

Case Study

DHL

Dexion partners with DHL Supply Chain Hong Kong to create Interlink MegaHub – Hong Kong's largest logistics warehouse.





Roof top view from Interlink Mega Hub – Container Terminal 9.

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DHL Supply Chain Hong Kong (DHL) is a world leading global logistics provider specialising in warehousing and distribution. DHL operates in 220 locations and employs over 285,000 staff globally. DHL's clients include major brands such as LG, HP, National Semiconductor and TE Connectivity.

Until recently, DHL operated out of five different warehouses in Hong Kong. Labour, equipment and logistics systems were spread across all of these locations, which meant that technicians and managers had to travel regularly between the sites to coordinate operations.

According to DHL's Senior Manager for Supply Chain Solutions, Tony Leung, there was a need to consolidate warehouse operations in order to improve efficiencies.

“Our warehouses were spread all over Hong Kong so we wanted to consolidate these into one MegaHub warehouse that would maximise space and improve operations management,” said Leung.

DHL's Facility and Asset Manager – Operations Excellence, Kenneth Lau, added that notoriously high rental prices in Hong

Kong and major traffic slowing down the transportation of goods between locations contributed to inefficient operations.

“Land in Hong Kong is very expensive and very little land is dedicated to warehousing, even though the city services a large consumer and retail industry. DHL's senior management team saw the opportunity to build a new warehouse that would consolidate all of DHL's clients into one convenient location. This meant that DHL would be able to pool all its resources, manpower and equipment to create one giant MegaHub,” said Lau.

The new Interlink MegaHub site is conveniently located in the centre of Hong Kong, which is well serviced by trains, ships, planes and trucks. According to DHL's Senior Director Operations Excellence – North Asia, Drew Wright, there was an added benefit to the choice of site. “In addition to the logistical advantages of a centralised location, the Interlink MegaHub site is also a LEED GOLD and KHBEAM accredited building, designed to meet Hong Kong's highest sustainability and safety standards,” said Wright.



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The major logistical task of consolidating five warehouses into one would require solution design expertise, in particular where the racking was concerned. In 2011, DHL invited five suppliers to tender. Given the complexity of the brief, DHL wasn't just looking for a racking provider; it needed a storage solutions partner with expert experience to team with for the duration of the project. Accordingly, DHL engaged leading storage and materials handling specialist, Dexion, to fit out the Interlink MegaHub – a 23 floor, 900,000 square foot warehousing site on Hong Kong's Tsing Yi Island.

Wright believes that Dexion won the tender because Dexion was genuinely interested in working with DHL to deliver a tailored solution.

Leung agrees. “We have a long standing relationship with Dexion. We know that Dexion is a very reliable and professional partner – we needed a partner that could

provide the right solution for design and space optimisation. We wanted a supplier that would be assertive, and one that would proactively work with us to meet all the project challenges, which Dexion certainly did,” observed Leung.

Lau saw additional benefits to the existing relationship between DHL and Dexion. “We wanted to engage Dexion as a preferred partner so that we could standardise all our racking in the future. With standardised racking we increase the sustainability of our storage solutions,” added Lau.

As anticipated, the construction and fit out of the Interlink Megahub was an enormous undertaking. The 23-storey building is the largest of its kind in Hong Kong, with a 15-storey ramp for trucks and eight floors above only accessible using lifts. DHL now occupies eight of these floors, which includes DHL's offices and ramp and lift access.



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According to Leung, the project was particularly complex because of the logistics involved in migrating thirty eight of DHL's different clients across to the new site simultaneously.

“The most unique aspect of this project was the number of customers we had to account for. Ordinarily, we implement projects that account for one or two customers. In this case, there was a very long list of customer requirements. We needed to cater to over thirty customers simultaneously throughout the life of the project. We also had to cater to the requirements of the new building site, as well as the physical relocation of our customers from other warehouses all at the same time. This was not easy but Dexion rose to the challenge,” explained Leung.

“The Dexion team were fantastic in the way they adapted their workforce and plans to address challenges along the way. We initially devised a six-month project plan. This timeline was shortened to a two-month plan, to which Dexion quickly adapted. It was just brilliant working with Dexion. The team was incredibly flexible,” said Wright.

“Dexion was very flexible in accommodating the changing needs of our customers during the planning stage. Dexion accommodated each and every adjustment right up until the last minute,” added Leung.

“The project plan itself became incredibly fluid – it went from being beautifully structured to very dynamic. We had one week to implement a new mezzanine section and an additional two weeks to install a conveyor system. Given the delays

in obtaining government certificates, it was a case of us telling Dexion what needed to happen and the team made it happen,” added Lau.

Wright was very impressed with the way Dexion adapted to the new deadlines.

According to Lau, Dexion was intimately involved with the migration and the challenges that came with this. “Some customers needed air conditioned floors, but we were unable to set up power systems for them right away. So we altered migration times to accommodate these needs. There was a point at which we had four floors of racking being built at the same time. That called for a lot of manpower and logistical coordination from Dexion, just to get all those systems set up,” explained Lau.

Walter Lai, Sales Manager of Dexion Asia Limited in Hong Kong, proposed the solution and coordinated the fit out for the DHL Megahub project. The solution Lai, and the Dexion team, provided for DHL accounted for thirty eight customers across eight floors, each with different requirements - ranging from storage of tiny components through to large drive-in pallet racking solutions. Lai observed, “while most of the solutions we provided were relatively standardised, we had to consult with each customer individually to establish the right solution for their particular business requirements.”

Lai explains that reviewing the customers' data and understanding each customer's business growth drivers and product diversification were critical in achieving the end result. As an example, the 11th floor

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was designed for a major semi-conductor company who needed high density small parts storage to house millions of tiny electronic components. To accommodate the storage requirement of around 8,000 SKU’s, Dexion built a rack supported raised storage area which provided 1826 picking locations across two levels. The raised storage area provided uninterrupted floor space on both levels. Free space on the ground floor allowed easy movement and unlimited flexibility for set up of a processing area, whilst the upper level provided high density picking modules, making the most of the available space.” Lai explained.

Transferring goods between the raised storage area and the processing area on the ground floor required a motorized conveyor system. Lai explained that this required Dexion to find ways to work around the building’s fire system.

“The building is so high that fire trucks cannot reach the top floors unless they drive all the way up the ramps. Due to this, each floor has been fitted with three large 3x3 metre columns. Between each of these columns there’s a fire shutter”

observed Wright. “In some instances, the conveyor system traverses through the paths of some of the fire shutter roller doors, so we installed automatic gates on the conveyor system. Once the fire shutter is activated, the gates open allowing the shutter to close that zone,” added Lai.

While the turnaround time for installing solutions for all DHL’s clients was very tight, DHL were delighted with the result. “I cannot recommend Dexion enough for the way they worked collaboratively with us to get the job done,” Leung enthused.

According to Dexion’s General Manager Systems Solutions, Stuart Macnab, the iconic Hong Kong Interlink Megahub is a fantastic showcase for both DHL and Dexion. “The location of the Interlink MegaHub is ideal – it’s the biggest site of its kind in Hong Kong and the view from the rooftop is just spectacular,” observed Macnab.

Wright agrees. “Every potential customer that walks in and looks at the Interlink MegaHub will see the DHL brand together with Dexion storage solutions, which is great for both companies,” Wright concluded.

