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Supply Chain Resilience in a Post-Pandemic World –

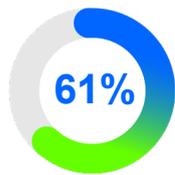
How to Implement a **Successful** Southeast Asian Warehousing Strategy in Vietnam

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McKinsey Survey of Senior Global Supply Chain Executives



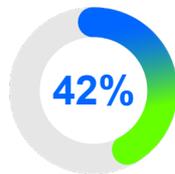
Made physical changes to their supply chain



Increased inventory of critical products



Dual sourcing materials needed



Increased inventory along supply chain

The myriad industry, geopolitical and regulatory challenges that arose over the past two years have highlighted the indisputable role of logistics and supply chain in the success of the global digital economy. And there exists now an urgency to rethink historical supply chain management strategies to instill greater resilience and stability.

Clearly, businesses feel the same as demonstrated by organizational changes undertaken to better cope with these disruptions. In a McKinsey survey of senior global supply chain executives¹, 92 percent of respondents said they had made physical changes to their supply chain. 61 percent indicated they had increased inventory of critical products, 55 percent said they were dual sourcing materials they needed, and 42 percent said they were increasing inventory along the supply chain.

While just-in-time (JIT) inventory management system has dominated and worked well for manufacturing and supply chain for decades, we are witnessing organizations today moving away from this lean, low-inventory model to diversify their production and resources². Forward-thinking supply chain leaders are instead adopting the “just in case” approach to load up on inventory in regions where they are producing their goods.

To shorten the amount of time taken to transport cargo to destination markets and increase overall resilience, businesses are increasingly diversifying and expanding their warehousing resources around the world. With additional warehousing capacity situated near demand centers, businesses can ensure better operations and time management for transportation, production and export.



¹ https://www.darley.com/documents/general_content/how-covid-19-is-reshaping-supply-chains_final.pdf

² <https://www.mckinsey.com/business-functions/operations/our-insights/how-covid-19-is-reshaping-supply-chains>

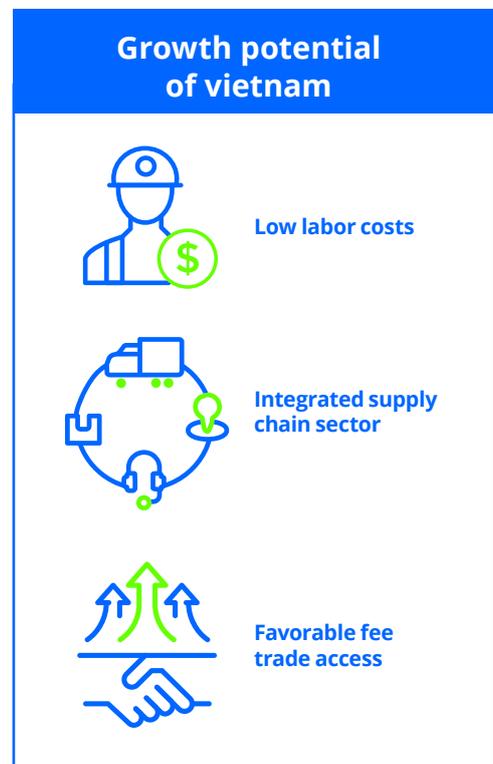


Vietnam – A Manufacturing Hub Key to Addressing Warehousing Needs

According to the latest e-Economy SEA report, eCommerce in the region is poised to reach US\$234 billion in gross merchandise value (GMV) by 2025.

With the ASEAN warehousing and distribution logistics market forecasted to grow at a CAGR of more than 10.5 percent per year until 2027³, businesses need to align and renew their supply chain strategies to keep up with consumer demand for more efficient delivery services.

In surveying the region, Vietnam, in particular, stands out as a market with immense growth potential. Factors like lower labor costs, an integrated supply chain sector, favorable free trade access and more, are why Vietnam has propelled to the top as the next key destination for manufacturing and logistics. In fact, Vietnam’s warehousing industry is expected to see an 11 percent CAGR until 2027, and it already boasts a high occupancy rate of more than 70 percent across the North and South Economic Zones⁴.



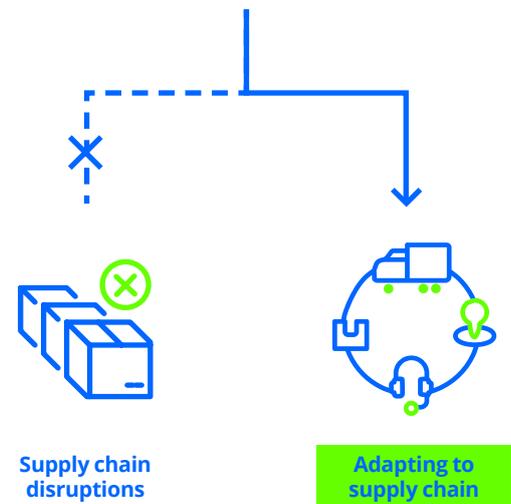
³ <https://finance.yahoo.com/news/asean-warehousing-distribution-logistics-market-102300325.html#:~:text=The%20ASEAN%20warehousing%20and%20distribution,10.5%25%20during%20the%20forecast%20period.>

⁴ <https://industrial.savills.com.vn/2022/01/vietnam-industrial-zone/>

Business in Vietnam



About 97 percent of businesses in Vietnam are small and medium enterprises (SMEs)⁵ and as these traditional businesses move online to tap on growing opportunities and expand overseas, it is anticipated that warehouse demand will surge by three times that of eCommerce growth. This coupled with global logistics and supply chain disruptions will see many businesses adapting their supply chain practices to prioritize the expansion and diversification of inventories and warehousing resources.



That said, not all warehouses are created equal.

With the rise of smart logistics in an increasingly digitalized world, here are three key factors to consider when adding Vietnam warehousing to your supply chain management strategy:

<p>01</p>  <p>ACCESSIBILITY</p> <p>A strategically located warehouse with strong connectivity to key transportation nodes</p>	<p>02</p>  <p>QUALITY</p> <p>Capitalizing on an established global logistics network with a top-notch facility</p>	<p>03</p>  <p>EFFICIENCY</p> <p>Smart logistics products and services to streamline workflows</p>
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⁵ <https://www.mpi.gov.vn/en/Pages/tinbai.aspx?idTin=49802&idcm=133>



01

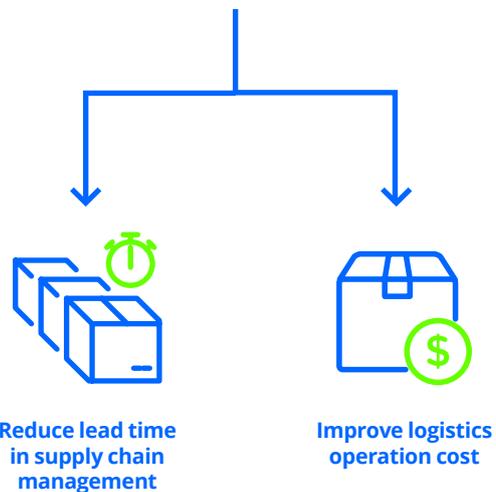
Accessibility

A strategically located warehouse with strong connectivity to key transportation nodes

When selecting a warehousing facility, accessibility has a direct impact on logistics operations efficiency and business profitability. A strategically located warehouse with modern specifications can improve overall logistics operations cost, and more importantly, reduce lead time in supply chain management.



Strategically located warehouse with modern specifications





Cainiao’s newly launched 110,000-square meter Cainiao P.A.T. Logistics Park, for instance, is strategically located at Long An province, the focal point of Ho Chi Minh City metropolitan area and Mekong Delta.

It has direct access to Southern Vietnam’s key business hubs including Ho Chi Minh City, Binh Duong Province, Dong Nai Province, and the Mekong Delta—a coverage area of more than 35 million people. The strategic location heightens connectivity locally to serve as a complete regional fulfillment network, and key to opening up new growth in the Southern Vietnam market.

The location of the Cainiao P.A.T. Logistics Park also minimizes logistics bottlenecks due to traffic jams and accidents with three-way access at the intersection of Ng Huu Tri, the 1A Highway, and HCM-Trung Luong Highway. Additionally, the under-construction Ben Luc-Long Thanh Highway Express Road and the Ho Chi Minh City’s Ring Road 3, are anticipated to enhance accessibility to Binh Duong, Dong Nai, Long Thanh International Airport and the Cain Mep Thi Vai Port (Ba Ria Vung Tau).





15 trade agreements (regional & global)



High standard and cost-effective warehouse facility solutions



200 countries 3,000 logistics partners and smart hubs per region



Supports and accommodates complex distribution needs

02

Quality

Capitalizing on an established global logistics network with a top-notch facility

In addition to great connectivity and supply chain integration, Vietnam is well-positioned to give logistics players a competitive edge as it is party to 15 different trade agreements⁶ regionally and globally, notably Vietnam's membership in ASEAN Free Trade Area (AFTA), the EU-Vietnam Free Trade Agreement (EVFTA), Comprehensive and Progressive Agreement for Trans-Pacific (CPTPP) with 10 markets (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru and Singapore), Regional Comprehensive Economic Partnership (RCEP), and the UK-Vietnam Free Trade Agreement (UKVFTA). Vietnam is also undergoing free trade negotiations with the EFTA countries (Norway, Iceland, Liechtenstein, and Switzerland).

Together with Cainiao's global logistics ecosystem spanning over 200 countries and regions, 3,000 logistics partners and smart logistics hubs in each region globally such as Kuala Lumpur (Malaysia), Liege (Belgium) and Hong Kong (China), businesses will have the unique opportunity to leverage the network to sell globally with ease. Here, Cainiao's P.A.T. Logistics Park is also well-poised to provide high-standard but cost-effective warehouse facility solutions for enterprises doing business in Vietnam, and support surges in retail and manufacturing supply chain activities to accommodate the most demanding and complex distribution needs.

⁶ <https://wtocenter.vn/thong-ke/13814-vietnams-ftas-summary-as-of-april-2019>



03

Efficiency

Smart logistics products and services to streamline workflows

Owing to Cainiao's smart logistics capabilities, the P.A.T Logistics Park will pave the way for B2B and B2C businesses to leverage the technology know-how to stay ahead of the curve. **Here, businesses will be able to digitalize its full-chain services including:**



Fulfillment and sorting for local deliveries



Cross-border import and export

In the Logistics 4.0 era, smart warehouse is the next big step for businesses to achieve greater cost and operational efficiencies.

Smart supply chain management solutions complete with internet of things (IoT) equipment, automation, warehouse management systems (WMS), cold chain management, and green logistics capabilities, these technologies are expected to positively impact the bottom line and streamline processes to drive sustainable growth.

With a tech- and data-driven approach to managing inventory, businesses will not only experience smoother supply chain workflows, but will also save time, money, and man hours on tedious sorting and accounting.

Cainiao's **Smart** Warehousing Solutions Paving the Way for Opportunities in Vietnam

Organizations are re-evaluating their supply chains and focusing on aspects beyond labor and order management as the logistics industry continues to evolve.

To ensure smoother operations amid a complex post-pandemic world, and as inventories play a pivotal role in supply chain strategies, Cainiao is enabling technology- and data-driven logistics and supply chain management for businesses to remain competitive on the global stage by helping them place greater emphasis on a typically overlooked node of the value chain: warehousing and inventory management.

By providing resources for strategic logistics planning, data analysis, good infrastructure, and a robust resource network, we aim to safeguard the stability of the supply chain with capabilities to cater to seasonal demand spikes and unforeseen disruptions. In line with Cainiao's key business pillars dedicated to globalize, operationalize, and digitalize⁷ the logistics and supply chain industry, we remain committed to helping businesses strengthen their day-to-day logistical needs so they can focus on what matters – growing their business.

To learn more, and for leasing enquiries, visit [our website](#), email us at leasing.vn@cainiao.com or contact us at +84 866 78 78 60



⁷<https://cainiao.medium.com/cainiaos-3-key-business-pillars-in-2022-operations-globalization-and-digitalization-1f6d1685ddf5>



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About Cainiao Network

Founded in 2013, Cainiao Network (“Cainiao”) is a smart logistics company and the logistics arm of Alibaba Group. As part of its commitment to create customer value, it adopts a collaborative approach to logistics that aims to improve efficiency and customer experience for all players along the supply chain. It carries forward Alibaba’s mission of making it easy to do business anywhere by aiming to deliver anywhere in China within 24 hours, and across the globe within 72 hours.

For more information, please visit <https://www.cainiao.com/en/index.html>.

