

Significance of Asia-Pacific region continues to grow for many shippers

# Distribution as a key factor

Selling goods in the Asia-Pacific region is becoming even more important for many international firms. In a study entitled «Distribution to the Asia-Pacific region» Miebach Consulting recently collated and analysed the insights of 126 shippers. Bernd Müller-Dauppert, Miebach's managing partner, spoke to Christian Doepgen about risks and opportunities, local characteristics and supply chain strategies.

**Mr Müller-Dauppert, everyone is fixated on the crisis in China these days. Is the Asia-Pacific region relevant as an international sales market?**

More than ever before! The current economic dip in China, which has the strongest retail market in the region, is not so serious, on account of its existing infrastructure. We're looking at a market of 3.5 billion people, whose regional economies are recording above-average growth.

**What spectrum of shippers did you question for your study?**

126 firms took part, from a very broad range of industries, including automotive suppliers, chemicals and pharmaceuticals

firms, mechanical engineers and electronics, fashion and FMCG entities, amongst many others. 48% generated sales worth more than EUR 1 million, 25% less than EUR 250 million. We believe this is a good mix on which to base our conclusions.

«Building networks to the Chinese hinterlands.»

**What is the situation in individual regions?**

China is both a production centre and a sales market today, and international corporations are thus gradually developing their distribution networks beyond the major economic hot spots and into the

hinterlands. In the near future Southeast Asia's Asean is not going to become a free trade zone in the vein of the European Union, even if it has made significant progress in the customs field, to cite one example. Firms prefer to trade with Asean nations rather than produce there.

**India is considered a coming market...**

One third of the firms surveyed already produce goods in India. The country undoubtedly has great potential, but its poor infrastructure – which is the great difference between India and China – and its non-tariff trade barriers continue to hamper development. So international players concentrate on metropolitan and coastal regions.

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What challenges do you expect to face in your supply chain in the next five years?



Photo and chart: Miebach Consulting

Bernd Müller-Dauppert believes that opportunities dominate in Asia.



**How are shippers positioning themselves?**

43% of the corporations are establishing comprehensive networks with numerous locations, including in China, Japan and Australia, where demand is strong enough or specific quality criteria are in place.

**How do they configure their supply chains?**

It depends on whether time or money is more crucial. Cost-focused firms cover several countries and build up a system of warehouses, with four plant storage facilities on average, and seven central and regional distribution stores. Service-oriented firms have a stronger local presence.

**Which modes of transport dominate?**

Around two thirds of transport is carried out by sea. About 20% of enterprises make use of air haulage for the main leg. Intermodal options are still rare, even if the railways are successively being discovered.

**What insights surprised you?**

The delivery times customers expect are very demanding. More than half of exporting firms have to supply customers in 14 days, and just under one quarter

even in three days. For 9% of companies with local production centres the dictum is even: By tomorrow!

**What opportunities and risks are there, both in the market and for our industry?**

Shippers consider volatile demand and potential natural disasters to be the key imponderables in their business. Agility and flexibility are thus the top priorities for every service provider active in the region.

«The delivery times clients require are very demanding.»

That is why it is so very important for risk prevention to be tackled in close collaboration with customers. A well-functioning information technology network can make a substantial contribution in this context. Though there is ever more pressure in terms of the time available and the costs incurred, we nevertheless expect infrastructure to expand and barriers to trade to diminish. This huge market remains highly interesting.



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