

## Hikvision expands EDC to facilitate boisterous growth

An interview with Mark Beumer, Vice-President Operations at Hikvision, by Marcel te Lindert

**HIKVISION** With Hikvision's revenue increasing by between 25 and 35% each year, the primary aim of the company's European distribution center (EDC) is to facilitate that boisterous growth. The manufacturer of security cameras is tripling its storage space in the hope of readying itself for at least the next seven years. Groenewout has advised the company on the design of the warehouse design and the logistics processes. Mark Beumer, Vice-President Operations at Hikvision: "We now view our operation differently."

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Hikvision invests over 7% of its revenue back into product development every year. With an annual turnover of more than US\$6 billion, that amounts to a substantial innovation spend. As a result, the Chinese manufacturer of security cameras, access controllers and alarm systems is the market leader and its product range is growing all the time. "We've already got our own drones and robots, for example," says Mark Beumer, Vice-President Operations at Hikvision Europe.

Hikvision has grown explosively since being founded in 2001, and the annual growth rate has been between 25 and 35% for the past ten years. That is well above the market average, which means that Hikvision has secured a substantial market share. "That's thanks not only to our innovativeness, but also to the excellent price-quality ratio of our products. So that's what forms the basis for our market leadership both in Europe and worldwide," Beumer states.



Mark Beumer, Vice-President Operations Hikvision

### Extra capacity

In mentioning the company's rapid growth, Beumer has also alluded to his biggest challenge: facilitating that growth. The European distribution center in Hoofddorp has moved several times since Hikvision first set up a base in Europe ten years ago. "We moved into a new European head office including a distribution center comprising almost 4,000m<sup>2</sup> in 2016, but due to our company's sustained growth we've already reached the limits of what that building can cope with. Therefore, we're continually looking for ways to create extra capacity."

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In recent years, Beumer has occasionally even had to rent extra storage space externally. "By focusing on continuous improvements we've managed to free up some more space internally so we no longer require external warehousing right now. But we definitely need to stay alert and make very efficient use of our available space."

### **Three times as much storage**

Hikvision was already prepared for the growth to a certain extent, because the company had taken an option on the neighboring plot of land when building its European distribution center in 2016. Now, every square meter of that plot will soon be built on. To make sure that no valuable space is wasted, the design includes a rooftop car park for Hikvision's employees. "That has given us an extra 7,000m<sup>2</sup>, which amounts to a tripling of the storage area. But then we faced the question of how to make best use of that space."

While doing some online research, Beumer came across consultancy firm Groenewout. He invited them for a meeting and there was an immediate click. "Because we'd been growing so rapidly, we'd never taken the time to step back and really analyze our business. Besides that, just because we're successful doesn't mean that we always do everything with optimal efficiency. That's why we enlisted the help of a professional expert to conduct thorough analysis. How could we integrate the existing warehouse with the new one? How should the processes be organized? And what would that mean for the warehouse design?"

### **Wide-aisle warehouse**

First of all, Groenewout studied the current approach and analyzed the order flows and order patterns. The consultancy firm then worked closely with Hikvision to extrapolate the growth figures up to 2026. "We want the expansion to take us at least as far as that," explains Beumer. "Groenewout then created models, prepared plans for the warehouse design and compared various options for picking strategies. One of the most important decisions was whether to opt for a wide-aisle warehouse or a narrow-aisle one."

Hikvision took Groenewout's advice and decided on a wide-aisle warehouse with a total of 11,000 pallet storage locations. The floor-level pallet locations are reserved for order picking. The pallet locations in the racking above are for the bulk inventory which is used to replenish the pick locations. "That seemed to be the best solution in line with the size of the orders and the diversity of our product portfolio. We currently pick on an order-by-order basis and we'll continue to do that for big orders, but in the new system we will combine small orders for batch picking," he continues. The company has not yet decided on the precise classification of 'small' and 'big' orders: "That's partly because of the rapid shifts in volumes and stock levels. We will need to fine-tune that in the near future, so we'll be asking Groenewout for help again."

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### **Better flow, better efficiency**

The new warehouse is designed around an efficient flow: goods will enter the warehouse at one end and leave it at the other. As a result, the value added logistics (VAL) area has also had to be redesigned. "Besides that, Groenewout has advised us on how to organize the racking and allocate stock keeping units (SKUs). We will also be implementing a new warehouse management system (WMS) so it's essential that our master data is correct – things like the weights and dimensions of products and their outer packaging. We're already making great progress with that."



*Artist impression new warehouse Hikvision (source: Hercuton)*

The expansion and process redesign project is expected to significantly improve Hikvision's efficiency. According to Groenewout's calculations, it should be possible to improve by 20 to 30%. "The fact that we will soon be picking all the orders from floor-level locations will already be a huge improvement; that's not possible in our current warehouse, simply because our SKUs outnumber our floor-level storage locations. Meanwhile, combining small orders to enable batch picking and designing the warehouse more logically to reduce the walking distances will lead to improvements too."

### **Lots of eye-openers**

The design for the expansion of the European distribution center has now been finalized and the applications for the necessary permits have been submitted. "We hope that the construction work can start in September and we expect it to take around a year," says Beumer. He is very satisfied with how the project has gone so far. "At Groenewout, they set to work very decisively. Even just analyzing our existing data and processes resulted in lots of eye-openers. As a result, we now view our operation differently. Not only that, but their advice is based on sound reasoning and realistic calculations, so we are ready for the future!"

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**Text by Marcel te Lindert**

Marcel te Lindert is a journalist with over 15 years of experience in the logistics industry. He was editor-in-chief of the Dutch magazines *Transport+Opslag* and *Logistiek*. Nowadays he works freelance for trade magazines including *Supply Chain Magazine* and *Warehouse Totaal*.

**More information**

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