

Taking a Stronger Position in Asia

Dexion has been operating in a number of international markets for many years, with a Malaysian operation and manufacturing facility supplying storage solutions throughout South East Asia and the Middle East, and a Hong Kong office responsible for China and North Asia. Recent investment and a significant upgrading of the Malaysian operation and a major acquisition in China confirms the company's intent to further develop these regions.

Martyn Isbell, Executive General Manager International Business, explains some of the background and the strategy to these developments.

"The Malaysian operation to date has concentrated on producing pallet racking products and its direct derivatives, and although we also produce a shelving system in Malaysia, essentially it's been a racking plant exporting to ASEAN countries and to the Middle East." said Isbell.

"The Middle East constitutes about 1/3 of our total volume, so it's a very important market."

Dexion has a tight representative network of distributors in each of these countries, typically one services the industrial segment and another services the commercial segment, but in some instances the same company can service both.

"We found that rapidly increasing demand went way beyond the capacity of the old Malaysian plant, so in late 2007 we moved to a new plant which provides nearly three times the original capacity from around about 8000 tonnes to around 21,000 tonnes and we've also invested in new equipment, new paint lines etc.

"So, the intent here really is to cater for the increasing demand for Dexion's products in the ASEAN and the Middle East markets," said Isbell.

Racking markets everywhere in the world are becoming increasingly competitive, especially with imports out of China. Isbell wanted to broaden and improve Dexion's overall offer beyond that of mainly industrial racking solutions.

"Dexion has a lot of experience with commercial storage solutions and products, and so felt that this was a natural progression for our Asia operations.

"So we've extended our successful trading relationship with Spacesaver Corporation (USA) to manufacture under licence



Dexion China, one of the main attractions at Cematec Asia 2007.

a new range of shelving and mobile products in the Malaysian plant. Spacesaver Corporation is one of the world's leading manufacturers of high density mobile storage systems and we've been working with them for sometime in Australia, so we are now manufacturing and distributing these fantastic products throughout the region," he said.

Although Dexion had been operating in the Hong Kong market for many years, demand in North Asia generally was relatively flat, mainly because it is very difficult to import into China, Taiwan or Korea from Malaysia as those markets each have a well-established manufacturing base that is typically protected from imports by punitive tariffs.



“When you buy a small Chinese privately run business, you’ve got to ensure that you don’t inadvertently discard all the things that make a Chinese business attractive. The temptation is there to say ‘if this was an Australian business, you’d do this, and, in Australia, we’d do that, and, before you know it, you’ve created a small Australian business and it’s replaced all of the low-cost benefits that made it attractive in the first place,” said Isbell.

Dexion first entered China in the 90s, when Chinese regulations dictated that there had to be a joint venture with a state-owned Chinese company. Dexion’s first experience in China was similar to many other Western companies and ended in disappointment. Shortly after, China relaxed FDI regulations and allowed wholly foreign-owned enterprises to become established. About this time the state-owned company that Dexion had the original JV with, sold the business to a group of its senior employees. Dexion has now acquired 100% of this business.

“So there’s some interesting background to this acquisition and the good thing is we know the equipment, we know the quality of the product, and, equally important, we have great confidence in the people. There is a strong connection here between the director of our North Asia operations who is based in Hong Kong, Mr Y. K. Ip, and Mr Xu, who is General Manager of our China company,” said Isbell.

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“So, we’ve got to retain what made it valuable to us and examine issues like safety and quality to ensure high standards are maintained, and understand the codes and the regulations that apply locally to make sure that we comply.

“With a population of 1.3 billion, you’d think there must be a massive domestic market and there is, but each major regional area has a number of its own local manufacturers. For example, Nanjing is only about 3 hours drive from our Shanghai factory. It has a population of about 8 million people, and it has at least five or six local rack manufacturers. So we have to demonstrate value beyond just offering manufactured products to compete in these local sub-markets, otherwise customers will simply buy from local sources,” he said.

“As well as being an exciting domestic market, China is also a promising export base for us and it has opened up new possibilities in South America where we are starting to get a lot of interest, and we are also now more successfully selling into Taiwan and Korea.

“Obviously we have plans to rapidly expand our presence in China, and the success we’ve had with commercial products in other markets is also an obvious opportunity, but for now it’s early days and our immediate focus is on maximising the benefits of the operations we’ve just acquired” said Isbell.

“Our plans to enter the Indian subcontinent in a substantial way are also gaining momentum. Dexion has already had a lot of success in the Sri Lankan and Pakistan markets, and has now gained its first ASRS project in India. Our longer-term intention is to manufacture locally in India and it won’t be long before we are able to announce how we are going to do this” said Isbell.