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Taking on the big boys

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WHEN YOU TALK about freight, a couple of well-established names come to mind - FedEx, DHL, UPS and TNT. But you could soon be adding CEN to the list, if things go according to plan.

CEN Worldwide Sdn Bhd is Malaysia's answer to foreign companies which offer an integrated distribution service. Currently, the international options for this service in Malaysia is offered by foreign companies. The idea was mooted by the government due to the services deficit. Up to US\$ 8 billion has been spent on the distribution of Malaysian products through foreign ports. 'We would like to arrest that situation. We can draw a lot of it back. I think this is why there has been such huge investments in Port Klang and the KL International Airport,' says Martyn Wright, CEN's managing director.

The concept fits into Prime Minister Datuk Seri Dr Mahathir Mohamad's strategy to make Malaysia the focal point of the region in terms of distribution. 'We would also like other developing countries around us to regard Malaysia as a viable trans-shipment and forwarding point for their goods while being the gateway into Southeast Asia for the Europeans, Americans and the Japanese. We're very nicely positioned,' adds Wright. Pos Malaysia has a 42.5 per cent stake in CEN Sdn Bhd (CEN Worldwide Sdn Bhd's parent company) with Transmile Group Bhd holding 37.5 per cent and the remaining 20 per cent held by Konsortium Perkapalan Bhd (KPB). A golden share is being held by the finance ministry.

But Wright realises CEN faces an uphill battle against the Big Boys. 'We are very new in the market, at best we have a heritage that goes back three or four years. Let's talk about UPS. I think it has been around for about 60 years, only in the last eight or nine years did it venture outside America. FedEx was formed in 1973 and it only managed to get outside of the US, again, maybe 10 years ago.

'What I'm saying is that all these companies have got 20-odd years behind them, and it's taken them that long to get to the stage where they have operations in over 150 countries and thousands of people and vehicles. There's no way we can possibly hope to jump that or to condense that period of development into a couple of years. We don't intend to do that. Our intention is to be very clearly focused on Malaysia's and the region's requirements in, perhaps, the same way that FedEx and UPS mainly concentrated on the US,' explains Wright.

'There are other companies that go there but if you want to be certain that your package would reach your destination in the US, I would give it to FedEx or UPS because they are the experts in that country. They've been there for so long and they are so well developed that if you want that extra bit of guarantee it's going to be there, I mean anyone can muck up, but if you want to have the best chance of it getting there, you'd give it to them.

'That's what we want to have in Malaysia and Southeast Asia.

Essentially, what I want Americans and Europeans to be saying is that if you want the package to go to Asia, give it to CEN. We're going to be the Asian specialists.'

Wright says CEN has the advantage of being based in the region, so it understands the countries' requirements. Therefore, it wants to be seen as the player in the region to the extent that any new player would be discouraged.

Being the first and only Asian express delivery company in the region puts CEN at a distinct advantage and Wright plans to exploit this fully. Wright says though the Big Four (FedEx, UPS, DHL and TNT) are all here in the region, they are mainly looking after their American and European customers. 'But they would deny this vehemently because they are certainly aware that Asia is a cash cow. I'm saying that we're an Asian company and we're able to serve our Asian customers' needs better,' Wright adds. CEN certainly realises that Asia is a virtual gold mine and Wright is aiming for the RM1 billion mark in terms of revenue by the year 2001. Analysts, however, are skeptical and scoff at the idea, saying that the figure Wright quoted during CEN's launch early last month is 'unrealistic'. 'It has not even started operations yet and 2001 is only four years away,' says one of the analysts. But Wright's confidence in being able to achieve that goal seems unshakeable. 'If you look at what FedEx or UPS has done in the US, they're talking about US\$ 20 billion. And I'm only talking in ringgit at the moment,' Wright explains.

'That's just in the Asia-Pacific region. There are vast volumes of air and express freight moving around. By the year 2001, China, and that's a huge market, will open up and we are very nicely placed to serve it. Don't forget Indonesia and Thailand. The whole region is about to boom, everybody knows that and we are positioning ourselves to take advantage of the development.

'It certainly is aggressive and we have a lot to do but the company is starting from a very strong position because of the strength of our promoters (Pos Malaysia, Transmile and KPB). We're starting from a fairly strong base, it's not like we're starting from scratch,' Wright adds. He says KPB, for example, is drawing large volumes of goods for distribution and some of these will have to be moved by air. And that's where CEN comes in, he adds. 'CEN will leverage the resources and expertise of the promoters more than trying to go out and develop on its own. It already has a massive client base with the three (promoters). We are taking over a lot of the existing business and have a head start,' he says.

'Transmile, for instance, has been operating passenger and cargo services.' It prefers some other company to handle cargo and freight so that Transmile can concentrate on the air charter side of the business, he adds.

Wright also says KPB has a vast number of business contacts and customers which it can 'redirect' to CEN.

Wright says CEN is also working with Pos Malaysia to rebrand Poslaju, which will give CEN the 'presence' it needs immediately. Eventually, Poslaju's personnel will have an option to stay with CEN or be redeployed elsewhere in Pos Malaysia. 'By rebranding Poslaju, we can get our name in the market place and therefore give ourselves an identity,' says Wright. Using Poslaju's and Pos Malaysia's network, CEN will provide a delivery and pick-up service that cannot be matched by anyone else in the region, he adds.

In the past, Pos Malaysia had chartered a Transmile aircraft for deliveries between Peninsular Malaysia and Sabah and Sarawak. Wright says Pos Malaysia will also, as CEN develops, contribute volume to CEN's network. Wright admits that the company's aim of bagging RM1 billion in turnover 'may sound a bit outrageous, perhaps, if taken in isolation without a knowledge of what already exists'.

'There are synergies which make absolute sense throughout this exercise and that's why we believe it is possible. And remember, there is a potential of a huge increase in volume (of air freight) to the region, not

just because of CEN but because this region is set to explode,' he adds.
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