

Logistics and Distribution: Problems and Solutions in the U.S. and China

By William R. Dodson

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Three corporate officers presented the concerns and approaches their companies have in addressing the logistical needs of Western businesses in China. Representatives of UPS, C.H. Robinson and United Cargo each outlined the challenges China-based companies have and how the companies can overcome the obstacles.

"International commerce is like a river that flows down the paths of least resistance" Joel Rossman presented in his discussion of logistics alternatives for doing business in China. Rossman is Vice President of International Business Development for United Parcel Service (UPS). He proposed in his presentation entitled, "Enabling Global Commerce through Efficient Shipping" the three main streams that make up international commerce are: goods, information and funds.

"Transportation providers should be experienced, operate a vast international network and offer a wide array of services to meet a company's needs," Rossman said. Transportation providers should also have in place supply chain management software that offers: internet shipping, package tracking, time-in-transit calculations and delivery confirmation. Further, transportation providers should be able expedite shipments by financing accounts receivables for customers, providing letters of credit and assisting in applications for government-backed and import/export loans.

Much of a transportation provider's success relies on where it is located relative to its customers. Main challenges transportation providers meet are physical and logistical, schedule-related and customs-based. "Minimal handling, processing and storage speeds cash flow and receivables and lowers inventory carrying costs," Rossman said. Exchanging information online equates to greater efficiency and lower costs: customers can know what goods are arriving, "from where, when and at what price." Customers should also know who their broker is to simplify customs clearance, and take advantage of published import rates to eliminate the risk of currency fluctuations.

Brian Harms identified several challenging areas businesses in China had to meet to facilitate their supply and smooth movement of their goods: regulatory, infrastructure, trade lane and security. Harms is National Sales Manager at C.H. Robinson International, Inc. He spoke on "Logistics and Distribution: Challenges and Solutions between the United States and China."

The PRC heavily regulates the logistics industry through the Ministry of Foreign Trade and Economic Co-operation through complicated approval processes for logistics joint ventures and limitations on required licenses. A recent agreement with the WTO on Services Commitments permits foreign logistics operators to establish warehousing services in China as well as liberalizing freight forwarding services.

Infrastructure challenges include: an underdeveloped roadway system; an expensive and inefficient rail system and problematic waterways. Customs clearance procedures are cumbersome and inefficient. Further, there are few colleges or universities that offer study in logistics. And while the internet and EDI are becoming prevalent means of placing and administering orders, the telecommunications infrastructure is inadequate for future growth of transaction volumes.

Increased exports from China to the U.S. and decreased imports to China of U.S. goods has brought many new carriers into the trade lane between the two countries. Eastbound rates have increased while westbound rates have dropped.

Security issues have plainly become a concern since the events of September 11, 2001. For instance, the U.S. has increased the frequency of container inspections in the five main port facilities in the New York/New Jersey area by 300%, Harms said. Companies are joining special programs to make shipper endorsements a part of doing business, while others are placing "tracking devices" in containers and pallets to facilitate determination of cargo and trade lane.

Mark Haeussler focused much of his presentation "Closing the Distance between the U.S. and China: Air Transport" on what he called a Value Relationship Strategy. Haeussler is the Director of Strategic Planning and Business Development at United Cargo, a division of United Airlines.

Haeussler said a Value Relationship involves an air carrier, a forwarder and a shipper who work together to minimize "any transportation delays in the shipping cycle in and out of China and the U.S." In essence, each serves as a consultant to the others in the relationship by educating partners about its business. Also, each party in the Relationship supports the existing distribution channel of the others.

Haeussler felt alternative means of transporting goods from country to country needed to be explored in light of the increased exports to and imports from China. Haeussler noted exports by Air to China would likely increase in such industries as: telecommunications equipment, oil and gas, medical equipment and pharmaceuticals. Industries that would benefit from increased imports by Air into China included: electrical machinery, machinery parts, optical and photo equipment, toys and sports equipment among others.

Haeussler recommended shippers contact their forwarders to work more closely with them and with an airline to build a Value Relationship that will be able to meet the increased volumes of trade between China and the U.S.

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