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# Serving Emerging Markets and Emerging Sources

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## Serving Emerging Markets and Emerging Sources

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- The Urgency of the Issue
- The Selection Process
- Operating Dynamically in Emerging Economies
- Borders, Customs, and Other Complications

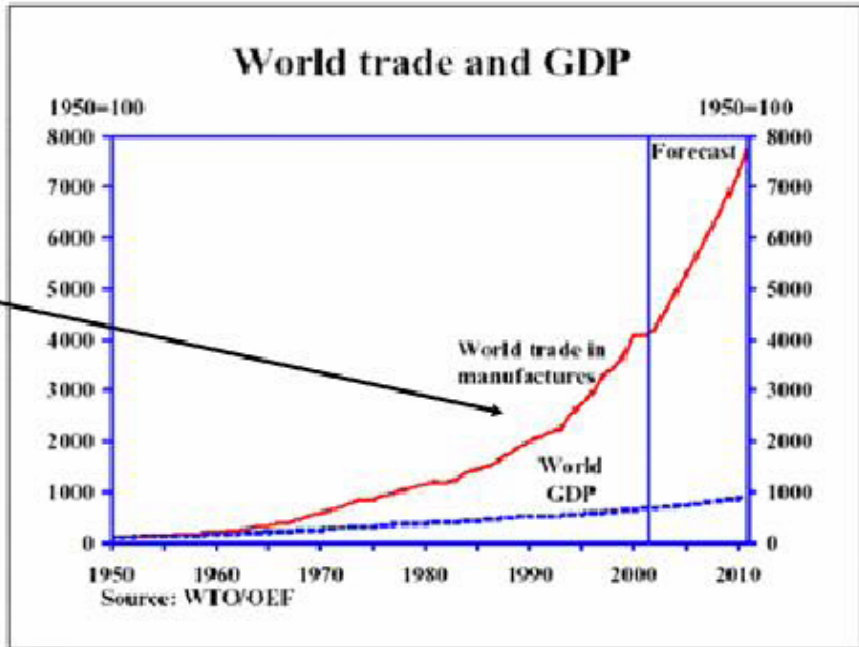


# World Trade and Global Sourcing Continues Dramatic Growth

FIGURE 1 - GROWTH IN GLOBAL TRADE IN MANUFACTURES



Genie out of the bottle in about 1995



## The Importance of Imports from Less-Developed Countries

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1997 - \$400 billion + (46% of imports)

to

2003 - \$630 billion + (51% of imports)

## Findings

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- Sourcing criteria for using emerging countries are:
  - ✓ Cost
  - ✓ Proximity (geographic and cultural)
  - ✓ Reliability and responsiveness

## Findings

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- Sourcing criteria for using emerging countries are:
  - ✓ Cost
  - ✓ Proximity (geographic and cultural)
  - ✓ Reliability and responsiveness
- Strategic sourcing remains with the lead company, even when first tier suppliers are used.

## Selection of Emerging Markets

Regulatory	Business Practices	Infrastructure
Bureaucracy & red tape	Irregular payments in exports & imports	Government prioritization of ICT development
Judicial independence	Business cost of corruption	Overall infrastructure quality (eg. schools, ICT, utilities, etc)
Hidden Trade Barriers	Entry into local markets	Transport infrastructure quality (road, rail, air & sea ports)
Presence of demanding regulatory standards	Unreported profits & wages	Telecommunications infrastructure



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**Biggest reward : *transformed from being reactionary to leading as a valued business partner***

Deliverable	Benefit
Market intelligence	Ensure <i>relevance</i> of strategy. Increase <i>awareness</i> & enrich perspectives
Country assessment	Credible <i>influence &amp; facilitation</i> of cross-functional distribution infrastructure decision making. Increase <i>trust</i> in DNS as partner.
Country strategies	<i>Clarity</i> of <i>future</i> actions. Facilitates cross-functional <i>alignment of objectives</i> . <i>Sound basis</i> from which to <i>prioritize efforts &amp; focus</i> .
Structured process	Focused limited <i>resources</i> on prioritized markets, coherent process for building <i>cross-functional consensus</i> & facilitate objective <i>decision making</i>
Fostered Teamwork	Support building <i>cross-functional consensus</i> . <i>Consistent quality</i> of work across geos. Leverages diversity of <i>content expertise</i> .

## Usage & Benefits

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- **Staying Ahead**
  - ✓ quarterly environmental scan to stay attuned to business changes
- **Investment Prioritization**
  - ✓ Action Triggers to manage scale & timing of distribution infrastructure investments (eg. India, Eastern Europe, Latin America)
- **Location Selection**
  - ✓ Industry & market knowledge to optimize 3PL & Mfg location selection in China



# Emerging Economy Operations: Shifting Sands



# Productos Familia, S. A.

## Productos Familia, S. A.

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- Paper products for consumers
- Under attack in home market (Colombia)
- Logistics and supply chain as key components of success

## Expanding Capabilities

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- Market throughout the Andean Pact, but...
  - ✓ Current plants in the interior
  - ✓ Transportation regulated
  - ✓ Infrastructure a problem
  - ✓ Border crossings difficult So:

## Expanding Capabilities

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- a) Joint venture with a Swedish firm for up-to-date systems and logistics processes.
- b) Collaborative model with suppliers to reduce inventory.
- c) Manufacturing in Ecuador to reduce cost and improve access to Peru and Bolivia.
- d) Better training of warehouse and delivery personnel to improve service.

## A Multinational Work Force

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### Sensitivity to differences

- a) In Ecuador, less-educated, more team-oriented workers.
- b) In Venezuela, more individualistic delivery personnel.
- c) In Colombia more educated (and expensive) labor vs. Ecuador.



## Electronic Linkages and System Upgrades

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- ERP installation
- Upgraded activity management
- Customer and supplier linkages

## The Danish Intermediary

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- Jutland →
- Poland →
- Romania → ???????

## The Danish Intermediary

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- Keys are:
  - ✓ Cost
  - ✓ Culture, but
- Poland is becoming educated
- Romania has infrastructure and corruption issues so:
- China is on the horizon

## Summary

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- Regions count as much as countries.
- Emerging markets are not behind in knowledge or interest in advanced methods.
- The real weaknesses are:
  - ✓ Capital and infrastructure
  - ✓ Trained people
  - ✓ Access to world class customers (sometimes)

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# Borders, Customs, and Other Matters

## Borders, Customs, and Other Matters

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- Single company global 3pl still in question, but
- Specialists are still invaluable
  - ✓ Global trade software is available
  - ✓ Country, region, even individual port expertise is critical
  - ✓ Emerging country infrastructure requires creative navigation

## Borders, Customs, and Other Matters

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- Border crossing is *not* easier, particularly in emerging markets
- Governments believe in their borders:
  - ✓ Revenue
  - ✓ Sovereignty

## Rail Delays at Nogales

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- Trains crossing the border are subject to selective inspection
- Customs has set hours

*and the result is .....*

## Exporting to Burundi

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- Required pre-import inspection (>\$5,000)
- Two additional valuation steps
- Taxes (up to)
  - Customs duties; a service tax; a transaction tax; excise duties; and various consumption taxes

## Conclusion

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- Get involved in the global expansion by bringing information
- Pay attention to countries *and* regions
- Location decisions are not necessarily long-term



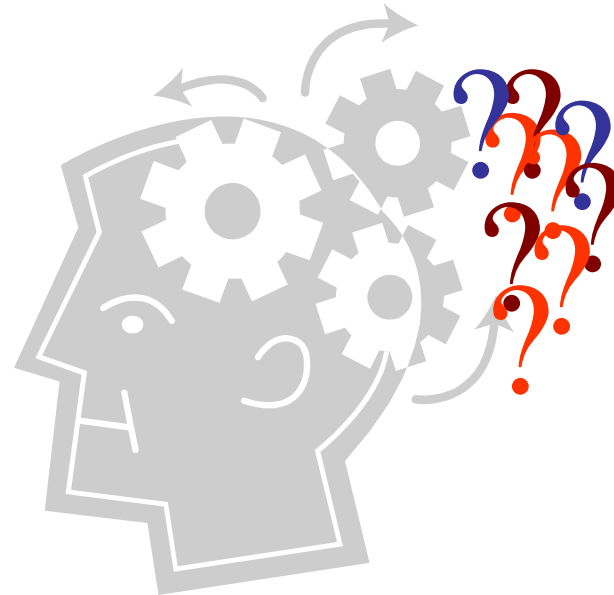
## Summary

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- Governments and borders still matter, both local, regional, and national
- National and regional specialists are invaluable

# Questions

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If you have further comments or questions after this session, I am happy to respond.

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