

Weaving a fine web

Logistics firm establishes integrated network in Africa

By **PU ZHENDONG**

Capitalizing on the growing presence of Chinese engineering companies in Africa over the past five years, CJ Smart Cargo Group has grown from a fledging shipping agency that got its start in Qingdao, Shandong province, into a worldwide logistics enterprise weaving its own network on the African continent.

The company, after years of experience working in more than 20 countries on the continent, has been upping its investment in delivery trucks, local drivers and distribution centers in African countries such as Tanzania, Zimbabwe and South Africa.

"As a provider of door-to-door logistics services, we find that it's imperative to establish our transportation web in Africa, where business is thriving yet infrastructure is lagging behind," says Lyu Cuifeng, CEO of CJ Smart Cargo Group. "If the mountain will not come to you, you must go to the mountain."

Since the global financial crisis of 2008, China has encouraged state-owned enterprises to venture overseas for business opportunities, notably in Africa. These large companies in turn have counted on startups such as CJ Smart Cargo to carry out outsourced logistics operations on the continent.

The company, now headquartered in Shanghai, has 10 branches in China and five overseas offices and employs more than 200. Lyu says the company manager in Africa is taking Swahili lessons to become better acquainted with the local culture.

CJ Smart Cargo first stepped into the African market in 2008 to help run the

logistics operations for a project by state-owned iron and steel giant Baosteel Group in Namibia.

After several years of researching markets on the continent with an eye on expanding, the company decided to "plant its roots" in Southeast Africa, a mostly stable region politically that has friendly diplomatic ties with Beijing. Now projects in Africa account for roughly 60 percent of the company's annual revenue, Lyu says.

She says CJ Smart Cargo's regional investment is focused on establishing different links to an integrated logistics chain. In Tanzania, the company has established its own delivery teams with trucks purchased from China and drivers hired locally. It also has branches in major cities across the region to help coordinate on issues such as customs and the transportation of goods upon delivery at ports.

"Cooperation with local partners is no doubt important, but on the one hand, there are few qualified local business partners; on the other, there are risks of breaching contracts or being unable to meet deadlines," Lyu says.

"For our clients, logistics support must always run ahead of schedule for an entire project — otherwise, we will be fined heavily for delays," she adds.

The company is also planning to build a distribution center in Tanzania to cope with the inability of the country's ports to store and transport goods.

"Sometimes delivering cargo to inland countries like Zambia requires us to travel across neighboring countries, where different policies often result in further complications," Lyu says. "In this regard, our investments are aimed at securing an unimpeded transportation route to greatly cut down on costs and reduce risks along the way," she says.

She says the company needs about two years to complete its network in Africa, including improving infrastructure and dispatching personnel.

"But when the hardware is in place and the channels are open, we are expecting a qualitative change, perhaps doubling or tripling revenue each year."

CJ Smart Cargo's strategy of integrating overseas resources has already yielded positive returns. Lyu estimates that sales revenue this year will exceed \$100 million and is ambitiously expecting \$260 million in revenue by 2020.

Last year, the company signed cooperation agreements with South Korean logistics and transportation company CJ Korea Express to boost its delivery capacity.

She says CJ Smart Cargo has separated itself from the competition in Africa by focusing on customized logistics solutions in heavy-lift and break bulk shipping, which has accounted for 85 percent of the company's business operations during the first quarter of the year.

"We realized the need to enter a high-end area with a stronger technical threshold instead of being stuck in low-level struggles with thousands of competitors," Lyu says.

The projects that CJ Smart Cargo undertakes usually last one to three years and involve long-distance ocean shipping as well as a series of inland transports, terminal operations and customs clearances in China before goods are shipped to Africa and delivered to a specific area.

Despite the company's recent success, Lyu says it is "incredibly painful" for private Chinese firms to develop in the African market.

Judging by the company's experience, a lack of efficiency on the part of African governments, public security worries and unfamiliarity with local laws are major challenges at the moment.

"For example, last year in Tanzania, we tried to deliver 120 metric tons of goods from a port to a construction site, a span of only 70 kilometers. But it wound up taking us three months to deliver the goods because of government red tape and unexpected road damage," Lyu says.

"Tanzanian roads also have weight limits for cargo vehicles. Trucks that are over the weight limit are fined as much as \$140,000 for one unit of goods. What's worse, when we were forced to change to ocean shipping, the port lacked hoisting technologies," she adds.



PARENT COMPANY IN CHINA

CJ SMART CARGO GROUP
(including Qingdao CJ Smart Cargo International Services Ltd and Shanghai Smart Cargo Supply Chain Management Co Ltd)

Industry: Logistics

Founded: 2002

Headquarters: Shanghai

Branches: 11 domestic, 5 overseas
Overseas operations: Southeast Asia, Africa, South America, Central Asia

Employees: 200

Revenue: \$91 Million (2013)

Ranking: No 68th on the CIFA Top 100 Logistics Suppliers in China (2013)

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Education
EMBA, China Europe International Business School (2008-10)

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Founder and CEO of CJ Smart Cargo Group (2002-present)