



Streamlining the Global Logistics Service Processes at Nanjing Wangjiawan Logistics Center (WLC)

Case Materials

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Background

Although it was only early July in Nanjing, the bright morning sun was already sending out scorching heat. As Mr. Wang got off his electric bicycle at the parking lot of Nanjing Wangjiawan Logistics Center (WLC), he could feel his sweat trailing down his face and his whole body wrapped with dampness. He parked his bicycle at the usual spot and looked up at the five-story, beige-brick building where he has been working as the General Manager of the International Logistics Department for two years. While the windows of the building glistened under the bright sun, his emotion gloomed when he thought about what he needed to do for the day: to report the second quarter financial report of his Department to the board and discuss the department plan for the remaining quarters. How he wished that the financial figures on the report could have been as shiny as the windows of the building! Quickly gathering his suitcase from the basket attached to the front of his bike, he entered the building in just a few strides. Embraced by the cool air released from the excellent air-conditioners in the five-year old building, he immediately felt better and calmer. He knew that the logistics market in China is definitely on the rise, and with more multi-nationals coming to China to buy and to sell, the needs for logistics services are undoubtedly accelerating. He was optimistic that the business in his Department would grow as time passes by, although there are many problems and challenges.

In his mid-forties, Mr. Wang started working at WLC from its beginning in 2001. Prior to this, he had worked at different levels of logistics positions in several companies for almost two decades. During his a-quarter-century experience in the arena of logistics, he has seen the dramatic changes in China's logistics landscape and understood its major problems very well. The biggest issue existing in WLC is the low financial return due to a vehement competition only on price, but not yet on service in China's present logistics market. Additionally, there are other challenges faced by all logistics companies in China, for which five causes are found responsible:

- (1) *Delayed payment*: Companies are always behind payment, causing an interrupted cash flow and a cyclic effect on every involved entity. This is a common issue in firms of many sorts in China;
- (2) *Low retention rate*: Employees from mid-level management to lower ranks tend to change jobs frequently. Fortunately, this has not been a problem at WLC;
- (3) *Low quality of workforce*: Companies recruit new people primarily through referrals with open recruiting as the secondary avenue. On top of this, logistics education is still in its infancy in China, producing only a limited number of graduates with sufficient training in the subject matter. As a result, it has been difficult for companies to hire people with the right qualifications and the experiences that meet the expectations and requirements;
- (4) *Competition on low price*: Over seventy percent of the customers select logistics service providers based on cost, resulting in low profit margin for the entire logistics industry;
- (5) *Strong emphasis on localization*: Many customers are too concerned with protecting local markets and reluctant to use either a 3PLs or a logistics service company located outside their territories. As a result, many logistics companies' businesses are still limited and their capabilities are not fully exploited.

As Mr. Wang sat down in his swivel chair behind the shiny mahogany executive desk while taking out a stack of papers from his suitcase, he let out a deep breath and then started to read the business plan for the next couple of quarters he drafted over the past few nights. He knew that although some of the challenges and problems existing in China's logistics market were beyond his control, he could always keep an eye on how his Department should be operated as efficiently as possible and delve into the processes to identify problematic areas for remedy and improvement. Recently, WLC has embarked on a new initiative aiming at streamlining business processes to cut cost and lead time as well as integrating existing processes and resources to function more effectively. The initiative is expected to take place within each business unit as well as across units. He had planned to start the implementation in his Department in the third quarter and was pondering how to proceed in specific steps.

Mr. Wang has chosen two of the Department's biggest customers, Wal-Mart and Sharp, to begin the investigation, as Wal-Mart exports from China whereas Sharp imports to China, both through WLC. Additionally, the logistics activities and service procedures associated with these two companies' global sourcing processes are representative of his Department's daily business and operations.

Company Background

The Geographic Importance of Nanjing

Nanjing is the capital city of China's Jiangsu province and a city with a prominent place in Chinese history and culture. Located in the downstream Yangtze River drainage basin and Yangtze River Delta economic zone, Nanjing is not only widely known as one of China's "three furnaces" because of its incredibly high temperatures in summer season, but also has enjoyed being one of China's most important metropolitan areas. Apart from having been the capital of China for six dynasties in ancient China, Nanjing has also served as a national hub of education, research, transportation and tourism throughout the history. The city now has been evolving into the second largest commercial center in the East China region, trailing behind only Shanghai, which is 300km away in the southeast. The capital city, Beijing, is 1200km in the north. A map of China showing the geographic location of Nanjing is given in Figure 1.

Because of Nanjing's superb geographic location, there is no surprise that the city has become the transportation hub in eastern China and the downstream Yangtze River area. Different means of transportation constitute a three-dimensional transport system that includes land, water and air.

- *Land*: As a regional hub, Nanjing is well-connected by over 60 state and provincial highways to all parts of China. Inside the city of Nanjing, there are 230 kilometers of highway, with a highway coverage density of 3.38 km per hundred square km. As for the railway system, the Tianjin-Pukou, Shanghai-Nanjing, and Nanjing-Wuhu Trunk Railways meet in Nanjing, enabling Nanjing to become an important hub of railways linking the northern, eastern and central China.

- *Air*: Nanjing's airport, Lukou International Airport, serves both national and international flights. The airport is ranked 15th among 126 civil airports in China in terms of yearly passenger transport, and 10th in terms of annual cargo transport. The airport currently has 85 routes to national and international destinations, which include Japan, Korea, Thailand and Singapore. The airport is connected by a 40km highway directly to the city center, and is also linked to various inter-city highways, making it accessible to the passengers from the surrounding areas.
- *Water*: Port of Nanjing is the largest inland port in China with yearly throughput reaching 66 million tons in 2003. The port area is 98km in full length and has 64 berths including 16 berths for ships with a tonnage of more than 10,000. Nanjing is also the biggest container port along Yangtze River; in March 2004, the one million container-capacity base, Longtan Containers Port Area, opened for business, further consolidating Nanjing as the leading port in the region.



Figure 1: The Geographic Location of Nanjing

With abundant natural resources in place and a carefully designed transport system infrastructure under development, it is not difficult to see that Nanjing is playing an important role in China's import and export business and in linking China with the global markets. Nanjing offers four gateways to the rest of the country and the world:

- **XSW Wharf**: This is used mainly for cargo transits via water. It will be changed to a bulk cargo wharf in the near future, and its current container services will be transferred to Longtan Containers Port, which is about 20km away;

- Nanjing Airport: serving primarily for air transport and is the fastest way for getting into destinations around the country and across the globe;
- WLC: It links Shanghai for land-based transportation and is in charge of the entire highway transport;
- Two processing zones for exports: One is located in Jiangning Development Zone, and the other is near the XSW Wharf.

A sketch map of the geographic locations of Nanjing, the WLC, along with the other important logistical points mentioned above is shown in Figure 2.

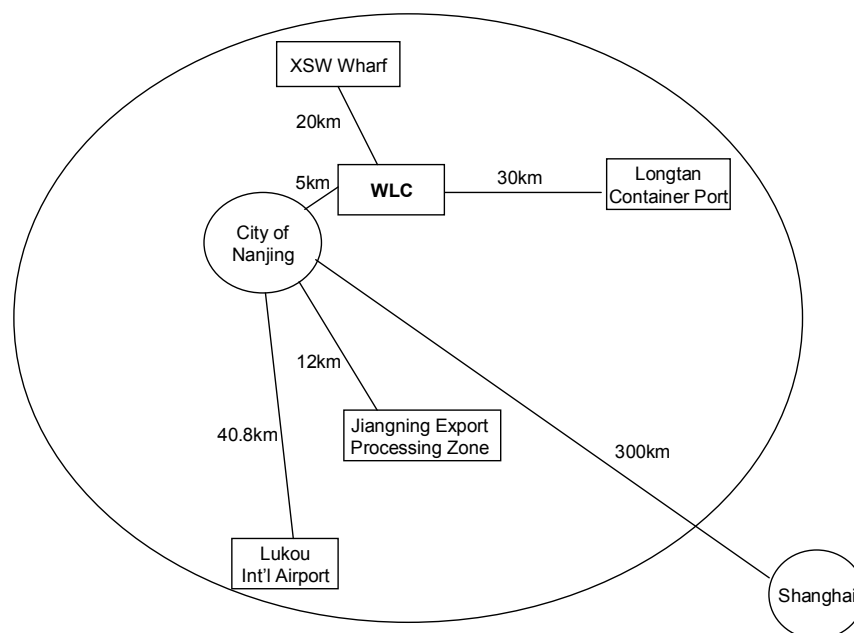


Figure 2: Geographic Locations of Nanjing's Import/Export Points

Overview of WLC

Nanjing Wangjiawan Logistics Center Co., Ltd. (WLC) is one of the forty-five metropolitan hubs in the nation for highway cargo transit that are approved by the State Department of Transportation, and also a key large-scale modern logistics project supported by both the Jiangsu provincial government and Nanjing municipal government. As a leading logistics enterprise in Jiangsu Province, it is the first in its kind in city of Nanjing that has certified by ISO9001-2000. Situated on the north wing of Purple Mountain of the city center and next to the No. 312 national highway, WLC links the Shanghai-Nanjing Expressway and the Second Yangtze River in the east. The Center covers an overall land area of 70,000m², a construction area of 31,500m², a warehouse administered by the customs of 5,400 m², and a stacking yard of 28,000 m².

The company was established on March 1, 2001 under the joint investment of three partners: Nanjing Highway Development Group, Nanjing Transportation Investment &

Control Group Co., Ltd., and Jinling Trucking Company. The initial registered capital was RMB 101 million (\$1 ≈ 7.9 RMB) and the current total investment has increased to RMB 268 million. WLC is the holding company of three subsidiaries: Nanjing DJZ Logistics Park Co., Ltd., Jiangsu Hengtian International Freight Forwarding Company (HIFF), and Nanjing Wangjiawan Transportation Technologies, Ltd. Although WLC is a young logistics enterprise, it has large amount of physical assets with competitiveness between established giants, Sinotran (a state-owned enterprise), Jiangsu Uniwill Logistics Co., Ltd. (privately owned), and Hiton Logistics, Co., Ltd. (privately owned).

Since its inception, WLC has been evolving around the development theme called “Four Platforms, One Center”, and concentrating on developing along four key dimensions: a specialized procurement trade distribution platform, a merchandise transit transaction platform, an automobile logistics service platform, and a comprehensive third party logistics center. The goal of the company is to become the best comprehensive logistics service center in Nanjing and its vicinities and eventually in Eastern China by adopting advanced management information systems and contemporary logistics management theories and methodologies.

WLC currently employs over 160 people, whose average age is just below 30. About 70% of them are graduates of 3-year technical community colleges or higher. The center owns various transportation vehicles that amount over 8,500, and its main businesses include (1) specialized services catering for the electronic and telecommunication industries; (2) storage, loading/unloading, and shipping of frozen and perishable consumer products; (3) delivery of chemical and hazardous goods; (4) VMI and JIT services of finished automobiles and spare parts; (5) containers transfer and layaway, and container freight station; (6) other logistical solutions for integrated global supply chain management. The current customers of WLC exceed 350, spanning three kinds of industry sectors: distribution, manufacturing, and processing. Among its largest customers, there are internationally renowned names such as Wal-Mart, Maersk (MSK), Mitsubishi, Nanjing Philip LCD Co. Ltd, and Nanjing Fiat, as well as big domestic companies such as Five Star Appliances, Nanjing LG-Panda Electronics, Fuzhong Computers, Anhui Yantze Group, to name just a few.

The center established three business units at its inception, which remain unchanged today. They are Domestic Logistics Department, International Logistics Department, and Electronic Commerce Department. A new unit called Logistics Estate Management Department was recently added to provide services for the tenants of the Center. The organization chart of WLC is given in Figure 3. The Domestic Logistics Department contributes about 75% of the total revenues of the center, making it the most important unit of the company. The next 20% comes from the International Logistics Department, and the rest is from the E-Commerce Department that offers services in information management, data collection, and tracking services. The next development goal of the company is to integrate the services offered at the domestic and international logistics departments as well as the management and control structure of the departments.

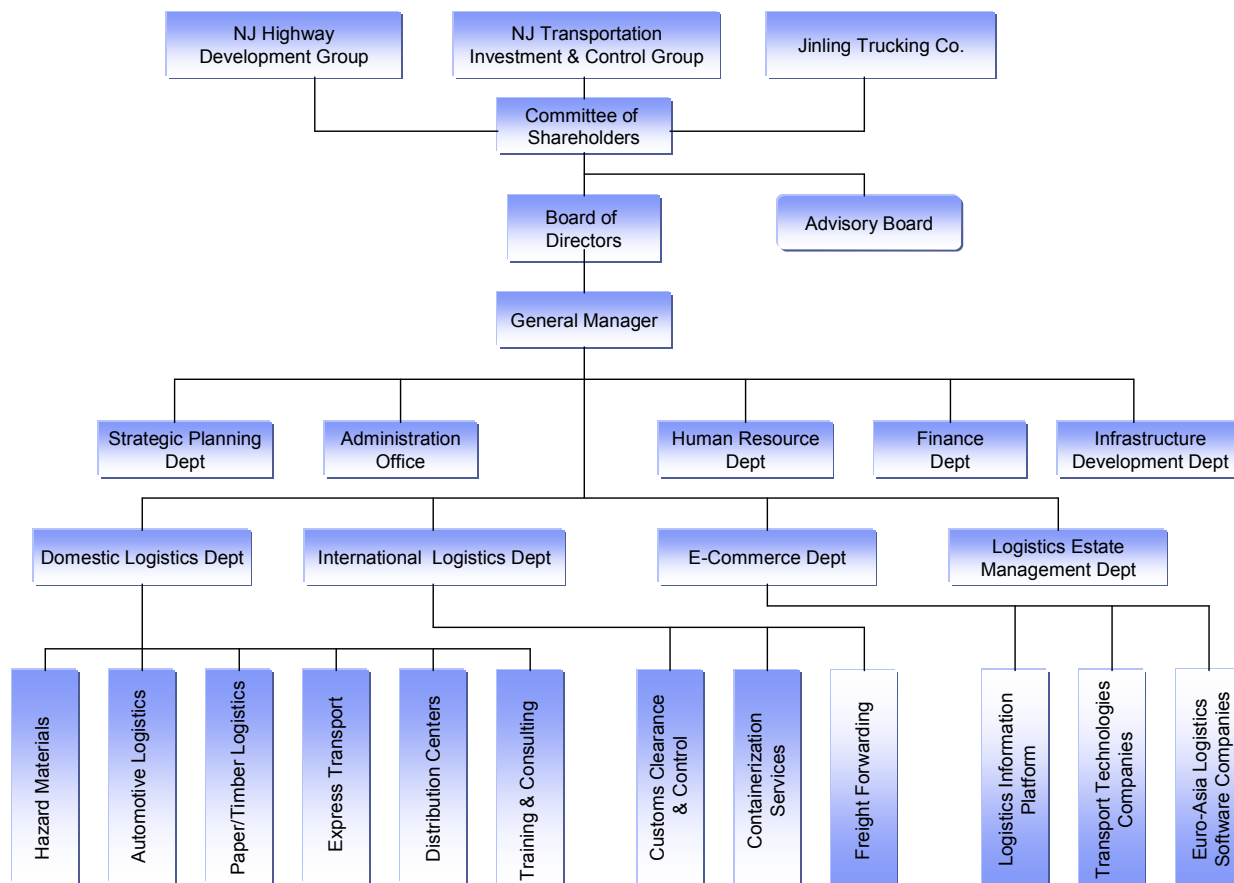


Figure 3: The Organization Chart of WLC

The Domestic Logistics Department

This department is a business entity controlled by an independent accounting and financial system. This unit is dedicated to the business management and operations related to all domestic logistics projects. The department is managed by an outstanding team with vast professional experiences, and has gained great reputation in the market through their customer-centric strategies, rigorous and yet flexible management tools, and excellent customer services. Since its establishment, the Department has focused on its core strengths such as rich experiences, and advanced information systems and networks to satisfy customers that demand high quality and rapidly changing services.

Because of the fierce competition on prices in China's logistics market, the main transportation mode employed by the Domestic Logistics Department is ocean shipping. The major services provided by the department consist of six areas. (1) Distribution Center: with over 20,000m² warehouse space and 200 registered vehicles, WLC is a true asset-based 3PL, providing logistical services to big manufacturers, OEMs, and large merchandise retailers; (2) Automotive Logistics: with about 8,000m² open storage space, multi-car trailers and haulers, an advanced warehouse and transportation management system, and a complete set of infrared video system for monitor and control, the Center is able to help auto makers cut their logistics costs and concentrate on their core competencies; (3) Express Delivery: this division

aims at satisfying those customers located within 300km radius of Nanjing that require “small quantity, high frequency, and door-to-door services”; (4) Training and Consulting: certificate programs at multiple levels, organizing expositions of logistics equipment and software applications, and providing consulting both within and outside the organization are the examples of the businesses conducted at this division; (5) Paper Logistics: in addition to storage, distribution, sales, and delivery of paper products and perishable goods such as ink and cartridge, and other value-added services, with a wide and strong support from the paper industry, this division has been able to integrate the paper manufacturers and the manufactures of printing equipment and associated spare parts into a seamless supply chain, resulting in a successful win-win situation; and (6) Hazardous Goods Shipping: with over 200 pieces of equipment and vehicle that have a total tonnage over 1,500 and an outstanding professional team, this division has attracted a number of big customers such as Sinopec, East Sea Chemicals, Nanning Chemical Industry Co., Ltd., and Jinling-DSM Resins Co., Ltd.

The International Logistics Department

Established in 2004, the International Logistics Department now has staff of about 40 people. The Department’s three areas of businesses: customs monitor and control, containerization service, and freight forwarding, are all administered by Mr. Wang, the general manager. The department has established business relationships with several world-class companies such as BASF-YPC Co Ltd, Nanjing Fiat Inc., Nanjing Benz Electric Co. Ltd., Nanjing LG-Panda Inc., Nanjing Philip LCD Co. Ltd., and Wal-Mart.

The customs monitor and control terminal has a land area of 47,000m², out of which 23,000m² are dedicated to an open stacking yard for containers, 5,800m² to warehouse space, and 4,800m² to an office building. Housed in the office building include a customs clearance hall of 600m², and an inspection and quarantine hall of 300m², which provide all required services for goods passing through the customs. The tenants of the terminal include customs administration office, inspection and quarantine bureaus, customs clearance brokers, freight forwarders, and others. Customers can receive one-stop services that may include customs declaration, inspection, handling, pickup, load/unloading, transfer, and others, which are all handled in a seamless manner just inside the terminal. This has been proven a great format of service that helps customers dramatically reduce lead time and improve efficiency.

Through persistent and intensive efforts, the customs monitor and control terminal has established collaborative agreement with five shipping companies including some most prestigious names such as American President Line (APL), Hanjin Shipping, and Evergreen Marine Corp., and has done businesses with Sinotran, Maersk-Nanjing, and several state-owned international logistics enterprises.

The Containerization Service Division was opened in 2002 and currently employs 7 people, who have the necessary skills for packaging and containerizing for various standards of containers. The third unit, the Freight Forwarder, was established only in 2004 and has a staff of 7, serving as a middleman for logistics services as well as providing complete solutions for import and export processes.

Two Case Studies

1. WAL-MART and WLC

China is Wal-Mart's major supply base, as 80% of Wal-Mart's suppliers are located in China. Each year, Wal-Mart not only purchases millions of dollars of merchandise from China and ships large quantities of cargo out of the country, but also has opened many outlets in China. WLC mainly involves in Wal-Mart's export process, and has been doing business with Wal-Mart for nearly three years. The main transportation mode WLC uses for Wal-Mart is the sea transportation, and there is no doubt that the logistics processes taking place at WLC will affect the efficiency of Wal-Mart's supply chain.

Nanjing is the consolidation as well as the export point for Wal-Mart's purchased merchandise that consists primarily of shoes and a small quantity of clothes, furniture and home goods. These items, which are manufactured in Nanjing and other places like Zhenjiang, Wuhan, and Guangzhou, are collected and consolidated in Nanjing, and then are delivered either to Shanghai or Longtan Container Port to get cleared at the customs. The values of goods purchased by Wal-Mart and exported from WLC during the past three years are given in Table 1. It is seen that the export amount handled by WLC has been fairly stable over the years of their collaborations.

Table 1: The Value of the Goods Purchased by Wal-Mart and Exported from WLC (in \$10,000)

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
2004	97.0	50.0	90.0	110.0	150.0	145.0	130.0	120.0	100.0	91.0	85.0	90.0
2005	112.5	67.5	105.5	98.0	120.0	124.0	160.0	120.0	85.0	110.0	100.0	95.0
2006	90.0	70.0	120.0	80.0	115.0	120.0	108.0	117.0	92.0			

Description of the Logistics Processes

Wal-Mart employs Maersk (MSK) as the primary logistics service provider to handle all of its logistics related activities around the globe. Within the territory of China, Wal-Mart's procurement operation consists of three processes: the delivery of goods from the manufacturing factories to WLC, freight forwarding, and packaging into containers for ocean shipping to final destinations. To avoid any potential risks, Wal-Mart has chosen to use three companies to handle the three processes, and MSK takes a centralized control of all the processes. Specifically, WLC is responsible for collecting, consolidating, and packaging the merchandise, and arranging containers for ocean shipment from a shipper located in Longtan Container Port. The process of freight forwarding is handled by a freight forwarder (which is not a subsidiary of WLC even though WLC has the capability), whose major responsibility is associated with customs clearance. The process of delivering goods from each factory to WLC is undertaken either by the factory itself or by a 3PL company selected by the factory.

When a bulk of purchased items is ready for export, the MSK-Nanjing office and the MSK headquarters exchange the request information, and then together formulate a CLP

(Container Loading Plan) for WLC. The manufacturing factory or the 3PL company authorized by the factory delivers the goods to the receiving and storage area of the International Logistics Department of WLC. The time elapse between WLC's receipt of MSK's CLP and of the goods is basically the delivery time of the goods. For example, if the merchandise is manufactured in a factory in Guangzhou or Wuhan, then it usually takes one and a half days for WLC to receive them; but if the manufacturing factory is located in Nanjing, then the goods can arrive in two or three hours. WLC must examine the goods upon receiving, and the damaged will be rejected. The inspection is performed in two ways: (1) In rainy days or bad weather, WLC needs to randomly sample the merchandise to make sure no items are moisturized; and (2) In general, it required that random samples are drawn to check defects, and the inspection rate is usually 3%~5%. Three hours after receiving the merchandise purchased by Wal-Mart, WLC notifies MSK-Nanjing about the receipt. The mistake during this receiving process occurs only one out of 10,000.

If MSK needs to adjust the CLP, a second CLP will be issued and sent within six hours after the notification from WLC is received. The freight forwarder then contacts the shipping company and orders needed containers for WLC, and WLC will pick up the empty containers based on the final CLP. It takes about one hour for the empty containers from the Longtan Container Port to arrive at WLC. It is expected that by the time WLC receives the goods for export, the empty containers will have arrived; however, packaging the goods and uploading them to containers do not start immediately, because the delivery of the loaded containers to the port is determined by the frequency of the voyages at the port. There are four scheduled voyages every month, and when each voyage schedule approaches, WLC first consolidates all the orders, and then packs and loads the items to the containers. As a result of this, WLC processes and handles multiple orders each time, and it takes on average about 3 days from the issuance of CLP to customs clearance.

Depending on the size of the merchandise, it takes about 1 to 1.5 hours to finish loading to the containers. Under normal circumstances, 6 to 8 men are needed for loading. During busy times, additional manpower may be added, but there is policy in place for using overtime or temporary employees. After loading is started, WLC is required to notify the freight forwarding company, and at the same time, the loading information including the sealing ID, the quantity and the volume of the goods to be shipped should be also sent to the shipping company at Longtan Container Port. Such a feedback is required once per half day, and the complete information is sent again once the loading is complete. For each loading, WLC carefully arranges the orders of the goods so that the manual sorting is reduced when items arrive in the America, thereby cutting the total costs. For the same reason, the manufacturers of the goods are required to make sure the barcode on each box is clean and readable when each package is dispatched for delivery to WLC.

When loading is finished, the containers must be sealed within 10 minutes, and the sealing time must be indicated clearly on the closure. The containers are then transferred to the port either in Longtan Container Port or Shanghai within an hour. Once the containers reach the port, the customs declaration form issued by the freight forwarding is needed, and

the form is made available in the following way. At the time when MSK-Nanjing releases a CLP, it sends a shipping bill to the freight forwarder, entrusting the forwarder to handle the customs clearance process. The forwarding company sends the customs declaration form to the port, which then can accept the incoming goods. The port officials report to MSK-Nanjing everyday, informing them about the arrival time of the containers.

It is not difficult to see that the three processes for Wal-Mart's outsourcing operation in China must be coordinated and synchronized. If there is a mistake in customs clearance process, finding a solution could present a big challenge. If there is a problem associated with the merchandise, the total quantity declared at the customs can be modified provided that time permits; otherwise, the original total quantity is used and an amendment will be made after the goods leave the customs.

Characteristics of the Information Transfer

There are several partners involved in Wal-Mart's global sourcing process in China: Maersk (both the headquarters in Denmark and branch office in Nanjing, China), freight forwarder, manufacturing factories, and WLC. To facilitate the materials to flow smoothly along the supply chain, information transfer and visibility are critical. The partners communicate with each other in the following forms:

- Wal-Mart and Maersk have established an information exchange platform, through which the information on orders, logistics service requests, and order fulfillment can be quickly and accurately exchanged; from time to time, emails are also used for information transfer;
- Between Maersk-Nanjing and the freight forwarder, because of their geographic proximity, facsimile and manual delivery of documents are used as major means for exchanging information;
- Maersk-Nanjing communicates with manufacturing plants and WLC through facsimiles; occasionally, a manual delivery between Maersk and WLC is also possible due to their close distance;
- The communications between WLC and the shipper, and the Maersk-Nanjing are accomplished mainly through facsimiles, while telephones, MSN messenger, QQ, and emails may be used concurrently for informal and quick dialogs.

2. SHARP and WLC

Sharp is a "one-of-a-kind" company that creates 21st century lifestyles with electronics technology (<http://sharp-world.com/corporate/info/index.html>), and has established 8 manufacturing plants (for assembly) in China, which are located primarily along the east coast line. WLC started doing business with Sharp from the second quarter of 2005, and has been mainly engaged in Sharp's import process to China. A majority of the goods imported are strategic components of Sharp's final electronic products, for which China does not have the technologies and skill sets to produce. The imported parts are characterized by small sizes

and high values, for example, the apheliotropic lights used in LCD screens. The goods are shipped from Sharp’s manufacturing plants in Japan to the port of Shanghai by air, and then distributed to various manufacturing plants in China for final product assemblies. The import volume has been fairly steady and is expected to increase as the process becomes well-developed and demands for Sharp’s electronic products continue to grow. Table 2 reports values of the goods imported to China by Sharp through WLC from the beginning of their collaboration until the case study was conducted.

Table 2: The Values of the Goods Imported to China by Sharp through WLC (in \$1,000)

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
2005							45	80	120	160	200	200
2006	140	170	150	100	100	96	87	100	110			

Sharp’s orders do not follow any cycle, nor has a regular quantity; however, in general, the import quantity plunges to the lowest between June and August due to ceased productions in hot weather, but the request picks up quickly after September due to increased demands before Christmas. This demand pattern is clearly shown in Table 2.

Mitsui O.S.K. Lines (MOL) Ltd. is one of world’s oldest multi-modal shipping companies and is headquartered in Tokyo, Japan. One of its wholly-owned subsidiaries, MOL (China) Company Ltd., takes the full responsibility of Sharp’s logistics operation in the import process on the soil of China. MOL’s headquarter in Japan is in charge of flight reservations and the export procedure from Japan, while MOL-China in Shanghai takes care of the business in China.

The Logistics Processes for Sharp

Because of the long trading history between China and Japan as well as MOL-China’s over a decade of good presence in mainland China, Sharp has given the complete responsibility to WLC to handle the logistics service requirements in Sharp’s import process. This is significantly different from the Wal-Mart’s export process. As a result, WLC has the largest freedom and flexibility in decision-making, planning, and control in Sharp’s procurement section in China.

Sharp’s submission of the demand information to the headquarters of MOL in Japan triggers the start of the import process. MOL – Japan then communicates with the Shanghai branch and establishes a purchasing request. Once the detailed import information becomes available, MOL-Shanghai negotiates with Hengtian International Freight Forwarder (HIFF) to begin the business process. HIFF is a wholly-owned subsidiary of WLC and is part of WLC’s International Logistics Department. Based on the information provided by MOL-Shanghai, HIFF establishes a detailed operational process, and then executes and controls the process. The communication and information exchange between HIFF and MOL-Shanghai is prompt, but the entire logistics process can be delayed by about half a day because of the customs clearance and inspection requirements. After the logistics plan is in place, HIFF

confirms with Sharp, requests Sharp to provide associated bills of document, and informs Sharp about the delivery time. In return, Sharp gives feedback and notifies HIFF about the payment method and the time for delivering the imported goods to the manufacturing plants in China. HIFF then transfers all related information to WLC, which ends the flow of documents. Once WLC receives all the import information, it will pick up the goods at MOL-Shanghai, go through customs clearance, notify the manufacturing factories about the incoming goods, schedule vehicles, and then have a 3PL deliver the goods to Sharp's factories. WLC and the 3PL company have reached an agreement that if the goods are picked up in Shanghai in the morning, the 3PL will start the delivery of the goods to the manufacturing factories in the afternoon. In general, it takes about four hours for WLC to complete the entire process after the goods arrive in MOL-Shanghai.

Characteristics of the Information Exchange

Sharp's import process to China is simpler than Wal-Mart's export process, and only four people are essentially needed in China's operations for the purpose of coordination – one contact person from each of the following four partners: MOL-Shanghai, HIFF, WLC, and Sharp factory. The information flow from Sharp to MOL-Japan to MOL-Shanghai is facilitated by emails, while the information flow from WLC to HIFF and MOL-Shanghai is accomplished through facsimiles and supported by emails.

It is observed that facsimile is the major communication medium used in China's operations for both cases (Wal-Mart and Sharp), for which we have found the following interesting reasons.

- (1) Although simple communication media such as MSN and QQ are extremely popular in social circles in China, they are not appropriate for formal communications, because the information transferred cannot be saved and used as an evidence to show the time of transfer; therefore, these are only used as supporting tools;
- (2) Unlike the western countries, E-mail is not widely used in Chinese corporations, and many Chinese executives and managers do not check email on a daily basis, which may cause delay;
- (3) WLC currently has no advanced, comprehensive information platform in place to communicate with its partnering companies. The development of such an information system is expected to be completed by the end of 2007. Once this system becomes available and functioning, WLC will become an automated, paperless office within the organization and permit its partners to use the new system for all communications.
- (4) WLC currently uses facsimiles that are insensitive to heat so that the quality of the fonts would not deteriorate with time. The advantage of facsimiles is that they can be saved easily as records. From time to time, a conversation on the phone is necessary to explain the terms on a document so that the involving parties will be on the same page. To ensure the accuracy and timeliness of information transfer, formal documents such as a CLP are usually sent by fax. With the concern of the safety of the documents, a manual delivery sometimes is used.

Case Discussion Questions

1. Based on the given information, draw a flow diagram of WLC's business with Wal-Mart and Sharp, respectively.
2. Analyze the main characteristics of WLC's export process for Wal-Mart and of the import process for Sharp. What are the major challenges and problems associated with each process?
3. Suggest ways for improving the logistics process for Wal-Mart, and discuss possible social, economical, cultural, and political impacts that may hinder the implementation of your suggestions.
4. Do you think that the Domestic and International Logistics Departments at WLC should be integrated? If yes, what are the potential challenges and possible implementation procedures?