

China Import Fulfilment

- *Importing Growth*

CIPS Supply Management Awards 2012

Winner - International Purchasing Project of the Year

Mitul Shah – Procurement Project Lead

Andrew Smith – Head of Procurement - Vehicles, Assets & Logistics

Agenda



- Business Background
- Aims & Objectives
- Project Planning & Execution
 - Due Diligence
 - Innovation & Creativity
 - Operating Model
 - Best Practice
- Organisational & Procurement benefits
- Lessons Learnt
- Testimonials

Winner - International Purchasing Project of the Year 2012



The judges' verdict:

“An innovative and truly international project that demonstrates the commercial expertise a procurement team can deliver to drive growth.”

“Drawing on best practice that the team developed here in the UK ... helped bridge an important cultural gap between the Chinese emphasis on relationships and the UK emphasis on formal, contractual arrangements”

“As a result of this project, Royal Mail has opened up a multi-million pound revenue stream and established another channel for profitable growth.”



Business Background

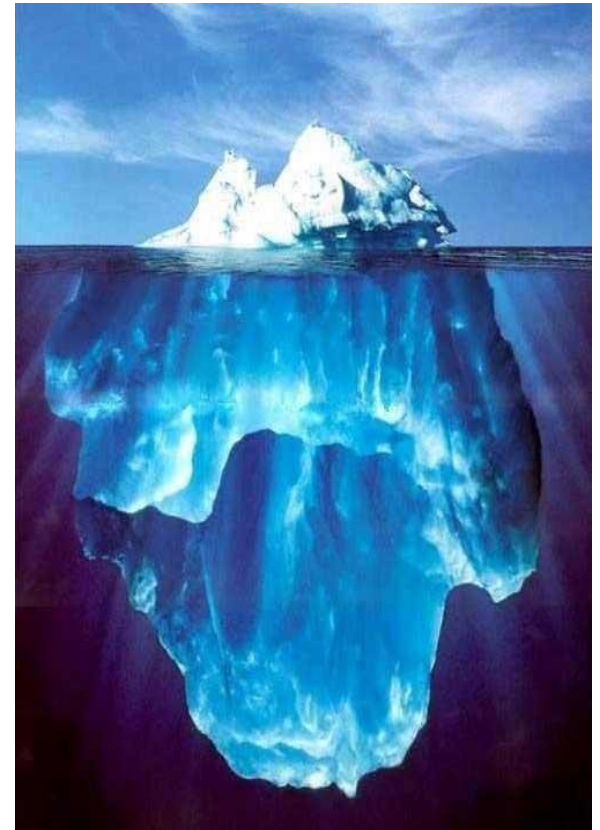
- Royal Mail Group (RMG) - UK based mail and parcels business
- Shrinking domestic marketplace - core letter volumes declining
- Growth in parcel volumes with rise in online shopping
- One of RMG's strategic objectives is to drive more profitable growth in the parcels sector
- RMG receives mail and parcels from foreign postal operators, but similar to RMG, these operators are experiencing a decline in volumes
- Difficult for RMG to stimulate international market growth and demand
- Need to operate from further up the value chain and take a greater ownership of the supply chain to increase RMG's market share.

RMG Procurement

“My vision for Royal Mail Group Procurement has been to become a strategic business advisor – the ‘go-to’ team. As a highly-tuned, commercially focused department that is recognised to help the organisation in more ways than just cost reduction”

Kath Harmeston (RMG Group Procurement Director)

- Traditionally focused on the ‘supply side’
- Global sourcing initiatives
- Recent traction in leading complex deals – using Commercial insight and appropriate supply chain strategies
- Procurement helping to unlock further opportunities by recognising our role as experts in creating and managing complex supplier/partner relationships



Aims & Objectives

- RMG continually reviews global opportunities to increase parcel volumes
- China is the largest exporter into the EU
- Parcels market from China to Europe identified as growing at a rate of over 17% per annum
- The RMG China Import Fulfilment project was set up with the aim of building a pipeline of business to business (B2B) courier express parcel services from China to the UK and Europe
- Senior organisational buy-in gained early on
- Procurement a key member of Steering Board and Project Team

Project Planning & Execution

www.royalmail.com

Due Diligence

- Extensive due diligence undertaken led by Group Procurement
- Suppliers' suitability and alignment assessed against RMG's CSR, responsible and sustainable procurement standards
- Using RMG's Low Cost Country Sourcing CSR Standards, SEDEX questionnaire, and specialist risk management agencies to undertake financial, ethical and technical assessments
- Various market entry strategies considered



Innovation & Creativity

- Cultural training
- Stated aim of creating mutually beneficial relationships
- The need to work differently

Chinese/English names

Chinese General Manager

RMG/ZJS Team Handbook

- Innovative operating model



Operating Model

- Low risk 'asset-light' model



- **Leg 1 Services** - Close partnership supply arrangement
- **Leg 2 Services** - More transactional and a larger potential supply market existed
- **Leg 3 Services** – using existing RMG network / infrastructure
- Contracting approach and structure adapted to align with market and business expectations

Best Practice

- RMG Procurement's Journey to World Class Programme
- Due Diligence

Ensuring supplier's suitability and alignment against RMG's standards

- Use of appropriate contract forms

Framework contracts for Leg 2 helped create flexibility whilst ensuring the ongoing use of competition to create leverage in the supply markets and secure supply

- Cultural

Cultural training throughout the project

Employing a balance of Chinese nationals as well as UK expatriates to ensure the careful balance between RMG's standards as well as local knowledge was maintained

- On the ground presence

The project team spent a considerable amount of time on the ground in China to develop and foster the relationships necessary

- Entity creation

A new RMG entity established in China W.O.F.E (Wholly Owned Foreign Entity)



Organisational Benefits Achieved

- New business set up and trading
- Low level of investment by RMG, with an innovative and agile supply chain solution
- Provision of a B2B China to Europe parcels solution to a rapidly growing market at c.20% lower cost than the existing market
- Significant savings through adopting appropriate sourcing strategies for each part of the pipeline, based on market / business requirements
- Establishing a framework to enable further business development opportunities
- A greater understanding of working with suppliers from very different cultures
- Up-skilling the cross-functional project team outside procurement on contracting, sourcing, tendering, and other key commercial principles

Publicity

- RMG Intranet articles
- RMG Employee Newsletter articles
- CEO and International Director interviews with CCTV (China State Media)
- Articles across Chinese and European media
- Banquet hosted by British High Commission, Beijing

43 articles in first 20 hours

Over 100 executives and dignitaries



11月19日晚，英国皇家邮政集团首席执行官高莱雅在北京与近百名企业精英汇聚英国大使官邸交流酒会，共同探讨当今国际物流业的趋势，这是高莱雅首次访华。图为国家邮政局局长马军胜与高莱雅交流。中新社发 刘震 摄

HOME NEWS WORLD SPORT FINANCE COMMENT BLOGS CULTURE TRAVEL LIFE
Companies Comment Personal Finance Economics Markets Your Business Olympics Bus

HOME » FINANCE » NEWS BY SECTOR » SUPPORT SERVICES

Royal Mail signs Chinese joint venture

The Royal Mail has formed a joint venture with a Chinese delivery company in an effort to grow its parcel delivery business.



A decline in letter volumes has led the Royal Mail to focus on building its parcel delivery business. Photo: Adam



By Harry Wilson

6:20PM BST 15 Aug 2012

Follow 1,871 followers

15 Comments

The Royal Mail has teamed up with a Chinese postal company to provide a business-to-business parcel delivery service.

GLS, the European parcel business of Royal Mail, has formed an alliance with TUD Express, which will use the bus network to deliver parcels in China.

Print this article

Share 8

Facebook 2

Twitter 6

Email

LinkedIn 0



Procurement Benefits Achieved

- A wider awareness of procurement processes and capability
- Valuable knowledge developed around adapting the procurement approach to local requirements
- Helped to position Procurement as a true business partner contributing to the wider business strategy in areas beyond the traditional 'supply side', including revenue generation solutions

Lessons Learnt

- Build '*Guanxi*' - find the right relationships
- Be sensitive to the culture
- BUT - don't lose sight of the goal
- Planning and anticipation
- Gaining commitment – Heads of Terms agreed early

Testimonials

A truly innovative project in which RMG Procurement played a key role in helping set up a new international supply chain to target increased profitable parcel volumes from overseas.

“I am incredibly proud of the team. This is our first CIPS award and is a true external reflection of our capability within procurement to innovate and drive profitable growth.

Well done to everybody directly involved, and to the wider team for putting us firmly on the map of procurement excellence”

- Kath Harmeston (Royal Mail Group CPO)

“Working closely with RMG on developing contracts and a joint business with its pan-European subsidiary GLS has helped us at ZJS improve our team’s project management and contract skills and we look forward to growing this international business successfully”

- R. Rui 芮革 (ZJS Express Ltd International Projects Director)

Before we go, some other learnings...



People, people, people...



Westerners still a novelty in some areas...



Shopping...



...its not all fake!



Tianamen Square ... that's not fog



The Great Wall....



...With a foreign twist!



Time for refreshments - anyone hungry?



He looks hungry...





Thank you for listening Any Questions?

EBP Consultancy (Beijing) Ltd 企运商务咨询(北京)有限公司

A Royal Mail Group Company
英国皇家邮政集团子公司



宅急送
ZJS EXPRESS

