CHAPTER 9 – INTERNATIONAL LOGISTICS

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CONTENTS

INTERNATIONAL LOGISTICS

Refers to logistics activities associated with goods being sold across borders

International logistics vs localized logistics:

- Extended lead time of supply
- Extended and unreliable transit times
- Multiple consolidation and break points
- Multiple freight modes and cost options
- Price and currency fluctuations

MACRO-ENVIRONMENTAL INFLUENCES

- Political factors: Tariffs, Nontariff barriers, Embargoes
- Economic factors: Balance of payments, Subsidies, Currency fluctuations, Infrastructure, Economic integration
- Cultural factors: Language, National holidays, Time orientation

LOGISTICS IMPLICATIONS OF INTERNATIONALIZATION

- Centralized inventory
- Handling practices differs across countries
- Differences in transport infrastructure across countries and longer lead time

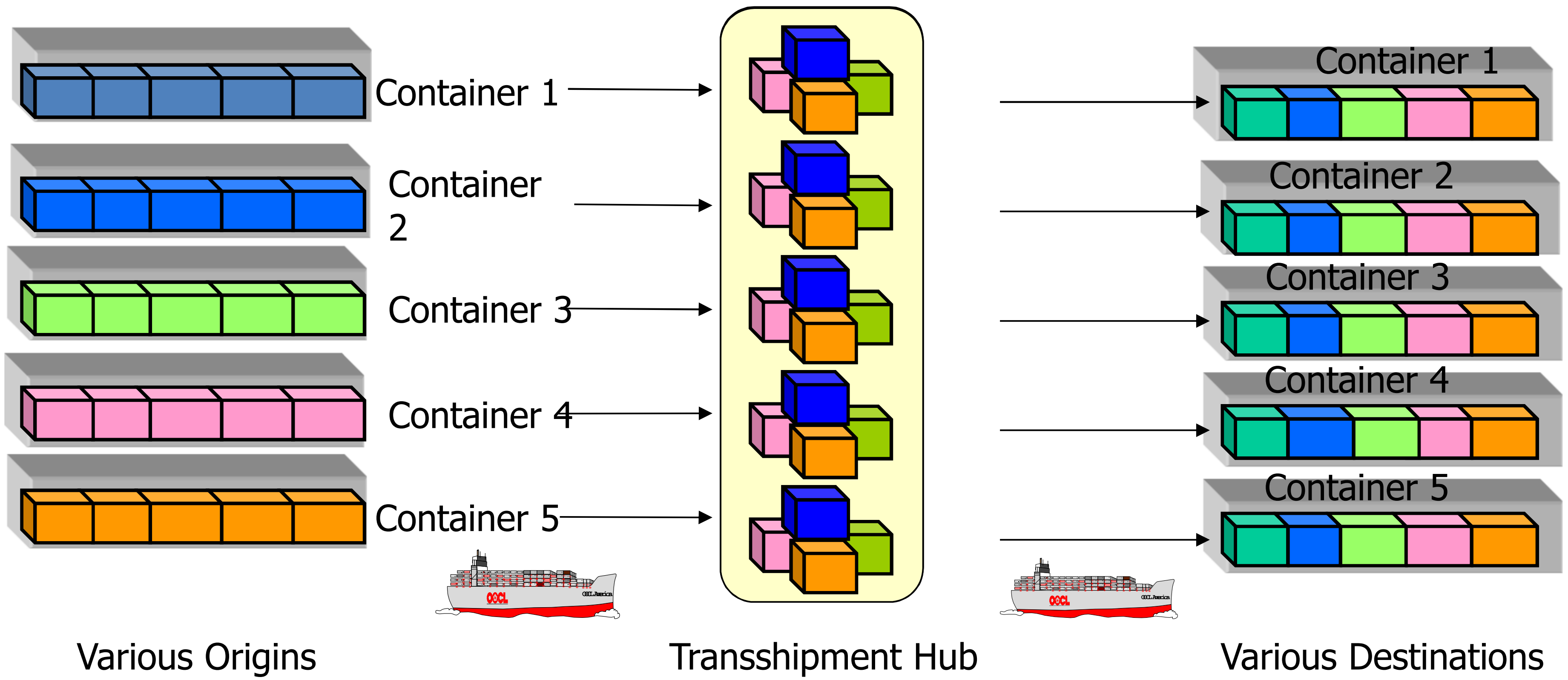
TIME-TO-MARKET ISSUES

- The risk of product obsolescence in transit
- Longer lead time increases the holding cost of inventory
- Delays due to consolidation or customs procedures

GLOBAL CONSOLIDATION

- Sourcing of commodity items from low-wage economies
    - Consolidation of purchasing of all company divisions and companies
    - Sourcing in low-wage economies
- Concentration at specific sites
- Bulk transportation

MULTI-COUNTRY CONSOLIDATION



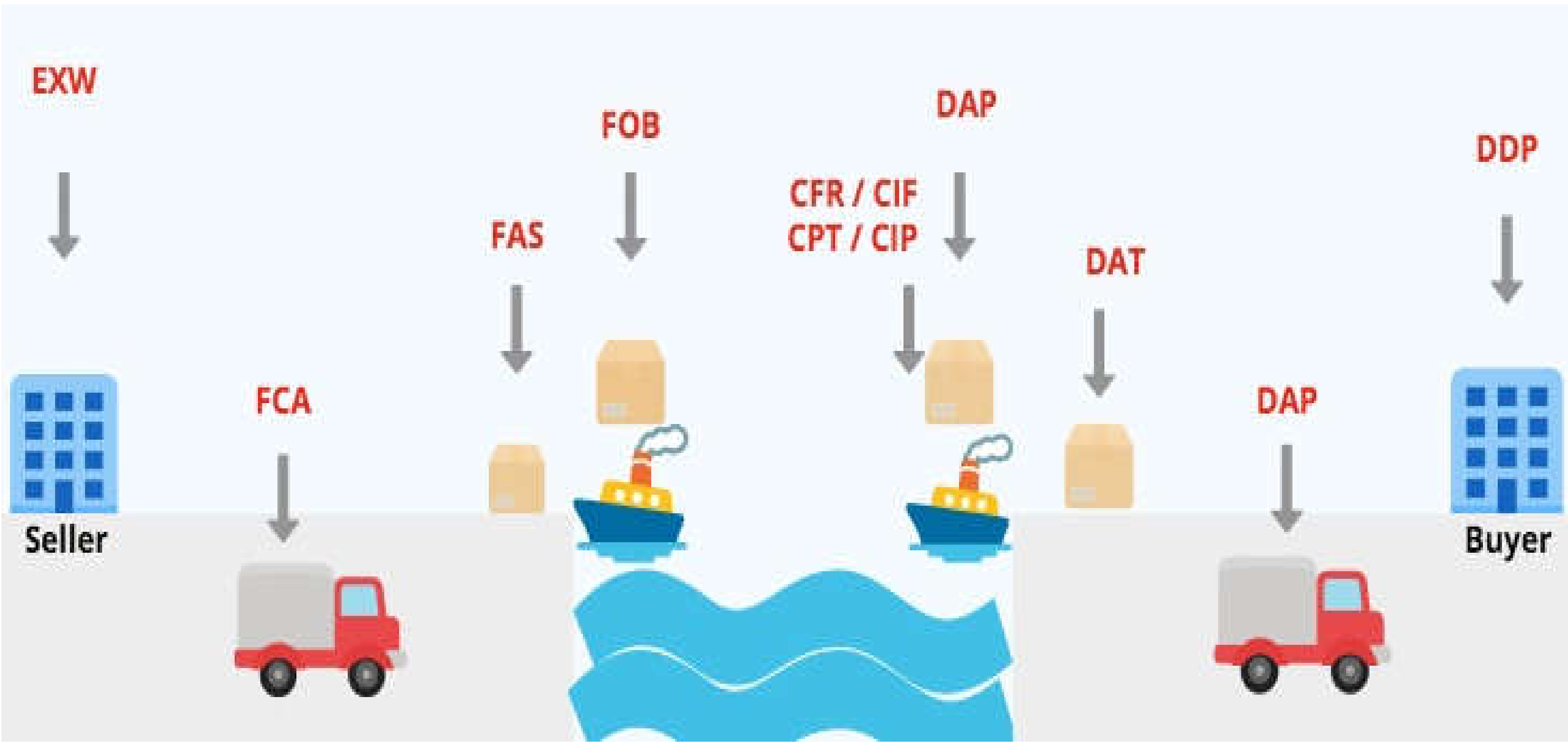
CENTRALIZED INVENTORY

- Risk pooling effect → decreasing safety stocks
- Longer distribution to customers compared to local inventory
- May lead to lower factory-to-warehouse distribution costs

INTERNATIONAL DOCUMENTATION

- Commercial invoice
- Packing list
- Certificate of origin
- Bill of Lading, Air waybill, Sales Contract, Customs Declaration

INCOTERMS



Source: myseatime

TYPES OF LOGISTICS SERVICE PROVIDERS

- 1PL: Shipper or consignee
- 2PL: The asset-based provider of logistics services
- 3PL: The provider for managing or providing multiple logistics services
- 4PL: The provider of a broader scope of services (optimizing SC)
- 5PL: The provider that aggregates demand for logistics services in the interest of creating cost efficiencies

3PL TYPES

- Asset based providers: 3PL owns assets necessary to run its customers' logistics activities
- Non-asset based providers: 3PL contracts with other firms to provide logistics services

Source: dpdhl.com

OTHER ISSUES

- Non-vessel Operating Common Carrier (NVOCC)
- Logistics Performance Index (LPI)
  - Efficiency of the clearance process
  - Quality of trade and transport related infrastructure
  - Ease of arranging competitively priced shipments
  - Competence and quality of logistics services
  - Ability to track and trace consignments
  - Timeliness of shipments in reaching destination within the scheduled time

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THANK YOU!