

LOGISTICALLY SPEAKING

The logistics sector is undergoing a tough time, and is one of over 20 industries that will get an Industry Transformation Map tailored to their specific needs



"IF YOU ARE NOT RELEVANT TO THE NEEDS IN THE MARKET, YOU WILL BE OUT IN NO TIME."

– Dave Ng, group CEO, Bok Seng Logistics

PHOTO: AIDAN LOO

SINGAPORE is recognised around the globe as a leading logistics hub. Its solid reputation on this front is a confluence of many factors, including its strategic location, world-class infrastructure and its reliable, secure environment to conduct business operations.

The statistics speak for themselves: In the World Bank's 2016 Logistics Performance Index, Singapore ranks number 5 in the world, beating traditional logistics powerhouses Belgium, the UK and Hong Kong. Many of the world's top logistics firms such as UPS and DHL have also chosen to set up their Asian headquarters here, despite stiff competition from neighbouring countries.

But right now, the logistics sector in Singapore as a whole is undergoing a tough time, especially for the small and medium-sized enterprises (SMEs) which make up more than 90 per cent of companies in the industry.

A recent survey of SMEs in Singapore by the Singapore Business Federation and DP Information Group found that business sentiment for Q4 2016 and Q1 2017 has dipped to its second lowest level in its seven-year history, with the transport and storage sector falling the most at 4.2 per cent.

This downward trend has been observed in the past few years, due in part to global economic pressures, weak growth and current oil prices that affect the value chain.

The logistics sector is one of over 20 industries that will get an Industry Transformation Map tailored to their specific needs. First announced by Finance Minister Heng Swee Keat during the 2016 Budget, the initiative aims to drive productivity and innovation, boost skills and manpower, as well promote internationalisation.

The *SME Magazine* looks at two companies in the logistics space – Bok Seng Logistics and Mandai Link Logistics – that seek to add value to their services and stay ahead of the competition despite the uncertain business climate.

TAPPING ON TECH

Established in 2006, Mandai Link Logistics specialises in cold food storage solutions, but its story began long before that. Its parent company Pin Corporation – a frozen meat importer – operated a small cold room of about 1,600 tonnes. Tan Seng Eng, CEO of Mandai Link, says: "As business grew, we faced the challenges of cold room space, human resource (HR) and food safety constraints."

As a result, the decision was made to invest in building a much bigger cold room storage facility of 28,000 tonnes. But the benefits of the new facility go beyond increased space – its features take advantage of advanced technology to boost productivity. These include a state-of-the-art Automatic Storage and Retrieval System (ASRS) and a customised Warehouse Management System (WMS).

Ms Tan shares that the systems significantly enhances the need for intensive labour and HR planning. "Through technology, it also helps in accurate stock reporting, protection and (preventing) pilferage and even damage to goods. All these factors add to improved productivity for our customers. It helped reduce our operating cost, which is also passed on to our customers."

The company also tapped into technology

with its Customer Inventory Management System (CIMS), enabling customers to order online and view their inventory in real time. Ms Tan adds that this enhancement helps customers with their monthly stock-taking, captures redundant stocks and facilitates "just in time" inventory reordering.

But despite its impressive steps to boost productivity, the company is not content with its status quo. "We are now embarking on Automated Guided Vehicle and Robotics to enhance productivity," says Ms Tan.

Another firm that has taken steps to keep ahead of the curve is Bok Seng Logistics, which provides end-to-end logistics services, with a specialisation in handling large-scale complex logistics projects such as the transport of MRT train cabins.

Despite being one of the biggest logistics SMEs in Singapore, the company is constantly fighting to stay relevant in today's fast-changing world, says group CEO Dave Ng. One way that it is using technology to boost productivity is through its investment in its information technology (IT) system, which is supported by Spring.

The first phase of its IT system overhaul to unify and digitise all operations was kickstarted this year, with the aim to digitise warehouse management, transport management and order management with back-end integration to the finance and accounting systems.

"In the past, we used to be a typical transport company where we made phone calls. Now it's much easier to use as it's computerised and we use lesser manpower," says Mr Ng.

BOOSTING PRODUCTIVITY

For companies in the logistics sector to innovate and stay competitive, it is necessary to cut the fat. One way that Bok Seng is doing that is to take part in the Singapore Transport Association's (STA) chassis pooling project which is an innovative sharing arrangement that helps local truckers better manage resources and save costs.

Supported by Spring, this initiative encourages companies to size their chassis fleets according to their typical needs, and tap on the shared chassis pool in times of peak demand. Mr Ng, who is also chairman of the STA, says: "In Singapore, we don't need so much chassis – it's a waste of resources. With the pool, we cut down on the number of trailers by 30-40 per cent and we can save on parking space."

Another development to boost productivity that Bok Seng is currently in the process of is the building of a new four-storey warehouse block that caters to the needs of its customers. "When we were operating the old warehouse, our customers complained that the ceiling height was too low and it was difficult to access. The lift was also old and needed to be maintained often. If we kept the old one, very soon our customers will run away," says Mr Ng.

The new warehouse – used to store heavy machinery such as lifts and escalators – now has a ramp as well as an increase in capacity. The top floor is also converted to a heavy vehicle carpark that will better serve the company's needs. It is slated to be ready by the first quarter of 2017.

PEOPLE PRACTICES

No company transformation would be complete without a shift in the mindset of its people. The management of Mandai Link recognised early on that its human capital is an important asset, vital to the growth of the company, in terms of both attracting and developing talent. "We are a pragmatic organisation. We saw the need to reorganise our company in order to retain people," says Ms Tan.

Through IE Singapore and Spring Singapore Grant Funding, the company collaborated with HR consulting firm Hay Group to develop HR Framework initiatives that will support its business objectives to grow rapidly. These initiatives include enhancing organisation effectiveness by aligning structures and roles, strengthening HR policies and processes, as well as building leadership capabilities through a profiling and training programme.

Leadership workshops are also conducted to groom the next batch of leaders in the company, while in-house cold chain operations training programmes are set up specifically for their warehouse personnel. "In short, we gave every one of our staff a planned career path," says Ms Tan.

While she acknowledges that the sector is not a sexy



ROOM TO GROW
Ms Tan (seated) shares that leadership workshops are conducted to groom the next batch of leaders in the company

one, she says that logistics is the "bread and butter" of commerce. Enhancing its manpower was one way for the company to stay competitive in the industry.

Mr Ng concurs that the logistics sector tends to suffer from a poor reputation. "In our line, its 3D – dangerous, dirty and demanding." Most jobs require being outside under the hot sun, or even working through the night. He observes that such conditions are "difficult" for many Singaporeans.

"We use to rely on foreign talent but because of the manpower quota, we had to reorganise the job scope. We try to give them incentives, give them more rest, more pay. So far, so good," quips Mr Ng.

To get more young people interested in the industry, Bok Seng has been actively partnering polytechnics in various competitions and tie-ups. "It's actually a very interesting industry. Let's say you want to transport an MRT train – you need to think from enquiry to execution. That's why we need to make the industry sexy – if not, no young talent would want to come in. That's why we want to partner with polytechnics so they would get excited. If they are willing to try, there's opportunity for them to explore," he says.

But investing in its people goes beyond boosting productivity. In Bok Seng's line of work, caring about their drivers' safety is paramount. This is done through its Advanced Driver Assistance System, or Mobileye, which consists of a smart camera mounted on the vehicle's windshield to act as the driver's "third eye" to warn against impending collisions and provide other precautionary safety alerts.

Initiated by the STA, Spring is supporting the adoption of Mobileye through its Capability Development Grant. This means that SMEs in the logistics and transport industry receive financial assistance to implement the device.

Mr Ng explains that the company wanted to help their drivers to drive safely as heavy vehicles tend to have many blind spots. When the monthly data from the Mobileye gets sent to the company, management will know which drivers have committed offences such as speeding. If it is a frequent occurrence, the offending drivers will be counselled or reminded so that they are aware of the issue.

He adds: "Safety awareness has been improving with less accidents after that."

GOING ABROAD

In Singapore's climate of weak growth and excess capacity, it has become imperative for SMEs to go abroad for growth.

Bok Seng started looking overseas 20 years ago, with its first venture to Vietnam. The group has since expanded to Thailand, Myanmar and Cambodia. Mr Ng explains: "The Singapore business volume is not that much, and the company is expanding. So we have to go look for opportunities overseas, especially in project logistics."

While there are challenges in operating overseas such as differences in culture and safety awareness, the first few years are usually about laying the foundation and getting the culture and mindset right, he says.

Mandai Link is also no stranger to venturing overseas. It opened a branch office in Surabaya, Indonesia in September 2014 with the help of IE Singapore. Recently, the company has been working with its strategic partner in Bangkok, Thailand to serve their customers.

Ms Tan says: "We are also exploring the possibilities of entering into the China market. Currently, we are at the stage of initial discussion with few of the potential parties across the second-tier cities."

Despite the gloom and doom often projected in economic surveys, both logistics firms are staying focused on enhancing their capabilities and keeping an eye out for latest developments.

Ms Tan says: "Yes, it's very tough for the logistics sector. But if you plan ahead, you can seize the advantage of present opportunities and be prepared for future ones . . . there are always opportunities."

Mr Ng concurs with this sentiment, pointing out that today's business is not about the amount of profit earned, but how efficient one can be. He concludes: "With so many potential disruptions taking place right now, we need to go out and see what's happening in the world as the changes are taking place so fast. If you are not relevant to the needs in the market, you will be out in no time." ■

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