

Is the world ready to be turned brown?

Ready, steady, go. You can say one thing about UPS: when it has a strategy, it sticks to it and doesn't waver. Acquisitions going wrong, integration problems and cultural issues do not deviate UPS from its strategy of painting the world brown and providing a global goods supply chain.

Big/little, urgent/deferred, hot/cold or domestic/international, UPS wants to do everything, everywhere, in the same operation (*IFW*, 14 January, p1). Will it work?

UPS's main competitors, DHL and FedEx, don't think so. Or at least, they have different strategies. DHL wants to paint everything yellow, but is doing it with four different divisions: express, international forwarding, European trucking and logistics.

DHL does bundle up all four services for its large customers. But if you are a small or medium shipper, you have four telephone numbers to call. UPS has just reduced that to one. Is it possible to treat freight and packages in the same operation? Only time will tell.

FedEx has taken a different route. Rather than being all things to all people, it remains focused on doing very well what it does do. This has worked for its customers, who get good service. The stock market clearly likes it, too. FedEx continually outperforms its three-letter competitors, DHL, UPS and TNT.

FedEx doesn't limit its service to packages. It has quietly been moving urgent freight through its system for a couple of decades. Its customers pay a premium – often double the air freight rate – but they know their consignment will get to where it's supposed to be when it's supposed to be there.

The advantage of FedEx's strategy is it doesn't have low-margin air freight moving through its system, or its books, which keeps up the margin (and the share price). UPS's recent focus on freight is probably a contributing factor to its credit rating dropping from AAA to AA.

UPS's recent announcement raises another

And do we really want global service providers? **Larry Woelk** mulls UPS's attempt to offer a one-stop shop in freight and packages

question. Does globalisation work anyway? Or at least, is it necessary to have the same sign above the warehouse door at both origin and destination? Isn't meeting transit time commitments, being able to track and trace along the way and resolving something that's gone wrong more important to the shipper than signage?

There is a very strong argument that medium-sized and niche forwarders provide better service, and better information, than the mega-operators. Their IT systems are more affordable and more flexible, so they can do more with them. The smaller operators are also able to capitalise much quicker on new technology.

Some big shippers certainly take the view that globalisation isn't the way to go. If they do use one of the mega-forwarders, they tend to pick and choose those routes where they get a good service. Just because the name is over the door doesn't mean that you're going to get a good service. So if an independent forwarder doesn't like the service he's getting from an agent on the other side of the world, he changes to an agent who can give him what he wants.

The mega-forwarders don't have a "change" capability. If they have problems with an office on the other side of the world, there's little they can do. They can only hope that "management" will fix it. Unfortunately, customers probably won't wait.

There is an interesting trend in the shipping community. It used to be that the big shippers used big forwarders and small shippers used small forwarders. Because big shippers are not getting the service their global supply chains require, many are moving to smaller niche forwarders who are more flexible and more service conscious.

Because of persuasive branding, small shippers today tend to call the big forwarders. Their web-based functionality is also an advantage. It's easy to use – particularly UPS's WorldShip.

If UPS stays the course – and it has a history of doing so – it will not give up until it has a global network that can move all goods, big and small, to meet their customers' demands.

However, the back page of last week's *IFW* carried an advertisement which offered a beacon of hope for the rest of the industry. It was American Airlines' *Critical Machine Parts* ad, which said: "We know it's more than cargo, it's your business."

Collectively, the airlines have more routes and freight forwarders more offices than all of the integrators combined – certainly more than any one integrator. They also currently handle most of the freight that UPS wants to paint brown.

However, the forwarder/airline chain is broken. It's based more on price than transit time, and on consolidation rather than movement.

If the forwarders and airlines would actually do what the American ad says, then perhaps the world won't turn quite as brown as UPS would like it.