

LOSCAM ACROSS ASIA

Leader

Celebrating 15 Years in Asia





Mark Daniel : Managing Director, Loscam

In Tune with the Rest of the World

On its 15th anniversary managing director Mark Daniel reveals the roots of Loscam's organic growth while explaining why innovative local solutions remain crucial to its future.

"It's important to understand our DNA. Loscam came to Asia when everyone viewed logistics - using cheap, unskilled labour and very little investment - as the job other people didn't want. Since pallets were [comparatively] revolutionary to Asia, working with key customers and suppliers often took a long time to get the concept right."

Industry pioneers in many markets, Loscam started small and remains humble. "We view ourselves as a local company and we're very proud of our local staff. They play a very significant role in running the business and adapting concepts to bring local needs and multinational customers together.

"By being in tune with the rest of the world and spending time in our customers operations and outlets we see different developments emerge. Working across different markets; often one market may be a regional test bed for ideas that will then be transferable across various markets."

Mark suggests two interesting areas are returnable packaging as the economy moves toward environment-related factors and shop-ready packaging where manufacturers deliver products straight to retailers' shelves.

"With international trade down, [we will] continue to focus on local growth and our core business. We're here for the long term. Having worked through the last Asian crisis, we see ourselves as a resilient Asian business. Our local understanding sets us apart.

"We're very fortunate to have such an esteemed range of customers and would like to continue working with them and developing strong mutually beneficial relationships. We definitely want to be around to celebrate our 50th and the 100th anniversaries."

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15 Years in Asia

Promoting the efficiencies of pallet pooling in Asia for 15 years, Loscam has grown in leaps and bounds. From humble beginnings in Singapore with a single retail customer, the firm now boasts millions of pallets on hire throughout the region.

A New Concept

Sirin Limpaitoon, managing director of Loscam Asia, and Garry Bachell, director of business development, look back on challenges, opportunities, and successes.

"Fifteen years ago, pallet pooling was a new idea for Asia and it was very hard to get customer recognition that this was a better way of moving goods," says Sirin. "But change happened quickly in the aftermath of the Asian financial crisis."

He explains that many customers encountered financial difficulties which made them more open to renting pallets. The downturn also encouraged an overhaul of the logistics systems in Asia, with an emphasis on efficiency and lower costs.

Gathering Pace

Working closely with Efficient Consumer Response (ECR), an association of trade and industry, Loscam played a major role in the introduction of logistics standards, including the use of the 1 x 1.2 metre pallet. Sirin says, "After 1997 our growth was more robust, with 40 to 50% year-on-year growth in some cases."

Garry reflects, "The two most notable changes during our time in Asia are an increase in the number of third-party logistics (3PLs) operating in the region and the continuing growth of modern trade led by multinational retailers. There has [also] been huge growth in the manufacture of



consumer goods and production of western packaged food, and a general increase in professionalism, especially in the supply chain sector."

Today, pallet pooling is an integral part of everyday business for many customers right across the region. Keith Dolling, director logistics Matahari Food Business, comments, "Matahari has worked closely with Loscam and helped to drive pallet pooling in Indonesia. This has made centralised distribution possible and effective and provides significant benefits in supply chain efficiencies and shelf availability - a far cry from the old direct to store model which caused a lot of heartache for all involved."

Toasting Success

To celebrate the anniversary, Sirin says, "We plan to thank our customers, perhaps through an informal get-together, in each country."

Garry adds, "We will [take a] frugal approach, given the state of the world economy and the impact on all our businesses. However it is a relevant milestone that we wish to share with all our stakeholders, customers, and suppliers."



"Our first 15 years in Asia has been a most exciting journey. A journey in which we have played a role in the development and modernisation of supply chains across all sectors. During this period we have worked with many of our customers on a continuous basis and we enthusiastically look forward to continuing this journey in Asia."

Robert Dalziel : Chairman Loscam

"P&G has had a long association with Loscam in key markets in Asia. In fact, in Indonesia we were their very first customer, and there is continued collaboration on potential new markets that may require pallet pooling services. Loscam has continued to meet the needs of our businesses across the region. We look forward to working closely with them over the years to come."

Sandy Habos : P&G Senior Purchasing Manager & Sindu Sirat : P&G Indonesia Physical Distribution

"The pharmaceutical business continues to grow, and we find that Loscam is always there to support us, meeting our challenges with the most efficient cost and service level arrangements. The quality pallets, good manufacturing practices, and regulated warehousing environment [are well] suited to our needs."

John Weston : Vice President for Distribution of Zuellig Pharma, one of Loscam's earliest customers in the Philippines.



Axapta Implementation Brings Benefits For All



From left to right Mark Wylie : Group Reporting Mgr, Aashika Maharaj : Project Consultant, Robert Banes: Information Technology Mgr

Loscam recently completed a three month rollout of its Enterprise Management System Microsoft Dynamics Ax, across Asia and by doing so has brought the region in line with the total business, providing a solid platform for growth.

For customers, the most readily noticeable advantage is the improved responsiveness of customer service teams to inquiries and processing of transactions. Robert Banes, who managed the Asia Axapta rollout and development of Loscam online says, "Axapta updates data into Loscam Online [customer extranet system] faster and with more accuracy." Other benefits include automated management of transaction errors and corrections, and generation of more detailed reports.

Sandy Capannolo, general manager IT & Business Improvement, explains that the upgrade reflects three main components of Loscam's IT strategy. The first is to eliminate replication by consolidating fragmented and manually intensive business applications and processes into one efficient enterprise wide solution. Dynamics Ax incorporates a broad range of processes covering a range of financial, operational and managerial functions, including customer management, invoicing, accounts receivable, transaction processing, and stock management and control.

The upgrade further advances the second prong of Loscam's IT strategy: to update supporting hardware so that the latest systems supporting a more scalable and robust environment are in place. Sandy says that this is a "fundamentally different and more robust proven technology" that deploys a virtualised server environment running on HP Blade servers and EMS networked storage, allowing for less computer hardware, greater system performance and ease of expansion.

The third component is to strengthen network infrastructure to ensure real-time connectivity at all Loscam sites. Network connectivity and performance is being upgraded and Uecom has been chosen to manage the data network service. Additionally, IT is looking to "add additional and faster links between the corporate head office in Australia and the regional Thailand office, and across all our Asian country operations covering China, Guangzhou, Hong Kong, Indonesia, Malaysia, Philippines, Singapore and Vietnam" says Sandy.

Loscam IT plans additional system enhancements over the next 12 months to further improve and cement Loscam's value added partnerships with its customers.

New Depot in the City of Heroes



Golvido Pamunkas : Branch Manager Loscam Surabaya

Indonesia's second largest city Surabaya is now home to Loscam's newest depot operation with a full team of customer service, administration and operations staff led by Golvido Pamunkas.

"We have been supporting our Surabaya customers from Jakarta for a few years now, however the scale of Loscam's business in east Java is now at a stage where we have made the investment to better service our customers here" said Golvido.

The depot primarily supports the FMCG sector and the pooling operation of Matahari Supermarkets Surabaya distribution centre. "Since opening the depot we have also seen strong interest from locally based companies who are keen to use capital for their core businesses and leave the

management of pallets to Loscam" added Zul Hasibuan, Loscam's Indonesian country manager.

Golve has been with Loscam Indonesia since 2006 working in sales and customer service roles, playing a leading role in the development of the business which has been growing at double digit rates since opening in 1996. He has been managing a number of key accounts along with his sales responsibilities and has been actively involved with the operational aspects of the business ensuring pallets are available where and when customers need them.

"Being a Surabaya native I am excited about the new role as I can return to my home town and put my stamp on what promises to be an exciting step for the continuing development of Loscam in Indonesia."

The depot is located in Surabaya's industrial heart Rungkut, and Golve can be contacted on (62) 81 6199 6968 or depot (62) 31 9151 2289.

Mike's 3 Points for Success in Challenging Times

Safety, cost and reliability are the centrepiece for both Tesco Lotus' supplier relationships in Thailand and its growth to the largest modern retailer in the kingdom with nearly 600 stores and counting.

Delivering the thousands of products to Tesco Lotus' well laid-out stores is the responsibility of Mike Reid, distribution director for Tesco Lotus Thailand.

Tesco Lotus made its first entry into the kingdom back 1998 in a joint venture with the Charoen Pokphand Group, and then went on to establish its own management structure in 2003. "When Tesco Lotus bought the business from the CP Group, it accelerated growth and built what we have today," explained Mike.

Tesco and Loscam have been doing business together since 1998 and Loscam pallets are now used exclusively across Tesco Lotus' massive distribution centres in Thailand, which totals over 110,000 sqm and handles in excess of 5.2 million cases in an average week. "We have four distribution centres in Thailand dedicated to particular product and store types i.e. Hypermarkets, Value and Tesco Express Stores" said Mike.

"In pallets I'm looking for safety - that it won't collapse every time we use it. Number two is cost: because it is a commodity. It's something we use a lot of, so cost is right up there. Also, having a company you can rely upon to not run out of pallets. They're the key three things that we look for."

Even through busy trading periods such as Christmas, Mike has never had any shortages of pallets. "Pallet supply is a well-established business. It's been refined over the years and does what it says. Any refinement now is about tightening up how long it dwells in our distribution centre. If a supplier can deliver on the three points I mentioned before, then you're there."

"Part of Tesco Lotus' undeniable success in Thailand has been our core value of customer commitment: 'To create value for customers to earn their lifetime loyalty', and that's what we try to do. We cater to a local market but we use one operating model. All of the back office systems, like distribution, finance and the structures, will be to the Tesco Lotus operating model. The customer offer will fit local conditions." Mike explains.

Tesco and Loscam have been working together since 1998.



Mike Reid : Distribution Director. A Scot by birth, joined the company when Tesco Lotus bought Scottish Market Group in 1984.

"I've clicked up 22 years in retail, 15 years with Tesco Lotus. From day one I've always been in distribution."





Australia Business Wrap

Australia has not been spared from the effects of the global financial crisis. Unemployment is on the rise, consumer confidence is down, and spending has dropped, hurting retail and manufacturing. Keith Dargavel, director of Loscam Australia, explains how the firm is weathering the financial downturn by focusing on customers, delivering value-added solutions, and running a tighter ship.

Uncharted Waters

"There have been downturns in the past but this time we are in uncharted waters," says Keith. "No one knows when it will flatten out but economists do not expect this to happen anytime soon."

With significantly lower consumer spending, retailers are beginning to stock lower inventories, impacting manufacturing. "We are seeing this flowing through the supply chain, however, as always, careful review of performance indicators and staying close to the business will help us to weather the storm"

Ongoing Strategy

While Loscam's growth has been slowed by the economic slowdown, Keith explains, "We are always working on the pipeline of national customers, including small and medium sized accounts. It's an ongoing strategy. There are always opportunities in adverse times. We are focusing on the positive, helping existing customers manage their businesses tighter and helping potential customers review their cost base and presenting alternatives."

Loscam is also working on some "exciting prospects in traditional industries but we will have to wait to see how those pan out." In the meantime, "management is very cost-conscious as we're keeping our expenses in check, running as tight as we can right now."

Customer Focus

Another strategy is an intensified focus on customer service, an aspect that has always differentiated Loscam from its competitors. This is especially apparent in the winning of the Bunnings (a home improvement retail chain with 400 stores and several distribution centres across the country) account last year.

Bunnings and its vendors previously used a number of pallet pooling systems, including Loscam. "The company was seeking a single solution that ran more smoothly. All vendors were delivering on pallets before and they liked what we had done, making the final decision to go to Loscam easy," says Keith.

Achieving substantial numbers of pallets on hire, Loscam also "got all 150 of Bunnings' vendors on board, with opportunities to absorb more of their suppliers' business."

Also, "we are talking to our current customers more frequently these days. We can't afford to lose sight [of their needs and concerns], while keeping up with superior customer service the same way we have done for years" Keith says, adding, "And this will get us through the tough times."

Keith Dargavel : Director of Loscam Australia

"We can't afford to lose sight [of their needs and concerns], while keeping up with superior customer service the same way we have done for years"



Unilever's New Supply Chain Management Structure



Unilever's decision to centralise its regional supply chain senior management structure in Singapore is on-track to achieving its goals of better coordinating supply chain decisions and efficiencies, as an interview with vice president (CSE AACEE) Mark J. Holloway reveals.

Q Why did Unilever centralise its structure?

A MJH: The main benefit is one of operational efficiency. By co-locating all key decision makers we expect decisions to be much faster and for our operations to be more aligned, as we interact more frequently.

Q How will this affect Unilever's regional suppliers operating in multiple countries?

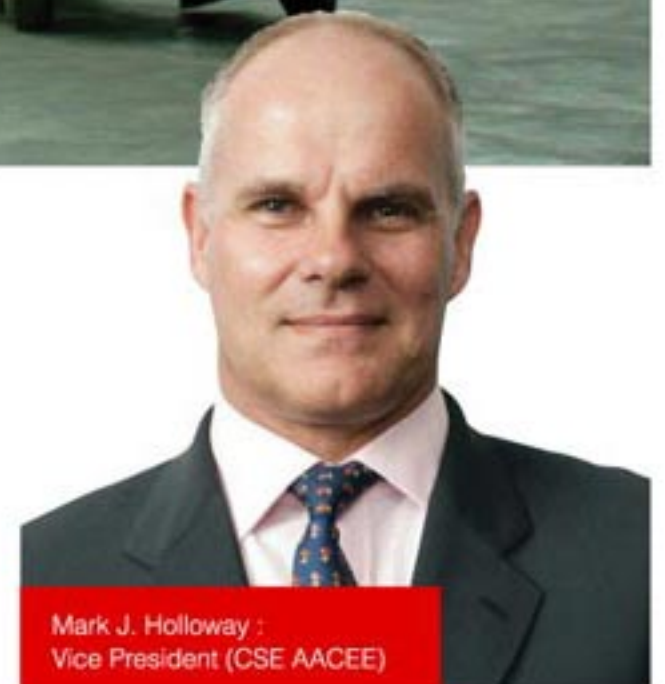
A MJH: For some of our strategic suppliers (such as third-party logistics providers including Loscam), we will simplify the contractual and commercial interfaces. I expect a more regional relationship for strategy, commercial terms and performance management while operational relationships will remain relatively unchanged.

Q What are the key objectives?

A MJH: Its all about improving decision making and executing our existing strategy faster, better and cheaper. Our current strategy is about improving customer service, reducing costs and cash investments, improving our innovation capabilities, attracting and retaining the best people while maintaining best in class quality and environmental standards, with maximum attention to safety.

Q How are you finding the new challenges?

A MJH: I personally relocated to Singapore. Clearly Singapore is not the same as Bangkok, but it is a good place to live. Efficiency levels here are impressive! I am already finding it easier to 'get stuff done' in the office. A short walk or coffee chat can resolve issues that would have taken tens of emails or telephone calls to resolve!



Mark J. Holloway :
Vice President (CSE AACEE)

Unilever is one of Loscam's largest customers across the region and we look forward to working with the Singapore based team to continue to add value to both their internal and external supply chains and their modern retail and traditional trading partners.





Scott Neubauer



China Retail Big opportunity, Managed Risk

Loscam Leader invited Russel Berron, publisher and editor of CHINA Magazine, to provide some insights into China's retail sector following the success of their recent Retail and Distribution Conference in Shanghai.

Maintaining competitive advantage in the face of increasing competition requires retailers and distribution companies to improve facility flow-through, drive down the amount of inventory in their supply chain and meet escalating customer demands.

While China is a bright spot for many companies looking to offset slackening demand for retail products in their home countries, Chinese consumers are still tentative. Growth in Chinese retail sales weakened in the first two months of this year as consumers face economic uncertainty.

Major retailers like Suning, Gome and others are trying to broaden their presence in rural China to ride on government initiatives to stimulate consumer spending. Suning has already opened 4,500 licensed retail stores in the vast rural areas over the last 13 months. The fast pace of change in China's retail industry brings with it numerous distribution challenges for retailers, including inadequate infrastructure, transportation, warehousing and quality of service.

The Global Supply Chain Council's second annual summit on Retail and Distribution explored retail challenges and presented solutions for high growth markets such as China, Vietnam and India. Through real-life case studies, the event focussed on how leading retailers are delivering products into Asian consumers' hands in a timely and cost effective manner. Speakers from retailers such as Adidas, Best Buy, Metro, Tesco, LVMH and Amway gave their first hand experience offering guidance on best practices in China retail and distribution. The Council will subsequently deliver the same event in India and Vietnam.



With almost two decades of experience in pallet pooling, including a stint as general manager of Loscam's Australia business, Scott Neubauer is helping to develop the vast and intricate Chinese market.

Now general manager of Loscam's China business, Scott explains that they focus on building a customer base in Southern China to "capture synergies with Hong Kong" and maximise resources to create the greatest impact on a challenging market.

On his role, Scott says, "I work with our local team and customers to develop efficiencies in supply chains, assisting with pallet management and working with trade partners. Most customers are in FMCGs; some are in the high tech and automotive sectors."

The relatively underdeveloped China supply chain has "lots of opportunities [for businesses] to increase profits by reducing costs."

Besides the country's size, challenges revolve around traditional business norms. "Businesses in China have generally purchased and owned their own pallets for in-house use. Manual labour is used extensively to load and unload goods."

As labour costs rise, "it's becoming more expensive to do business, prompting companies to look for greater efficiencies. At the same time, we are developing the pallet pooling concept here," Scott explains.

One key message for local customers is that Loscam's pallets "are better built, with greater load capacity and durability" and "we are available to help provide a quality pool of pallets when and where customers want them."

Pallet pooling also drives the development of China's modern supply chain as "our standardised pallets are great enablers for standardisation of other aspects of the supply chain, including forklifts, trucks, and product packaging, generating lots of efficiencies."