecosystems: (see table above)

SERVING GLOBAL SUPPLY CHAIN ECEOSYSTEMS	Gateway into and out of mainland China	Asia Regional and Distribution Center	International Tran-Shipment Center	Global Multi Modal Logistics Hub
HONG KONG	Yes	Yes	Yes	Yes
SINGAPORE		Yes	Yes	Yes
SHANGHAI	Yes			Yes
SHENZHEN	Yes			

MULTI MODAL TRADE CONDUIT FOR ONE BELT ONE ROAD

Positioned as the de facto international trade and logistics gateway out-of and into the world's second largest economy, Hong Kong will become a key strategic enabler of trade along the Silk Road Economic Belt and the 21st Century Maritime Silk Road – the central government's development initiative known as One Belt, One Road.

With its extensive international connections by both sea and air, and multiple cross-boundary road links with the mainland, Hong Kong will become a critical multi modal trade and transport conduit for accessing the Belt and Road's economic co-operation corridors, which span multiple regions across Asia, Europe and Africa.

Hong Kong's long standing strengths and expertise in trade and logistics ensure it is well positioned to work with Mainland provinces and municipalities to facilitate trade and goods flows throughout the Belt and Road territories to support regional economic integration.

NUMBER ONE GLOBAL AIR FREIGHT HUB

Undisputed as the world number one in the global air freight sector, which accounts for one third of the total value of international trade in goods, Hong Kong International Airport (HKIA) handled throughput of 4.38 million tons of air cargo in 2015 (as well as 68.5 million passengers).

Serving over one hundred airlines and with a 73,000-strong airport community, HKIA manages over 1,100 flights every day, connecting freight and passengers to over 190 destinations worldwide, including 47 cities in mainland China.

The airport expansion plan for a three-runway system (3RS) to meet long-term air traffic demand has successfully completed the environmental impact assessment and funding plans have been approved. Construction works will commence in 2016 for project completion and commissioning in 2023. With full operation of the 3RS expansion, HKIA will have capacity to handle 100 million passengers and 9 million tonnes of cargo annually by 2030.

Uniquely located at Hong Kong International Airport is the Tradeport Logistics Centre – a world-class dedicated logistics centre that provides top-quality, integrated one-stop-shop logistics services. The only facility of its kind co-located with HKIA on Lantau Island, Tradeport's purpose-built 30,000 square metre logistics hub and regional distribution centre is literally two minutes from the world's largest air cargo hub and just twenty minutes from the world's fifth largest container port. Access to the Chinese mainland is a short forty-five minute drive north

to the border with Shenzhen, the major manufacturing hub in the heart of Guangdong province, which is the source of one third of China's total exports.

CONNECTIVITY THROUGH THE PEARL RIVER DELTA INTO MAINLAND CHINA

The Tradeport integrated logistics hub is impeccably positioned at the eastern end of the new Hong Kong-Zhuhai-Macau Bridge. Currently under construction with completion estimated by the end of 2017, this mega-size sea-crossing connects together the Hong Kong Special Administrative Region (HKSAR), the Zhuhai City of Guangdong Province and the Macao Special Administrative Region.

The first major combined bridge and tunnel sea-crossing project in China, the bridge establishes a brand new land transport link between the east and west banks of the Pearl River, which will enhance the economic and sustainable development of all three locations.

The 29.6 km bridge will further enhance Hong Kong's connectivity with South China and enable more efficient cargo flows between Hong Kong and the western Pearl River Delta – in the heart of Guangdong province's manufacturing base.

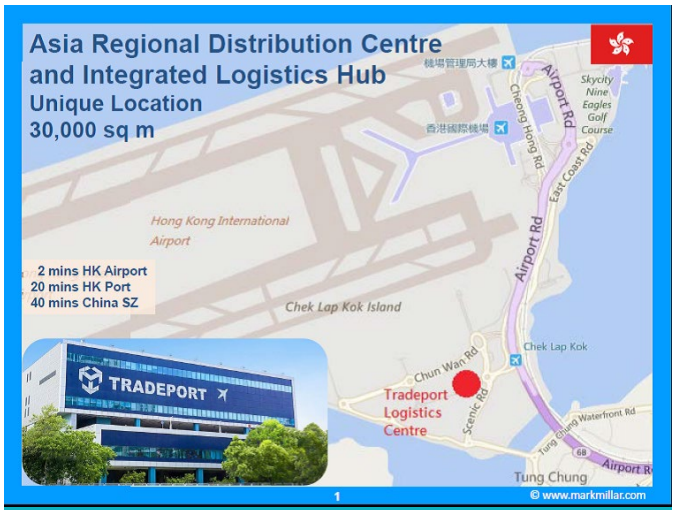
The mega-bridge links up the three cities across three jurisdictions and when completed, will reduce journey time between Zhuhai and the Hong Kong International Airport from the present four hours to just 45 minutes. This will enabling a huge additional catchment hinterland for cargo to rapidly transfer to, and transit through, Hong Kong's leading air freight hub with its connectivity to destinations all around the world.

REGIONAL LOGISTICS LEADERSHIP SERVING THE ASIA PACIFIC REGION

Leveraging Hong Kong's large logistics cluster, its extensive connectivity and privileged free-port status, provides companies with an ideal RDC platform to establish their logistics mega hub through which they can seamlessly connect to all the markets around the region.

Advantageously positioned in-between Singapore in south-east Asia and Shanghai in north-east Asia, geographically blessed Hong Kong is uniquely positioned to be the Logistics Mega Hub serving the whole Asia-Pacific region - all Asia's key markets are less than four hours' flight away and half the world's population is within five hours' flight time.

Strategically located at the very heart of Asia, Hong Kong is at the epicentre of the region's most exciting business markets - Beijing, Shanghai, Singapore, Taipei, Manila, Kuala Lumpur and Perth are all in the same time zone, whilst Bangkok, Jakarta, Seoul and Tokyo are within one hour's time difference.



Despite the challenges of land constraints and limited labour supply, Hong Kong's logistics service providers deliver efficient and competitive warehousing and distribution services, complemented with cost effective multi-modal transportation options that serve the whole Asia region.

Over 600 international transport and transport-related companies have established regional office infrastructure in Hong Kong, from where they enable and empower efficient supply chain ecosystems that effectively serve their clients' markets around the world.

CONCLUSION

Hong Kong is uniquely positioned as the Super-Connector for mainland China. Its critical mass of cargo throughput and far-reaching air-and-ocean connectivity enable the network-effect that empowers Hong Kong's enviable position as the pre-eminent integrated Logistics Mega Hub that services the Asia Pacific region and empowers Global Supply Chain Ecosystems.

Mark Milar
www.markmillar.com

Mark Millar is the author of Global Supply Chain Ecosystems - commissioned and published by Kogan Page - in which he presents detailed and practical insights that help companies capitalise on market opportunities, overcome supply chain challenges and make better informed business decisions. Acknowledged as an engaging presenter who delivers a memorable impact, Mark has completed over 400 speaking engagements at corporate events, client functions and industry conferences across 23 countries. A Visiting Lecturer at Hong Kong Polytechnic University, Mark is recognised in the 'China Supply Chain Top 20', as one of 'Asia's Top 50 Influencers in Supply Chain and Logistics' and in the USA listing of 'Top Pros-to-Know in Supply Chain 2016'.

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Manufacturing Trends in Malaysia and ASEAN

The manufacturing sector in Southeast Asia has been experiencing phenomenal growth driven by various initiatives such as the "Made in China 2025", "Make in India", Trans-pacific Partnership (TPP) trade deal (trade agreement among twelve Pacific Rim countries), Singapore's 'Skills future' initiative and Taiwan's upcoming industry 4.0 projects. The most prominent among them is the formation of ASEAN Economic Committee (AEC) and associated socio-political changes.

OVERVIEW OF ASEAN AND MALAYSIA

According to the World Bank, ASEAN contributes to over 5% of the world's manufacturing output, with the majority of manufacturing activity concentrated in the big six ASEAN countries of Malaysia, Indonesia, Thailand, Singapore, Vietnam, and the Philippines. General factors like the formation of the AEC, availability of a skilled labour force, and application of cloud, mobility, analytics, and the Internet of Things (IoT), will continue to act as catalysts for the development of ASEAN as a global manufacturing hub.

The formation of the AEC can increase the intra-regional ASEAN goods trade activity and can result in the formation of borderless and integrated supply chains. The removal of trade tariffs in some sectors of the ASEAN-6 has already resulted in product standardisation and the formation of skilled labour. A borderless ASEAN could very well operate as a single country, wherein the individual countries could leverage their respective core competencies and could reduce the overall manufacturing costs (including inventory handling and stocking).

From a country standpoint, the IMF estimates that Malaysia contributes to around 12% of the ASEAN GDP. The economy of Malaysia grew at 4.8% in 2015, down from 6% in 2014. Systemically, Malaysia looks strong with inflation contained to 2%, and the government managed to reduce the commodity prices primarily due to ringgit depreciation. At the same time, the government resorted to fiscal austerity measures with the introduction of 6% goods and service tax in April 2015, which might broaden the nation's tax base in the shorter term but could impact private consumption patterns in the long term.

Malaysia reported an FDI of MYR9.89 billion during the 2014–2015 period, with Hong Kong, China, the United States, Singapore, and Japan accounting for 70.3% of the overall inflow. The manufacturing sector FDI formed a major chunk of investments at 41.4% of the total FDI. Petroleum, transport equipment, liquefied natural gas, electrical and electronic products, and nonmetallic equipment are the major categories in manufacturing. The approved manufacturing projects in the first nine months of 2015 resulted in 50,000 jobs in Malaysia, of

which 34% would be at high-skilled levels.

KEY SECTORS IN MANUFACTURING

According to the Malaysia External Trade Development Corporation, the electronics sector is a key contributor to the manufacturing sector in Malaysia and accounts for around 33% of the total exports base. A strong electronics industry base has enabled the growth of the aerospace sector in Malaysia and is home to eight aircraft assembly and 28 aircraft component companies.

Malaysia further plans on making its aerospace industry a leader in Southeast Asia by 2030. The electrical and electronics industry in Malaysia can be segmented into four key subsectors: consumer electronics, electronics components, industrial electronics, and electrical components. Leading companies based out of Japan and Korea have a strong presence in the consumer electronics division, and they are looking to move up the value chain and be more involved in R&D work in their respective facilities in Malaysia. Semiconductors, IC boards, connectors, and so forth form a major chunk of the electronics components sector. Companies such as Intel, AMD, Infineon, STMicroelectronics and Texas Instruments are examples of some players that have a sizeable presence in Malaysia. Global and local demand for handheld devices and cloud-based technologies will continue to drive the E&E industry in Malaysia. Industrial equipment consisting of power generation, metalworking, and process machinery will fuel the growth of high value-added activities in manufacturing.

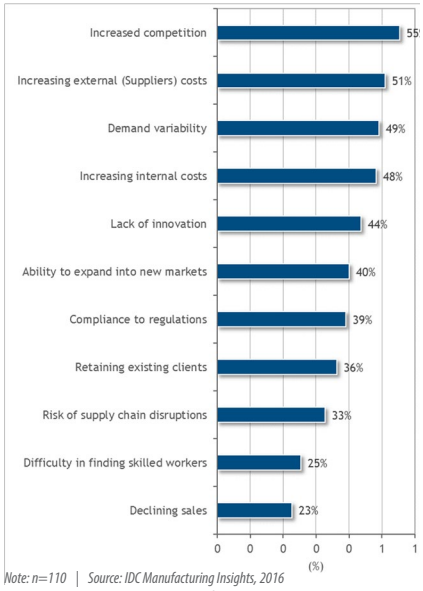
According to the Malaysian Investment Development Authority (MIDA), the government of Malaysia has identified the industrial machinery segment as a key development pillar that will drive high-end product manufacturing technologies.

Despite the competition from developed nations, Malaysia still holds a competitive edge in niche market segments. The industrial segment manufacturers are basing their investment decisions on R&D, design and development (D&D), systems integration, testing, calibration, and assembly activities, in which Malaysia has seen a lot of advances in the past few years.

KEY BUSINESS CONCERNS AND PRIORITIES IN MALAYSIA

According to IDC Manufacturing Insights' survey (Figure 1), increased competition, increasing external costs, and demand variability are the top-most concerns for manufacturing organisations in the ASEAN region (Note: Indonesia, the Philippines, Singapore, Thailand, and Malaysia are the only ASEAN countries for the survey-related data presented below). The top 3 concerns remained the same for Malaysia too.

The absence of robust sales and operations planning (S&OP) can affect the production scheduling operations, which can ultimately result in frequent setup changes, inventory imbalances, and supply shocks in the manufacturing value chain.



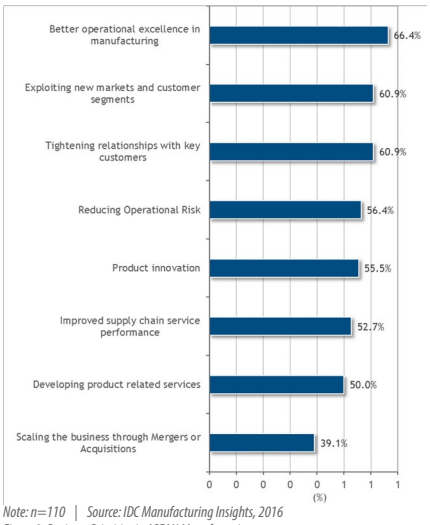
Note: n=110 | Source: IDC Manufacturing Insights, 2016
Figure 1: Business Concerns in ASEAN Manufacturing

Demand variability, especially in the consumer goods industry, can have a huge impact in the overall manufacturing operations and can lead to shop floor inefficiencies if not planned for. Frequent setup changes and inefficient business processes will increase the overall cost of the associated product manufacturing processes. Also, to realize profits in manufacturing facilities that involve high fixed costs, it is essential that manufacturing companies reduce their operational costs to achieve faster ROI. Lower plant utilisation is another major concern that will eventually increase internal costs.

In terms of business priorities (Figure 2), operational excellence in the manufacturing setups through streamlined and lean principles is something that companies in ASEAN and Malaysia are looking to prioritize. Increased ownership, proactive equipment maintenance, and reduction in business-critical processes will ensure that the unplanned asset downtime will be either minimized or eliminated.

Exploiting new markets and customer segments is another priority that the manufacturing entities in Malaysia are interested in. Riding on the AEC's reforms and policy changes, there has been a huge influx of companies in the ASEAN region, which has resulted in increased competition. Manufacturing companies have recognised that the existing market will soon be saturated and for them to realise continuous revenues, they need to diversify or look at new customer segments or business models.

Tightening relations with key customers will result in sustained revenue streams and generate credibility in a competitive market. Manufacturing companies are looking at business models that will enable them to understand the respective customer base better and provide relevant and renewed offerings. In addition, social business platforms will enable a consumer-to-business



Note: n=110 | Source: IDC Manufacturing Insights, 2016
Figure 2: Business Priorities in ASEAN Manufacturing

(C2B) channel wherein the customer feedback can be implemented at the product design and development stage.

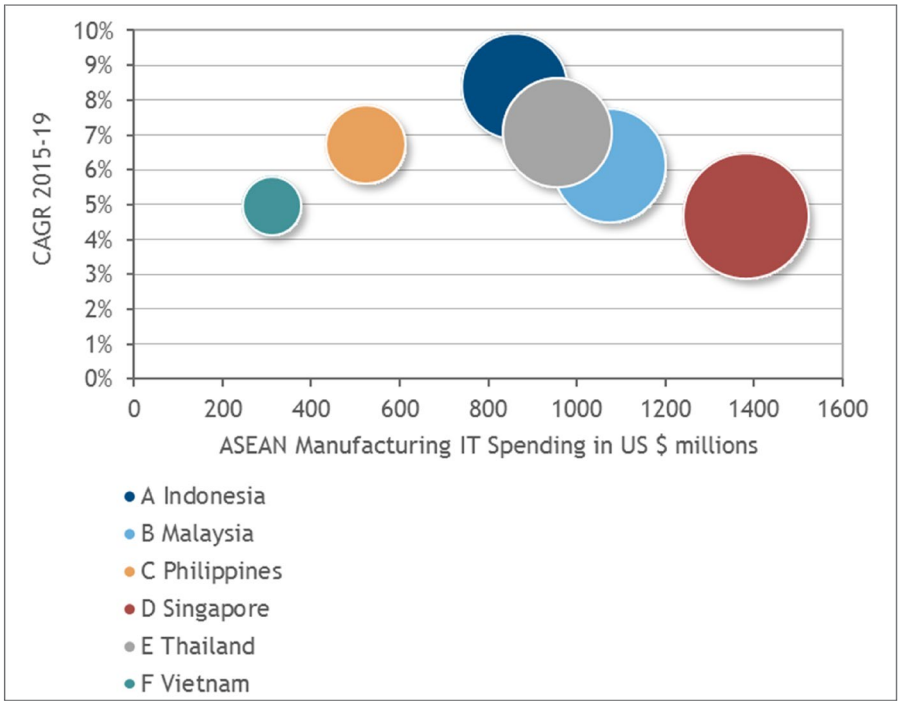
Reducing operational risks by mitigating raw material volatilities and streamlining manufacturing operations based on market demand will also be the focus in the next few years. Integrating end-user demand and market conditions in the overall production schedules will ensure that frequent setup changes are minimized and inventory holdings are optimized.

MANUFACTURING IT SPEND

At an aggregate level, manufacturing IT spend for ASEAN is dominated by systems integration and is projected to reach US$1.06 billion by 2019 at a CAGR of 10.1%. Smart handheld devices to support a mobile workforce are expected to have a high growth rate of 18.7% CAGR between 2015 and 2019. The current spend on personal computers is US$871 million, and once the manufacturing organizations attain desired infrastructure maturity levels, investment priorities will shift toward systems integration, application development, and deployment efforts.

Malaysia closely follows Singapore in terms of manufacturing IT spend, with a projected amount of US$1.36 billion by 2019 at a CAGR of 6.13. The growth of manufacturing OEMs has resulted in the growth of the SME sector; the initial set of IT investments was focused on setting up basic IT infrastructure and connectivity. As the technology maturity increases, there would be increased investments in systems integration and other associated IT functions such as license renewals, software/platform upgradations, and so forth.

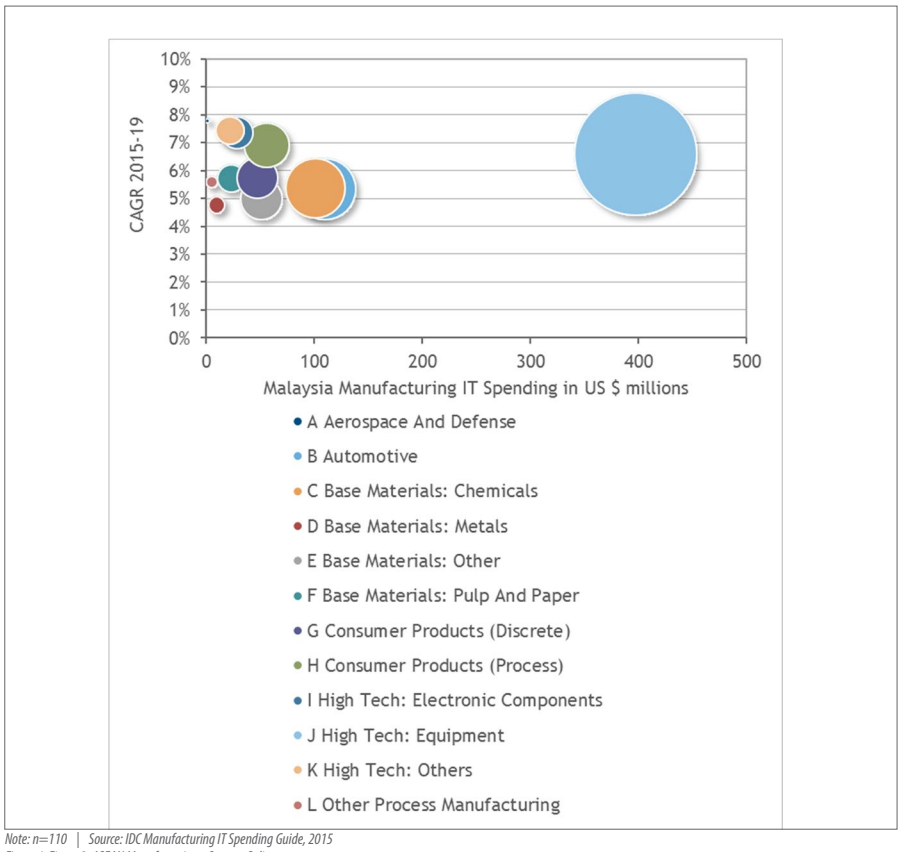
The overall manufacturing IT spend in Malaysia at an industry level is dominated by the electronics and high-tech industry, followed by the automotive sector. Further investments targeted at improving the existing IT infrastructure and productivity will continue to increase, with continuous focus from the government and the associated industry leaders.



Note: n=110 | Source: IDC Manufacturing IT Spending Guide, 2015

Figure 3: Figure 3: ASEAN Manufacturing - Country Split

From a technology standpoint, handheld devices and supply chain management applications will have the highest growth over the next few years. Most of the manufacturing organisations are looking at providing their employees with mobile devices that can be connected to core data applications and provide round-the-clock customer support. The formation of AEC has aided in resolving a lot of challenges related to border regulations and cross-border trade. Malaysia will continue to invest in supply chain management applications to further reap the associated benefits.



Note: n=110 | Source: IDC Manufacturing IT Spending Guide, 2015

Figure 4: Figure 3: ASEAN Manufacturing - Country Split

SUMMARY

In summary, Malaysia is considered to be a growth engine in ASEAN with an estimated real GDP growth of 4.8% YoY and exports amounting to US$200 billion annually. Additionally, Malaysia's Ministry of Science, Technology, and Innovation has predicted that the internet of Things (IoT) economic potential will see exponential growth post-2020 and reach MYR42.5billion by 2025, with application and services amounting to MYR34billion. The presence of electronics manufacturing services (EMS) is one of the primary reasons for Malaysia's high IoT adoption rates. The recent investments by GE and Intel in Malaysia further strengthens the investments made on "Factory of the Future" and in effect aids the growth of other associated manufacturing automation technologies.

Sampath Kumar Venkataswamy
Research Manager
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Sampath Kumar Venkataswamy is a research manager for IDC Asia/Pacific Manufacturing Insights, based in Bangalore. He is responsible for research and analyses of key trends, best practices, and applications on the 3rd Platform manufacturing technologies. He is also responsible for delivering custom research that assists clients in making key technology investment decisions for the next wave of manufacturing.

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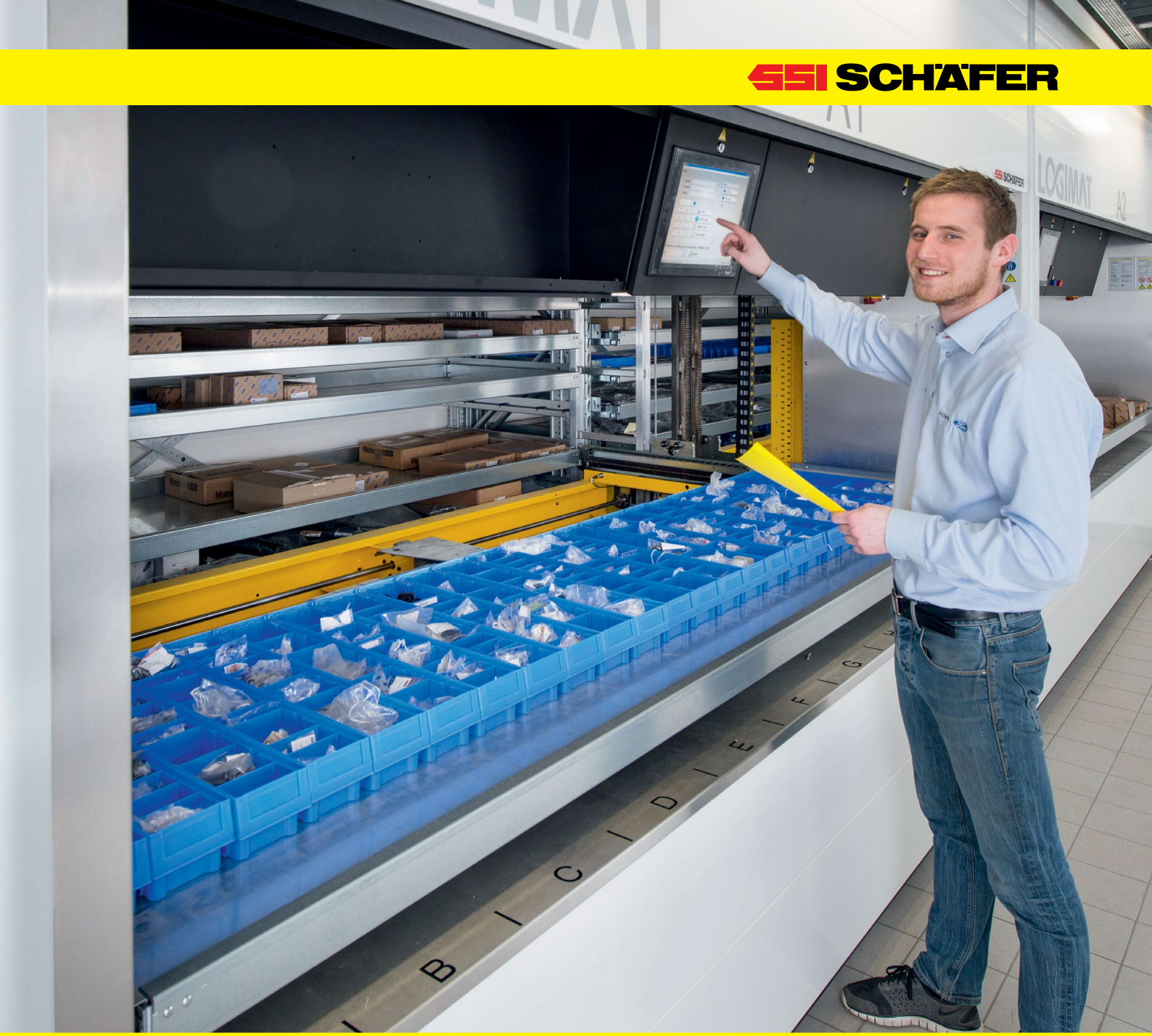

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