# Logistics players that think outside of the box

ONE-STOP SHOP: Menlo staff do the actual kitting, the code loading if necessary, the packaging and the shipping direct to Siemens' clients.

*Standing out from the crowd is just as important in the world of logistics as anywhere if getting and keeping the edge is what's needed, reports* SANDY GALBRAITH, *Melbourne*

AS the international forwarding and logistics market becomes ever more sophisticated in its techniques, so the major players have to think outside the box to come up with concepts that make them stand out from the crowd and steal a march on their competitors.

This is especially important when you are chasing the lucrative business of the corporate giants, who can be more demanding than most and expect you to provide them with significant bottom line savings.

A very good example of how this concept has been applied by a forwarder to capture a major slice of a multinational's freight business is to be seen at Menlo Worldwide's new multi-client logistics centre in the Sydney suburb of Banksmeadow.

Here, Menlo has secured a contract with the Siemens Communications Group to provide warehousing, product configuration and fulfilment services in Australia.

Siemens has become the anchor client for the facility, which is geared to serve the South Pacific.

Menlo will oversee a variety of inventory management and customer fulfilment activities for Siemens.

The work scope includes management of receiving and warehousing operations that supply standard and wireless ADSL modems and accessories to local and regional Internet service providers, as well as telecom carriers and other value-added logistics services, such as product postponement, inventory control, fulfilment and shipping of finished goods to customers.

Menlo also will provide cost management, trend analysis and business metrics reporting.

The assignment is Menlo's second outsourcing project for Siemens, and follows a similar program in Texas, supporting Siemens in the US market.

The success of the Texas operation convinced Siemens to sign up to Menlo in Australia, according to the forwarder.

Singapore-based Asia Pacific director Marc Schneider told *Lloyd's List DCN* that Menlo was trying to expand its relationships with customers on a regional and global basis.

"This is an example of where we had a relationship with Siemens in the US and we have been successful in expanding that to Siemens in Australia," he said.

"We give major customers like Siemens consistency across regions with the same type of warehouse solutions, reporting systems, visibility and performance. So whether they are in Texas, China or Australia, they get the same level of quality, the same level of performance."

Menlo's target is that Siemens will consume half the capacity of the Sydney facility. The other half will be available for other clients.

The companies and types of businesses that Menlo is targeting fits into three industry groups – high-tech, automotive and consumer/industrial/government business.

"We believe that in Australia there are opportunities to be found within all three of those industry groups," Mr Schneider said.

**With the value adding done here, conditions can be met without the importer having to go to the expense of setting up its own manufacturing facility.**

Siemens sources most of the products from China, with the modem boxes, splitters, USB cables and CD disks packaged in bulk and brought in by ship, instead of bringing the product in finished kitted form in a one modem/one box scenario, by the more expensive option of airfreight.

There are 40 to 50 modems per carton, depending on type; that means a much greater density per pallet coming in from China.

Siemens therefore is able to reduce its shipping costs as well as having the advantage of having a more generic inventory on a lower component level.

In addition, Siemens is able to better match its product to client demand, in turn allowing it to be a lot more responsive to its market.

Last-minute additions to the product can easily be accommodated without the need to wait for the changes to be incorporated in China and the product imported to Australia.

Siemens's headquarters is in Bayswater, Victoria, but what makes the Menlo contract that little bit different is that Siemens never touches the product.

The product comes to the Menlo facility and Menlo staff do the actual kitting, the code loading if necessary, the packaging and the shipping direct to Siemens' clients.

Menlo is taking on additional responsibility in this particular supply chain model.

"Our attitude going into this project was to take a production mindset versus a warehousing mindset," Mr Schneider said.

"That was something that I think Siemens found very attractive, because we need to have all those typical manufacturing-type processes present in our facility, in our capability to support this, so we need to have build and material management through to production planning."

Menlo runs two production lines at the Banksmeadow facility, so management has to be careful to balance out its capacity on the lines and be able to have, from its perspective, as level loading on the lines as it can to properly manage costs and labour.

From Siemens perspective, Menlo needs to be able to meet all the customer's product, quality and timeframe requirements.

"It is very much more a production operation with the associated warehousing pieces inbound and storage outbound supporting it, versus a warehousing operation trying to do a little bit of kitting on the side," Mr Schneider said.

"We are 95%-98% build to order on the outbound side and while we do hold stocks of modems inbound from China, they are held in the more generic, lower-level versions.

"Once Siemens gets their orders and passes them on to us, we do the production, planning, scheduling and build to order process and we then ship it out to their clients."

Menlo believes the system could be adapted to other manufacturing processes in Australia.

"It makes a lot of sense," Mr Schneider said. "Most items are being imported rather than manufactured locally, so this type of solution allows companies – whether making modems, telephones or even computers – to be able to bring components in at a lower generic level.

"This allows them to have more flexible inventories as well as enjoy some inbound freight advantages. Instead of flying in expensive finished product on airfreight, they can ship in lower value components in bulk and hold their inventory levels in Australia, which is cheaper."

Another issue that can come into consideration is the matter of customers seeking a higher Australian local content in their product.

With the value adding done here, these conditions can be met without the importer having to go to the expense of setting up its own manufacturing facility.

Obviously, this too has some impact on the import value and the tax that has to be paid on the goods.

ALTHOUGH no-one is talking numbers, Siemens must make a saving on its bottom line – and it would have to be substantial for it to justify this novel deal with Menlo.

In a market where major multinationals are pushing for cost controls, price reductions and more flexibility, it is easy to see the advantages of transferring the manufacturing process to the forwarder.

Here a forwarder is taking control of the product all the way from its component source, to building in a production element into the logistics process, to final supply to the customer.

Businesses considering going down this path would need to carefully study issues of quality control and chain of responsibility, but on the face of it, Menlo has come up with a highly novel solution and one with obvious advantages to both the customer and the forwarder.

MARC SCHNEIDER: Building on the success of the Texas operation.

THE WORLD'S ITS OYSTER: Menlo is trying to expand its relationships with customers on a regional and global basis.