

Supply Chains for the Net Zero Economy: Implications for Management and Leadership Education

*For the Association of MBAs and China Data Analysis and Research Hub
Seminar on Educating 21st Century Corporate Leaders*

Pamela Mar

January 28, 2022



Subjects for today's talk:

1. Consumer product supply chains: a snapshot
2. Short and longer-term issues facing supply chains today
3. Implications for management education



How did I arrive here?



สมาคมพัฒนาประชากรและชุมชน
Population and Community Development Association (PDA)

Bangkok, Thailand
Development Manager



Geneva, Switzerland
Director for Greater China



Shenzhen, China
Global Finance



Hong Kong, China
Sustainability, Supply
Chains & Global Affairs



The Fung Group

Founded in Guangzhou, China in 1906, the Fung Group of companies operate diverse businesses across the entire global supply chain for consumer goods including trading, logistics, distribution and retail..

Our vision is simple but bold – **to create the Supply Chain of the Future.**



Fung Holdings (1937) Limited

A privately-held entity and major shareholder of the Fung Group

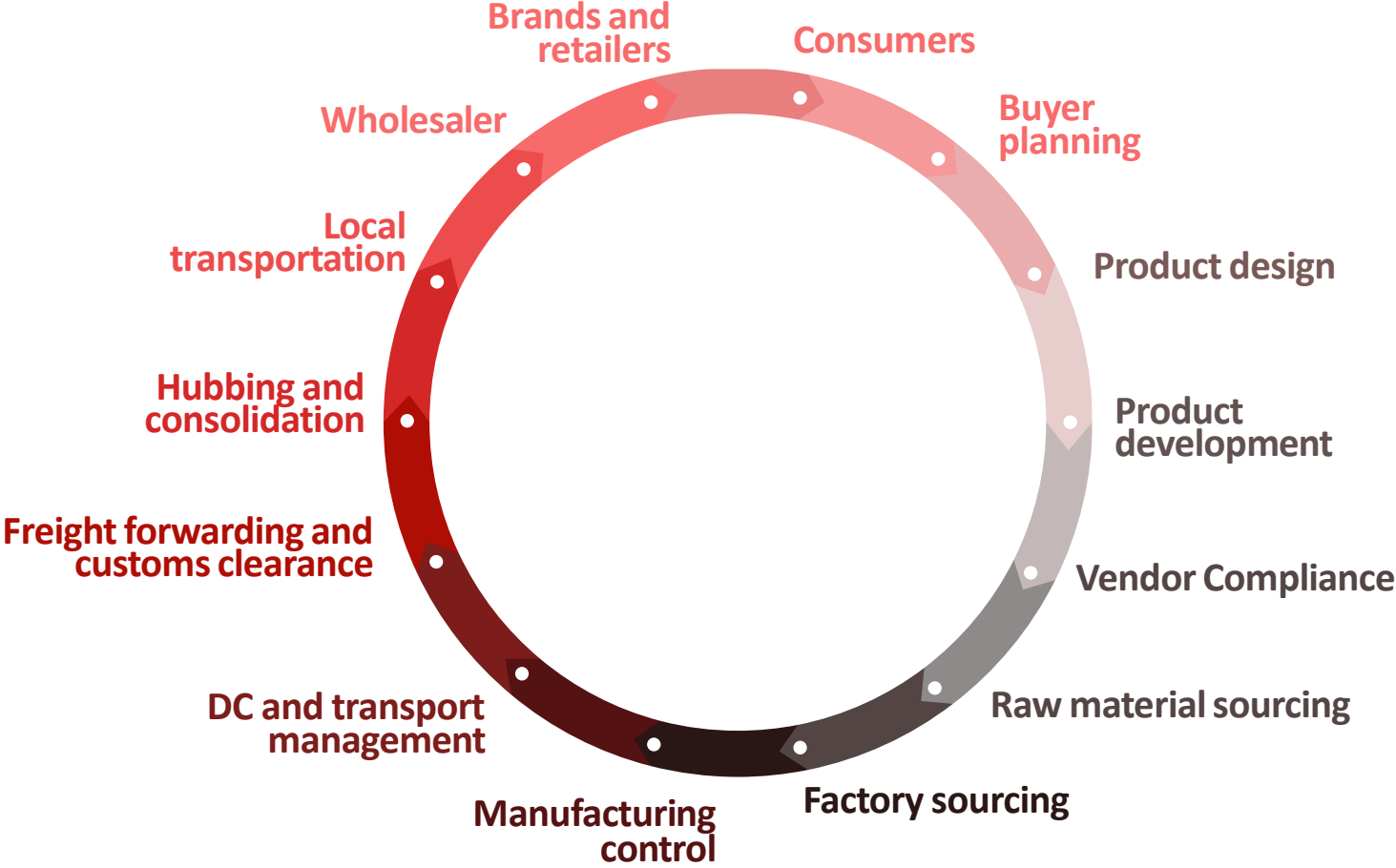
Privately-owned Companies



Group Network



Li & Fung creates customized, end-to-end supply chain and logistics solutions for brands and retailers worldwide



Consumer Products

SOFT GOODS



Apparel

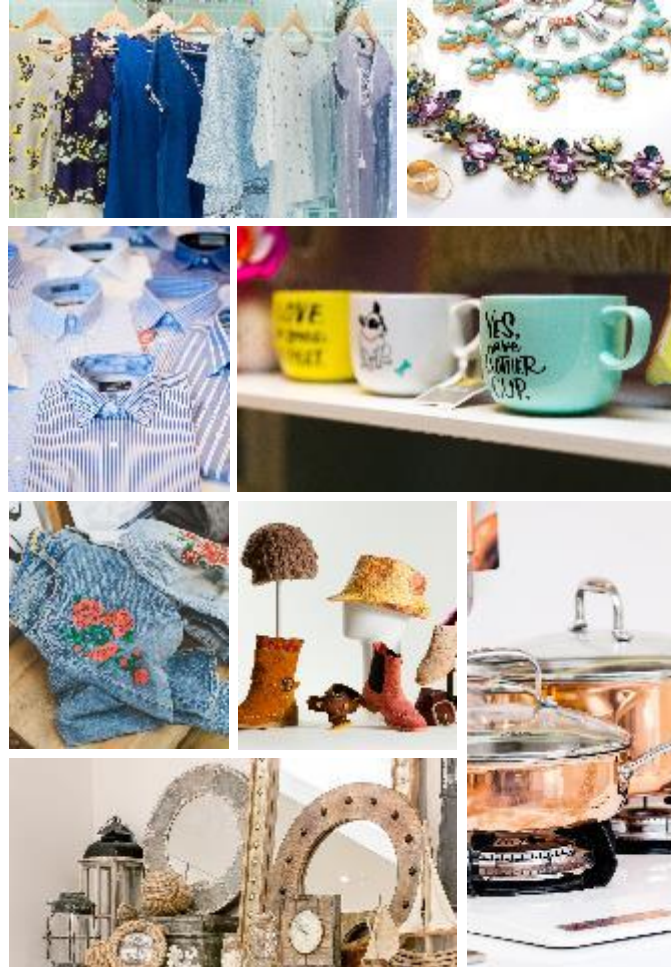
- Men's, women's, maternity, children, babies
- Woven, denim, sweater, leather
- Tops, bottoms, dresses, outerwear, performance

Footwear

- Casual, school, costume, formal
- Crocs, slippers, flip flops
- Boots, functional
- Toddlers, baby

Accessories

- Handbags, other bags, backpacks
- Jewelry
- Fashion accessories
- Hair, hats, belts, socks, umbrellas, small leather, non-leather goods



HARD GOODS



- Sports and travel
- Toys and games
- Home and bath textiles
- Home décor
- Furniture (indoor/outdoor)
- Home appliances and electronics
- Kitchen and dining
- Outdoor (BBQ, gardening)
- Renovation and hardware
- Home storage and laundry
- Toiletry, bathroom accessories
- Car accessories
- Consumables
- Festive goods
- Pet supplies
- Cabinetry, fixtures and supplies
- Gifts and stationery
- Art supplies

Services | Logistics

- 17 jurisdictions (incl. US and UK)
- 200 + Distribution centers
- ≈ 26 million square feet DC space
- ≈ 500,000 TEUs handled per annum

Leadership in key verticals

- Footwear & apparel
- Food & beverage
- FMCG
- Healthcare
- Electronics



Asia-focused In-Country Logistics (ICL)



Global Freight Management (GFM)



Transportation Management Services (TMS)



Distribution Centre and Value-Added Services (DCS & VAS)



E-Commerce



Cargo consolidation and purchase order management



Freight forwarding (Ocean & Air)



Customs clearance and value-added services



E-Store design and management

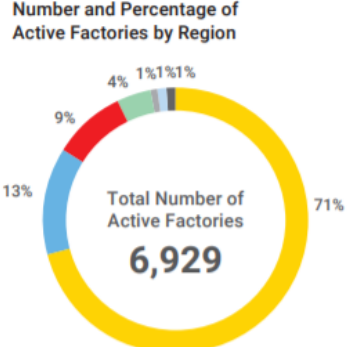


Pre/Post-sales support

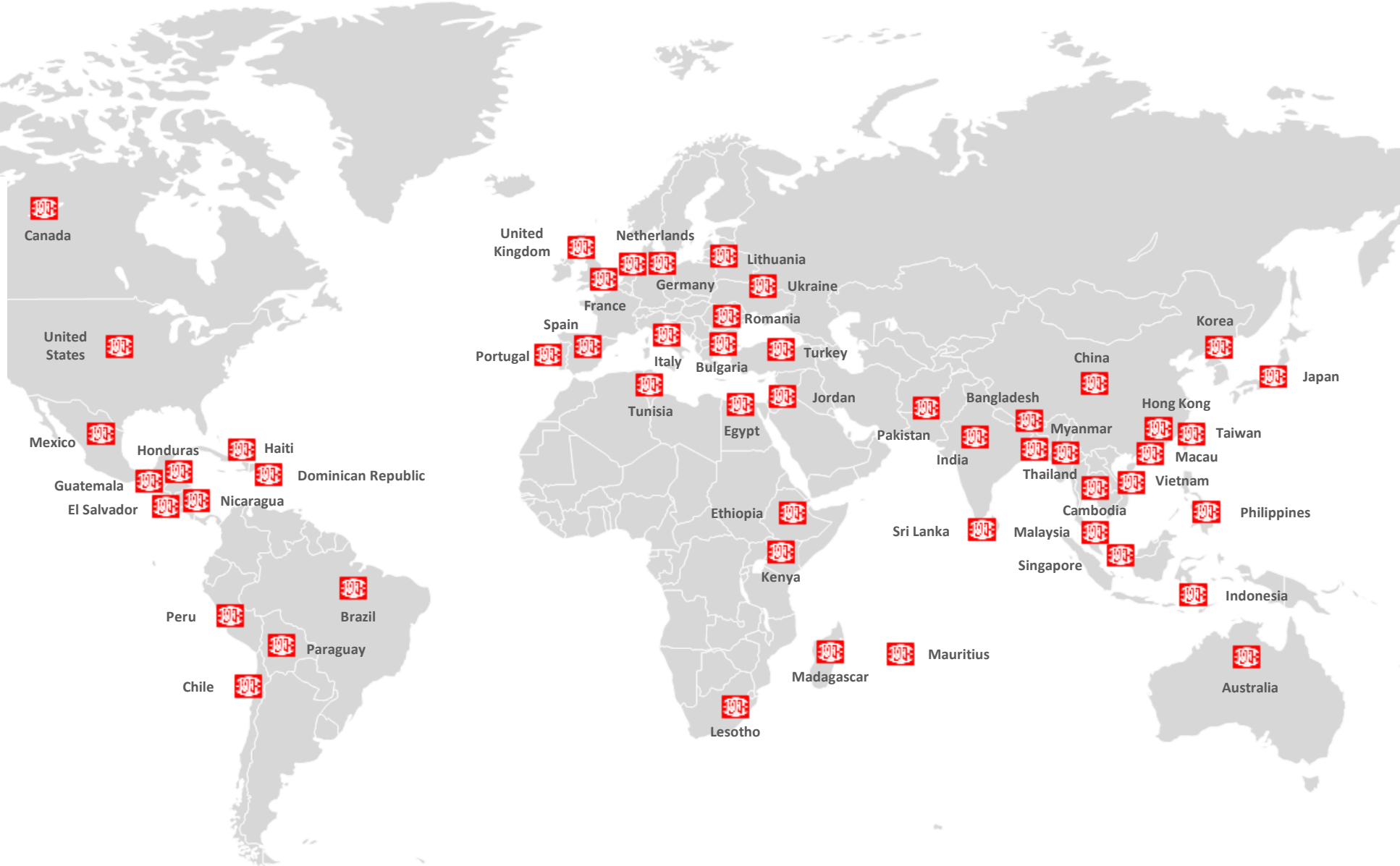


Warehousing and fulfilment

GEOGRAPHIES: 50+ production economies, dominated by Asia



Region	Count	Percentage
China	4,935	71%
South Asia	881	13%
Southeast Asia	649	9%
Europe and Turkey	270	4%
North Asia	83	1%
Americas	65	1%
Others	46	1%





Issues facing supply chains today



Covid-related closures and disruption, upstream & downstream



Rise of e- and m-commerce



Financial constraints, trade finance gap



Geopolitical tension and uncertainty



Increasing demands around sustainability

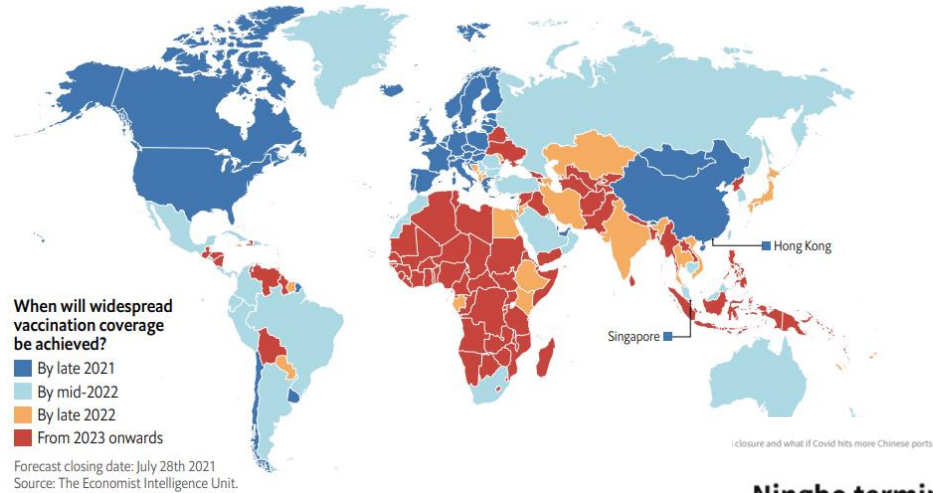


Cross border trade complexity, changing trade rules



Issues facing supply chains: Covid related disruptions

Rich countries will have vaccinated the bulk of their populations earlier than others



Ningbo terminal closure and what if Covid hits more Chinese ports



Strategies

- Geographical diversification, Double and triple sourcing
- Onshoring / nearshoring
- Demand-driven, inventory-driven supply chain
- Micro-sourcing
- Visibility and agility

Home > Topics > Sourcing

MARCH 24, 2020 2:26PM ET

India Shuts Factories, Locks Down Country for 21 Days to Contain Coronavirus Crisis

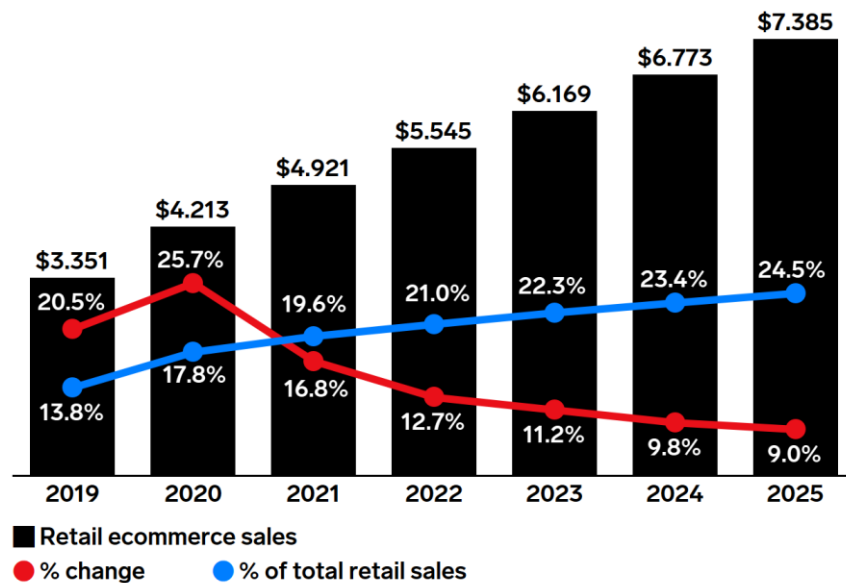
By Tara Donaldson



Issues facing supply chains: Rise of E- and M-Commerce

Unstoppable rise of e-commerce, changes consumer expectations and retailer demands

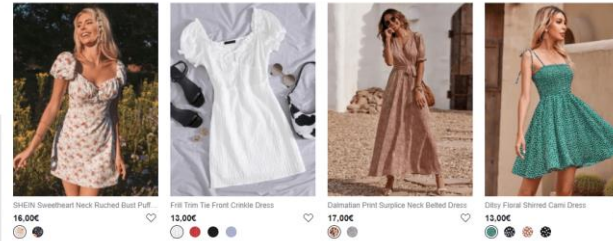
Retail Ecommerce Sales Worldwide, 2019-2025
trillions, % change, and % of total retail sales



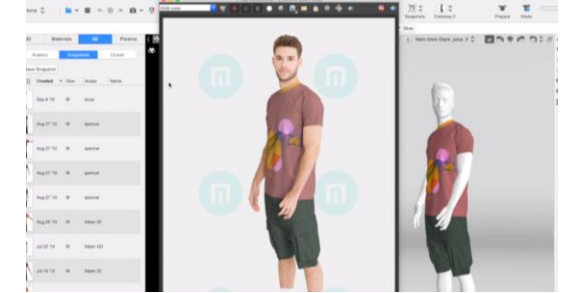
Note: includes products or services ordered using the internet, regardless of the method of payment or fulfillment; excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, food services and drinking place sales, gambling, and other vice goods sales
 Source: eMarketer, May 2021

Supply Chain Strategies :

Speed to market



Digital design and development



Small-batch production

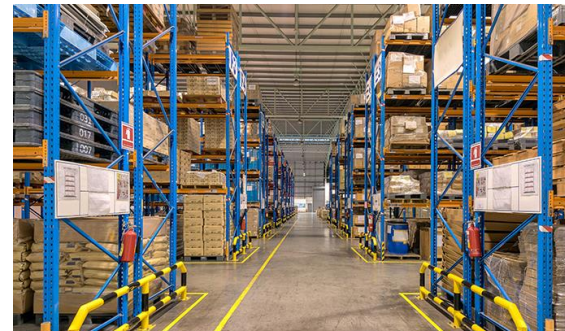
knitup

Get ready for the future of design and manufacturing!

Knitup is built to provide the small apparel brand with world-class production capabilities for knitwear through a technology-first approach to manufacturing.

Enter your email for the latest updates on the development of our platform, or to access our sourcing services.

Automation for quality and speed

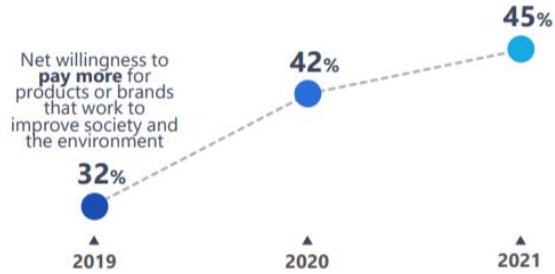


On-shore / near-shore warehouse and inventory

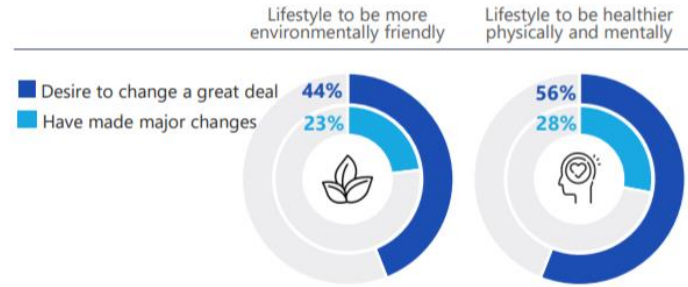


Issues facing supply chains: Rise of Sustainability

Consumers globally are waking up to sustainability... and firms are increasing their sustainability commitments



APAC consumers across three consecutive years
Question: Please indicate whether you strongly agree, somewhat agree, neither agree nor disagree, somewhat disagree, or strongly disagree. - I am willing to pay more for products or brands that work to improve society and the environment. (Reported by net scores)



n=6,060, 2021 APAC consumers from 10 countries
Question: How much would you like to change your lifestyle to be more...? Have you made any changes to your lifestyle in the past year to be more...?

Since the start of Covid-19, my firm's commitment to supply chain sustainability has...

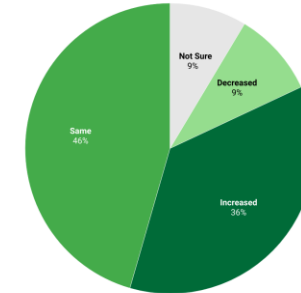


Chart: MIT CTL - Source: sascs.mit.edu - Created with Datawrapper

Source: Globescan Consumer Research Program, [APAC Highlights, Jan 2022](#)

Source: MIT CTL State of Supply Chain Sustainability 2021

Supply Chain Strategies :

Facility accreditation



Product accreditation



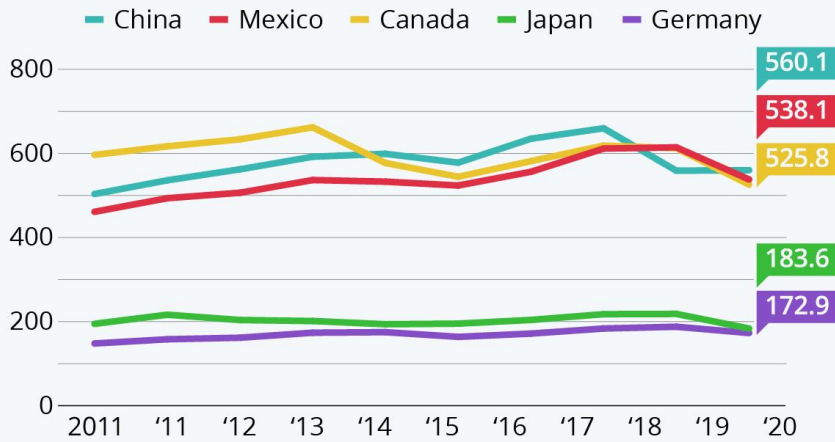
Multi-tier traceability



Issues facing supply chains: Geopolitical tension and uncertainty, driving complexity in trade rules and compliance

China Reemerges as Biggest Trading Partner of the U.S.

Volume of trade with the biggest trading partners of the U.S. (in billion U.S. dollars)



Imports plus exports
Source: Census Bureau



Difficult to un-couple the world's two largest economies

CBP Issues Region-Wide Withhold Release Order on Products Made by Slave Labor in Xinjiang

Release Date: January 13, 2021

WASHINGTON — Effective January 13 at all U.S. ports of entry, U.S. Customs and Border Protection (CBP) will detain cotton products and tomato products produced in China's Xinjiang Uyghur Autonomous Region.

CBP issued a **Withhold Release Order (WRO)** against cotton products and tomato products produced in Xinjiang based on information that reasonably indicates the use of detainee or prison labor and situations of forced labor. The agency identified the following **forced labor indicators** through the course of its investigation: debt bondage, restriction of movement, isolation, intimidation and threats, withholding of wages, and abusive living and working conditions.

"DHS will not tolerate forced labor of any kind in U.S. supply chains. We will continue to protect the American people and investigate credible allegations of forced labor, we will prevent goods made by forced labor from entering our country, and we demand the China close their camps and stop their human rights violations," said Acting DHS Deputy Secretary Ken Cuccinelli.



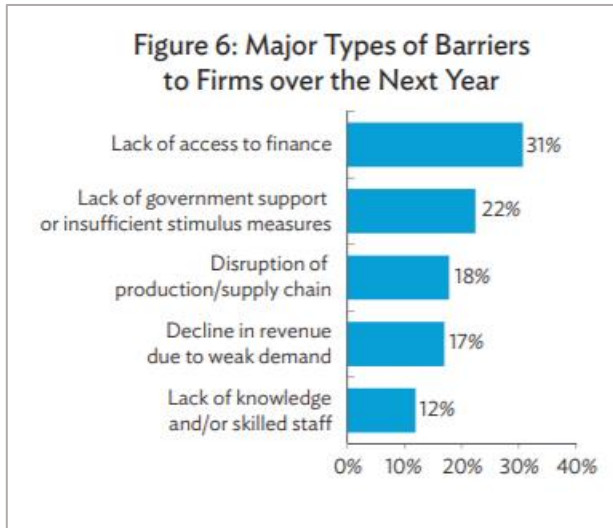
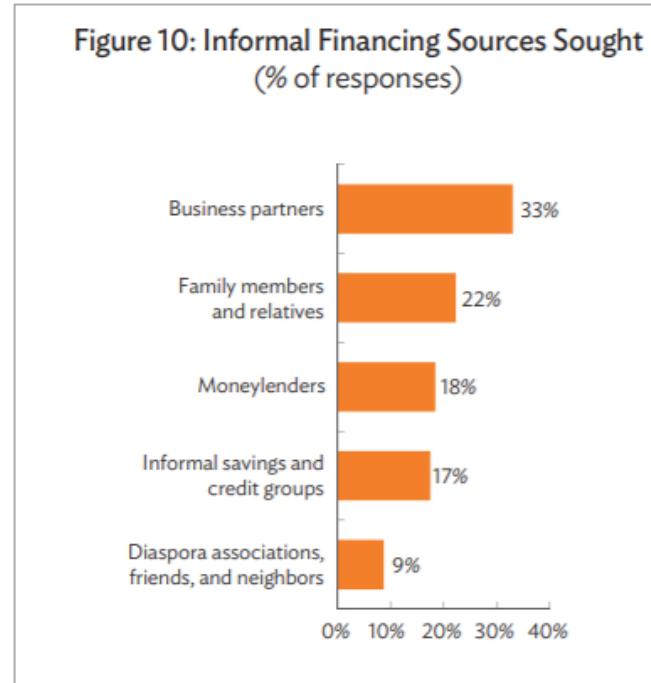
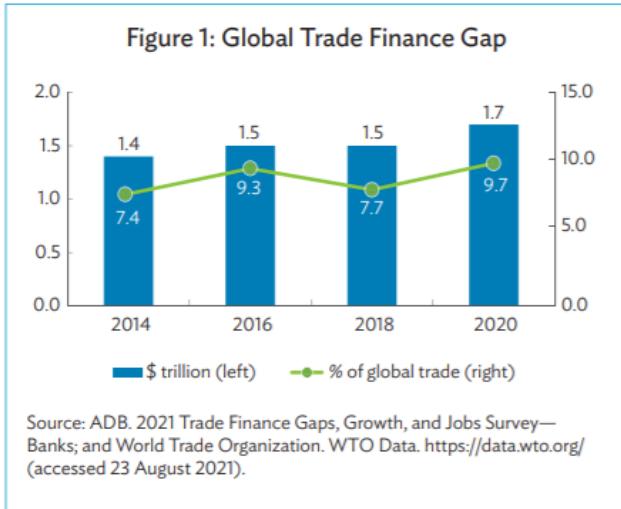
Brands face competing demands from consumers on opposite sides of the world

Supply Chain Strategies :

- Traceability systems
- A-politics
- Rethinking supply chain geography



Issues facing supply chains: Trade Finance gap



Supply Chain Strategies :



Trade Finance Program



Supply Chain Maps for Pandemic-Fighting Products



In short, the future supply chain will be
Digital & data driven
Sustainable & certified
Geographically wise
And fully traced end to end

*What are the implications
for management education & leadership development?*



Challenge for Management Education: How to embed sustainability thinking across the curriculum

“ESG” implies that these subjects can be taught (and applied) as a discrete bundle. Actually the opposite is true. The best examples of sustainable business result from rethinking the product, operation, or strategy end-to-end.

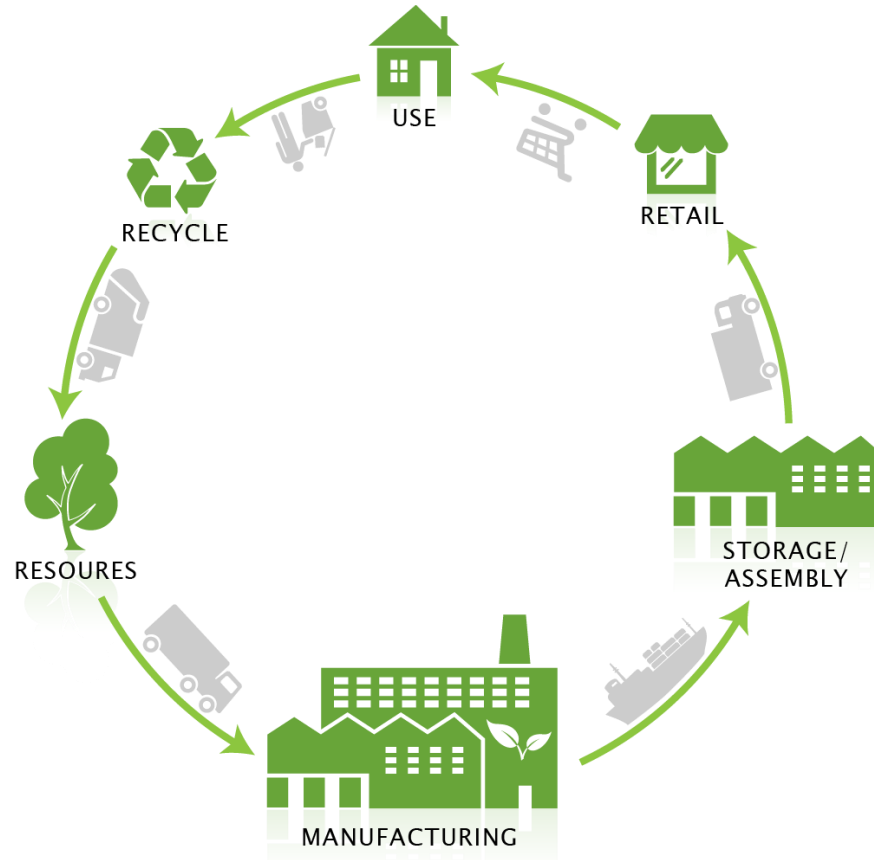
INTEGRATED THINKING

“sustainability and...”

Design
Marketing
Manufacturing
Transport
Retail

INNOVATION

- Technology drives operational upgrading with sustainability impacts
- Sustainability changes business models and value produced



FINANCE

- Different time horizon for return on investment
- Different sharing of profits
- New sources of finance

CONTINUING EDUCATION

“Education is what remains after one has forgotten what one has learned in school.” -Einstein



Educating the teams that can produce innovations for the future...



Adidas Parley shoe

- New material
- Tweaked design
- New marketing, new market
- New functionality



Levi's Water-less jeans

- Different treatment of material
- Tweaked design
- New marketing, new market



Projects



Andhra Lake I Wind Farm offline sales

Location	Maharashtra, India
Capacity	56.0MW
Commissioned	2011
Type of Credit	VER



Theni I Wind Farm offline sales

Location	Tamil Nadu, India
Capacity	49.5MW
Commissioned	2010
Type of Credit	CER

CLP Carbon Credits

- New product and revenue source
- Complementary model
- New marketing, new market



Thank you!

