

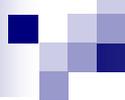
Chapter 3 Global Dimensions of Supply Chains

- ❑ The ability to connect companies across the globe and to link computer systems on a 24/7 basis enables collaboration horizontally and vertically in supply chains.
- ❑ Countries and companies can improve their “wealth” by specialization of tasks.
- ❑ Logistics help extend the market area of countries and companies through improved efficiency to lower the “landed cost” in new market areas.



Global Markets and Strategy

- The global business environment has become much more conducive to business activity between countries.
- Success in the global markets requires a cohesive strategy, including product development, technology, marketing, manufacturing, and supply chains.
- Global markets have four important characteristics:
 - standardization reduces complexity
 - global competition reduces the product life cycle
 - organizational structures and business models frequently change
 - globalization introduces more volatility



Supply Chain Security: A Key Focus after 9/11

- A delicate balance exists between security and the efficient flow of global commerce.
- “Trusted Partner” is a cooperative effort to secure the global supply chain and lessen impediment to legitimate cargo movement.

Global Transportation Options

Ocean

- The most common global shipment method, accounting for two-thirds of all international movements.
- Low rates and able to transport a wide variety of products and shipment size

Air

- Fast, reliable transit times
- High rates and significant restrictions on then type of cargo that can be transported

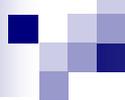
Global Transportation Options

Motor

- Most common form of land transport
- Plays a large role in pick up and delivery of intermodal shipments

Rail

- Efficient in long distance land transport
- Multimodal shipments are growing globally
- Increasing use of double-stacked container trains



Strategic Channel Intermediaries

Freight Forwarders

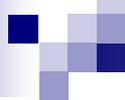
- Supplies international transport expertise to shippers
- Consolidate small shipments into larger size lots

Non-Vessel-Operating Common Carriers

- Commits large cargo volume to ocean carriers for favorable rates
- Derives income from spread between retail rates and wholesale cost

Customs Brokers

- Oversee the movement of goods through customs and ensure that the documentation accompanying a shipment is complete and accurate for entry into the country



Storage Facilities

- Transit warehouses provide temporary storage while the goods await the next segment of the journey
- Hold-on-dock storage are free storage provided by ocean carriers until the vessel's departure date
- Public warehouses are used for extended storage
- Bonded warehouses operate under the customs agency's supervision. Imported goods entered bonded warehouse with no payment of duties while they are in storage.

Packaging

- Export shipments moving by ocean transportation require more stringent packaging than domestic shipments
- The shipper will find settling liability claims for damage to import/export goods very difficult. Usually, the freight handling involves many firms, and these firms are located in different countries, with different laws.

Border Management

- Complex border management process is a major impediment to international trade
- Long and unpredictable border crossing time substantially increase supply chain cost
- Difficult border crossing process lessen a country's potential to be part of the global value chain
- Difficult border crossing process also reduce the country's attractiveness as a transit country
- All developed countries have “trade friendly” border management practices