Freight Forwarders:

Scores of shippers and their freight intermediaries agree that basic brokerage and forwarding services are keeping pace with demands from new and emerging markets.

BY **PATRICK BURNSON,** EXECUTIVE EDITOR

With U.S. shippers eager to take advantage of new trade agreements and export policies, there's been a rush to find freight forwarders that are capable of meeting these new, often specialized needs.

Analysts note, however, that shippers needn't always buy into a complex, costly solution. Indeed, the adage "less is more" might well be applied in most cases when expanding into emerging markets.

As noted in *Logistics Management* last fall, ("Top 25 Freight Forwarders: Fast forward toward recovery"), shippers are becoming increasingly reliant on trade services market leaders for most of their expanding global distribution needs. According to the London-based think tank Transport Intelligence (Ti), reliance on proven providers is not likely to end any time soon.

"The lack of a peak season last year may have exacerbated that situation," says Ti CEO John Manners-Bell. "Shippers tend to stay with the forwarders who can help them through the bad times, and guide them to into new market opportunities as they become apparent." Meanwhile, Manners-Bell advises a "measured" approach to evaluating forwarders, and urges shippers to collaborate on the metrics contained in the most basic contracts.

Emerging markets in the spotlight

For many of the more specialized shippers, new trade agreements and export policies mean keeping a focus on opportunities in so-called "developing countries."

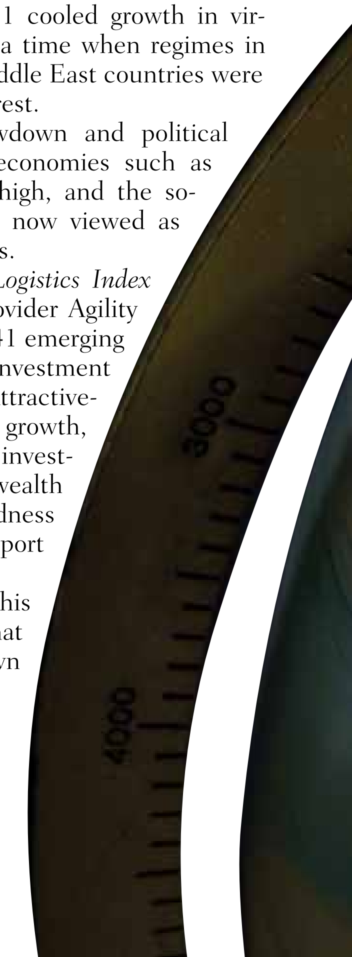
Global economic uncertainty and Middle East political turmoil are doing little to dim the attraction of emerging markets. According to the *2012 Agility Emerging Markets Logistics Index* released earlier this year, shippers are reducing their dependency on mature economies as they compete to be the trade hubs of the future.

A second-half slowdown in 2011 cooled growth in virtually every region of the world at a time when regimes in Egypt, Libya, Tunisia, and other Middle East countries were collapsing in the face of popular unrest.

In spite of the economic slowdown and political upheaval, output in powerhouse economies such as Brazil, China, and India remains high, and the so-called "Arab Spring" countries are now viewed as more attractive places to do business.

The annual *Emerging Markets Logistics Index* is sponsored by global logistics provider Agility and is compiled by Ti. It spotlights 41 emerging markets and ranks them by their investment potential and progress each year. Attractiveness is measured by: market size and growth, market compatibility (foreign direct investment, security, urbanization and wealth distribution) and market connectedness (international and domestic transport infrastructure).

One of the key takeaways from this year's index, says Manners-Bell, is that shippers may already be paring down



Keeping it simple

the demands once placed routinely on "leading logistics providers" to now use only the bare bones forwarding services they provide. In other words, "less is more" when it comes to the initial penetration of a new market.

GM keeps it simple

This certainly proved to be the case for auto manufacturer General Motors (GM), which awarded DSV—a global 3PL and freight consolidator—with its "2011 Supplier of the Year" award for helping it gain new footholds in overseas markets with basic freight forwarding services.

DSV Air & Sea transports parts for General Motors from Europe, Africa, and the Near East to the production locations and spare parts centers in Europe (Germany, Austria, UK, and Hungary) as well as locations in North America, Asia, and Australia. The services for GM cover the whole chain of order management, supplier management, and of course the physical delivery process from Europe to overseas. In order to be able to position all of the sub-processes as transparently as possible, DSV had developed a customized software solution for GM.

The delivery chain is managed from DSV's GM control tower in Bremen, Germany. Tobias Schmidt, managing director of DSV Air & Sea explains that with the support from its sister division DSV Road, they were able to deliver customized services from one source to GM's global network.

"With our automated processes and interfaces across all parties, we have managed to perform a fully integrated and sustainable event management process along the very sensitive GM supply chain around the globe," says Schmidt.

According to Ti analysts, DSV air freight volumes are currently up by 5 percent, while market growth lags behind at 1 percent. Its sea freight volumes, meanwhile, are up 3 percent, near the market average.

Damco, the forwarding and logistics arm of the A.P. Moller-Maersk Group, also reports "substantial" volume growth in both ocean and air freight

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markets this year. This too, was in large part due to helping shippers in emerging markets.

Pyers Tucker, Damco's global head of strategy, says that 66 percent of its employees are located in emerging markets. "We will continue to look for opportunities to further strengthen our business there," he adds. Damco already has offices in 90 countries and a presence in another 30.

Also worth noting, says Tucker, is the fact that the forwarder is looking into Myanmar and will further expand its presence in Africa.

Global forwarder Aramex had a revenue jump of 18 percent so far this year, thanks to surging demand for U.S. goods in the Middle East. According to Fadi Ghandour, the company's founder and chief executive officer, Aramex is trying to take advantage of its regional reach as it embarks on an expansion program in the Gulf Co-operation Council states and their neighboring countries of Lebanon and Jordan.

The Middle East's global transportation and logistics services provider is also looking at developing countries and emerging economies with high growth potential. "There is an ongoing trend from companies in the region towards outsourcing logistics services as a way to increase efficiency and manage costs," Ghandour says.

Gene Ota, director of product management for APL Logistics, one of the world's leading providers of global supply chain management services, says the company's forwarding arm is becoming more sensitive to the customized needs of shippers.

"Everyone in this business knows that 'one size does not fit all,'" Ota jokes. "We can't sell the same forwarding solution to a auto parts or garment manufacturer that will satisfy a shipper in the pharma or biomed space."

To that end, APL will even work with non-vessel operators to expedite or consolidate shipments to some of the more remote destinations. "Shippers are asking us to be more flexible and accommodating these days," says Ota. "The negotiating process can be very complex, but in the end, shippers should expect a scalable solution that is just right for them. In other words, it can't be black and white anymore, and the bells and whistles that many third party providers offer can't be force fed to a shipper requiring just the basic forwarding needs," Ota says.

—Patrick Burnson is Executive Editor of Logistics Management