

The Elusive Global Transportation Solution

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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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