

GOING GLOBAL



International shipping — the key is the people

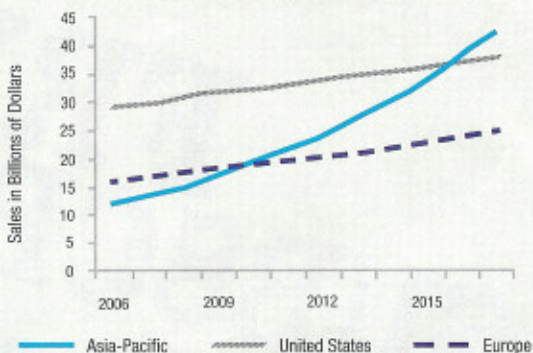
By David Jacoby

Asia and the Middle East are booming, and trade is increasingly focused on shipping to and from Asia. This poses challenges for both shippers and carriers in every corner of the globe. Shippers need to build and operate nascent and unfamiliar supply chains, often learning by experience. Carriers need to gently introduce lean concepts to traditional multi-tiered distribution networks. The key to success lies not in information technology, equipment or good roads. It lies in people. Those with the most adept and adaptable human resources will be the winners in this critical supply chain frontier, and these companies serve as benchmarks for us all.

Asia's GDP is growing at about 10% per year, compared to two to three percent in the US and Europe. Fifty-four percent of American and European companies are seriously engaged in sourcing from China, and it is a way of life for about 30%. Moreover, many companies are viewing China as more important from a marketing perspective than a sourcing perspective. As a result, air freight logistics is growing faster in Asia than in Europe or the US and will grow even faster over the next 10 years, as illustrated in Figure 1.

The Middle East is also booming. If you're not importing or exporting from the Gulf States or the Far East, you're going

FIGURE 1: Air Freight and Logistics Sales Forecast by Geographic Area

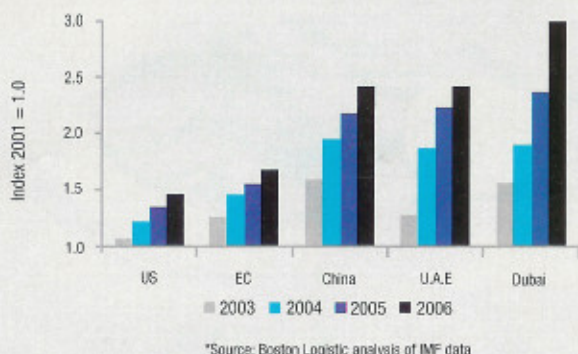


*Sources: Boston Logistic analysis with supporting data from HSBC, Datamonitor, and Baird.

to be soon. Trade with the United Arab Emirates (UAE) has more than doubled over the past five years, and the country will invest \$300 billion in infrastructure by 2012 — almost five times as much as the Marshall Plan cost and more than twice what it cost to put a man on the moon. Ports like Dubai serve as transshipment centers supporting a massive shift in the direction of trade, with growth in the Middle East to Asia; Asia to the Americas; and Asia to Europe lanes. Figure 2 compares the growth of exports and imports between 2003 and 2006 for the US and Europe compared to China, UAE and Dubai (which is located in the UAE). While US trade grew by 40%, trade to and from China grew by 83%, trade to and from the UAE grew by 114%, and trade in and out of Dubai grew by 154%.

Unfortunately, it's tough to do small package business in these markets. Shippers and carriers alike are necessarily involved in the transition from a local freight environment to an end-to-end supply chain vision. Lean concepts involving low inventories and fast stock rotation are just taking hold. Security is extra important, since small packages can be used as a vehicle

FIGURE 2: Total Trade (Exports and Imports of Selected Countries, 2003-2006)



for terror. Information technologies like customer relationship management, biometrics and RFID are new. For better or worse, carriers work with local partners — Yamato, Sagawa, Nittsu and China Post in Asia, the Gulf Agency Company in the Middle East — due to regulatory constraints. As a result, it is very difficult to ascertain exactly who is leading whom in the market.

So how do successful companies do it? Certainly, achieving global reach takes strategic partnerships and IT linkages. But the hardest part is getting and keeping the right people. Talent is in short supply, with staff turnover rates in Asia sometimes 10 times higher than in the slow-moving western economies. How do you manage the people side of the business?

First, you need to get the right skills, and this means international backgrounds and experience. The best employees are “worldly entrepreneurs” who have a world view, the vision and the patience to build value-added services into traditional distribution networks. Secondly, build a solid on-the-job training program that includes mentoring. Mentoring offers smart, ambitious employees extraordinary project opportunities, honest feedback and career guidance while helping them acquire the technical skills they will need to succeed in their next global post. Mentoring goes a long way to combating high turnover rates and can create a competitive advantage in recruiting.

People will make or break international operations. Given the stakes of growth in the Middle East and Asia, both shippers and carriers must rise to the global challenge in their hiring and training practices in order to compete globally.

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