World Export Development Forum 2010 (WEDF)

Fourth Plenary Session
New Realities within the Global Supply Chain

Saturday 11 September 2010

Speakers:

Mrs. Sungjoo Kim, Chairperson and Chief Executive Officer, Sungjoo Group and MCM, South Korea

Professor Huang Youfang, Vice President, Shanghai Maritime University, China

Ms. Himanshu Bhatia, Chief Executive Officer, Rose International, United States of America

Mr. Andrés Valencia, Director, National Federation of Coffee Growers of Colombia, Tokyo

Ms. Ying McGuire, Senior Manager, Worldwide Procurement, Dell, United States of America

Moderator:

Ms. Wei Wei, Executive Editor, Forex Overview, Xinhua News Agency, Financial TV Channel, China

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The fourth plenary session, opening the second full day of the Forum, focused on the realities being faced in the global business supply chain in the wake of the financial and economic crisis. It was clear from all the interventions that companies that could make the necessary adjustments rapidly were able to emerge fitter and more agile and ready to exploit new opportunities.

The Forum heard a number of personal accounts by private sector operators, starting with Ms. Bhatia of the IT and business services company Rose International. She noted that following the crisis, consumers were spending less and saving more and banks were much tighter with loans to SMEs. Price reductions were resulting in tremendous pressures on margins.

The response was to strengthen existing partnerships and forge new ones, recognizing that changes were here to stay and large companies were consolidating their supply bases.

She urged the need to use the latest technologies to optimize operations, forecast and predict growth and track internal efficiencies. She said that businesses need to slim down operationally as they grow larger, but that often large companies were slow to adapt and modernize their supply chains, which opened opportunities for SMEs to get a foothold if they could identify gaps in these supply chains.

Mr. Valencia said that following the crisis consumers were spending less and drinking their coffee at home, while new convenient, easy-to-use coffees were emerging, alongside private labels and fast-food outlets. The market was becoming more convenient, dynamic and flexible and the supply chain had to respond.

For the Colombian coffee industry the new model involved first of all engaging the farmers and then helping more than 500,000 small producers go global, while retaining freshness as a key value proposition.

The new model included partnerships of varying sorts, with major multinationals such as Coca Cola and Nestlé, with premium coffee brands such as Illy, and with own-label supermarkets such as Woolworths.

The challenges ahead included maintaining value, handling price volatility, increasing output and managing a diversity of suppliers. Opportunities could come from the ethical trade movement, private labels, the emerging markets, and product innovation.

Mrs. Kim spoke of her company's takeover of a major European brand in the luxury goods sector and the associated challenges. She discussed the power of consumer brands but also of country brands: the value added of 'Made in Italy' as opposed to 'Made in Korea'. She outlined that indeed we were not just experiencing a crisis, but that we saw the emergence of a new era with Asia at the forefront.

She urged SMEs to go for real value-added products and to be technologically intensive, without underestimating the power of branding, and recognizing the importance of the youth and women markets.

Ms. McGuire said that companies like Dell were constantly moving to a lower cost supply base, bundling outsourcing under pressure from Wall Street to demonstrate results. Bundled outsourcing meant that supply chain management became a key driver of competitiveness. She outlined the complexity of such models and stressed the importance of risk management.

She suggested that there were opportunities for SMEs in the area of supply chain services such as procurement, transaction management, warehousing and warranty support.

Professor Huang said that while Shanghai Port was the world leader in terms of total cargo throughput, it had a vision of being much more, including having a role in promoting foreign trade and offering international shipping services within a convenient, safe, secured and legal environment.

He said ports competed not just on a geographical basis of where they were located, but in terms of the services provided, and Shanghai was seeking a comparative advantage in the global supply chain, collaborating with logistics providers, industrial sectors and cargo handlers, to provide a 'total services offer' to exporters.

Discussion which followed the opening presentations covered issues including the problem of currency fluctuations, and the impact of cultural differences and values. Finally, the issue of country identity was raised, questioning what the impact is of a country's image on the reputation of exports, which showed the need to work on country identity creation (country branding).