



Reversing the trend down under

CHEW WAI YEE, SINGAPORE

In a move that reverses its previous practice of basing production in lower-cost China, Siemens Communications Group, a global manufacturer of telecoms and telephony products, has signed Menlo Worldwide to provide warehousing, product configuration and fulfilment services in Australia.

Despite the higher labour cost, the new arrangement is expected to help Siemens reap savings on freight and gain more flexibility in meeting customers' specific requirements in a shorter timeframe.

"Previously, Siemens had purchased finished modems, individually packed and with software already downloaded from the supplier in China. With the Menlo partnership, Siemens now ships the modems in bulk, generic form, with the final configuration and kitting done in Australia. This reduces the freight cost, plus the goods are of a lower value, attracting cheaper duties and tax," said Marc Schneider, Menlo Worldwide director of the solutions team, Asia Pacific.

"Freight costs go down two to three times because you're shipping more modems per pallet than before," he told *FTB Asia*.

The contract with Menlo includes warehousing operations, the supply of ADSL modems and accessories to local and regional internet service providers and telecoms 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.

With the Siemens contract, Menlo has re-entered the Australian market with the opening of a new multi-client logistics centre in Sydney serving the south Pacific. The logistics



Menlo has re-entered the Australian market after its freight forwarding unit was sold in 2004

provider's operations in Melbourne, Sydney and Auckland went as part of its freight division sale to UPS in 2004.

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

It was the success of this operation that convinced Siemens to bring Menlo on in Australia, said Kjell Andersson, general manager, services, Siemens in Sydney.

"With Menlo we had the advantage of being able to replicate a process and an operation that proved successful for our colleagues in the US," said Andersson.

"This outsourcing program is strategic," he added. "It supports our business objectives, which are to optimise our logistics and service capability and manage our inventories better while responding to our customer's needs for faster and more flexible service.

"This is particularly important where the

bill of materials calls for specialised products based on the customer's specific configuration and packing format."

The new process has helped to reduce lead times for Siemens significantly, said Schneider. "Before, it took four to six weeks for the product to be shipped from China and delivered to the customer. Now once the order is placed with Menlo, it can be delivered in less than a week."

To support the operation, the Sydney warehouse will be "paperless", through the use of RFID technology, web-capable warehouse management software and other logistics and transportation management applications.

Schneider said: "One of the features is a web interface. Customers like Siemens can go to the internet and get visibility of the status of receipts, inventory and of outbound orders.

"For Siemens, it was a big benefit, because they didn't have this sort of visibility before. They had to rely on paper reports and email."