



... WELL CONNECTED

The CPN Bulletin

RATE

LOWER RATE

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Commoditization is the process by

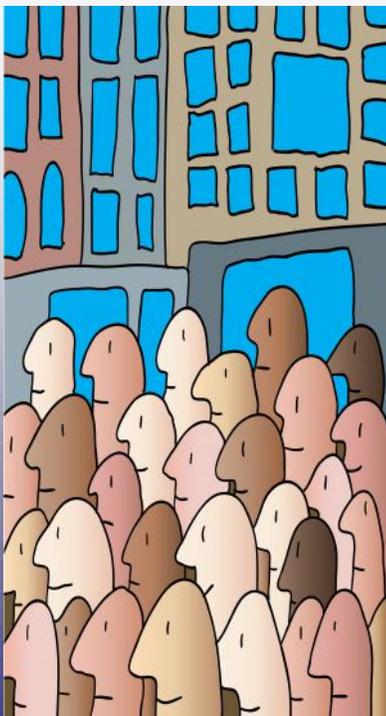
which goods with economic value and distinguishable by certain attributes (uniqueness or brand) end up becoming simple possessions (commodities) for the market or the consumers. The market shifts then from differentiated to undifferentiated price competition and from monopolistic to perfect competition. *"When products become more similar from a buyer's point of view, they will tend to buy the cheapest because they have become convinced that all forwarders are fundamentally the same and that any differences between them are minimal and therefore not worth investigating"*, writes Paul Kelly, Director of Actualis Marketing.

When did the freight market become commoditized? Probably when, in the absence of any effective differentiation, buyers decided that freight products, like the forwarders selling them, had become indistinguishable in terms of tangible features and capabilities. It's this environment that has provided the climate for online freight portals to thrive. Providing a convenient channel for buyers, with minimal expectations, to make swift and effortless freight purchase transactions. The key for forwarders, in diminishing this commodity status, is not what they do to their freight services – it's what they do to their customer. They need to find a way to reengage with buyers, like these, who have stopped asking *"how will this will add value to my supply chain?"*

Turning off commoditization and getting shippers to sit up and take notice will be difficult for the industry, because innovation goes unnoticed, and marketing messages are difficult to get through. The key, particularly for small and medium forwarders, is to concentrate on the value provided. *It's not freight; it's a secure supply chain that's supporting the client's business. It's not transport; it's satisfied customers and repeat orders.*

Leveraging your client relationships will help you to understand the key drivers of their business success and uncover opportunities for delivering new benefits. Formulate strategies that deliver those added benefits and document their success to create external credibility. The success of your customer is key, as it underlines the value you're providing and differentiates you, apart from commoditized offers. Communication of these successes is key as well.

The **good news** is that there are plenty of free channels – particularly digital (search engine optimization, paid search marketing, social media, e-mail marketing, to name a few) – that can broadcast to all your audiences and they will be receptive to messages that are relevant and engaging. If forwarders don't take control of their own destiny and start demonstrating their value and professionalism soon, it will be too late.

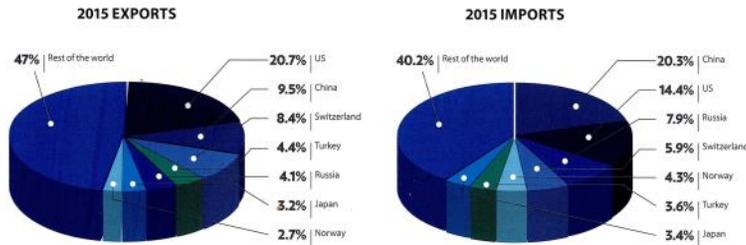


ECONOMY REPORT

THE EU IN NUMBERS

A snapshot of the principal trade and economic indicators of the European Union

EU EXPORTS AND IMPORTS: MARKET SHARE BY COUNTRY 2015



The US (exports) and China (imports) are the European Union's biggest single trading partners.

Source: Eurostat

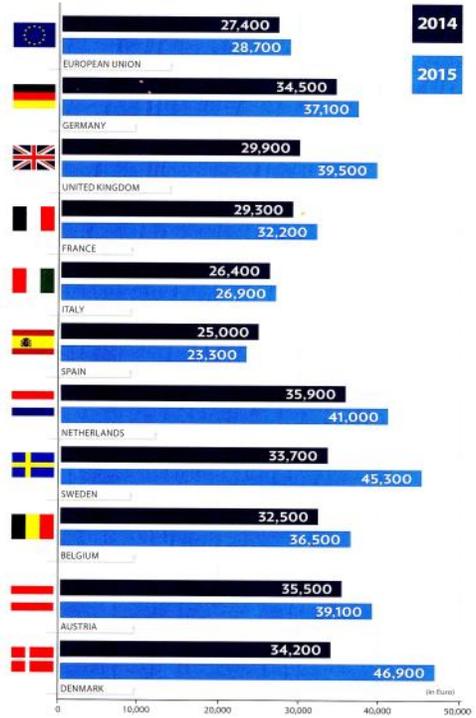
MAIN EXPORTS/IMPORTS BY TYPE

EXPORTS		IMPORTS	
42%	Machinery and transport equipment	31%	
22.5%	Other manufactured goods	26.1%	
17.6%	Chemicals and related products	10.7%	
4.8%	Mineral fuels, lubricants	19%	
6.3%	Food, drinks and tobacco	6.3%	
2.4%	Raw materials	4.2%	
4.4%	Other	2.7%	

Source: Eurostat

GDP PER CAPITA ACROSS EU COUNTRIES, 2014/15

The GDP per capita reflects higher standards of living in Northern Europe



Source: Eurostat

... 10 years ago ...

CPN 10th Anniversary Conference, Shanghai, China.



Carriers eager to reconnect **Cuba**

Eight US carriers have been given permission to fly to Havana by the **US Department of Transportation**, filling the 20 daily flights agreed by the US and Cuban governments. Twelve airlines applied to serve the island nation's capital, and **Alaska Airlines, American Airlines, Southwest Airlines, Delta Air Lines,**



Frontier Airlines, JetBlue Airways, Spirit Airlines and United Airlines received tentative awards. Each country will be allowed to operate up to 20 daily round trips between the US and Havana, and up to 10 daily flights to Cuba's other 9 international airports.

US Transportation Secretary, Anthony Foxx says: ***"Today we take another important step toward delivering on President Obama's promise to reengage Cuba. Restoring regular air service holds tremendous potential to reunite Cuban American families and foster education and opportunities for American businesses of all sizes."***

The Havana flights followed the department-granting permission to **American Frontier, JetBlue, Silver Airways. South West and Country Airlines** to operate services to other Cuban airports.

From Air Cargo Week, July 18, 2016

More on BREXIT

Britain's exit from the European Union (BREXIT) will clearly impact the economies of several of the Union members; but what would be the impact on Asia? By far, the largest Asian investor in Europe at the moment is Japan. Its region-wide operations are concentrated most intensely in Britain, which hosts over 1,300 firms, providing nearly 140,000 jobs to British workers. Japan's commercial gateway into Europe for a full century and more has been London, and the European headquarters of most major Japanese firms are located there. A few Japanese companies, such as Toyota, Nissan and Hitachi, have manufacturing operations in Britain, but the UK is most important to the Japanese corporate world as a distribution and financial center. China's stakes in Europe are very different, both economically and geographically. London is, of course, a key financial center for China, but with a different, more geopolitical dimension than for Japan. The importance of the UK as an individual export market for Asian companies has declined significantly over the past 20 years. Fast growing Asian markets, notably China, have themselves become increasingly important export markets for many Asian nations. Regardless of the form Brexit ultimately takes, one thing is clear: Japan needs to be more proactive in its political-economic engagement with Europe — particularly with Germany and the new Central and East European members of the EU, where China has made major inroads of late. These countries, many former members of the Warsaw Pact, feel exposed to Russian pressure, and are looking anxiously for broader foreign support. With many ethnic compatriots residing in the U.S., they have formidable influence in Washington also, so Japanese economic assistance to their homelands would have positive feedback implications for U.S.-Japan relations as well. Owing to the declining importance of the UK as a significant export market, Asia-Pacific nations are not significantly exposed directly to the effect of any sharp slowdown in UK imports in 2017. The wider effect of the forecast EU slowdown is however much more significant. The 28-member grouping remains an important export market for many Asian economies. Asia-Pacific economies are expected to be impacted by the UK decision to leave the EU through the transmission effects on Asian exports of weaker EU growth. *(with information from several news agencies, 2016)*



MEMBER PROFILE



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140
YEARS 1876-2016

Karl Gross is an international freight forwarding and logistics company

- » Founded in 1876
- » Our motto is „Better logistics for you“
- » For our customers we create tailor-made transport-solutions - worldwide

Our Philosophy

- » The individual requirements of our customers are in the center of our attention
- » Competence and continuity in our teams
- » Entrepreneurial independence and flexibility of a family business

- » Ocean Freight
- » Air Freight
- » Project Logistics
- » Procurement Logistics

- » Distribution Logistics
- » Warehousing
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645 freighters needed by 2035 !!!

Over 33,000 new aircraft worth about \$ 5.2 trillion will be needed in the next 20 years, including a demand for 645 freighters with a capacity of greater than 10 tonnes, according to Airbus' Global Market Forecast.

Airbus released the forecast recently at the Farnborough International Airshow and described trends that move towards the widebody market of higher capacity aircraft, meaning 9,500 (29 per cent) widebody passenger and freighter aircraft will be required, with much of the demand coming from the Asia Pacific Region.

The French aircraft manufacturer says that by 2035, the world's aircraft fleet will have doubled from today's 19,500 aircraft to almost 40,000 while some 13,000 passenger and freighter aircraft will be replaced with more efficient types..

From Air Cargo Week, July 18, 2016



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We are always open to your comments and suggestions. Let us know what topics you would like to see discussed in our Bulletin and your impressions about this new era of communication we are initiating. By getting better communicated, the impact of our interactions will increase and be potentiated. Keep in mind the increases challenges that globalization imposes to us and, in consequence, apply this valuable formula: **“Act locally; but think Globally”** [Not a CPN member? If you are interested to receive this Bulletin, please send an email to subscribe to cpn@cargopartnersnetwork.com]