

# Right place, right time

## INTERVIEW WITH ANG KENG LAM AND GARY WILCOCK

CHAIRMAN OF KERRY LOGISTICS NETWORK LIMITED AND MANAGING DIRECTOR OF KERRY LOGISTICS (UK) LTD, RESPECTIVELY



**ANG KENG LAM** is the chairman of Kerry Logistics Network Limited ("KLN"), a wholly-owned subsidiary of Kerry Properties Limited, and the chairman of a number of KLN's subsidiaries.



**GARY WILCOCK** joined Kerry Logistics in 2002 and is the managing director in charge of the European logistics operation of the company. He is also the managing director of Kerry Logistics (UK) Ltd.

Customised supply chain solutions are a key differentiator for Kerry Logistics

China's phenomenal economic growth over the past two decades, its booming exports and ever closer integration into the global economy, have created massive demand for ever more rapid, reliable, and above all, more sophisticated logistics. Among the beneficiaries of these global trends is Hong Kong-based Kerry Logistics, part of the diversified conglomerate founded by Mr Robert Kuok, whose interests range from hotels and property development to commodities trading, plantations, shipping and financial services.

"Many people consider us as the largest contract or third party logistics operation in Greater China – including Hong Kong and Taiwan," says Mr Ang Keng Lam, Chairman of Kerry Logistics, adding that the company has also built up a substantial presence across the ASEAN region, in Europe and North America, so as to enable it to provide a broader and more integrated service to clients. Moreover, Mr Ang is confident that the company will maintain and build on this leading position, mainly because its approach goes beyond just warehousing and distribution functions to embrace added value services performed within the warehouse.

Among the value-added services provided for clients such as Zara, Marks & Spencer and Louis Vuitton,

are re-packaging and labelling goods to meet both local regulation and the client's specifications. Gary Wilcock, managing director of Kerry Logistics Europe (his UK-based logistics company, Trident joined the group back in 2002) explains that "for example, with Zara we clear the goods through customs, deliver them to the logistics centre, sort the products, and then deliver them to their stores where they are hung up overnight," whereas with very high-value products such as Louis Vuitton's "we're involved in wrapping products for sale, re-labelling and, of course, providing greater security in the logistics centre."

"I think the logistics network we have in China and Asia, and the customised supply chain solutions we provide to our customers are the key differentiators for us," he adds, noting that this capability depends both on developing and retaining a skilled workforce, and actually owning their logistics facilities and other physical assets. "Most of our competitors are asset-light – they don't believe in owning assets – so many of the big European or American multinationals simply lease a warehouse. We try and build most of our own logistics centres, and in key locations we have logistics facilities where we have bought the land, done the design, and done the build. By doing so, we provide

our customers both the reliability and flexibility to grow and expand without limitation."

These include what he calls "the ultimate green building" – Kerry Logistics' Product Customization and Consolidation Centre in Tai Po Industrial Estate, Hong Kong, which incorporates green technologies such as high efficiency air-conditioning and rainwater integration systems into its design as well as mitigation measures for air, noise and water pollution during its construction. The building, having received Hong Kong BEAM gold



rating (provisional) and targeting to receive LEED (Gold) environmental standard, is part of the company's strategy of reducing emissions and the carbon footprint for products processed through the facility, thereby supporting its customers' own green product targets.

Such state-of-the-art facilities place Kerry Logistics 'ahead of the curve' as the drivers of China's economy move from importing raw materials or components and then exporting finished product towards domestic consumption. "Over the past five to six years," observes Wilcock, "China has become the focus for European and American retailers experiencing sluggish growth in their home markets and who now see tremendous growth potential in China or in India." And it is precisely these multinational corporations that are either exporting from or importing into Asia that the company is targeting with its sophisticated supply chain solutions.

Mr Ang affirms that "Hong Kong will continue to be a logistics centre," pointing to the importance allocated to service industries – "of which logistics is one" – in China's latest five-year plan for pushing modernisation forward. He notes that the cost component of logistics in China is larger than elsewhere – around 9 per cent of GDP in America or 11 per cent in Japan, while in China it's almost 18 per cent. "So there's a huge cost that has to be reduced," he says, adding that "although logistics costs in China are high, the quality of service in this industry is very low."

This state of affairs provides numerous openings for Kerry Logistics, which has been rolling out its China coverage through a combination of acquisitions, start-ups and joint ventures. Recent acquisitions include Shanghai Wisdom Group and Shanghai Huicheng Logistics, thereby strengthening the company's presence in both ocean freight and 3PL sectors, while the company is expanding its Chongqing Logistics Centre to meet increased demand from this western region of China where first quarter growth in 2011 was 16.3 per cent.

Even though the Chinese authorities are seeking to calm an overheating economy, Mr Ang is not unduly concerned about any slow down of growth in China. "The logistics business will not slow down," he says. Indeed, he sees an opportunity as wage and raw materials inflation forces companies to seek greater efficiencies. "As the costs become higher," he observes, "then people will use logistics more. Every time there's a crisis we start a logistics operation from a pure warehouse operation – like after the Asian financial crisis – because people use less storage. They want to bring their costs down, so they want rapid delivery, which means logistics operation also increases. So, as long as we can continue to be more efficient, providing more effective and cheaper services for the

manufacturer or the end user, I'm not worried." He points out that during the 2008 financial crisis Kerry Logistics saw a drop of 20-25 per cent for a brief period. "But we just bounced back, because both we and our customers became more efficient."

Over the past decade Kerry Logistics has built up an impressive presence, mainly in international freight forwarding, across key European markets including the UK, Germany, France, Spain and the Netherlands, either through 'bolt-on' acquisitions or opening new offices so as to be close to major clients. And as a highly successful Hong-Kong based company, it is proud to 'fly the flag' at industry and trade events such as the Hong Kong Trade Development Council's forthcoming 'Think Asia, Think Hong Kong' symposium in London.

Looking forward, Mr Ang sees South Asia, notably India and Sri Lanka, as offering fresh opportunities, while he expects to strengthen existing operations across South-East Asia as well as in Greater China. "We have been doing some M&A for the last few years in this part of the world," he says, "and our philosophy is that we will look at something and, if we feel that there is synergy – so it can become part of the 'family' in terms of its operations, management and IT link-up that make possible to become an integral part of the whole operation – then we will buy it. We try to get the partner to become one of us," he says, although he adds that in other cases Kerry Logistics continues as a major shareholder in independently controlled companies. And while its primary focus remains within Greater China, its rapid growth trajectory is transforming the company into a truly global player.

**While its primary focus remains within Greater China, Kerry Logistics' rapid growth is transforming the company into a global player**

Kerry Logistics' Product Customization and Consolidation Centre, Tai Po Industrial Estate, Hong Kong

