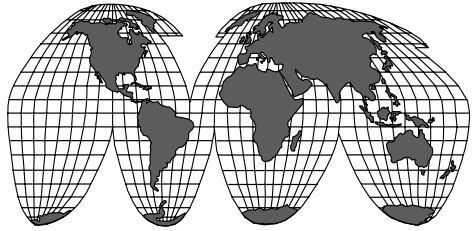


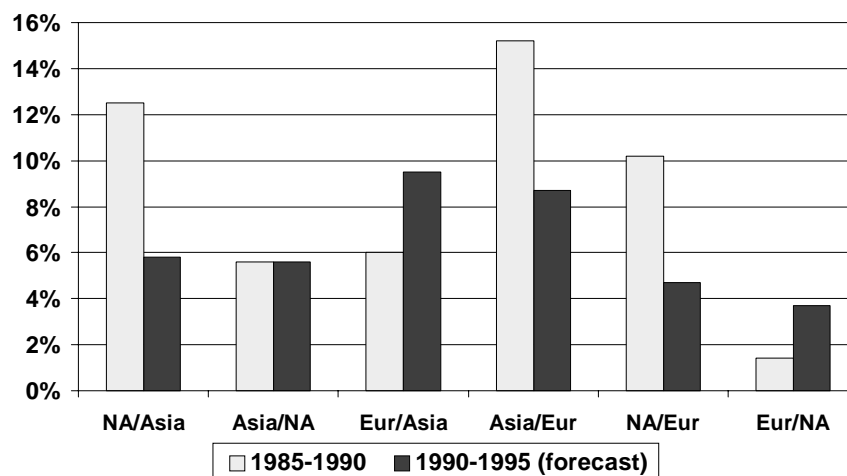
## *Chapter 5*

### *Global Logistics*



- Worldwide Logistics Expenditures
- Global Business and Global Logistics
- Changing Political and Legal Environments
- World's Largest Public Companies

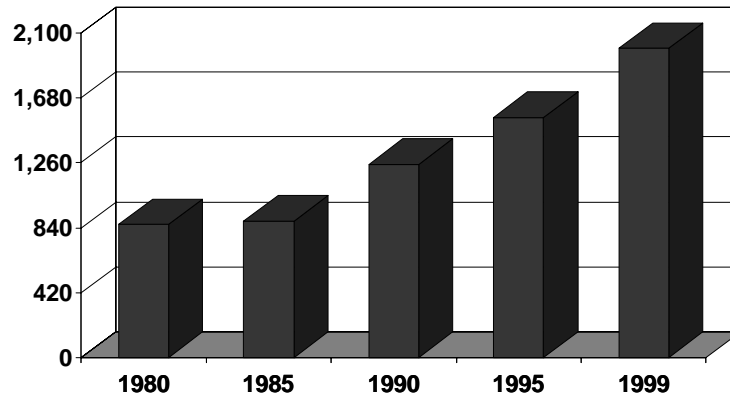
### *Long-Term Growth of World Trade*



Source: TBS/DRI World Trade Service,  
1991

## *Worldwide Logistics Expenditures*

\$ Billions (1980 \$)

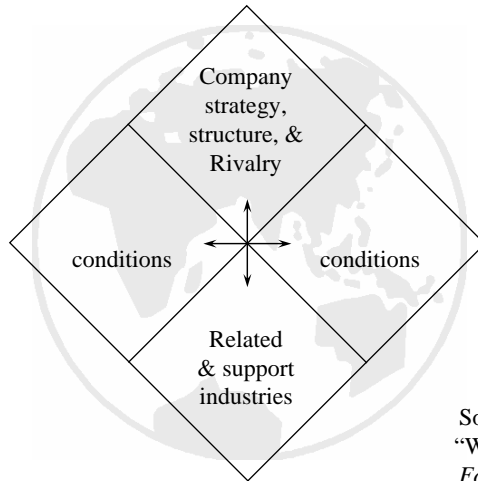


Source: TBS

## *“Global” Companies*

- Formulate strategy on a worldwide basis
- Develop global approaches to sourcing and distribution
- Recognize consumer needs which must be met worldwide - practice standardized yet customized marketing
- Experience shortened product life cycles
- Closer coordination of marketing and logistics
- Find that global capabilities create competitive advantage

## ***Keys to International Success Porter's "Dynamic Diamond"***

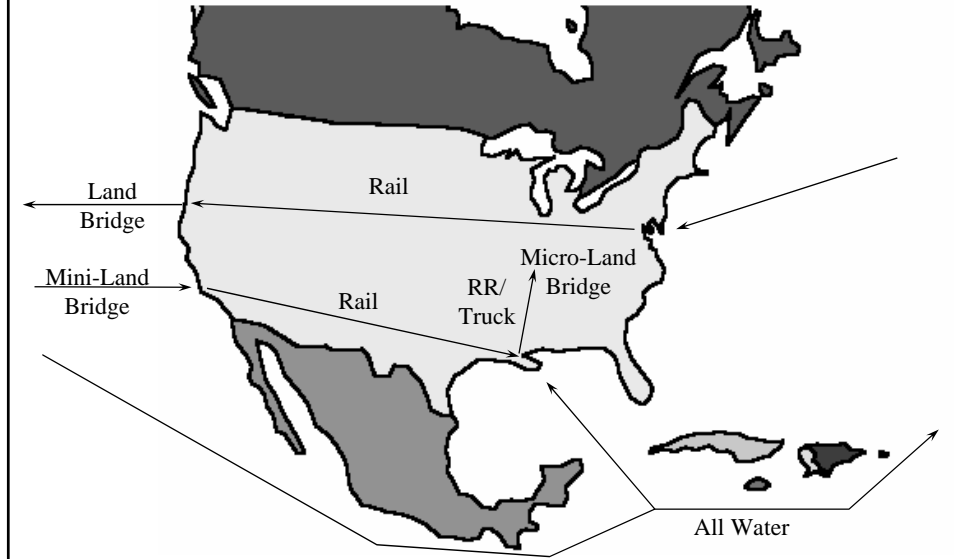


Source: Michael Porter,  
"Why Nations Triumph,"  
*Fortune*, (Mar.12,1990)

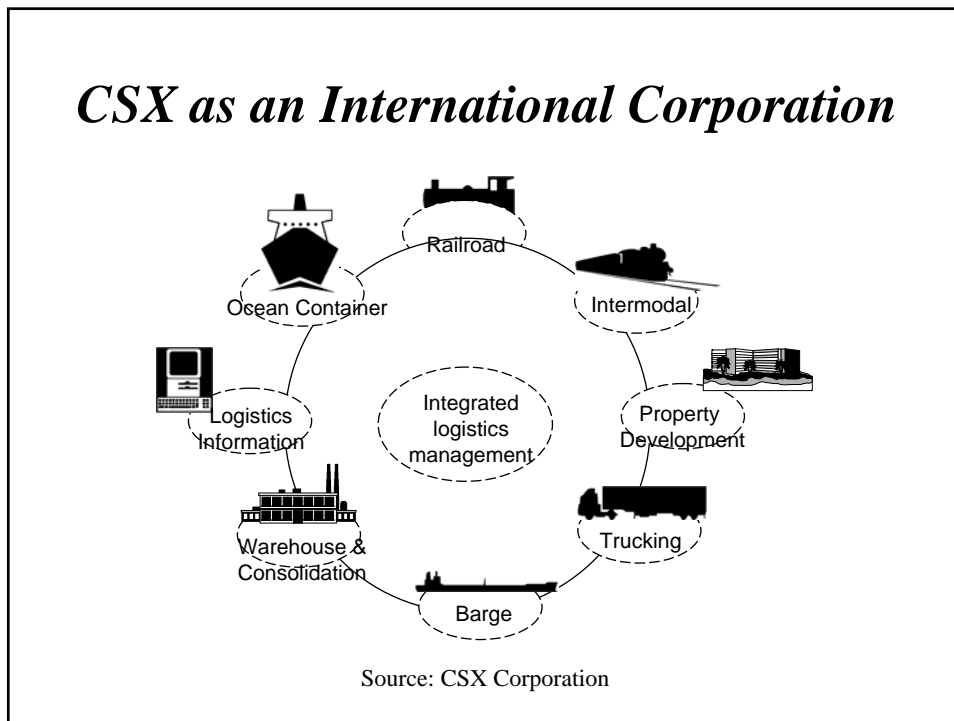
## ***Critical Changes***

- Deregulation of US Ocean Liner Industry
- Trade Policies and Trade Barriers
- Currency Fluctuations
- Intermodalism
- GATT - WTO

## *Intermodal Shipping Decisions*



## *CSX as an International Corporation*



***Key US Trading Partners (2005)***

Country	Value of Trade (\$ Bil)
1.	499.3
2.	290.2
3.	285.3
4.	193.5
5. Germany	119.0
6. United Kingdom	89.7

Source: US Dept of Commerce Business Statistics

***Changing Political and Legal Environments***

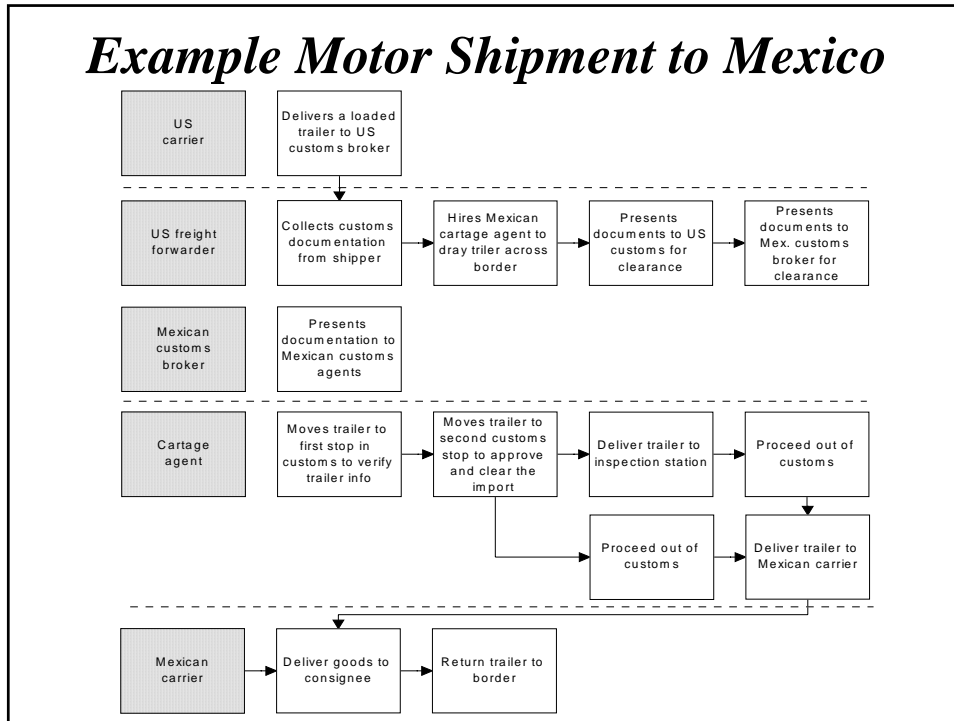
- Single European Market
- NAFTA
- Maquiladora Operations in Mexico
- Asian Emergence
- Other Changes:
  - Eastern Europe
  - Former Soviet Republics
  - China

## *Single European Market*

- European Community (EC '92)
- Eliminates Border Controls
- Establishes Competitive Economies of Scale
- Impacts include:
  - Reduced distribution costs
  - More intense competition
  - Product standardization

## *NAFTA*

- Eliminates Remaining Tariff Barriers
  - Canada - by 1998
  - Mexico - 15 to 20 years
- Reduces Supplier/Product Discrimination
- Impacts Include:
  - Infrastructure rationalization
  - Increased trade in North America
  - “North American” company focus



## *Maquiladora Operations*

- Mexican Plants Process Bonds for Export
  - Pre NAFTA
- US Manufacturers Operate Over 1,900 Plants
  - European and Asian companies operate another 600
- Prototype for Possible South American Countries
- Impacts Include:
  - Low production costs
  - No local content issues
  - Less OSHA and EPA regulation



## *Asian Emergence – Decline?*

- 1990s Japan Dominates Global Financial Market
  - Other Asian Countries Become Low-Cost Producers
  - Impacts Include:
    - Asian domination of global trade growth
    - Accelerated Far-East sourcing
    - Asia’s “Hot New Growth Zones”
      - Greater Korea
      - Greater China
      - Indochina
      - Singapore
- 
- A map of the Asian continent is shown in the background of the text. Four specific regions are highlighted with black dots and labeled: Greater Korea (in the north), Greater China (in the east), Indochina (in the south), and Singapore (in the southeast).

## *Ocean Shipping*

- Accounts for approx. 95% of all int’l shipping
- Three major types of shipping firms:
  - - regular shipments: container, RO/RO
  - - cruise by cruise
  - - owned by the shipper: bulk (oil)
- Container traffic has grown dramatically in the last twenty years

*Example of Container Ship*



*Example Bulk Ship*



## *Container Ocean Shipping Trends and Primary Firms*

	1974	1989	2000
Int'l container loads (TEUs millions)	8.5	36.2	68.7
Containerized world liner trade (%)	40-50	90	90+
Largest container ships (TEUs)	2,600	4,600	6,500
Container size (feet)	20/35/40	20/40/45	20/40/48
US Intermodal rail carloads (%)	6	16	24

Source: TBS, 1991 & *Logistics Mgt*, Jul. 2001 & IANA

Rank	Carrier	Rank	Carrier
1	Maersk Sealand (Denmark)	6	APL (Singapore)
2	Evergreen (Taiwan)	7	COSCO (China)
3	P&O Nedlloyd (UK))	8	Mitsui O. S. K. (Japan)
4	Mediterranean (SK)	9	NYK (Japan)
5	Hanjin Shipping (SK)	10	Zim (Israel)

Source: ComPaiData (www.compairedata.com) [American Shipper, August 2000, p.64

## *Ranking of US Ports*



By Containers	By Tons	By Cargo Value
Los Angeles	South Louisiana	Los Angeles
Long Beach	Houston	Long Beach
NY/NJ	Hampton Roads	NY/NJ
San Juan	New Orleans	Seattle
Oakland	NY/NJ	Oakland
Seattle	Baton Rouge	Houston
Tacoma	Corpus Christi	Tacoma

## *International Channel Intermediaries*

- Foreign Freight Forwarders
- NVOCC
- Export Management Companies
- Export Trading Companies
- Customs House Brokers
- Ship Broker
- Ship Agents
- Export Packers
- Ports

### *World's Largest Public Companies - 2006*

	Company	Revenue (in US \$ Bil)
1.	Exxon Mobil	339.9
2.	Wal-Mart Stores	315.7
3.	Royal Dutch Shell	306.7
4.	BP	267.6
5.	General Motors	192.6
6.	Chevron	189.5
7.	DaimlerChrysler	186.1
8.	Toyota Motor	185.8
9.	Ford Motor	177.2
10.	ConocoPhillips	166.7
Other highly-ranked US Companies:		
11.	General Electric	157.2
14.	Citigroup	131.0
29.	Intl. Business Machines	91.1
33.	Hewlett-Packard	86.7
37.	Bank of America Corp.	84.0
43.	Home Depot	81.5

Source:  
*Fortune*  
*500*  
*Global*