

Ways Ahead

Economic Situation

	UK	China	Hong Kong
Population	59.76m	1,276.27m	6.76m
Area (sq.km)	244,820	9,596,960	1,092
People per sq.km	244	133	6190
GDP per capita (USD)	23,793	910	24,070
GDP growth rate	1.0%	8.0%	-0.9%

Statistics from: Yazhou Zhoukan 25/8/2002 – 1/9/2002

- Unemployment rate: 3.1%, Labour force: 2932million
- Europe's leading business centre
- London: EU's financial centre
- 25% of inward investment in Europe and more than 40% from Japan, USA and Asian countries
- Least restricted business environment, least regulated marketplace and workforce

12-day study tour to UK
29 Jan – 9 Feb 2003

Technology

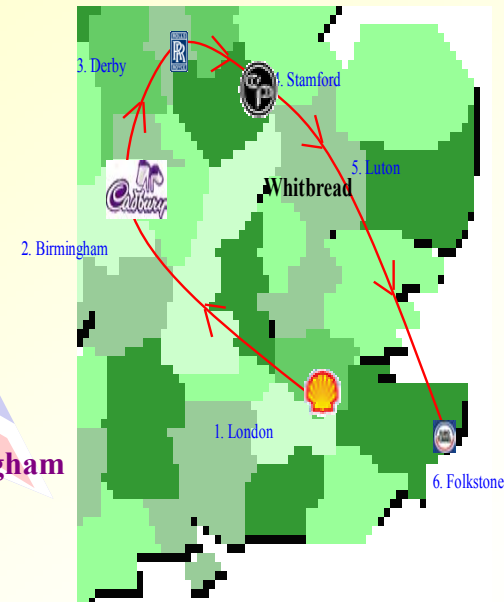
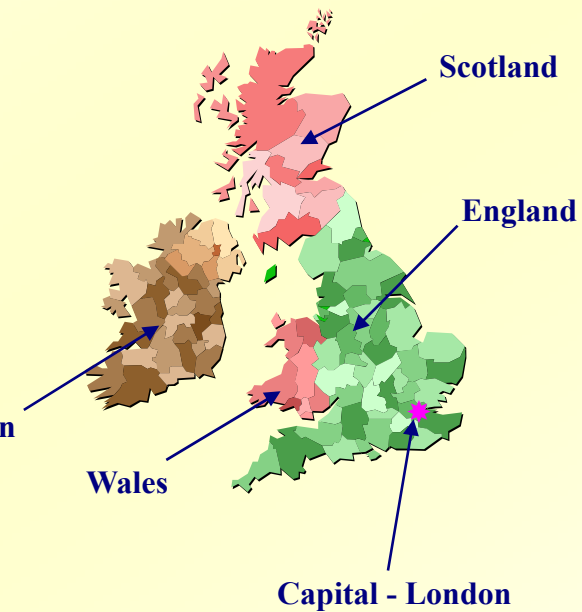
- Offer world-class skills in
 - Telecoms
 - Software
 - Semi-conductor development
 - e-business
 - Biotechnology
- R&D world leader in
 - Life sciences
 - Electronics & aerospace
 - Material & physical sciences
 - Chemicals
- > £16 billion is spent on R&D each year

Political

- Parliamentary democracy with a constitutional monarch
- Head of State: Queen Elizabeth II
- Prime minister: Tony Blair
- Legislative bodies: House of Lords, House of Commons
- Major political parties: Labour, Conservative, Liberal Democrats, Plaid Cymru, Ulster Unionists

Industrial Visits

- Shell Oil Product - London
- Cadbury Schweppes - Birmingham
- Rolls Royce - Derby
- CIPS - Stamford
- Whitbread - Luton
- Eurotunnel - Folkstone





Shell in the UK

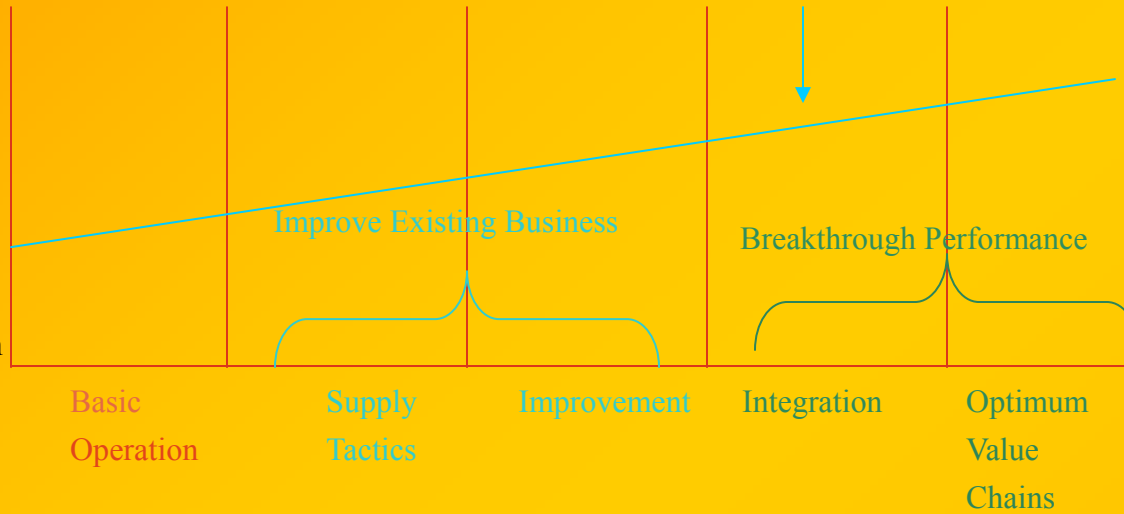
Background

- 1907 – Established
- Operated in 140 countries
- Successful energy company over 100 years

Business Types

- Exploration and Production
- Oil products
- Gas and Power
- Chemicals
- New businesses

Evolution -- World Class Procurement



Mission

- Customer satisfaction
- Reduce cost

Strategies

- Standardization
140 → 10 stock items
- e-Procurement
- Reverse bidding

7 Principles of Sustainable Development

- Respect & Safeguard people
- Benefit communities

Work with Shareholder

- Generate Profitability
- Deliver value to customer

- Protect Environment
- Manage resources

Sustainable Development

Meeting the needs of the present without compromising the ability of future generations to meet their own needs

Background

- 1969 – merge of Cadbury and Schweppes
- Major global beverage and confectionery company
- Top 4 confectionery business
- Top 3 soft drink companies in the world
- Factory built in Beijing for 2 years

Strategies

- Short term
 - ↓ Cost
 - Development of an integrated supply management process
- Medium term
 - Enable and develop clear competitive tension for all major suppliers in key categories
 - Create supplier business forum for key suppliers
- Long term
 - Build strategic relationship framework with key suppliers and embed supplier performance development agenda
 - Develop 2nd tier supplier relationship
 - Develop total supply chain cost approaches
 - Formalize procurement involvement in key strategic make /buy projects

Products

Purchasing

- Critical commodities, cocoa and sugar
- Problems:
 - Fluctuated price
 - No real global market for sugar
- Focus on value
 - Value analysis, value engineering

Using sticker instead of the embossment

Standardize lid size

Example
Heroes

Reducing the colors from 9 → 7



Rolls -Royce



Background

- 1904 – Henry Royce built first motor car and met Charles Rolls
- 1906 – Formation of Rolls- Royce company
- 1914 – Produce the aero engine
- 1931 – RR engine wins breaks world air speed record
- 1933 – Start to produce Merlin engine
- 1998 - Rolls-Royce Motor Cars was sold by Vickers to Volkswagen

Business

Civil aerospace

- World No. 1 for engines to power new generation wide bodied aircraft

Defence aerospace

- World No. 2 military aero engine manufacturer

Energy business

- Oil and gas: market- leading position
- Power generation: world’s most powerful aero derivative

Marine

- World-leading integrated solutions provider
- Full through-life support services



Purchasing

- RR buys 70% of engine parts from suppliers worldwide
- Focus on
 - Cost
 - Delivery
 - People
 - Quality
 - Responsiveness
- Global purchasing organisation

Strategies

- Global commercial leverage for each commodity
 - Concentrate on volume
- Supply restructuring
 - Tiering
 - Devolving responsibility
- Accelerate low cost sourcing as appropriate
- Eliminate waste in supply chains via
 - Procurement positioning
 - Cost reduction team
 - Value stream mapping
 - Efficient transfer of information
- Product design
 - Standardisation





The Chartered Institute of Purchasing & Supply

英國特許採購及供應學會

Background

- A centre of excellence for the purchasing & supply profession
- An international education and qualification body, the largest organisation of its kind in Europe
- Based in the UK
- A wide range of services provided to CIPS members and business community
- 33,000 members worldwide, including leading business people, professional managers, academics and those working in the profession.

Work

- Continuously improve the professional standards of practitioners
- Raise the awareness of their contribution to corporate, national and international prosperity
- Represent the interests of individuals within the profession

Royal Charter

9/1992: CIPS was awarded a Royal Charter in recognition of its leading role in the purchasing and supply profession.



CIPS Membership Grades

- **Fellow (FCIPS)**: existing members with outstanding achievement & competence
- **Member (MCIPS)**: completing the CIPS Graduate Diploma
- **Associate Member**: completing the Foundation Stage
- **Student**: earliest stage of the professional development
- **Affiliates**: strong interest in Purchasing & Supply, don't wish to become professionally qualified member

Whitbread



VISION:

“To be the customer’s first choice for enjoyment as the UK’s leading leisure company”

Background

- 1742 – Started as a brewer
- 1948 – Became a public company
- 1995 – Became country’s leading restaurant operator,
No. 1 in budget hotels & health and fitness clubs
- 2000 – Exited brewing & off-licence retailing
- 2001 – Disposed its pubs & bars businesses

Brands under Whitbread Today

Strategy: continuously look at other possibilities for growth – new brands, new markets, acquisitions – all the time

Supply Chain & its Challenges

- Devolved → Centralize buying
- Emphasis in End-to-End SC
- Maintaining & leveraging scale
- Complexity of supply base ↑
- Flexibility
 - Grow/dispose
 - Speed to market
- SC IT capability

What purchasing looks for

Products

- Functional
- Focus on Total Acquisition Cost (TAC) &
↓ life cycle cost
- Traceability

Value Added

- Integrated supply chains
- Technical support
- Continuous improvement

Suppliers’ Behaviour

- Focus on service quality
- Open/honest dialogue
- Creativity

Pride

- ... suppliers be the best in their sector
... and help Whitbread be the best in its!

Strategies

- Field to Fork Procurement
- Strategic Supplier Partnerships but to avoid unhealthy dependence
- Range and Supplier Optimisation
- Co-Procurement

Eurotunnel

Background

- One of the largest transportation service providers in Europe
- Running business in retailing, telecommunication & property development
- Channel Tunnel
 - Truck, Passenger Shuttle
 - Eurostar
 - Freight Trains
- Market leader for cross-channel travel (about 30%share)

History of Channel Tunnel

- 1802 - Albert Mathieu generated the design of channel tunnel
- 1955 - British Defence Minister no longer opposed channel proposal
- 1984 – Tender issues for the tunnel by both UK and French governments
- 1986 – Signing of Franco-British Treaty
- 1994 - Opening of the tunnel

Purchasing

- 40 Officers in 2 teams
 - Services: support of business
 - Materials: maintenance and stock control
- Annual spend: £120 M
- Supplier: 50 key, 200 important

Strategies

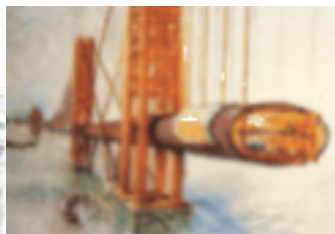
- Share the key issues with marketplace
- Seek for best suppliers in each field
- Manage the supply chain
- Use longer contract where appropriate
- Encourage innovative solutions
- Be ready to reward good results

Reward & Penalty System

- Performance of each supplier is evaluated and rated monthly except trial period (3months)
- 4-level rating
 - Red – receive 80% of cost
 - Yellow – receive at cost price
 - Green – receive contract price (include profit)
 - Double green – receive 5-10% as bonus
- Benefit
 - Encourage continuous improvement in supplier's performances
 - Encourage innovation
 - Effective use of resources

Bi-national Aspect

- Currency used: Pound Sterling & Euro
- Law applies: UK, French & EU
- 'Open to negotiate' where appropriate



Words from Us

From Kelly Chow ...

- People in UK are very nice and helpful
- This trip has broadened my vision
- Have a better understanding of the UK culture



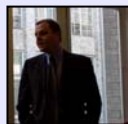
From Tom Siu ...

- Have experienced the culture, ways of thinking / doing & lifestyle of UK
- Comparatively, our living environment is not bad
- Get a chance to know more about myself
- Have learnt to stay well with others
- The trip is certainly "value for money"



From Young Wai Yee ...

- A golden opportunity to learn the policies and practices of UK
- Presenters are well prepared and professional!
- The UK custom and kindness of people are unforgettable



Common characteristics of these organizations

- Purchasing plays an important role in the company
- Focus on
 - People (suppliers, staff, buyers)
 - Sharing of information
 - Shared value
 - Supply Chain & value chain
- Greatly concern the environment
- Manage change
 - Continuous planning → continuous improvement
- Build strategic relationships
- Apply world-class concepts to daily operations



From Milka Chan ...

- Hospitable reception
- Theories from books are applicable to the day-to-day businesses. They can really work!



From Phyllis Chan ...

- Very impressed by the world-class management of these companies
- Though we are only students – not their customers, those companies still entertained us enthusiastically
- First time to enjoy snowing!



From Candy Leung ...

- Happy and exciting as this is my 1st visit to UK
- Valuable chance to visit some prestigious companies & to appreciate their procurement operations
- Enjoyed the time spent with my classmates and lecturers
- Snow is so beautiful!
- Greatly honoured for having met Sir David Wilson, ex-governor of Hong Kong in Cambridge. He is studying a Master Degree there – a good example of life-long learning.



From Janet Lee ...

- Have strengthened my own professional knowledge
- Strategic practices are well demonstrated by those companies
- Such a memorable & unforgettable trip

