

# DHL and Rongqing deliver for Metro C&C in China

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DHL Solutions, owned by Deutsche Post World Net, is combining advanced management information systems in China with Rongqing Logistics Shanghai's vegetable trucking expertise to supply food items to Metro Cash and Carry wholesale outlets.

The DHL-Rongqing partnership receives goods in their Shanghai distribution center from food manufacturers throughout China for timely replenishment to Metro stores. The success of the subcontract partnership between DHL and Rongqing is beneficial to the Metro Group and to domestic producers as the Metro Cash and Carry concept expands to 29 stores in China.

In November, 2004, Metro Cash and Carry, a business unit of the Metro Group, Dusseldorf, Germany, signed a contract with DHL Solutions to provide a unique service to meet the specific requirements of Metro's wholesale outlet system. Prior to the logistics agreement, Metro used a local service provider. The provider could not find goods in the warehouse nor replenish the Metro stores quickly.

Metro Cash and Carry is a wholesale business for professional customers from food retailers, to catering concerns, to hotels, restaurants and small traders. Most food items are from local producers. "The Cash and Carry customers do their own order picking, pay in cash and carry their merchandise away," according to Metro. For example, in October, 2005, a new store opened in Kunming, Yunnan, a southwest China province, offering over 20,000 items from 90% local suppliers' production. The concept began in Germany in 1964 and the first China store opened in Shanghai in 1995. Metro AG's 2005 sales were 55.7 billion Euros (\$69.7 billion) with 250,000 employees. Cash and Carry contributed almost one half of sales and 90,500 employees. Cash and Carry's 2005 sales were 28.09 billion Euros (\$35.1 billion) and over one billion Euros (\$1.252 billion) in earnings before interest and taxes.

In Shanghai, China, a 1,500 square meter warehouse receives and stores dry goods from food factories. The suppliers are responsible for truck or rail shipments to the DHL-Rongqing managed distribution center.

For example, shipments from a Lays potato chip factory arrive by truck from the central province of Sichuan in 4-6 days or by rail in one week. Order management and trucking to the Metro outlets is handled by DHL and Rongqing. "In China, we do not have much equipment and human resources, but we do have a local and domestic network, so we depend on each other," said Mr. Zhang, General Manager, Shanghai Rongqing Logistics Co., Ltd.

The best practices of the international logistics provider are synchronized with the local transport company to increase the flow of goods to Metro's 15 stores in 11 cities in China.

In the Shanghai distribution center, goods are received on Tuesday, Thursday and Saturday. Clearly marked signs and neatly stacked boxes facilitate the picking and packing of orders for each Metro store as viewed from the DHL manager's office overlooking the warehouse. Each Wednesday morning at 8:00 trucks are dispatched to all Metro stores and arrive at Shanghai destinations in one day, two days for East China stores, and three to seven days for other Metro stores.

## MULTI-MILLION DOLLAR WAREHOUSE MGMT SYSTEM

DHL Solutions uses the multi-million dollar PROLOGS, Process Logistics, warehouse management system (WMS) for the Metro distribution center business in Shanghai.

PROLOGS information system functionalities encompass all processes from point of origin to final delivery required to meet Metro's order planning, replenishment and tracking. The WMS has electronic data interchange (EDI) and Customs capabilities with Chinese language interfaces for national coverage.

DHL is the first international company in China to provide domestic logistics. They began in 1991 with door to door deliveries for Mars candy. The company is ISO 9002 certified in China with major accounts in the fast moving consumer goods (FMCG) markets such as Cadbury, AGFA film, Ford, Caltex and Heineken. In 2003, DHL Solutions han-

dled 400,000 metric tons of goods through their China network. DHL Solutions Contract Logistics is part of the DHL global brand which includes DHL Express, DHL Freight and DHL Danzas Air and Ocean.

DHL's long term commitment to developing the logistics and supply chain industry in China is proven by the recent opening of a management training facility in Shanghai, China: DHL Logistics Management University. DHL's employees and customers in the Asia-Pacific will learn the importance of customer service and other concepts to become internationally accepted logisticians. Recently, DHL Solutions acquired Exel, which could add to revenue and profit growth in China of 20-50% per year, according to Cai Yu, former Shanghai DC Manager, DHL Solutions.

DHL's shortcomings in China, including local transport knowledge and experience, are more than offset by Rongqing Logistics Shanghai Co., Ltd. Rongqing performs the warehouse and distribution trucking for the Metro outlets in cooperation with DHL Solutions. In 1994, Rongqing began in Shandong province as a vegetable seller before purchasing a couple of trucks to transport produce. In 1999, the company incorporated and is now a long distance highway transport and logistics supplier with over 200 trucks, insulated boxcars and refrigerated boxcars.

Rongqing graduated from mere road transportation provider to logistics supplier and partner with internationally recognized DHL by building an express network of distribution centers throughout China. From the DHL-Rongqing Shanghai warehouse, Rongqing makes 20 truck shipments per day to Mart stores. "We are an original company and DHL is a big international company," said Zhang.

Rongqing's quality assurance indicators outlined in their presentation material for the Metro business are complementary to DHL's key performance indicators in China. Now, Metro can measure many warehouse and transport functions with exactness for on time delivery and replenishment in stores which were sorely lacking in performance by their first local transport provider.