[Case Study] U.S. Stands to Gain from Colombia World Trade Participation

After years of political unrest, peace is on the horizon for Colombia. The nation's leaders are now looking for ways to boost its economy. That's why Colombia is considering broader world trade participation. The country has been talking to the United States about a mutually beneficial agreement. With 48 million citizens, Colombia has significant potential for growth, which could help the U.S. economy substantially.

Situation: Colombia's Economy

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In 1990, 65 percent of Colombian citizens were living in poverty. Organized violence was a major issue and political unrest prevented Colombia from participating in world trade. In 1995, Colombia signed the G3 Free Trade Agreement that liberalized trade among Colombia, Mexico, and Venezuela. Colombia has made several other trade agreements since, including a U.S.-Colombia Trade Promotion Agreement in 2012. Today, only 25 percent of Colombia citizens are living in poverty.

Colombia stands to gain a lot from broader world trade participation. Its geographical location is perfectly suited for trade with the Latin-American market. Additionally, goods can reach the

U.S. from Colombia by air in just five hours. Colombia is looking to invest more money in its education system and continue to transition to a more service-based economy.

Benefits of the Trade Promotion Agreement for the U.S.

If the World Trade Promotion Agreement goes through, it will eliminate 80 percent of current tariffs on the U.S., and the remaining 20 percent will be phased out over a 10-year period. This would substantially increase U.S. exports because tariffs currently range from 7 to 15 percent. Exports in agriculture, information technology, construction, and several other sectors would see an immediate lift in tariffs. That's great news for the U.S. economy.

In 2010, the U.S. exported $12 billion in goods to Colombia. Tariff reductions would expand exports by more than $1 billion, as well as add thousands of new jobs in the U.S. Additionally, the trade agreement would give the U.S. access to the service market in Colombia and would significantly boost opportunities for businesses in the U.S. to increase profits.

As WhiteHouse.gov states, "Our economies are largely complementary in terms of the goods we ship each other. For example, Colombia is a large importer of grains from the U.S. while it exports a number of tropical fruits to our country." The U.S. also exports cotton to Colombia, which local manufacturers use to make apparel that they then export back to the U.S. Free trade would bolster both of these industries, as well as many others.

Obstacles to U.S.-Colombia Trade

The World Trade Promotion Agreement has not been signed yet. Some people worry that Cuban mediators and the FARC cannot be trusted yet. After all, the U.S. is very hesitant to trust any organization with historic ties to terrorism, since it leaves open the possibility for more organized violence. Money is also an obstacle.

For years, the U.S. has seen Colombia as a challenging place to do business. Now, however, there is a real opportunity for trade. No timeline is in place for approving the trade agreement yet, and the two countries must talk more before coming to an agreement.

The U.S. Calls for Stricter Cybersecurity Measures to Protect Consumers

Retailers, banks, insurance companies, and government agencies have all seen an increase in cyberattacks. The consequences can range from supply chain delays to customer data loss to reputation damage. With such serious consequences, increased security is an issue that has been on the agenda in Washington for a long time. Luckily, the U.S. has called for stricter cybersecurity measures to protect consumers and businesses. Take a look at what has already taken place and learn what you can expect in the future.

Double Line of Defense: Chip and PIN

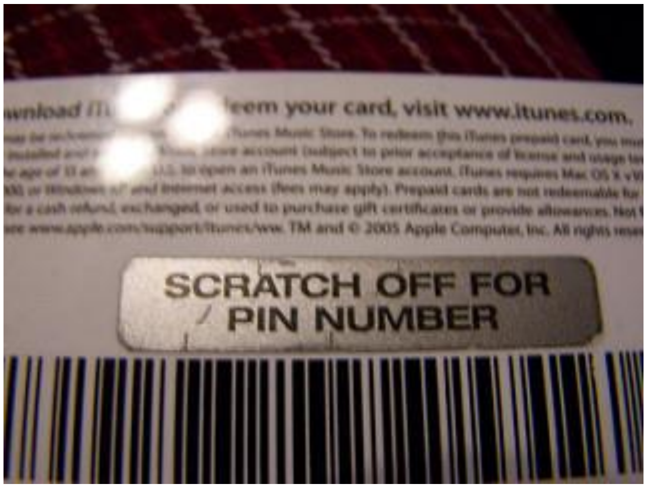


Image via Flickr by post406

Currently, U.S. consumers use chip-and-signature credit cards, which offer just a single line of defense against identity theft. Chip-and-PIN cards, however, offer extra protection for both online and physical purchases.

In 2015 President Obama signed an executive order requiring all credit cards issued to government workers to have both PIN number and a Europay, MasterCard, and Visa (EMV) chip. This creates a double line of defense against criminals and forces banks to set up the infrastructure to support these types of credit cards for consumers on a large scale. The U.S. government hopes that a move to chip-and-PIN cards will take place in 2016 or 2017, although no specific timeline has been announced.

Security Breach Notification Law

Image via Flickr by perspec_photo88

Another thing that the Obama administration has implemented is a security breach notification law. Essentially, whenever a company experiences a data breach during which customer information becomes compromised, the company must notify all of its customers. The law has forced big companies like Target to issue consumer notifications, and coverage of such notices has become more and more frequent in the media. While much has been done, creating a standard data breach law across all states requires more reform.

Supply Chain Information Risk Assurance Process

The Information Security Forum has developed a supply chain information risk assurance process to help businesses secure their supply chains. They've looked at federal law related to information security in order to create these guidelines. Ultimately businesses can take a several actions to minimize the risk of cyberattacks.

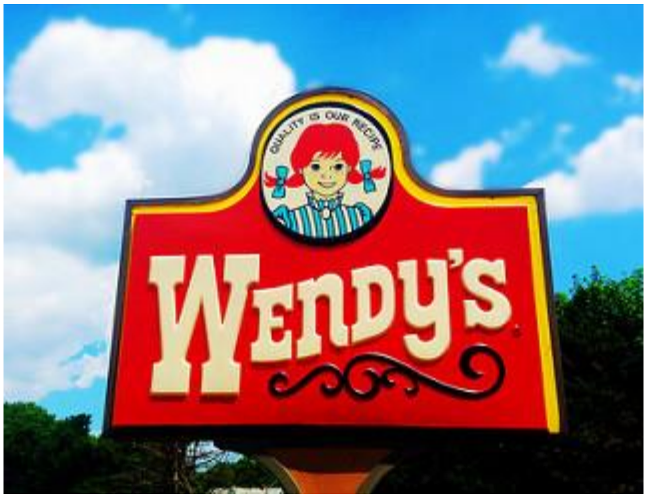
One major problem is that global supply chains rely heavily on shared information among manufacturers, suppliers, distributors, and partners. This dependence on shared information makes it difficult for companies to secure all customer information throughout the supply chain. This is especially problematic since businesses don't always have control over who their partners do business with through all the tiers. Many cyberattacks target this vulnerability specifically. It's more important than ever for businesses to incorporate cyberattack clauses into their risk management plans.

When consumers first began to rely on online shopping over a decade ago, many online users hesitated to use the technology because they were afraid of having their credit card information compromised. After a series of data breaches, many users have slowly begun to revert back to that mentality. In reality, consumer information is at risk whether users make a purchase with a credit card online or in a physical store. That's why the federal government is making strides to secure consumer information by implementing laws and guidelines that deter cyberattacks.

[Case Study]Wendy's Catches Up on Animal Welfare in the Supply Chain

Several fast food chains are reconsidering their animal welfare programs because consumers are starting to show that they care about this issue. Wendy's is the most recent company to make changes to its supply chain in order to improve the treatment of animals. The fast food company just announced it will only use eggs from cage-free chickens. Consumers have responded favorably to the move.

Situation: Wendy's Establishes Animal Welfare Supply Chain Requirements



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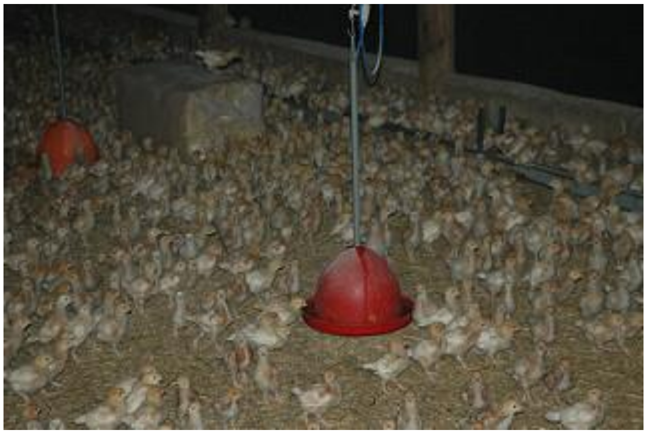
Wendy's has been working with animal welfare experts since the 1990s. During this process, outside experts have audited the fast food chain's animal handling practices and made suggestions for improvement. Wendy's committed to a comprehensive animal welfare program back in 2001 that covered all of its meat suppliers. Since that time, Wendy's has eliminated gestation stalls within its pork supply chain and incorporated a chicken stunning process that is more humane than standard practices. The company's next goal is to source eggs from exclusively cage-free chicken environments.

As Wendy's Chief Communications Officer Liliana Esposito explains, "Animal welfare is a core part of our company's role as a responsible corporate citizen. We're proud of our commitment to move to 100 percent cage-free eggs for our breakfast items and will continue to incorporate evolving best practices in the areas of animal handling and welfare into our supply chain requirements."

Approach: Timeline for Sourcing 100 Percent Cage-Free Eggs



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According to a study from the University of Kentucky, 40 percent of consumers say that animal welfare is important to them and it is something they consider before buying eggs and other animal products at grocery stores and restaurants. Additionally, consumers are showing a strong desire in knowing the source of their food and the practices used to produce that food. Wendy's new cage-free egg sourcing goal is in direct response to this new way of consumer thinking.

Wendy's announced its transition to sourcing 100 percent cage-free eggs on January 4, 2016. The company plans to complete the transition in all of its U.S. and Canadian locations by 2020. Wendy's has 6,500 franchises, and the new animal welfare change affects more than 400 of those locations where breakfast is served.

Benefits and Implications: What More Needs to Be Done

Wendy's may be able to take further action to improve its supply chain, but reform takes time. For instance, rumors have suggested that Wendy's is also looking into using antibiotic-free chicken. The company began testing this concept at a few of its locations, but it has not made an announcement regarding widespread adoption at this point.

Competitors such as McDonald's, Burger King, Subway, Taco Bell, Dunkin' Donuts, and Panera have implemented similar cage-free sourcing practices, as well as other animal welfare reform initiatives. Other big brands in the food industry, such as Nestle and General Mills, are also making the switch. If Wendy's experiences the same sort of success that other fast food chains do, then more animal welfare reforms will likely follow in the supply chain.

The Introduction of an Air Freight Rate Index

One of the biggest challenges that many businesses face is figuring out the cheapest and most efficient method for shipping products to customers. Several tools are available for comparing ground shipping routes and prices, but this convenience didn't exist for air shipping until this year. To help carriers determine fair air freight pricing, John Peyton Burnett introduced the beta version of his TAC Index at the beginning of 2016.

A Closer Look at the TAC Index

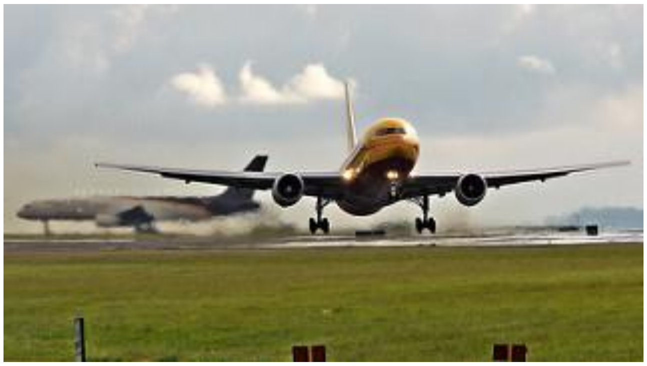

Image via Flickr by berkuspic

The TAC Index is a web-based benchmarking tool that provides live market intelligence on air cargo rates. The beta version includes information on routes from Hong Kong to the U.S. and Europe. However, Burnett wants to expand this to the top 50 trade lanes as fast as possible. The WorldACD already provides monthly air cargo data, but the TAC Index differs by providing live and weekly data. The index will update and announce rates for trade lanes every Monday.

Burnett said, "We hope to develop air cargo hedging tools further down the line similar to fuel and currency hedging products." Businesses can check out the TAC Index, sign up for a subscription to its valuable information, and gain access to more tools as they become available.

The TAC Index was modeled after the Shanghai Containerized Freight Index. It is set up to prevent any single businesses from skewing the data. The U.S. Department of Justice recognizes value in the concept and has helped Burnett ensure that the TAC Index complies with stock exchanges, banking regulations, and antitrust laws.

Obstacles to the TAC Index

Some people worry that the TAC Index will not be successful if it can't get enough forwarder-provider information. Businesses want to be sure they are getting the best air cargo pricing, and this isn't possible if they can only compare a small percentage of the options. That's one reason why providers and businesses can get a subscription to the TAC Index for free while it is in the beta stages.

Burnett says that many data providers are still undecided about whether to participate in the TAC Index. One of the biggest incentives Burnett is offering providers is free use of the index for their own internal pricing purposes. Some of the top global forwarders have already signed up, but early adoption of the TAC Index has been slow. There is still a good chance that the TAC Index will take off and become successful as more businesses and providers realize the benefits of real-time benchmarking tools.

There are currently no competitors in the space for live air cargo data. By way of explanation, Burnett said, "It is getting sizeable now. We won't publish every tradelane, but we could. The biggest difference with other indices is the quality of the raw data and that it will be up-to-date, rather than a month old."

Shippers like the idea of an air freight index because it would provide transparency and create a neutral benchmark. Time will tell whether the TAC Index becomes a standard in the industry or whether the complex air cargo industry is ready for an index at all.

[Case Study] DHL’s Investment in an Online Platform Backfires

At some point, virtually every successful company needs to make changes to its infrastructure in order to expand. In 2015 DHL projected significant growth and decided to invest in an updated online platform for customers to track packages. The investment did not have the expected outcome, though. Take a look at what businesses can learn from DHL's overly ambitious project.

DHL Updates Its Online Platform

Image via Flickr by JeepersMedia

With operations in more than 165 countries, DHL is one of the world's largest logistics specialists. Because of forecasted growth, the company spent $345 million over the course of two years to update its tracking and customer interface platform. The new system delivered numerous benefits to DHL's partners that no other logistics specialists offered, such as real-time analytics.

The shipping giant's online platform allowed users to print shipping labels, track packages, and request courier services. In essence, DHL's platform worked in real time and made shipping easier for other companies. Its new platform offered integration features that partner websites could use to enhance their customers' experience with order processing.

As Jose Maria de Orduna, Head of Operations and Value Added Services at DHL, said, "The marrying of the company's ISC and customs expertise offers customers an end-to-end solution with greater control over their supply chain and guidance on regulatory compliance."

DHL Doesn't Achieve Expected Growth

Despite its efforts to make shipping easier, DHL's profits slumped in 2015 and were down 70 percent in the third quarter of 2015. The company decided to terminate its online platform because projected growth from the previous year wasn't accurate. As a result, DHL essentially lost 345 million because of its failed IT platform.

As Deutsche Post DHL Chief Executive Frank Appel elaborated, "As we have said previously, 2015 is a year of transition. We are taking all the measures we can to ensure that our business divisions are optimally positioned for success in the coming years."

Impact of a Costly Online Platform Upgrade

Unfortunately, DHL spent too much money on its online platform and didn't receive the expected return on its investment. The end result might have been different, however, if the company would have seen strong growth.

Even though DHL scrapped its innovative online platform, the company has plans to move forward with another new system. It's taking measures to ensure that its software partner can deliver the functionality DHL desires. It's unclear whether DHL will give its original software provider a second chance, since the original problem was slow business growth rather than the software itself.

Other companies can learn a lot from the mistakes of DHL. Implementing a new IT system with better functionality sounds like a good idea, but companies must carefully assess whether business growth can support the costs. DHL expected growth that it wasn't able to realize, leading to a large revenue loss.

Unfortunately, this IT project was too ambitious for DHL at the time. Other businesses can learn that taking risks is important, but they have to remember that big risks can sometimes backfire.

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