One challenge that many companies have to overcome when expanding internationally is knowing how to manage supply chains in a global context while also focusing on the characteristics of local markets.

Nowhere is this paradox more visible than in South America. The world’s fourth largest continent is a major global trading bloc, but it also comprises a patchwork of countries with different business cultures and countless supply chain idiosyncrasies.

Managing freight networks that span these geographies requires many skills and tools. One tool that is really proving its worth is transportation management system (TMS) technology that supports the movement of freight on global, regional, and local levels.

I’ve come to appreciate the value of this breed of TMS since locating to Brazil to run TMC’s South America Control Tower®, which is one example of the freight management solutions that are now emerging to help shippers adopt a “think global, act local” approach to logistics.

Developing such an approach is not easy. Consider a supply chain manager with responsibility for South America who is based in, say, Miami, FL, United States. He or she has to maintain a global view while paying close attention to the nuances of each country, and every state, within this vast region.

A common pitfall is assuming that business processes in the region are less advanced than in the United States. This is not always true.

Take, for example, trade documentation. Brazil’s equivalent of a bill of lading is the CTE document, which is electronic. When a ship is almost or fully loaded, the document is automatically transmitted to the government, where the relevant taxes are calculated. The system not only provides an efficient way to levy taxes, but it also enables the Brazilian government to know, in real time, what cargo is being shipped domestically.

There are also a number of similarities between South America and the United States. Companies in both continents are under intense pressure to cut costs and improve operational efficiency. And supply chain management has gained recognition over recent years as a discipline that can help companies achieve these goals.

Of course, there are many important differences as well. Poor infrastructure remains a major issue in South America—although, it could be argued that a lack of investment in infrastructure is an issue in the United States, too, even though the country’s road systems are generally better. Traffic congestion in large cities is a notable problem; in Sao Paulo, Brazil, it can take anywhere from 40 minutes to 3.5 hours to drive to the airport from the city center depending on the time of day. (For more on big city logistics problems, see Edgar Blanco’s guest posts Megacities Are the new Logistics Frontier and Collaboration the Key to Unblocking Megacity Streets?)
Companies also have to contend with a plethora of tax codes, trade regulations, and variations in operational practices in South America. In Argentina, logistics managers need to be aware that trucks come in various, non-standard sizes, for instance.

Both currency and inflation rates fluctuate across the region. Probably the most extreme example is Venezuela, where the annual inflation rate rose to more than 63% recently. Other countries have much more modest inflation rates by comparison—Uruguay’s is currently around 8%—but do have a history of financial instability. Companies that face uncertainties like these might opt to enter into freight contracts for a more limited time period than usual. Similarly, enterprises need to allow for shifts in currency exchange rates across the region.

Local geographies vary, and this has important supply chain implications. For example, economic activity can be concentrated in specific areas; in Brazil, the southern part of the country that includes major cities—such as Sao Paulo and Rio de Janeiro—is the main economic hub. These concentrations of consumers and manufacturing bases influence the availability and cost of freight transportation within a country.

At the same time, South American countries are growing in stature as global trading powers. Economic growth rates have stalled over recent years—in keeping with broader global trends—but the region still offers huge potential for expansion. New air routes and port services continue to open up, offering companies more market opportunities.

TMS solutions that are geared to this complex, international logistics environment are, I believe, fast becoming an indispensable tool for supply chain professionals charged with supporting global growth strategies.

In a future post I will explain how TMS technology is fulfilling this role in South America.

[1] Venezuela’s annual inflation rate rises to 63.4%, BBC News Latin America & Caribbean, 10 September 2014