

The modes of transport in international supply chains commerce essay



International Business Administration

Course:

International Supply Chain Management

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1. The role of transportation in Global Supply Chain

It is a well-known fact that transportation plays a significant role in the whole supply chain. It is not only the simple transfer of a finished product from the manufacturer to the end consumer, vice versa, it is a complicated process that should be accurately planned and scheduled, so that the particular product or raw material occur in the right place at the right time. Why it is so necessary to pay such a great attention to this process? The answer is that most of the products are produced in one area and consumed somewhere else. In order the product can get to the customer in time without any losses in quality and costs, logistics managers of huge transnational corporations who are responsible for movement of goods from one destination to the other across the world should create smart strategies to optimize the process and save the competitive advantage. What is implied in the word "strategy" in case of transportation? As we know, strategy is a specific plan created to achieve a certain goal. The goal of a company is to deliver a product to a recipient via the most suitable mode of transport in the most convenient container timely and on the most favorable terms.

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2. Main points that a strategy should recognize

According to the research, given in the site www.ltdmgmt.com: " A transportation strategy, to be effective in supply chain management, is not playing one carrier off against another. It is not beating down rates. Rather it is a way to respond to the dynamics of your business, its customers, suppliers and operation". The author of the article " Transportation Strategy- Key for Logistics Effectiveness" Thomas Craig, President LTD Management believes that a transportation strategy should recognize the following:

Customer requirements
Mode selection
Carrier

relationships
Measuring/benchmarking
Regulatory impact
Carrier mergers and alliances and closings
Flexibility [...]

As for me I am fully agree with this opinion, but I would also add such requirements as: Time

requirements
Volume requirements
Frequency requirements
Transportation costs

No doubt, transportation strategy should meet customer needs. Here the managers act according to the conditions of a particular customer situated in a specific location. It is important to know what quantity of product the customer wants to get, how often the delivery should be performed and on what price. The strategy should be responsive and should satisfy everybody: the shipper, the carrier and the consignee. Moreover, it is necessary to choose the right mode of transport. " An important factor to

consider is that transport modes can compete with each other. As air transport networks expand and the airfreight unit cost falls, both road and water lose volume. With the innovation of refrigerated containers, water has taken volume of fresh produce from air and road. For example, fruit and vegetables arriving to Europe from overseas can now be shipped as sea

fright". [Colin Scott]Development of the healthy relationships with the carrier
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can be a challenge, but it is undoubtedly indispensable. In the article "Cultivating Healthy Carrier Relationships" the author Kyle Alexander emphasizes, that the following best practices can help maximize value within the strategic carrier relationships: Establishment of trust and credibility with carriers
Communication about specific expectations
Rewarding outstanding performance and enforcement of established expectations
Measurement of service parameters through agreed-upon metrics
Creation of opportunities that maximize carrier networks while minimizing supply chain costs
Creation of lasting alliances [...]

I can only agree that these points are important, because my opinion is that an excellent delivery is 80% dependant on a correctly chosen carrier. Measuring and benchmarking. Each step of the delivery should be measured and compared with the standard. In this case the motto "Continuous improvement", taken by most of the foreign companies, works. If you measure, you get a result of the measurement - then there is a good opportunity to improve and correct the mistakes. Benchmarking can obviously help in this situation. Usage of the best practices of other companies can lead to the creation of a perfect strategy in the future. All transactions related to transportation are closely connected to the regulations in the area where they take place. Regulations can promote the success of a good operation but also they can be a serious obstacle. A strategy should take into consideration all the changes and adapt to them as quickly as possible. To be on the safe side with a strategy it is also important to be aware of the carrier mergers, alliances and closings. As mentioned before, it is necessary to keep in touch with proved carriers, but sometimes it is better to cooperate with emerging ones and check them for

responsibility. A smart strategy should consider all the changes happening
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with carriers in order to keep advantage among the competitors. In this connection, the strategy should be flexible to keep step with the changing world. Different kinds of requirements should be recognized as well. For a delivery to be a success one should know its exact time, volume and frequency. That is why the transportation process should be well-planned and scheduled to avoid delays and mismatches. Transportation costs is perhaps the last but not the least thing to be mentioned. Costs on freight, fuel, fleet, maintenance, taxes insurances, etc. are of vital importance and a efficient strategy should count all the expenses in order to develop a successful business.

3. What affects transportation decisions?

I have already described the main points that a transportation strategy should recognize, now I would like to pass on to the factors that has an impact on the transportation decision of the key participants of the delivery process. As we know, the main participants of the process, to my mind, are the shipper, the carrier, the consignee, the government and the end-consumer. I like the way this topic is set forth by Chopra, S. and Meindl, P. in the book " Supply Chain Management". The authors highlight the roles of the shipper and the carrier: " When making transportation-related decisions, factors to be considered vary depending on whether one takes the perspective of a carrier or shipper. A carrier makes investment decisions regarding the transportation infrastructure (rails, locomotives, trucks, airplanes, etc.) and then makes operating decisions to try to maximize the return from these assets. A shipper, in contrast, uses transportation to minimize the total cost (transportation. inventory, information and facility)

while providing an appropriate level of responsiveness to the customer".

[Chopra ...] I would say that the consignee has the same will to reduce total costs like a shipper. It tries to minimize time for transit, taxes, mistakes in the delivery and pick-up dates and decrease losses. The shipper in its turn has to reckon transportation, inventory, service and facility costs. The carrier impacts to the supply chain transferring products from the supplier to the customer. That is why his decision usually depends on income maximization and minimization of taxes. It focuses on the vehicle-related, fixed operating, trip-related, quality-related costs that are discussed to be variable beforehand. The government helps the players in their activities and provides the necessary infrastructure but it wants taxes for the help. The end-consumer wants brilliant service and low prices on products from all over the world. It dictates his terms. A very important thing here is to avoid conflict of interests that can interfere with the smoothly running transportation process. Therefore, a smart strategy should take into account interests of each party equally.

4. Transportation strategy – Wal-Mart best practices.

Here I would like to give an example of Wal-Mart Company who created its transportation strategy to meet all the requirements. I liked the example given in the book "Supply Chain Management" by Chopra, S. and Meindl, P." Wal-Mart has effectively used a responsive transportation system to lower its overall costs. To achieve a high level of product availability at a reasonable price, Wal-Mart carries a low level of inventory (relative to demand) at its stores and replenishes frequently as product is sold. To lower the transportation cost of frequent replenishment, Wal-Mart aggregates products

destined for different retail stores on tracks leaving a supplier. At DCs, Wal-Mart uses cross-docking, a process in which product is exchanged between tracks so that each track going to the retail store has products from different suppliers. Wal-Mart also uses its transportation system to allow stores to exchange products based on where shortages and surpluses occur. The use of a responsive transportation system and cross-docking allows the company to lower inventories and costs and therefore increase profits". []It is a very bright example because Wal-Mart Company not only manages to keep their costs at a low level but also find balance between supply and demand.

5. Conclusion

In conclusion, I would like to cite Transportation and Logistics Manager at Peace River Coal Inc., Rick Evans: " You can have the largest supply of coal compared to your competitors, but if you don't have a reliable and cost-effective way to move it, it's worth nothing". [report]I fully agree with Rick Evans. He emphasizes the role of transportation