

An  Success Story

# HOW A GLOBAL FOOTWEAR AND APPAREL COMPANY CONQUERED CHINA

**China has more than two million retail outlets, a huge and increasingly prosperous population, and a vast geographical area. Many international brands regard China as the next land of opportunity. But the challenges are as big as the opportunities – especially when it comes to logistics management.**

Time is against anyone who is determined to develop a distribution operation in China. It takes time to unravel the complex web of relationships required to introduce and transport products. It takes time to apply for and receive the licenses necessary to do business. And it takes time to iron the many wrinkles out of a supply chain that, after all, is only as strong as its weakest link.

Multinationals have discovered an easier way. They join forces with IDS Logistics. Since becoming China's first

foreign joint venture in the logistics and transportation sector, we have developed an advanced logistics network in China, providing our customers with a competitive advantage and allowing them to focus on their core business. We own no brands or products of our own. Instead, all our resources are dedicated to our customers' benefit.

On the following pages you'll see how IDS Logistics has become an integral part of a major global footwear and apparel brand's China success story.



A member of the Li & Fung Group



# A GREAT LEAP FORWARD

IDS Logistics' customer, a respected global footwear and apparel company had identified considerable potential in China. But the company also saw that local manufacturers and global players alike were fast developing and introducing brands of their own. In mid-2002, the company approached IDS Logistics to help it manage its logistics operation better and get products to market faster.

## THE SITUATION

IDS Logistics' customer had identified a pressing need for a long-term solution to distribution in China. When the company came to IDS Logistics, it had a single distribution center located in Shanghai. From this distribution center, products were shipped to retail outlets all over China.

This situation was unsustainable. Business was growing fast, and it was constantly adding vendors in places ever further from Shanghai. But its markets were experiencing widely different rates of growth.

The customer's challenge was to predict the development of its markets and evolve a logistics network able to serve those markets. Outsourcing its distribution logistics was a viable option. But any logistics partner would need significant IT experience, a thorough appreciation and understanding of the complexities of the footwear and apparel business, and be prepared to invest for the long term.

## THE SOLUTION

IDS Logistics first conducted an in-depth study of the customer's logistics needs. Among the options considered were employing a single central distribution hub, establishing multiple distribution centers, building tailor-made premises, and leasing existing premises.

Finally it was decided to establish a new distribution center for apparel in the Li & Fung DistriCenter located



at Pan Yu, Guangdong province. This would take the pressure off the customer's Shanghai facility. The plan also called for the existing distribution center to be modified to handle footwear distribution only.

Within three months IDS Logistics had launched a 6,000 square meter distribution center in Pan Yu purposed for apparel. This required a substantial investment in racking, materials handling equipment, infrastructure and IT. IDS Logistics also hired and trained a complete operations team of fifty staff.

Meanwhile, IDS Logistics took control over the customer's 8,000 square meter Shanghai facility and, while retaining all staff, converted it into a dedicated footwear distribution center. A key requirement for successful operations was a comprehensive Warehouse Management System (WMS) integrated into both centers. In record time IDS Logistics deployed EXceed, a WMS solution that included full host integration.

## THE RESULT

Upon the conclusion of this project, the customer successfully expanded its operating capability by 50% without any interruption of operations. Just two months after the new

logistics system went live, the new apparel distribution center had picked, packed and shipped record product volumes to retail outlets and wholesalers across China.

Eight months after launching the new system, IDS Logistics was certified by the customer as qualified to operate at a continuing and sustainable high performance level. IDS Logistics fully complied with all of the customer's key performance indicators (KPI's).

Now this footwear and apparel company and IDS Logistics are developing an even closer relationship and assessing plans for the coming years. Together, IDS Logistics and its customer are working to

develop the next generation operational platform that will facilitate rapid expansion in the fast growing market of China.

“ IDS Logistics took control over the customer's Shanghai facility without any interruption of operations, and in three months time launched a new facility in Pan Yu, which expanded the customer's operation capacity by 50%. ”

# CHINA'S LOGISTICS LEADER

IDS Logistics has become the choice of multinationals seeking logistics services right across Asia because:

- We are headquartered in Hong Kong and inextricably linked in China with extensive and deep-rooted local knowledge
- We have more than a century of experience in logistics and distribution in the Asia Pacific region
- We were among the first to secure the necessary licenses for logistics
- We have developed strong institutional relationships allowing us to secure new licenses as China liberalizes with WTO entry and enters into the Closer Economic Partnership Arrangement (CEPA) with Hong Kong
- We have our own fully-licensed fleet and more than 22 qualified sub-contractors of a combined fleet size of more than 2,500 trucks
- We have invested millions of dollars to develop a cutting edge pan-Asian logistics and distribution infrastructure
- All our operations are supported by a sophisticated and transparent IT network that provides customers with complete visibility into every aspect of their supply chain operations
- Our logistics expertise reaches into every market segment, from footwear and fashion, to FMCG and healthcare
- We provide value-added services such as specialty storage, pick and pack, repackaging and relabeling so our customers can meet demand with supply across Asia

## INTEGRATED-DISTRIBUTION SERVICES FROM THE IDS GROUP

The IDS Group provides our business partners a menu of Integrated-Distribution Services in three core businesses across Asia:

### Marketing, Logistics, and Manufacturing

Logistics is the fundamental enabler, connecting each into an end-to-end value chain from raw materials to consumer.

We call this unique proposition

### Value-Chain Logistics

