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Growing The Business

By Richard Knee

Like many other companies in the fiercely competitive world of non-asset-based transportation services Kuehne & Nagel is finding ways to increase its business despite economic challenges confronting the United States and numerous other countries.

Schindellegi, Switzerland-based K&N's ocean freight activity shot up 20 percent in 2002 to top the 1 million ten mark for the first time. And its air freight traffic rocketed by 90 percent to 23,000 tons, according to Rolf Altorfer, president and chief executive officer for the United States, Mexico and Central America.

Altorfer credits the volume increases to a variety of factors, including expansion into the global logistics arena through the July 2001 acquisition of USCO. Before then, K&N had limited its activities to traditional freight intermediary services such as freight forwarding, customs brokerage and freight consolidation (better known as non-vessel-operating common carriage).

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Building Blocks

K&N began two years ago to heighten its focus in the TransPacific and Asia-Europe markets, he said, and the company has made a concerted effort since mid-2000 to grow its market share globally by hiring "high-caliber" sales personnel away from competitors.

"We're starting to see the fruits of that investment," he said.

Other reasons for K&N's ocean freight growth include increased Trans-Pacific volumes and the company's information technology offerings, especially to importers, he said.

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While many importers like to give all their business to three or fewer carriers at a time, supply chain cycle precision sometimes demands that they use more, and that can be challenging because of variances in vessel operators information systems and procedures, he said.

In addition, heightened security requirements, particularly in the wake of the September 2001 attacks on the United States, have prompted major importers to centralize their ocean freight management, he said.

Making Lemonade

Those trends create opportunities for logistics providers such as K&N, which can offer single data interfaces to shippers, he said.

Airfreight volume growth was due partly to a shift of some cargoes from the ocean because of labor disruptions, including an 11-day lockout by marine terminal operators, on the West Coast last fall, he said.

K&N used both acquisitions and organic growth to increase its business. The company this month acquired Seabrook & Smith, strengthening its presence Great Britain and expanding its activity in serving the wine and spirits sector, and took over the fairs & Events unit of Birkart Globistics to provide logistics services for fairs, exhibitions and other events throughout Germany.

K&N has expanded its own facilities and operations in other parts of Germany as well. Most recently, in early February, the company said it had increased its capacity in Duisburg and had opened a distribution center at the city's Logport site.

War Effects?

Altorfer said he did not foresee any major cargo traffic disruptions arising from a war between the United States and Iraq, which appeared imminent when he spoke with Pacific Shipper.

During the 1991 Persian Gulf war, the Suez Canal remained open and most shipping proceeded normally, though some supertankers had to be routed around the Cape of Good Hope, he said.

"If a U.S.-Iraq war breaks out, a similar shift of some Asia-to-Europe cargoes might be necessary, he said. That would stretch transit time by nine or 10 days, would be more expensive and would take some capacity out of that market, he said. A possible alternative would be to take cargo across the Pacific, the United States and then the Atlantic, he said. Transit time would be about the same as on the Cape of Good Hope route, he said.

A war will undoubtedly chase some cargo from ships to planes, though the extent will depend on how long it lasts, he said.

Altorfer said also he disagreed with reported comments by some trade officials that the Bush administration's unilateralist posture could harm international trade.

World Trade Organization officials, including Director General Supachai Panitchpakdi, and some envoys to the body voiced fears that U.S. actions within the group and a U.S.-Iraq war would weaken respect for international rules and harm the global economy, the New York Times reported last Monday.

Altorfer said politics and trade/economic issues are separate. With offshore manufacturing activity increasing, more countries are treating the United States as a customer, he said. "This is still the world's number-one economy. People want our business," he said.