

The Elusive Global Transportation Solution

David Jacoby

Shippers' access to global sources has expanded exponentially in recent years. The Internet and phone have made it much easier to source globally, and some major retailers have used the information to bypass traditional distributors and squeeze some profit out of their supply chains. On top of that, the liberalization of economic policies and reduction of tariffs around the world has facilitated access to more countries and sources, making it even easier to do business globally.

However, comparative advantages change rapidly. The best source country and company can change from year to year, and even quicker. For example, the cost of Chinese labor has tripled since 1990, raising the possibility of major shifts from China to other countries in Asia, Eastern Europe, and South America. The minimum wage in Guangdong rose by 18% in 2007, and it is scheduled to increase by 13% this year.

As source countries and suppliers change, the optimal transport mode and provider can also change. Land vs. air transport economics change frequently as roads and airport infrastructure is built and major port cities are completed. The location of value-added services can also change along with the source country. If an importer of apparel from China to the US changes the source country to Brazil, it might make more sense to dye the shirts in Florida instead of New York or Los Angeles.

Few shippers have cost-effective access to operate truly global supply chains. Their ability is limited by their access to real-time information about the economics of many intermediary players in the extended supply chain.



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Today, shippers often rely on asset-backed providers to provide this information. UPS offers an online global trade software called TradeAbility, but some of these solutions come with carrier bias. If you want more objectivity, try freight forwarders and integrators such as Panalpina, Eagle, and DP/Danzas, but not all of them have a one-click solution.

Alternatively, you could tap into an emerging league of non-asset providers. Infor, which acquired the old i2 platform, offers a planning tool (SCM Strategic Network Design) that takes into account changes in labor costs as well as transportation (did somebody say "fuel?") costs. This allows shippers to recalculate the cost of end-to-end supply chains by changing important parameters. SAP offers supply chain planning modules that integrate with its supply chain execution software. That solution is focused on KPIs

that allow a view of performance across the supply chain. RedPrairie, which markets its solution as the one that "makes geography irrelevant," understands the problem, even if its solution is execution-based.

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The solutions of tomorrow will provide for landed cost including ocean transport, depends on a multitude of parameters such as transport/fuel rates, labor rates, real estate and facility costs, and cross-dock economics. They will also integrate with duties and trade compliance modules that provide denied party screening, customs clearance preferences, and user-friendly handling of import/export paperwork.

As the solutions improve, commerce will become more dynamic, but that will take some time. Meanwhile, globally minded supply chain managers would be wise to ensure that they are at least offering more cost-effective and flexible supply chains than their rivals. One American consumer products company recently profited from quality problems at its principal competitors' Chinese source by quickly doubling the volume through its supply chain and then holding onto the market share advantage. Who said supply chains weren't strategic? **D**

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