

CHENGDU FORTUNE

City makes inroads as key transportation center

Chengdu's impressive infrastructure attracts world-leading companies

By ZHAO YANRONG in Beijing and LI YU in Chengdu

"It's easier to reach heaven than to take the roads in Sichuan" is a line from a famous Chinese poem written 1,000 years ago that described the transportation situation in inner China then.

How times have changed. Today,

Chengdu — capital city of Sichuan province — is an important investment destination for many world-leading logistics companies that need to access western China.

The shipping and oil conglomerate AP Moller-Maersk Group, consultancy firm Accenture Plc, delivery service provider DHL Express, e-commerce giant Amazon.com Inc and cement company Lafarge SA have all established their logistics operations in Chengdu.

According to the Chengdu municipal government, by 2015 the city will have the fourth-largest airport in China, the biggest dry port in the western area linked to a railway system, a well-developed cargo distribution and handling center, and an important transshipment center for Europe and Central Asia.

A combination of factors such as reduced pollution, investor-friendly policies, robust financing facilities and modern amenities are attracting many multinational companies to the city.

In July, DHL said it will look to apply its "urban freight centers" concept in Chengdu with

a number of freight consolidation centers around the city, to create a more efficient setup with fewer larger vehicles venturing into city centers.

Jorg Hanser, DHL director of solutions and innovation, said the partnership with Chengdu is an opportunity to "prove our global capabilities" in the field of city logistics.

He said gaining a good understanding of the situation in Chengdu would mean developing a tailor-made plan for the city itself that could also be seen as a model for other Chinese megacities.

"The eventual implementation of this solution could be a key success factor for the region and will help make the best use of its enormous business potential," Hanser said.

40
percent

the ratio of business that Maersk's Global Service Center in Chengdu accounts for in its total exports worldwide

Copenhagen-based Maersk is a well-known player in the global logistics trade, with extensive links to major ports and harbors. However, most of its daily operations are now coordinated from the company's global logistics hub in Chengdu.

It was only in 2009 that the company stepped up its logistics activities by setting up the global service center and logistics-processing branch at the Tianfu Software Park in Chengdu, which has become

the global hub for Maersk.

Damco, the logistics arm of Maersk, employs about 1,000 people in its new customer service center that occupies the building's bottom three floors. The Maersk Global Service Center, which provides the back-office functions for its group companies, is in the same building on the top two floors.

Among Maersk's five global service centers, which include three in India and one in Manila, the Chengdu center is the fastest-growing, providing customer-service documentation, online booking, online customer service with financing and accounting processes.

"Chengdu GSC has developed very quickly over the past two years. We will continue to grow the center, although it now already covers support for almost 40 percent of our exports globally," said Shao Wei, senior director of the Maersk GSC in Chengdu.

"We believe the Chengdu center will provide our global customers with better services and make our business more competitive," Shao added.

Apart from the impressive infrastructure it has lined up to attract global majors, Chengdu also provides multinational companies with an ideal opportunity to trim overall costs, and a footprint to the vastly untapped markets of western China.

Multinationals can cash in on such factors as talented workforce and an open investment environment. But the main attraction for most logistics companies is the excellent transport links the city has with other major destinations in China.

Chengdu is the fourth major air hub in China, with seven direct international flight connections and 12 code-sharing



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Above: Chengdu Shuangliu International Airport. Thanks to its extensive domestic and international air links, Chengdu is becoming an important investment destination for major logistics companies. Right: Chengdu East Railway Station.

global links. By 2015, there will be at least 30 direct passenger and freight flights from Chengdu to major cities in the world.

Another factor that has helped industrialization is the "cluster approach", especially for shared service centers.

Major global companies like Accenture, DHL, Lafarge and Amazon rub shoulders with domestic companies like Alibaba Group Holding Ltd and Tencent Holdings Ltd to set up a robust chain of delivery and service centers.

Wang Yuehua, director of the Damco Customer Service Center in Chengdu, said the site contributes about 80 percent of the group's logistics business in China.

"We completed the shift of our customer-service function

from coastal cities to Chengdu in June. Though it was a very complicated migration process, by having the centralized customer center in Chengdu, we have gained a strategic advantage over our peers," she said.

Citing Nike Inc, one of Damco's major clients in China, she said the US company often reached out to Damco from its bases in eastern coastal cities of China to ship products to Europe, but had to speak to more than 10 Damco employees to complete the same process in different regions of China.

But after the centralization, customers need to make just one phone call, she said.

"In Chengdu, we are able to standardize our services, which make our business much more



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professional," she said.

Making inroads into the domestic market is another major mission for the Chengdu branch, as many of Maersk's clients are clinching business deals in central and western China.

"There is a trend that our clients, such as Hewlett-Packard, are moving their manufacturing programs further inland or to Southeast Asia, which requires us to enhance the knowledge and business ties in the domestic market," Wang said.

The Chengdu site will also look to provide more value-added services, such as information and supply-chain management solutions, along with transportation services in China.

"Many of our international clients are impressed after a tour of our new facilities and are more than eager to work with us," Wang said.

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