

## Analysis and News - Case Studies

# Navigating Covid-19: A Third-Party Logistics Partner

Interview with Patrick Chung, the Founder and Director at Easy Pack & Logistics

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While reducing costs remains one of the most common reasons to outsource, another factor that is increasingly becoming more of a motivation is the desire to be more strategic and focus more on value-adding in-house activities in which a company can best utilise its core competencies. Many Hong Kong retailers and trading companies have, for example, been outsourcing their warehousing, pick-and-pack, assembly, and fulfilment work to third-party logistics (3PL) firms in order to streamline their business model and/or handle sudden increases of business during peak seasons.

The Covid-19 pandemic has caused severe collateral damage to these service providers. But thanks to their flexibility, many have been able to respond rapidly and successfully to the crisis. To get a better understanding of the challenges facing the outsource companies and how they are navigating this unprecedented global calamity, *HKTDC Research* interviewed Patrick Chung, the founder and director of *Easy Pack and Logistics*.

### Close Ties

Ever since its establishment in 2013, *Easy Pack & Logistics* has maintained a unique market position by offering a range of one-stop services to businesses looking for outsourcing opportunities to complement their short-handed business-to-business (B2B) and business-to-consumer (B2C) operations - particularly before and during peak seasons like Mid-Autumn Festival and Christmas, when orders can be ten times higher than usual.

Chung pointed to the close ties that have developed over the years between the packaging industry and the retail and trading sector, saying: "Brands and traders are the major clients of Hong Kong's packaging industry. When they want to introduce imported products to the local market, they have to change their packaging to fit the local sales needs and more importantly affix labels to them that comply with local regulatory requirements. From time to time, to help implement particular sales and marketing strategies such as flash sales and special discount packages, some businesses opt for product bundling and special sets packaging. Others import goods and packaging materials separately in bulk to economise on transportation cost. This is particularly common among importers of perishable goods such as dietary supplements, over-the-counter (OTC) drugs, confectionery and the like."



Warehousing and fulfilment services aside, Easy Pack & Logistics provides its clients with an extensive web of packaging services including product labelling and bundling.

Given these close ties between the packaging and retail and trading industries, it is not hard to understand how and why *Easy Pack & Logistics'* business has been adversely affected by the Covid-19 crisis. Describing the hit his company has taken, Chung said: "We've seen severe headwinds blowing over the retail industry as both international and cross-border travel restrictions and local containment measures such as social distancing have led to leisure and business travel plans being cancelled and travel retail and local consumption being curbed. The outcome was a vicious circle whereby our packaging business fell in line with dwindling demand from clients, particularly in the fields of skincare and cosmetics and luxury confectionery like premium chocolate.

"While this has been crippling, what also matters is the shortage of packaging materials, labour and logistics services in the wake of the production and global supply chain disruptions seen at the early months of the virus outbreak. All these have translated into a double-digit decline in sales for the company in February 2020, echoing the citywide 44% year-on-year retail sales slide over the same period."

### Silver Lining

But as they say, every cloud has a silver lining. Chung pointed to the blossoming of local original equipment manufacturers (OEM) of personal protective equipment (PPE). He called it a shot in the arm for his company, saying: "Since March, the worldwide hunt for PPE has encouraged many local OEM manufacturers to set up production lines making surgical masks and hand sanitisers. Thanks to our clean room capacity and product safety management certificates, such as *ISO22000*, *GMP* and *HACCP*, we've been able to help a number of PPE manufacturers by taking care of their packaging work. Many - if not all - of these manufacturers are novices to the trade and the specific packaging requirements, so we've also extended our help to cover the sourcing of the necessary packaging materials and labour."



Thanks to its clean room that is compatible with the packaging requirements of many sensitive products, Easy Pack & Logistics offers help to PPE manufacturers and others.



A wide array of product safety management certificates has earned Easy Pack & Logistics an edge to gain confidence from its clients.

By adding these PPE manufacturers into its client portfolio, *Easy Pack & Logistics* has largely cushioned the adverse impact of the pandemic over the March-May period, when the city recorded a 37% year-on-year retail sales decline. Having said that, however, the company's business prospects began to look uncertain once again as early as late May, when global and local PPE supplies started to stabilise as the production from leading PPE brands returned to normal.

### New Opportunities

However, the fallout from the pandemic has also created new opportunities, both in the healthcare and health-related sector and beyond. Describing how this has benefited his company, Chung said: "Covid-19 has caused huge disruptions to lives and livelihoods, and as a result, consumers have become much more health-conscious. During the outbreak, we've seen a spike in demand from our existing and new clients in this field - for example, manufacturers of dietary supplements and disinfection products like sprayers and solutions which are trying to make deeper inroads into the domestic and mainland markets. We're providing them with the necessary packaging and quality control services, using our clean room capacity, automatic packaging machinery and highly professional team. We expect this demand to remain or even grow in the foreseeable future, especially in Macao and across the whole Greater Bay Area (GBA)."

Chung also pointed to the huge potential for his company to benefit from the e-commerce boom, saying: "Many of our clients are fast exploring and adopting omnichannel retailing, which has been growing at an unprecedented pace during the widespread lockdowns. Being their logistics partner, we are getting to assist them through the entire supply chain operation - from warehousing, inventory control, pick-and-pack, labelling, and packaging assembly, all the way to order processing and fulfilment including last-mile delivery. We're glad to see a number of e-commerce players using our services to take the pressure of their growing fulfilment burden off themselves."



Easy Pack & Logistics offers one-stop fulfilment services to e-commerce businesses.

### Expansion Plans

Chung is now looking towards the post-coronavirus future, and is hopeful that *Easy Pack & Logistics* will be able to move further into the mainland market. Describing his company's expansion plans, Chung said: "Last year, we established packaging facilities across the border to serve clients who want to tap into the gigantic mainland market. Following the successful launch of our first project with a global luxury chocolate, we're now looking forward to setting up another packaging facility at *Futian Free Trade Zone* in Shenzhen.

"This is hopefully a win-win project that can not only help us deepen our relationship with our existing client, but also at the same time allow our clients to reduce their packaging cost without any compromise on quality control. We believe projects like this will become our new revenue driver in the years ahead, as more international brands start searching for a trustworthy partner for the mainland market."

To help push these plans forward, Chung has recently applied to the *Dedicated Fund on Branding, Upgrading and Domestic Sales (The BUD Fund)*. With the support of this, and other public sector assistance like the business matching and T-box services of the *HKTDC*, Chung is conservatively optimistic about the company's prospects. Chung pointed to the help the *BUD fund* has provided, saying: "Our ideas for expansion coincided with the government's announcement of the enhanced *BUD fund* in January 2020. The increase in the initial payment to successful applicants, from 25% of the approved government funding in the original scheme to 75% now, has greatly eased our cash flow concerns and in turn enabled a micro enterprise like us to continue with such an ambitious, capital-intensive project in the face of the Covid-19 uncertainty."

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