

# Going global

How globalization has transformed the role of logistics providers

**A**s international trade continues to surge and transcend national boundaries, it's become nearly impossible to manufacture, sell or consume a product that hasn't resulted from a global logistics solution at some point in its creation.

Because globalization has given way to diverse customer demands, countless overseas opportunities and fierce global competition, today's logistics companies can no longer specialize in just a few select areas within the international marketplace.

"Ten and 15 years ago, logistics suppliers could quite comfortably become niche players, with a focus on either importing or exporting," says Franco Lasagni, managing director of international at AIT Worldwide Logistics. "Globalization has pioneered many breakthroughs in the ways in which logistics providers conduct their commerce activities with networks of suppliers, manufacturers, distribution centers, customers and partners across the global supply chain."

*Smart Business* spoke with Lasagni about how globalization has transformed the roles, supply chain relationships and business models of today's logistics providers.

## What are the risks and challenges involved in doing business on a global scale?

There are several key economical concerns involved. Longer response times, cultural barriers, foreign documentation, different time zones and lack of critical infrastructures necessary for data exchange are critical factors that can impede on expanding your reach into the global logistics marketplace.

However, geopolitical barriers are the biggest challenge of all. With the exception of Europe, the rest of the world is still affected by a much higher level of bureaucracy. Protectionism, which can take the form of tariffs, subsidies, import and export regulations, and anti-dumping legislation, has the potential to restrain trade and is without a doubt the largest detriment to foreign trade practices.

These challenges can best be overcome by selecting solvent overseas agents who reflect your business ethics and core competencies while acting as an extension of your company in establishing a local presence. Together, these partnerships work to innovate, integrate and sell not just a



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service to customers, but a transportation solution.

## How has the role of a global logistics provider changed in recent years?

Only a few years ago, steamship lines and air carriers were the high-end service providers of supply chain solutions, whereas logistics providers facilitated shipping transactions as brokers. Compared to today's environment, the role of freight forwarders was relatively simple and straightforward.

Freight forwarders began evolving into more diverse and sophisticated roles when transportation deregulation hit the marketplace. Deregulation first affected air carriers, then steamship lines, which found the emergence of new companies and service options unfavorable.

To respond to the overwhelming new competition, many had to take drastic steps in tailoring their existing business plans. Airlines began cutting costs and services as they struggled to remain profitable. A similar scenario applied to most steamship lines. Thus, interactions with the entire supply chain community and its customers were transformed.

As the industry scrambled to fit the mar-

ket and serve its new needs, logistics providers recognized, redefined and embraced their new roles in the global marketplace as consultants to customers. Because of the increasingly collaborative and consultative nature of our business, the trend ever since has been one of improved efficiency in which goods are manufactured and services are rendered, requiring more of a customer-driven marketing model on the part of global logistics service providers.

## What other globalization trends have placed increasing importance on logistics providers?

Several developments have contributed to the exponential increase in world commerce that the industry has experienced. First and foremost, the concept of global logistics wouldn't be a remote possibility without the affordable and user-friendly IT solutions that make integrated tracking and tracing systems and real-time global connectivity part of the valuable services provided to customers by logistics leaders.

The realities and effects of a post-Sept. 11 world also placed a permanent emphasis on the industry's role within the international arena. Enhanced security measures and compliance requirements exacerbated the costs and processes of doing business globally and created red tape across the world's transportation systems, triggering an immediate need for services.

Logistics leaders stepped in to educate, inform and assist customers on complicated customs clearance documentation, duties, taxes and various other issues that once had very little to do with transportation but have since become imperative aspects in building a secure and cost-effective supply chain.

The growth in logistics has also been based on the proliferation of trade lanes and investments in key markets, such as Europe, the Pacific Rim and South America, and in emerging regions, such as the Middle East.

Additionally, the marketplace has trended toward an increasing presence of third-party providers, who integrate warehousing and inventory management activities to store and ship their customers' goods. <<

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