Globalization: Opportunities and Challenges

Supply Chain Management - New Cooperation Model of Hong Kong and Mainland China under Globalization (Summary)

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Globalization - Opportunities and Challenges

1. There is a universal and irreversible trend of free flow of information, technologies, commodities and capital among nation.
2. Components made all over the world are being assembled at the place where it can be most cheaply done. In turn the final products are sold to the place where profits are highest.
3. Electronic commerce and low transaction cost allow customers to source across economies.
4. Competition has become more instant on a global scale and there is an increasing need for instantaneous response as time accelerates and distance shortens.
5. A high degree of specialization has become possible under an ever-expanding world market. People with very special skills can even choose to work at home and market globally. Small companies can flourish.

Supply Chain Management

6. The whole principle of supply chain management is about buying the right things at the right time and at the right price, and shortening the delivery cycles.
7. Supply chain management is a demand driven business strategy that manages the two-way flow of products, funding and information, so as to ensure all companies along the supply chain can cooperate to create more value to customers.

Li & Fung's Experience

8. Li & Fung is HK's largest export trading company engages in supply chain management, that is, the management of dispersed production across the globe.
9. Li & Fung dissect the manufacturing process and look for the best solution at each step by managing all partners along the supply chain. We have to choose the best partners and shorten the lead time.
10. A supply chain can be customized to best meet that specific customer's needs and there is a high level of requirement in logistics and coordination.
11. Examples of the production of 100,000 garments:
   i) Li & Fung might decide to use yarn made in Korea and have it dyed in Taiwan;
ii) We may want to use buttons and other trims made by a Japanese manufacturer in China;

iii) To deal with the question of quotas and availability of production capacity, we might end up choosing to make the garments in Thailand; and

iv) Five weeks after getting the order, 100,000 garments arrive on the shelves of US or Europe retailers, all looking as if they come from one single factory.

New Cooperation Pattern of HK and Mainland China

Enhance HK's role as a global supply chain manager

12. With 50 years' experience in marketing, management, and an established international clientele base, HK can greatly assist the Mainland to open up international markets to promote export of her products.

13. With China's WTO accession, HK can work with the Mainland to integrate her labour resources and technical expertise with our competitive edge in information, transportation, finance and professional services to enhance the competitiveness of both areas.

Logistics Center

14. In the new economic era, the Mainland and Hong Kong will need to maintain their competitive edge being able to deliver the right products to the right place at the right time for the right price. Multi-modal transportation flexibility in accessing world class and reliable aviation services is fast becoming the key to the success of logistics and supply chain management, in particular with "just in time" purchasing practice. This is where Hong Kong International Airport offers a distinct advantage.

15. Hong Kong International Airport is the world's busiest international air cargo hub with an average of 500 flights daily to over 130 destinations worldwide. It is obvious that Hong Kong International Airport is by far China's busiest civil aviation center.