



Supply chains: the supermarket

Where do old rubber trees go?

Commentary:

One of Tesco's suppliers is located about sixty kilometres outside Bangkok. Not a supplier to Tesco Lotus but a supplier to Tesco UK.

Pakawadee Wongkongkathep, Hardlines Merchandising Manager, Tesco Sourcing:

Tesco UK is sourced a million products from Thailand because first thing I think Thailand is a good market, especially for the wooden item. The price is very competitive and also the product is very good, I mean the quality is very good, and the source of the wood is reliable, we have the government supports us on this one, and also maybe because we have many wooden factories in Thailand and so each factory will compete with each other, so that's good for our product, Tesco, and for any country.

Commentary:

Acme industries supplies Tesco UK with wooden items, household articles like bowls and trays, made from the wood of rubber trees that have reached the end of their lines as latex producers. Acme also make a wide range of furniture for export, although presently not for Tesco.

Pravit Trairatvorakul, Vice President Marketing, Acme Group:

We start in 1979 so that is more than twenty years ago. The time we started really what we were doing is a household item, the small piece item, like the kitchen, the houseware item, that is the product that we started. So after we started ten years, around ten years ago we were seeing that there is some potential in the furniture line and that is a big opportunity for us if we want to expand our business.

Commentary:

The company was a domestic manufacturer, highly labour intensive and using only light engineering skills. As such, they were vulnerable to rising labour costs as Thailand's industrial economy grew. Their solution was to develop design capabilities, to aim for higher margin products, and to build export markets. Their raw material, wood, is in itself an interesting part of the story.

Rachun Choomjai, QA Division Manager, Acme Group:

The rubber wood in Thailand is mainly used for the latex. Normally the rubber tree has to be grown about seven years before it gives you the latex. And it will give the latex last for 25-30 years. After that time the rubber tree will be no longer provide the latex any more. Our people have to cut it down anyway, so on this is the benefit for the furniture business in Thailand, we get the benefit from that cut tree which is no use for the latex any more. That we will go to the process to go to the saw, to saw it, to the saw mill to cut it, and then to treat it to be in the kiln drying. After that it has been dried, and it will be delivered to our plant to go for the process.

Commentary:

Dealings between suppliers and Tesco follow a now familiar administrative pattern.

Pakawadee Wongkongkathep, Hardlines Merchandising Manager, Tesco Sourcing:

We never have a formal contract with a supplier. Actually we have, they get a guarantee by Tesco name, this has come from Tesco, do you believe in Tesco? So, please work with us, something like that.

Commentary:

And that spirit continues back from Acme through their own supply chain.

Pravit Trairatvorakul, Vice President Marketing, Acme Group:

During the summer season there will be a lot of production now because we can take, we can cut a tree from a farm very convenient, but during the season less production. So of course in the dry season that a lot of production now so here you have to work with the team of suppliers in a fair rights, help them. In cases they have too much production and obviously you have some warehouse, some space where you can do a warehouse, so you have to buy from where you keep the stock.

Commentary:

But while there may be trust and co-operation, controlling quality means that there must be more formal processes.

Pakawadee Wongkongkathep, Hardlines Merchandising Manager, Tesco Sourcing:

For the order issue we have the quality manager here to do a factory evaluation and issue that their concern is that the workers and the condition of their factory and has the quality the upper product, also any special certificate and any like the source of wood, if it's reliable, that person you take for factory evaluation and before we make the shipment they also do a final inspection for Tesco as well.

Commentary:

Acme work with the laminated wood, a sad but unavoidable consequence of the way we've over-exploited the world's timber resources.

Rachun Choomjai, QA Division Manager, Acme Group:

In the past, about twenty or thirty years ago, the bowl was made from a single lump, just as the bowl on this bit, the tree has got to be the size, and this bit, the tree got to be this size, and then they cut it and they picked it up. And after that the process has changed so we have to find a way how to still, how can we still make a bowl with a very small piece of the wood.

Commentary:

So its solid wooden products now a luxury item, Acme are developing the intermediate market, laminated products for the supermarkets.

Rachun Choomjai, QA Division Manager, Acme Group:

After we receive the lump first we have to test the moisture content which is very vital to our products and all for the parts. After we check the moisture content and everything is according to the specifications, we will then go on to the process we call cut and size, where the lump has been cut and at that time we will screen out all the little defects, and after that we will go for the planning process, to plane it. After that we then take it into the lamination process. We put it together to laminate on each piece of the wood we've already planed, and then to go to the, we call it shaping, to make it just as the bowl.

Commentary:

As the raw material is rubber trees that have reached the end of their productive life, it follows that recycling of waste products is taken seriously.

Rachun Choomjai, QA Division Manager, Acme Group:

Well the sawdust can be recycled into the what we call the MDF or to other factories, and for the chips of wood that we call the particles, or processing, some of the wasted wood that we produce in our plants will be put into what you call, into the boiler to produce some energy back to our factories.

Commentary:

Acme are not just supplying Tesco UK, their products are being offered to all the Tesco operations.

Pakawadee Wongkongkathep, Hardlines Merchandising Manager, Tesco Sourcing:

When Tesco UK buy some products from Thailand they will also try to expand to global of Tesco because Tesco is not only in the UK, they are also in Ireland, in Taiwan, in Czech and

Slovakia, many countries, so they try to assemble a quantity and sell to other countries as well. For example, if we shipped a product from Thailand to the UK they try to pass to Ireland or so, so then we have like a bigger volume. They try to export to Korea, to Taiwan at the same price so that Tesco, the global picture is the same.

Christine Cross, Non-food Sourcing Director, Tesco:

Going into countries you have to be critically aware of the impact that you will have on the economy, and the impact that you'll have on customers. Customers are increasingly demanding more choice so there's a driver there, whether you're talking about Central Europe or South East Asia, there's a driver for more choice, so there is undoubtedly a pulling power, a foreign investment in, it's not a one-way thing. Also, in terms of the economic infrastructure of some of these countries, a healthy import-export trade is going to actually help balance the payments, but it has to be a two-way street, so if you take our entry into Thailand, one of the things that we were very aware of there is we bought the business in Thailand when the economy was at the bottom of the South East Asian dip. Thailand very correctly traded itself out of its economic problems very quickly because the country is technically almost self sufficient in most of its foodstuffs and the things that it needs. But it could never move on from being a self sufficient economy until it got its export business up again. One of the things that foreign investment has allowed to happen is to get the export business booming again, so we take prawn from there, we take chicken from there, we take plastics from there, we take a lot of products, we in fact export more from Thailand than we import into Thailand.