

# Making Malaysia A Logistic HUB: A Vision of PKT Logistics Group Sdn Bhd

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## Prologue

Dato' Seri Michael Tio (DMT), the CEO of PKT Logistics, is returning to his residence after a busy day at his office in Shah Alam, Selangor, Malaysia. He will have dinner with his family and, after dinner, must consider next week's crucial strategic group meeting. As a visionary entrepreneur, DMT is not just focused on the present success of PKT Logistics but is deeply invested in the company's core values and long-term ambitions. His leadership has already navigated PKT through numerous challenges, significantly contributing to its strong reputation and leadership position in the logistics and supply chain industry.

DMT's aspiration is not limited to maintaining PKT's current success; he envisions elevating Malaysia as a central hub in the ASEAN region. This goal reflects his commitment to advancing his company and boosting the nation's standing in the global logistics arena. Under his guidance, PKT has demonstrated remarkable growth, and its value system has been a cornerstone in differentiating it from competitors.

As DMT prepares for the strategic meeting, he contemplates the future trajectory of PKT. He plans to propose a forward-thinking strategy to steer the company towards significant achievements in the next five to ten years, targeting 2025 to 2030. His vision includes expanding PKT's reach, embracing innovative technologies, and further integrating sustainable practices while nurturing the company's human capital.

DMT understands that the logistics industry is rapidly evolving, driven by technological advancements and changing global trade dynamics. He recognizes the importance of adapting to these changes and staying ahead of the curve. Thus, his strategy for the meeting will focus on exploring new market opportunities, investing in cutting-edge logistics technology, and fostering a culture of continuous learning and innovation within PKT.

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## KEYWORDS

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Moreover, DMT is aware of the increasing emphasis on sustainability in global business practices. He is keen on integrating eco-friendly operations and advocating for responsible supply chain management, aligning with PKT's commitment to social responsibility.

In summary, Dato' Seri Michael Tio's approach to the upcoming strategic group meeting is not just about discussing the next steps for PKT Logistics but about setting a bold vision that aligns with the evolving landscape of the logistics industry, ensuring that PKT remains at the forefront while contributing positively to Malaysia's economic and social development.

### **History of PKT Logistics Group**

PKT Logistics Group Sdn Bhd, headquartered in Malaysia, is a logistics service provider known for its commitment to social responsibility. The company emphasizes employing local human resources, constructing eco-friendly warehouses, and actively engaging with local communities. Established in 1974 by Dato' Tio Sook Keo under the original name Port Klang Trading, it was later rebranded as PKT Logistics Group Sdn Bhd. The current Chief Executive Officer is Dato' Seri Michael Tio (DMT).

During the ASEAN financial crisis in the late 1990s, PKT expanded its operations by partnering with a Korean company. This collaboration marked PKT's foray into serving over 50 clients in Korea and its initial steps into the Korean automotive sector.

Dato' Seri Michael Tio observed a gap in the Malaysian market for comprehensive logistic services and aimed to position PKT as a full-service provider. In 2001, PKT's collaboration with Naza, a prominent Malaysian conglomerate, marked a significant milestone with the introduction of Malaysia's first completely knocked-down (CKD) Kia model. Further expanding into the Korean automotive industry, PKT managed logistics for Hyundai through a partnership with Oriental-Hyundai, which is affiliated with the Berjaya Group.

This venture into automotive logistics proved successful, leading PKT to offer its services to more international clients. However, DMT recognized that by 2007, the automotive logistics segment had peaked, and diversification was essential for sustained growth. This need for diversification was further emphasized by the uneven revenue patterns exacerbated by various economic crises, including the global financial crisis 2008.

Reflecting on this period, DMT notes that PKT's automotive logistics division achieved revenues of around RM200 million within five years. However, the 2008 financial crisis, which DMT refers to as another significant setback, underscored the importance of broadening the company's service offerings to maintain and increase earnings.

*"When I returned to Malaysia, I discovered that local companies did not provide one-stop logistical services. As a result, I set out to transform my company into a full-service logistics provider."*

## The Next ASEAN Logistics Hub

Due to unique demands from diverse industry sectors, the global logistics industry is growing increasingly complicated and sophisticated. Companies need LSP, which can provide a complete logistics solution and efficient end-to-end services. These new trends result from increased global trade activity and company globalization due to lower trade barriers and improved trade connections. Malaysia must capitalize on its strengths to grow its logistics services sector and position itself as ASEAN's next logistics hub. Suppose Malaysia has relevant services in connectivity, logistical capabilities such as warehousing, and ensuring that our ports are up to date.

In that case, it can create a more substantial pull factor in making Malaysia a logistics hub. *"Malaysia must be perceived as a strong logistical hub via air, sea, or land-based shipping. Our country is linked by land to Singapore and Thailand, and trains are also coming to our nation. Plus, we have got industry-leading warehouse services,"* DMT elaborates.

If Malaysia succeeds in establishing a hub, there is a good chance that Malaysia can attract other manufacturers and regional distribution centres. *"They will come if we are prepared. Manufacturers choose a country as a hub not just because of the incentives available but also because of the lowest logistics costs,"* DMT narrates.

According to DMT, a robust hub would attract manufacturing businesses to help the local economy and host the lucrative regional hub activity, increasing transshipment freight. There is also a need to improve connectivity at the Thailand-Malaysia border and the logistics industry's general efficiency.

"Malaysia is situated in a wonderful place. All we have to do now is move quickly before other countries begin to develop their infrastructure," DMT speaks up. PKT is embarking on new initiatives to cement Malaysia's position as the next ASEAN logistics hub, which promises to be an exciting period. In response to the potential, PKT built the One Logistics Hub, One Eastern Hub, One Auto Hub, and One Northern Hub using the LEAN idea (Figure 1).

"We need to advance up the value chain," DMT adds. "Instead of shipping, storing, and distributing goods and raw materials, we must add value to services like sub-assembly, repackaging, and procurement," DMT stated. The investment was made to construct a modern logistics infrastructure to fulfil the ASEAN market's expectations.

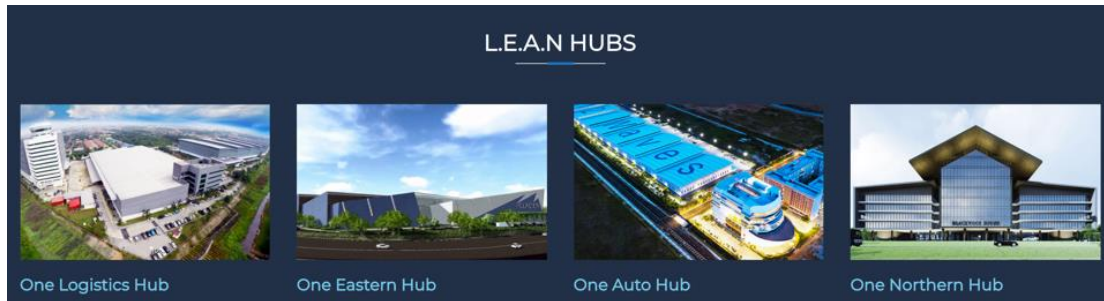


Figure 1. LEAN Hubs

## 1. *One Logistics Hub*

PKT has created The Ship, The Waves, The Lighthouse, and The Sea of Pineapples with an RM160 million investment in One Logistics Hub spread over 27 acres of land. The project has been ongoing since 2008. In 2006, PKT purchased this plot of land along the KESAS Highway.

### *The Ship*

The Ship's construction began on July 7, 2008, and was completed a year later. The state-of-the-art warehouse with around 10,000 pallet locations, a shelving rack area of over 25,000 square feet, and an additional 6-story corporate headquarters were completed in September 2009. On each flank of the warehouse, there are 17 dock levellers and operation offices with modern office facilities, all with a nautical theme. It boasts the best 24/7 CCTV system, security patrols, Warehouse Management System (WMS), and Radio Frequency (RF). A 5-story corporate headquarters with modern facilities and a nautical theme surrounds the structure.

### *The Waves*

The Waves, completed in October 2010, is a second-generation warehouse and remains with the nautical concept. There are 35,000 pallet positions, 45 loading bays, a 24/7 CCTV security system, and FM Global compliance included in the warehouse. Natural lighting and ventilation are part of the building's features.

### *The Lighthouse*

PKT opened a "ship's beacon" type storage facility with a nautical theme called "The Lighthouse." It was completed in December 2014. The building offers 15 levels of office space and can store approximately 18,000 pallets. The Lighthouse contains a set of solar panels that supply it with clean energy. It also features LED lighting and a rainwater collection system for all daily needs. There are six raised loading bays and three cargo elevators that can handle up to 4-tonne payloads, and their primary role is handling inbound and outbound shipments. The GBI Gold certification makes it Malaysia's first Green Building Index warehouse.

## 2. *One Eastern Hub*

The 5th generation warehouse, One Eastern Hub, known as The Glacier Hub, would be located in Port Klang, Selangor, Malaysia. It is imagined in the context of a glacier centre in New Zealand. It will also be the prime warehouse on Peninsular Malaysia's East Coast, with over 400,000 square feet of

capacity to meet the logistics industry's needs and improve the region's warehousing service complexity.

### **3. One Auto Hub**

In Batu Kawan, Penang, the company has built a 2,000,000-square-foot commercial development called One Auto Hub. Commercial components include The 12 Waves, The Ship Campus, The Lighthouse Lodge, The Automotive Boulevard, The Mangrove Walk, and The Andaman Wharf. The Northern Corridor Implementation Authority oversees the role and seeks to become one of the country's leading automotive logistics suppliers, responding to the industry's needs.

#### *The 12 Waves*

The new 650,000-square-foot warehouse offers modern amenities like solar panels, natural lighting, ventilation, and superior security and monitoring technology, all at over \$100 million. Also, in Malaysia, the 12 Waves warehouse has been recognized by the Malaysia Book of Records as Malaysia's Longest Warehouse and The Biggest Single-Storey Warehouse.

#### *The Ship Campus*

Peninsula College's national headquarters, The Ship Campus, is at the One Auto Hub in Batu Kawan Industrial Park, Penang. Peninsula College and the University of Plymouth, UK, will offer higher education credentials in a joint program for the first time. Many other classes are offered, including logistics management, business management, accounting, ACCA, tourism, and computer studies. The Ship Campus is currently equipped to host over 4,000 students based on an iconic cruise design. PKT, under the Corporate Social Responsibility (CSR) program, is establishing the Ship Campus, which is ready to accept new students.

#### *The Lighthouse Lodge*

In Penang, The Lighthouse Lodge, located next to the Sultan Abdul Halim Muadzam Shah Bridge, provides panoramic views of Penang Island to all its visitors and offers an excellent B&B experience.

#### *The Andaman Wharf*

The Andaman Wharf is a one-of-a-kind shopping mall on The Ship Campus, surrounded by workplaces and gardens, and it is conveniently accessible to students who want to shop.

In addition, The 12 Wave received the Industrial award category in the 2018-2019 Fiabci-Malaysia Property Award (MPA). *"We are shocked that an integrated logistics provider like ourselves would win a Fiabci-MPA award because we assumed we would never get one. We are quite honoured by it."* This award recognizes the outstanding work done by PKT, which has substantially improved the community through exceptional warehouses. The weapon intends to capitalize on Malaysia's weather conditions, namely, hot and humid weather. Waves flow to the sea like water from the roof of the building, which is the centrepiece of the design. The top was built to channel water into small reservoirs for evaporation to tackle the torrential rain. It will effectively collect rainwater to provide

multiple benefits. The design reduced energy usage by providing a better natural lighting and ventilation environment.

#### **4. One Northern Hub**

Under this concept, PKT started building One Northern Hub, continuing its track record of building industry-leading logistics hubs. This project is located in Bukit Kayu Hitam, Kedah, and it can handle 200,000 containers per year and warehouse and cross-dock facilities for cargo consolidation and container stuffing. The project is expected to be finished in 2022. With the installation of a petrol station and a multi-story tower that will provide office space, a logistics institute, and recreational amenities to meet the needs of truckers, it will be self-sufficient. It will allow truckers to rejuvenate and prepare for long voyages, reducing road accidents and increasing operational efficiency.

PKT is optimistic that the Inland Clearance Depot (ICD) will simplify and accelerate logistics operations of shipping lines, transit agents, freight forwarders, and customs clearance agents here at the border as the gateway for South Thai exporters to promote larger cross-border trade. The ICD, linked to the Bukit Kayu Hitam Customs, Immigration, Quarantine, and Security Complex, will be completely self-sufficient, as will all of the logistic group's hubs.

*"We understand the daily grind that Southern Thai and Malaysian truckers face when travelling long miles to reach the border checkpoint," DMT narrated.*

*"Not only that but there is tremendous traffic at the checkpoint, with people waiting up to three hours to pass." "As a result, we aim to make their journey as easy as possible by offering all of the services they require within the Bukit Kayu Hitam ICD, where they can rest and relax," DMT added.*

The ICD will provide service innovation to truckers in the region, who are the backbone of Malaysia-Thailand cross-border trade. The depot, which primarily serves exporters from Southern Thailand, aims to make cross-border exports to Penang Port and other Malaysian ports easier.

#### **Epilogue**

This shift and PKT's eventual success were due to the leadership of DMT, the company's Group Chief Executive. Due to DMT's business philosophy and leadership, PKT has become a global and socially responsible logistics organization. He rebuilt PKT's organizational structure and business model to provide service-based value by reinventing the business model as a continuous internal and external knowledge-generation process. PKT recognized the concept of globalization through social media since it is more common, faster, more popular, globally, and dependable for connecting with stakeholders. As a result, PKT is gaining a competitive advantage in the logistics business and establishing itself as a worldwide logistics organization.

PKT had to overcome various hurdles to compete in the market, including know-how, obtaining new technology, modern infrastructure, and, most significantly, advancing up the value chain despite the challenges faced by several economic crises. To increase revenue, PKT began to diversify its offerings. As a result, the first step toward expansion was to continue diversifying services within the logistics business by offering more. For example, it began as a customs broker before expanding into freight forwarding, haulage, warehousing, and other services. PKT's next step is to seek out overseas partners to help build the company. PKT found Japanese and Korean partners as part of their plan. During the currency crisis, the Japanese supplied them with a cushion, and the Korean relationship allowed us to enter the automobile logistics business. PKT then began to study how other global logistics firms increased their revenue.