THE CASE FOR CONSOLIDATING FAR EAST PROCUREMENT FOR AN ELECTRICAL EQUIPMENT IMPORTING COMPANY IN SOUTH AFRICA

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ABSTRACT

Chinese trade in Africa is affecting business trade, specifically in South Africa. Chinese businesses are well established in Africa, indicating a strong interdependency between the countries. Chinese products are making inroads in the South African trade market. Within the electrical trade this has led to Chinese trade being more lucrative and competitive than local trade. This trade indicates that there are cost savings inherent in using a consolidated Freight Forwarder / Clearing Agent. (Freight Forwarder / Clearing Agent are used interchangeably to each other therefore Freight Forwarder will be used for the remainder of this Study).

This study suggests that consolidating procurement as well as using a single Freight Forwarder is beneficial for imports.

The primary research was gathered by means of quantitative questions which were sent out to specific purchasing divisions within the various subsidiaries. Quantitative questions were also used to evaluate the Freight Forwarders. This non-probability sampling technique showed that there was benefit derived from using a consolidated Freight Forwarder. This research also showed benefits that could be utilised by using another procurement division to source products. Secondary research on China and procurement was gained from internet research, reviews, books and journal articles.

China is a key trading partner in Africa which suggests benefits of a single Freight Forwarder and procurement division. The Group needs to look into implementing a single Freight Forwarder as the research has shown it to be beneficial. It also needs to look into better Chinese supplier relations and trade enhancements as a group.

Key Words: Consolidating, Procurement, Importing, Equipment, Company

Introduction

It is now the 21st century and countries are getting closer to each other, transportation has become cheaper and faster. Competition is not necessary in the same continent anymore.

South African companies are experiencing greater competitive pressures from abroad than ever before. Cheaper products are making inroads into the African and South African market. Local labour pressures and unrest specifically in the mining sector is starting to significantly effect and therefore increase cost pressures for most businesses, as unions in all industry sectors are embarking on mass labour protest for increases in wages and better working conditions.

A report which quoted David C Michael, Anonymous (2013:1) which was discussing the emergence of new competitors from traditionally emerging markets, the traditional western multinationals need to watch emerging markets as companies from China and India are aggressively growing globally and thus shape the global economy within the next decade. A company that trades internationally would therefore need to trade with companies from the traditional emerging markets to sustain competitive growth as the global supply chain is changing towards traditional emerging markets and not western multinationals.

A company in South Africa, offering products that are available worldwide cannot operate in isolation. According to Heizer and Render (2011:62), "Globalisation means that domestic production and exporting may no longer be a viable business model; local production and exporting no longer guarantee success or even survival."

Further explaining that companies cannot act in isolation anymore, Hill (2011:178) states in explaining new trade theory it "makes two important points: First, through its impact on economies of scale, trade can increase the variety of goods available to consumers and decrease the average costs of those goods. Second, in those industries when the output required to attain economies of scale represent a significant proportion of total world demand, the global market may only be able to support a small number of enterprises."

Taking trade theory into consideration as well as the ease with which international companies and indeed countries can now trade, as stated before, because of technological and transport advancements, economies of scale can be easily reached, because one manufacturer can now trade with various companies around the world. The burden of stock holding large quantities because of minimum order quantities are now negated as this surplus stock holding is now dispersed through more than one supply chain channel. This then leads itself to one company having an increased variety of product available to its market with lower costs incurred.

According to Hill's (2011:178), definition of Trade theory, trade should be equitable for both parties. Further in this study it will be shown this philosophy to be skewed towards China at present, with Africa exporting more raw materials to China compared to getting Chinese product imported. Chinese-African trade will also be looked into with special emphasis on Chinese trade philosophies undertaken in Africa.

The research that will be highlighted in the literature review will point to the facts that Chinese products are and have been penetrating the South African market over recent times. It will also point to the fact that Chinese companies can produce quality products on par with South African industry requirements. Secondary resources by means of reviews, journals and Forwarder can handle all the divisions' demands. Subsequently it would then be shown to the CEO of the group that a single import procurement division is the only alternative to what is been done at present.

Objectives of the Study

- To evaluate from 2003 to 2013, to what degree China and it's Chinese products have capitalised in South Africa, as well as what significance this plays with regards to future business growth for an electronics imports company.

- To assess how the quality of Chinese products has improved over the last decade and to see if present and future trade with Chinese electronic manufacturers are feasible to pursue. Taking into account quality standards that are required.

- To examine and scrutinise Freight Forwarders by means of primary research questionnaires and quotes required in order to make recommendations to streamline all shipments through to one company for all the subsidiaries.

- Firstly, by using the recommended Far East procurement division to start negotiating and managing the single Freight Forwarder and by assisting in gathering additional products and quotes for the existing subsidiaries. This will ultimately lead to the recommendation that one consolidated Far East procurement division would be most feasible for all the subsidiaries.

- Is the Far East and particularly China, likely to be a future major global player in years to come? Particularly with regards to Africa and its African trade objective. If so, to what extent does this affect an electrical equipment company that imports as well as manufacturers electronic equipment?

- What happens when a single Freight Forwarder is used for all the subsidiaries? Will lead times and costs incurred for consolidating shipments actually be shown to be reduced?

- Is it feasible to run all imports through a single import procurement division for all the subsidiaries of an electrical equipment company? Will this single procurement division save costs for this electrical equipment company? Will stock holding costs be reduced if a single procurement division is utilised?

The impact of Chinese trade into Africa will be shown, not only from a product point of view, but also from an infrastructure and commerce point of view. As a result of this trade it will be shown that China as a trading partner has significantly altered trade with its African partners to become the major stakeholder of international trade in Africa, as such trade with China is of paramount importance for future business growth.

The study will show that trade with Chinese manufacturers have improved over recent times, particularly the last five years. It will show that by creating these trade avenues more accessible from Chinese companies, communication on product quality and standards of production will improve.

As such, all subsidiaries, because of trade relations created with quality Chinese manufacturers, Chinese competition within their respective markets can now be countered as quality Chinese products will have already been established by the relevant subsidiaries. As Chinese and Far East manufacturing contacts have been developed, it will help in increasing the procurement portfolio of all the subsidiaries, as extra product resources and increased procurement choices will be made available within the group.

By using a single Freight Forwarder for all the subsidiaries, it will be proven that lead times and procurement costs will be improved upon, than presently felt. The reason for this is because all subsidiaries are not utilising the group's power to negotiate with a single Freight Forwarder, but are all acting in isolation and negotiating as smaller entities when it comes to their own Freight Forwarding requirements. Buyer purchasing power and economies of scale benefits are therefore not benefited upon.

Buyers of all the subsidiaries will have the opportunity to evaluate existing supplier's products versus what the Far East consolidated procurement division can offer. In so doing costs and quality can be continually improved.

LITERATURE REVIEW

There needs to be an understanding on how China is affecting business trade in Africa. Attention also needs to be drawn to Chinese African relations and what China is doing in Africa. A study into Chinese trade in Africa and South Africa will highlight what long term goals China has planned for growth of Business in Africa.

It will also be shown that China's push into Africa can and will affect an African based companies business future, as China's trade has grown so rapidly and extensively in Africa, an African based company will be affected either by supply from China as a supplier or as a competitor.

Once China's influence in Africa has been dealt with, the case for a single Freight Forwarder as well as a single procurement division for an electrical importing company will be looked into. The benefits of utilising a single Freight Forwarder will be discussed, particularly in light of utilizing their benefits for the group. The benefits of consolidating shipments from specific regions will be discussed and, therefore, lead to showing benefits of having a centralised procurement division, that can handle consolidated shipments as well as additional suppliers for the supply chain network for an electrical equipments company.

China in Africa:

Over the past decade most of the successful growth experienced by sub-Saharan African countries has been due to China's acquisition of agricultural commodities and petro chemicals. So much so that according to the IMF Chinese Consumption in metals can be attributed to the actual growth of sales of these metals between 1995 and 2011. Roache (2012:8).

China is not only looking into acquisition of raw materials and mineral wealth from Africa but it is also starting to look into building infrastructure in Africa, as well as opening up economic ties within certain regions of Africa. The IMF further stated that for every one percent of its economic growth, GDP of sub-Saharan countries increase by between 0, 3% and 0, 4%, Bowman (2012:1).

From the above two examples, it can be seen that China's interest in Africa is one of long term sustainability and growth. It is doing this as it needs to maintain its global position in the world market. It has a robust economy and local market which is growing steadily beyond any other country of the 21st Century. This is all meant to further the Chinese strategy of global growth.

In order to substantiate what was emphasized earlier about trade theory, with regards to its unbalanced nature in-between Africa and Chinese trade. The president of South Africa, Mr Zuma reiterated that the one way trade of raw materials is unsustainable in the long term. The $166bn mentioned earlier in this dissertation was mainly due to trade surplus in Africa's favour due to exports. Hook (2012:1).

China presently only exports cheap manufactured goods such as electronics and clothes to Africa. Additionally there has been a growing level of protest from local manufacturers as they are pressuring the South African government for help against Chinese imports. Bowman (2012:1). In 2012 Chinese imports into Africa has jumped more than 22% from the previous year reaching $73bn, this rise in competitive behaviour from China have caused closures of South African factories. Rice (2012:1).

According to Africa: China's Growing Role in Africa – Implications for U.S. Policy (2011): it states: "China's interest in Africa China generally does not discuss its "hard" interests in Africa... China has four "hard" interests in Africa:

- Maintaining or increasing access to energy, minerals, timber and agricultural products.
- Developing good relations with all African countries so that China can count on their support in regional and international forums.
- Increasing significantly China's exports to Africa, especially as the economies of African states become more robust and Africans increase their disposable income.
- Ending Taiwan's official diplomatic presence in Africa and replacing it with recognition of Beijing."

As of 2009 China has become Africa's major trade partner. In 2010 it was already trading more with Africa than the USA to the tune of $14bn. China imports large quantities of iron ore and metals as well as timber and agricultural products, without which China would not maintain its manufacturing capacity. Looking at this trade theory imbalance and pressure exerted on it from African states, as of 2009 Chinese exports to Africa started to include high end capital goods. It must be noted that African labour unions do not hold Chinese labour practices in high esteem as labour standards in China are sometimes less stringent than what could be found in some African countries. As such, many well known electronic brands such as Hewlett-Packard, Motorola, Siemens and Ericsson are losing ground in Africa to their Chinese counterparts such as Huawei and ZTE. This is because many Africans believe that lower prices do not necessarily mean inadequate quality. Anonymous (2011).

China's presence in Africa is further enhanced by offering low-cost capital goods to African countries that have trade deficits. By doing this China helps these African countries build their infrastructure, thereby reducing operating costs and making that African country a viable investment, as a lack of infrastructure is viewed as a major obstacle to African development. Yong (2010).

According to an article in Business Insider, Here's What's Driving China's Investment in Africa, it states the following for reasons why China considers being in Africa: "Chinese investment in Africa represents a small – 3 to 4 percent in 2011 – but growing piece of total Chinese Outward Foreign Direct Investment (OFDI) worldwide." Africa is the third largest recipient of Chinese OFDI behind Asia and Europe, totalling nearly $90 billion. Driven by a desire to secure natural resources and tap new markets, PRC state-owned enterprises (SOEs) have made large investments throughout Africa which is backed by their government, with incentives given to these companies that export/trade with Africa.

Today, China not only recognizes Africa as a source of energy and natural resources but also as a rapidly expanding market for Chinese goods. Moreover, Africa represents an additional destination for Chinese manufacturing to move offshore as profit margins on the mainland deteriorate and the PRC government promotes policies seeking to move the Chinese economy up the value chain. Key destinations for Chinese investment include South Africa, Nigeria, and Algeria in sectors such as energy, transportation and metals. While private Chinese firms are becoming increasingly active globally, SOEs make up the lion's share of OFDI in Africa. This is largely a result of the maturity and size of SOEs, which provide them with greater capacity to seize opportunities in more volatile environments.

China's investment in Africa can be traced both to specific policies as well as market drivers, particularly securing access to strategic resources. On the policy side, the Chinese government's "going-out" policy, outlined in its 10th Five-Year Plan (FYP, 2001-05), has been a key driver of Chinese SOE investment in Africa. This policy was reaffirmed in the latest 12th FYP (2011-15), which calls for accelerating China's "going-out" strategy in three parts: expand outward investment further; emphasize the equal importance of FDI in China and Chinese outward investment; and transform China's international trade and outward investment models. This policy encourages Chinese firms to do business abroad while making Chinese firms more competitive by acquiring strategic assets, securing access to natural resources, and establishing new markets for Chinese exports."

As can be seen by the graph below Chinese trade is entrenched in Africa and is here to stay for the foreseeable future. In order to put this into perspective with regards to China and globalisation it has been reported that China will be the next super power overtaking the U.S.A. (Anonymous, 2011).

Figure 2.1

So it can be noted that China in Africa is just one strategy of China to become a global leader. According to Hill (2011:17) who states: "By the end of the 1980s, the U.S. position as the world's leading exporter was threatened. Over the past 30 years, U.S. dominance in export markets has waned as Japan, Germany, and a number of newly industrialised countries such as South Korea and China have taken a larger share of world exports of manufactured goods."

From what has been shown regarding the Chinese-African trade relationship an electronics importing company can now see that China is making the biggest inroads with regards to both exports and imports into Africa. This relationship has expanded from government to government relationships, then to business to government and finally business to business. China's growing presence in Africa, therefore, makes for business opportunities. Eigen (2012).

With China and Chinese products making such a mark in Africa, it would be pertinent to value Chinese products in recent years, do they still have that stigma attached that was around in the 1980's and early 1990's, that if it states 'made in China' on it, then it cannot be of good quality.

SA labour costs

According to World bank figures SA labour costs (2010), states: "South Africa is attracting far less foreign direct investment and exporting less industrial output than many countries in the same peer group" The world bank also stated additionally to the above that South African labour costs are far more expensive than what can be found in other emerging markets like Brazil, Chile and Argentina. It also stated that labour costs were also higher than inflation figures. As a point this uncompetitive behaviour stems from state owned enterprises. What example does this set for productivity in the private sector considering South Africa's tendency towards labour unrest.

Mulholland, Curse of labour costs (2011) states: "... while China might be struggling with labour costs, its average worker earns R2000 a month, while ours receives almost R11 000 a month. A closer look at the above mentioned points it can, therefore, be noted that higher labour costs in South Africa compared to China will always be detrimental to South Africa's manufacturing output as China is more productive, has a better equipped labour force with less union involvement.

When comparing China to Africa specifically South Africa's manufacturing and productivity capacity and efficiency the following needs also to be taken into consideration. According to Odendaal (2012) in a report titled China imports threatens SA Manufacturing, who quoted Manufacturing Circle chairperson, Stewart Jennings as saying: "The manufacturing sector had lost in excess of 300 000 jobs between the first quarter of 2008 and the first quarter of 2012."

In South Africa 440 000 small businesses had closed up until 2012 due to Chinese imports. South Africa has not been following other Brics nations who have experienced a decrease in administered prices of up to 36%. Whereas South African electricity prices in contrast has increased by 170% in the same period, Odendaal (2012).

Not only does one find that China has bigger and more efficient manufacturing and production capacity than Africa, but additionally to this one finds Africa lagging the rest of the world. According to Fukunishi (2004:7): "Manufactured exports equalled only 6 percent of Sub-Saharan Africa's GDP – a little over half of the 11 percent average for all low income countries."

As can be noted South Africa's GDP is lagging that of other countries in its peer group. The main reason for this is the poor export performance of its manufacturing sector. The underlying reasons for this would be associated to two factors, cost of labour and product ivy, which can now been seen not to be competitive enough as it is starting to affect South Africa's GDP.

All importers / exporters want to work with a trusted logistics partner who will help them grow their business." A Freight Forwarder must work efficiently with excellent information channels that are always aware of their client's cargo status. Among other factors, the following also needs to be taken into consideration when evaluating a potential Freight Forwarder. Firstly are the Freight Forwarder big enough to handle the potential clients business? Do they hold enough negotiation power with shippers so that their clients get preference? The Freight Forwarder must also be able to handle the commodities all six subsidiaries trade with. The Freight Forwarder should also be established in all the ports all the six subsidiaries would trade from and to. Pricing and client references should be looked into with regards to potential Freight Forwarders.

Burnson (2011) in Freight Forwarding: Choosing the best partner, who quotes Rosylen Wilson, senior business analyst at Dekan Corp, a supply chain consultancy in Vienna as saying: "A good forwarder should be experienced enough to be able to balance your speed and cost requirements, offering a range of shipment choices – ocean, truck, rail, barge or plane, Wilson advises shippers to narrow their short list to those with impeccable track records as well as those that keep completed up to date on changing regulations and reporting requirements." The potential Freight Forwarder should know which shippers will work best for all six subsidiaries, considering lead time and costs requirements versus special packaging requirements on certain products, especially when it comes to hazardous cargo.

RESEARCH METHODOLOGY

Target Population

There are a total of 16 companies in South Africa that are in the same field as the holding company / Group. There are only 4 with exact competitive lines that are similar to the holding company / Group. They are, however, also customer of the holding company / Group with regards to some product lines, as there is cross pollination of customers with regards to quasi government and tendering processes.

In order to fully understand the interpretation of the findings of the first questionnaire the following needs to be taken into consideration:

Subsidiary A: Is a company that imports 95% of its products from the Far East and has been doing so for the last 24 years. It has its entire branded product manufactured and imported from overseas. As such, this is the subsidiary that will be recommended as the sole procurement division for an electrical import company.
Subsidiary B: Has various divisions in this company. 70-80% is assembled or manufactured locally. It has its components brought in from China and purchases locally at a 40/60 split. It also has sole distribution rights for European products which make up the other 20% of its turnover.
Subsidiary C: This Company does tender work and contract work; as such 80% of its procurement is done in South Africa.

Subsidiary D: This Company procures goods from China as well as manufacture goods locally on a 50/50 split basis. Mainly competes for assembly and machinery importation equipment.
Subsidiary E: This Company manufactures equipment and imports product and components from Europe and from China.
Subsidiary F: This Company only purchases from local suppliers, but yet it is in competition with some of its suppliers in its market.

There are 500 registered Freight Forwarders in South Africa of which 34 have criteria that the CEO of the holding company / Group wanted as a prerequisite for this evaluation. These are ones that only specialise in Europe, Middle East and the Far East. As there are a total of 6 subsidiaries each with their own Freight Forwarder, it was decided to utilise 2 additional Freight Forwarders to quote against the existing 6 Freight Forwarders currently utilised.

Data Analysis

Each question was evaluated against each respondents answer to the mean and median of each answer. Some graphs were utilised in order to show some answers graphically. This was done in order for ease of evaluation. As there were only a total of 20 questionnaires sent to the 6 subsidiaries and a total of 8 questionnaires sent to the Freight Forwarders, a Microsoft excel spreadsheet and graphs were utilised to capture all the data as well as to work out the mean and median to certain questions. Comparing data from the various Freight Forwarders was done in order to see which one would best fit the requirements of consolidating and importation of shipments.

Limitations of the Research

The limitations on the research came about by being not allowed to cover production capacity loss in the holding company / Group over the past 5 years compared to increase of imported goods replacing their expense of production. Whether it is by localised in-house production or the electronics market as a whole, this is because competitive markets stood a chance of getting confidential information.

Time is also considered as a limiting factor for proper market research to be carried out within the holding company / Group, as this would take a year or two to complete all aspects of operations for all subsidiaries, more of this will be discussed under the recommendations and conclusion section of this research paper.

RESULTS, DISCUSSION AND INTERPRETATION OF FINDINGS

There were two sets of questionnaires sent out for research purposes. The first questionnaire was sent out to all the buyers and subsidiary heads of the six subsidiaries that import / manufacture electronic equipment. The second questionnaire was sent out to the eight predetermined Freight Forwarders. The results of the questionnaires will be evaluated firstly by themselves; further to this individual questions from each questionnaire will be interpreted and discussed.

Findings: Both the mean and median for this answer is 2.

Interpretation: Subsidiary F did not answer this question as they do no imports from China as stated before they only purchase locally. From the rest of the answers it does show that China is not considered as the main supplier of goods at the present moment.

Question 9: This question was to find out what the subsidiaries are not competitive enough in versus their competitors. The reason for this question was to see if from the feedback if the subsidiaries are actually being affected by competition. The best answer to help this study would be 1.

Competition

Subsidiary	A	B	C	D	E	F
Answer	1	1	4	1	1	5

Table 4.9

Findings: The mean for this question is 2 and the median is 1.

Interpretation: The only answer out of kilter regarding product is subsidiary F as they are not in the competitive pricing structure because of their supplier network. When companies start worrying about innovation and know that they are under cost pressures, it can be said that too much time would therefore be spent on chasing sales because of price instead of having time available for research and development.

Question 10: This question was asked if reduced freight costs will be of benefit for the subsidiaries. The answer of 1 would help with promoting the case of a single Freight Forwarder.

Reduced freight costs

Subsidiary	A	B	C	D	E	F
Answer	1	1	1	1	1	1

Table 4.10

Findings: Both the median and mean is 1.

Interpretation: As can be seen all subsidiaries make freight chargers part of their costs of products therefore these products are all cost sensitive in their perspective markets.

Question 11: This question asked if lower freight charges would help with securing additional products. Answer 1 would help support the case of a single Freight Forwarder.

Lower freight charges

Subsidiary	A	B	C	D	E	F
Answer	1	1	2	2	1	2

Table 4.11

Findings: The mean is 1, 67 so tending toward answer 2. The median is also between answer 1 and answer 2 = 1, 5.

Interpretation: There was an even spread with tendency towards answer 2 only because answer from subsidiary F was 2. As stated before subsidiary F is controlled by local supplier purchases, as such cost of freight can become a factor with product purchases if subsidiary F is taken out of the equation.

Question 12: This question asked the subsidiaries if additional quotes for products would be required. Answer 1 would help towards the case of consolidating procurements.

Additional quotes required

Subsidiary	A	B	C	D	E	F
Answer	1	2	2	2	2	3

Table 4.12

Findings: The mean is 2 and the median is 2.

Interpretation: This whole research paper is the first of its kind in the group as such one needs to take into consideration that some subsidiaries like to and want to act in isolation. This question shows the option of introducing consolidated procurement which was met with resistance.

Question 13: This question asked if any of the subsidiaries experience logistical problems from international shipments. The answer of 1 or 2 would help with introducing the services of a single Freight Forwarder.

Logistical problems when ordering internationally

Subsidiary	A	B	C	D	E	F
Answer	2	2	2	3	2	4

Table 4.13

Findings: Both the median and mean are 2.

Interpretation: This could open the door to the case for a consolidated Freight Forwarder in order to gain bigger negotiating power when representing the Group.

Question 14: This question asked if managing the Freight Forwarder will help in reducing lead times. This question was asked in order to see the feasibility of a single Freight Forwarder, as such answer 1 would be most feasible.

Reduction in lead times

Subsidiary	A	B	C	D	E	F
Answer	1	1	1	2	2	3

Table 4.14

Findings: As subsidiary 6 is not considered for this question as it only purchases locally the mean is 1 and the medium is 1.

Interpretation: These findings help in the case for managing the Freight Forwarder better, which can be done by using a single Freight Forwarder.

Question 15: This question asked if better management of a Freight Forwarder will help with reducing costs. Answer 1 would help the case to promote a single Freight Forwarder.

Reduction of costs

Subsidiary	A	B	C	D	E	F
Answer	1	1	1	2	2	3

Table 4.15

Findings: As subsidiary F is not considered for this question as it only purchases locally the mean is 1 and the median is 1.

Interpretation: These findings help in the case for managing the Freight Forwarder better. This also helps in the case of using a single forwarder.

Question 16: This question asked if the subsidiaries are willing to look into consolidating shipments for the group. This was asked to gauge the level of resistance which could be experienced by offering the services of a single Freight Forwarder. Answer 1 would help to show that there is no resistance to consolidating shipments

Consolidating shipments for the group

Subsidiary	A	B	C	D	E	F
Answer	1	2	1	3	1	2

Table 4.16

Findings: Both the mean and median are 1, 67 and 1, 5.

Interpretation: From the findings it is clearly evident that each subsidiary especially its respective heads generally want to keep their own work to themselves.

Question 17: This question asked what percentage of airfreight charges make up the cost of the subsidiaries products being air freighted in. This question was put in, in order to see if there is actually cost benefits to be had from getting better freight charges or if airfreight chargers are actually of no consequence to the products overall costs. Answer of 1, 2 or 3 would be beneficial for this study.

<u>Percentage allocation to airfreight</u>

Subsidiary	A	B	C	D	E	F
Answer	3	4	4	-	1	-

Table 4.17

Findings: The mean is 3, 4 and the median is 4.

Interpretation: Subsidiary F is not considered as it only does local purchases. From the offset, looking at A one can see, just by using it's Freight Forwarder savings could generally be had. Subsidiary D would not divulge more detail for evaluation so as a result the study will rely on the Freight Forwarders evaluation.

Question 18: This question asked what percentage of sea freight charges make up the costs of the subsidiaries products being sea freighted in. As with question 17 this was asked to evaluate to what degree sea freight charges can be looked at and maybe improved upon.

<u>Costs allocated to sea freight</u>

Subsidiary	A	B	C	D	E	F
Answer	2	3	3	3	2	1

Table 4.18

Findings: The mean is 3 and the median is 2.

Interpretation: These findings also back up the scenario that further emphasis can be placed on the way freight costs are handled. The answers from subsidiary D and E contradict general freight rates when using the same Freight Forwarder for both air and sea. As well as question 17's answer for subsidiary E.

Question 19: If you are currently using a Freight Forwarder, please allow me to contact them for research. This question lends itself for evaluation under the evaluation of the Freight Forwarders section.

From Question 19 the evaluation of the existing 6 Freight Forwarders plus additional 2 Freight Forwarders have been chosen. Their questions that have been answered will now be dealt with.

Questionnaire 2 results from Freight Forwarders (for detailed questionnaire please refer to appendix D)

The following freight forwarders have been evaluated for this research paper:
1. Worldnet Logistics
2. Reliable Freight
3. Freighton
4. JAS
5. Bidvest Panalpina Logistics
6. DB Schenka
7. UTI
8. Megafreight

For the evaluation and findings of each Freight Forwarder the above designated numbers will be used to represent each Freight Forwarder.

Question 1: This question asked if the Freight Forwarder have offices where the subsidiaries find themselves to be in. Answer 1 is the only alternative that would be accepted for a single Freight Forwarder.

Location

Freight Forwarder	1	2	3	4	5	6	7	8
Answer	1	1	1	1	1	1	1	1

Table 4.19

Question 2: The question asked the Freight Forwarder if they have offices in China. In order to ship goods from China the Freight Forwarder must have offices in China.

Representation in China

Freight Forwarder	1	2	3	4	5	6	7	8
Answer	1	1	1	1	1	1	1	1

Table 4.20

Question 3: This question asked if the Freight Forwarder have representation in all the areas in China where the subsidiaries would trade from. Answer 1 is the only one that would be accepted as no third party should be used at any stage as this would affect costs and lead times.

Representation of all areas in China

Freight Forwarder	1	2	3	4	5	6	7	8
Answer	1	1	1	1	1	1	1	1

Table 4.21

Question 4: This question asked the Freight Forwarder how long they have been established in China. The reason for this question is to see if any have been trading in China for a long time. Answer 1 is the only acceptable answer for this question.

Length of representation in China

Freight Forwarder	1	2	3	4	5	6	7	8
Answer	1	1	1	1	1	1	1	1

Table 4.22

As all the Freight Forwarders answered yes for questions 1 to 4 the findings and interpretation are as follows:

Findings: All answered yes

Interpretation: At this stage all Freight Forwarders stand an equal chance of being recommended for candidacy as the Freight Forwarder to use.

Question 5: This question asked how long the Freight Forwarder have been trading in South Africa for. This would show that the longer the time in South Africa, the more knowledge has been gained with regards to the South Africa's logistics infrastructure. Answer 1 would be most beneficial for the prospective Freight Forwarder.

Length of time trading in South Africa

Freight Forwarder	1	2	3	4	5	6	7	8
Answer	1	2	1	1	1	1	1	1

Table 4.23

Findings: Freight Forwarder number 2 is the only Freight Forwarder from the sample that has less than 10 years experience in South Africa.

Interpretation: This puts Freight Forwarder number 2 at a disadvantage vs. the rest of the Freight Forwarders, Freight Forwarders answer for Question 4 now comes into question.

Question 6: This question asked the Freight Forwarder if they have any space allocation preferences from Chinese shippers. This would be beneficial if they have allocation preferences as it could help with freight costs and lead times especially during peak shipping periods. Answer of 1 would also help with the prospective Freight Forwarder.

Space allocation preference

Freight Forwarder	1	2	3	4	5	6	7	8
Answer	2	1	2	1	1	1	1	2

Table 4.24

Findings: Both the mean and the median for this question is 1 so the answer for this question would tend to be number 1.

Interpretation: One needs to evaluate been associated with one shipper, does it benefit price and lead times. This will be answered in questions that cover lead times and pricing.

Question 7: This question asked if proof of what were answered in question 6 can be obtained. This needed to be asked in order to gauge the validity of question 6. The answer of 1 would be the most correct for this question.

Proof obtained in answer to question 6

Freight Forwarder	1	2	3	4	5	6	7	8
Answer	-	1	-	1	1	1	1	-

Table 4.25

Findings: Only those that answer 1 in question 6 answered this question
Interpretation: This question was put in to make sure question 6 is answered as accurately as possible.

Question 8: This question asked if any allocation privileges from airlines flying from China is enjoyed. As with question 6 this would be of benefit if allocation privileges are experienced by the Freight Forwarder.

Airline allocation privileges

Freight Forwarder	1	2	3	4	5	6	7	8
Answer	2	2	2	1	1	1	1	2

Table 4.26

Findings: Both the mean and median is 1, 5%.
Interpretation: As with question 6 benefits of this can be evaluated with lead times and rates obtained.

Question 9: This question asked if proof can be obtained from the answer to question 8 is yes. The question was asked in order to gauge the validity of question 8.

Proof obtained in answer to question 8

Freight Forwarder	1	2	3	4	5	6	7	8
Answer	-	-	-	1	1	1	1	-

Table 4.27

Findings: Only those that answered number 1 in question 8 answered this question.
Interpretation: From the answers of this question and questions previously it can be noted that Freight Forwarders are now starting to separate into groups that move freight via sea to those that move via air and additionally those that do not move volume to gain negotiating power with a single shipper or airline.

Question 10: This question asked the Freight Forwarder if any restrictions for freight transported are enforced upon them. This was asked as any restrictions means the Freight Forwarder knows exactly what type of commodity they are capable of freighting.

Restrictions for freight transported

Freight Forwarder	1	2	3	4	5	6	7	8
Answer	2	2	2	1	1	1	1	1

Table 4.28

Findings: Both the mean and median is 1, 38 tending towards answer 1 was shown as the most popular answer.

Interpretation: Those that answered 2, which is no, either have not covered all commodities or do not specialise. Questions now also start appearing as to the reliability of Freight Forwarder 1,2 and 3 as not all Freight Forwarders working in general commodities are also allowed to transport mineral wealth be it precious metals, stones or fuel.

Question 11: This question asked the Freight Forwarder if they have specialised customs Clearing Agents. This was asked as the Freight Forwarder which would be utilised by the subsidiaries need to have this department in order to clear shipments more efficiently.

Specialised customs clearing department

Freight Forwarder	1	2	3	4	5	6	7	8
Answer	1	1	1	1	1	1	1	1

Table 4.29

Findings: All Freight Forwarders' answer to this question is 1

Interpretation: On face value all the Freight Forwarders are established enough to handle all clearing requirements. As the answer of 1 would only be accepted for this question.

Question 12: This question asked the Freight Forwarder what rate structure they utilise to charge their customers is based on. This question is asked to see how many would answer one, as one covers all possible rates.

Rate structure

Freight Forwarder	1	2	3	4	5	6	7	8
Answer	3	3	1	1	1	1	1	3

Table 4.30

Findings: 3 Freight Forwarders answered number 3, the rest answered 1

Interpretation: This question was inserted to cover question 10. One can now see how out of the box thinking was done in order to make sure questions were answered correctly. Freight Forwarders 3,4,5,6 and 7 seemed to know what this question entailed.

Question 13: This question asked if the Freight Forwarder can provide a service under all incoterms. Answer 1 from the prospective Freight Forwarder would be most beneficial for all the subsidiaries.

Service under all Incoterms

Freight Forwarder	1	2	3	4	5	6	7	8
Answer	1	2	1	1	1	1	1	1

Table 4.31

Findings: Both the mean and median answer for this question is 1. Freight Forwarder 2 only answered 2.

Interpretation: In order to be a Freight Forwarder for all the consolidated shipments for all the subsidiaries, the Freight Forwarder must be able to handle all incoterms that are available for shipping.

Question 14: This question asked if the answer to question 13 is no, which incoterms can they not be of service to. This was asked to additionally reduce the pool of potential Freight Forwarders.

Of all the Freight Forwarders who answered question 13 only Number 2 needed to give feedback regarding this question. Number 2 did not respond to this question. This is just Indicative of the reliability or non-reliability one would expect from this Freight Forwarder, more will be exposed regarding this Freight Forwarders unreliability later on in this research paper.

Question 15: This question asked the Freight Forwarder if they were able to provide up to date shipment status reports. Answer of 1 would only be accepted as regular status reports are a necessary function.

Shipment status reports

Freight Forwarder	1	2	3	4	5	6	7	8
Answer	1	1	1	1	1	1	1	1

Table 4.32

Findings: All the Freight Forwarders answered yes.

Interpretation: This was one of the prerequisites that is needed in order for Freight Forwarders to keep their clients abreast of cargo movements.

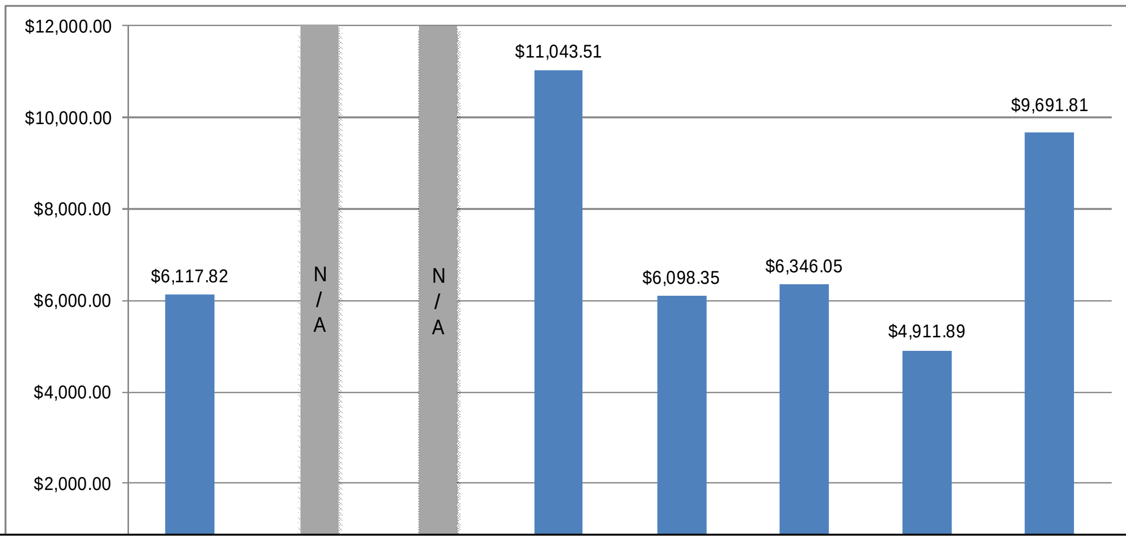
The remaining questions in this chapter that deals with quotes in US$, a standard exchange rate was required. In order to compare each answer accurately against each other all quotes from the Freight Forwarders will be averaged out to R9,92 to 1 US$. Duties and VAT will also not be taken into consideration as this will skew the desired objective of comparing exact Freight Forwarder costs as Duties and VAT are all standard and what must be paid to the Government of the day

Question 16: Please provide a quote valid for 30 days on an air shipment of 90kgs, crated dimensions 2m x 2m x2m. The commodity being non hazardous electronic DC transformer supplier FCA-Airport: Incoterms from 2010.

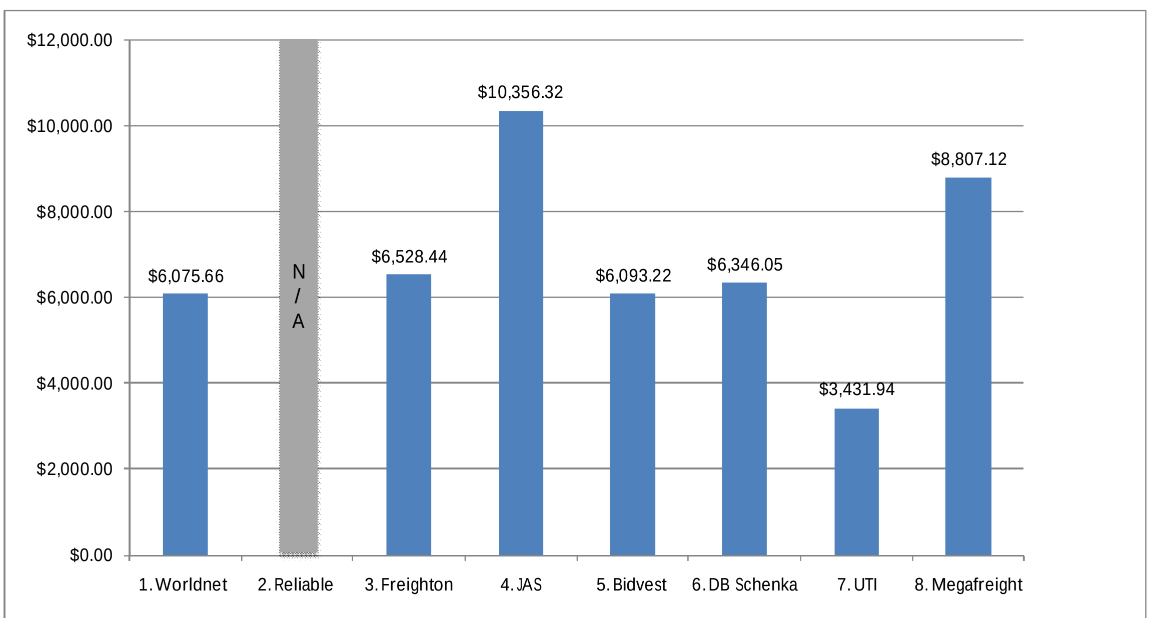
1. Ningbo
2. Shenzhen
3. Hong Kong
4. Shanghai

Air shipment costs from Ningbo:

Air shipment costs from Shenzhen:



Air shipment costs from Hong Kong:



Air shipment costs from Shanghai:

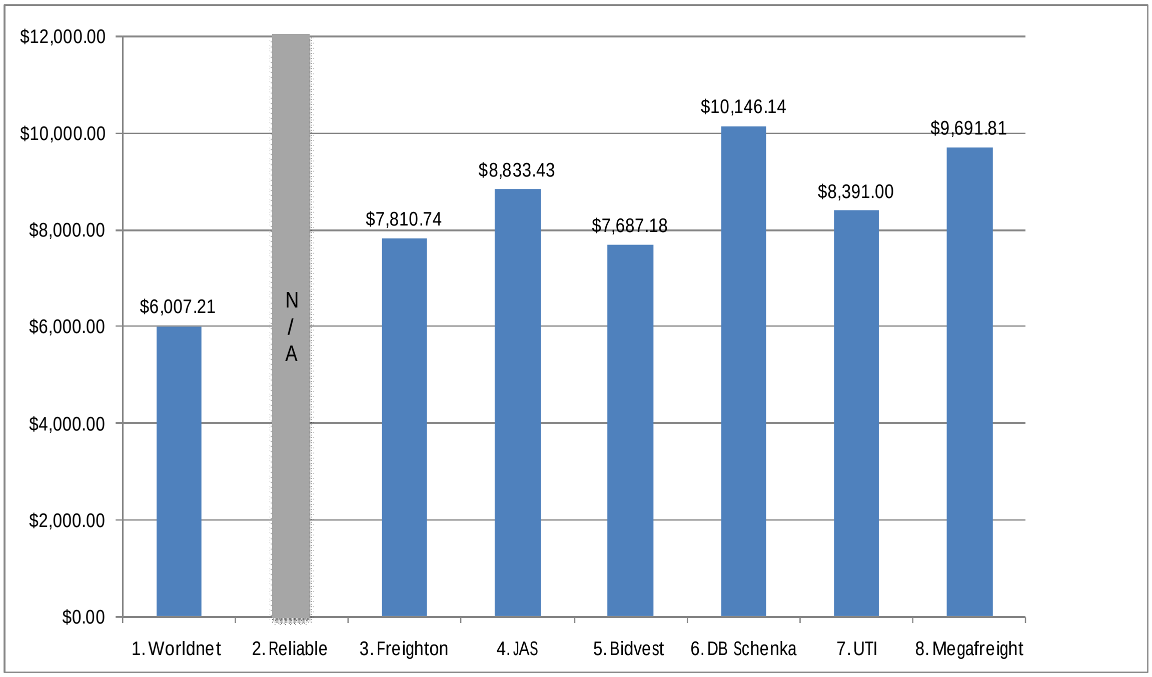


Figure 4.4

For the air shipment from Shanghai (Figure 4.4) Freight Forwarder 1 also came out with the best rate of $6007.21

Interpretation: Background needs to be given with regards to this question. The dimensions were purposefully stated at $2m^3$ as most airlines cannot accept a height for cargo higher than 1,5m. As a result some Freight Forwarders could not answer all the components to this question.

Taking the above points into consideration, the evaluation of Freight Forwarders who could give answers to all the components of question 16 can now be averaged out and compared to each other. The following Freight Forwarders were not considered as they could not answer all the components of this question: Freight Forwarder 2, Freight Forwarder 3 and Freight Forwarder 7. The following (Figure 4.5) represents averages out costs for all components.

Summary comparison of potential Freight Forwarders

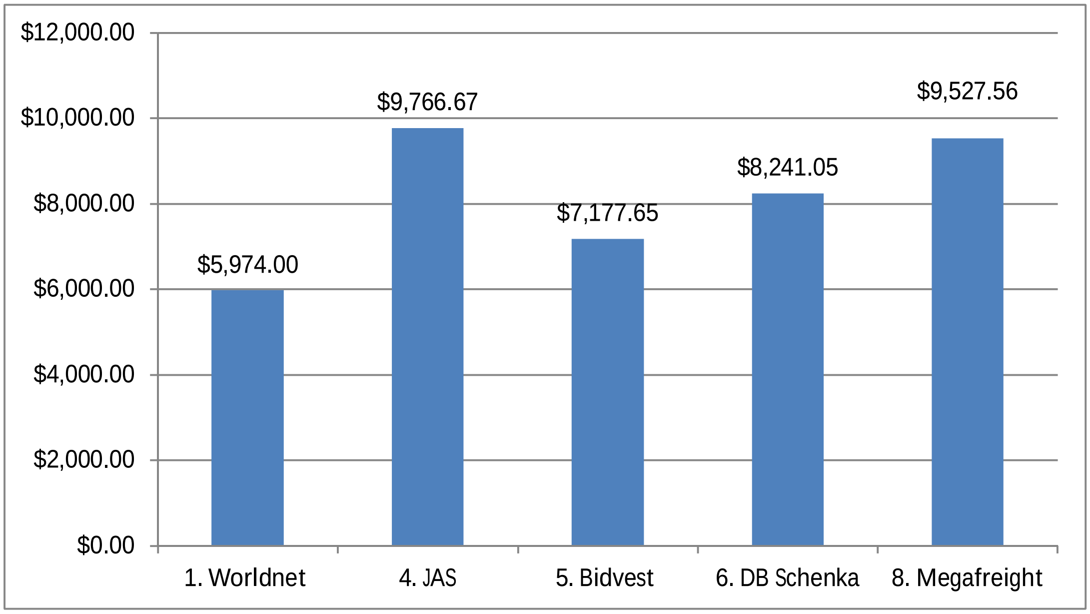


Figure 4.5

2. Shenzhen
3. Hong Kong
4. Shanghai

Sea freight costs from designated areas in China

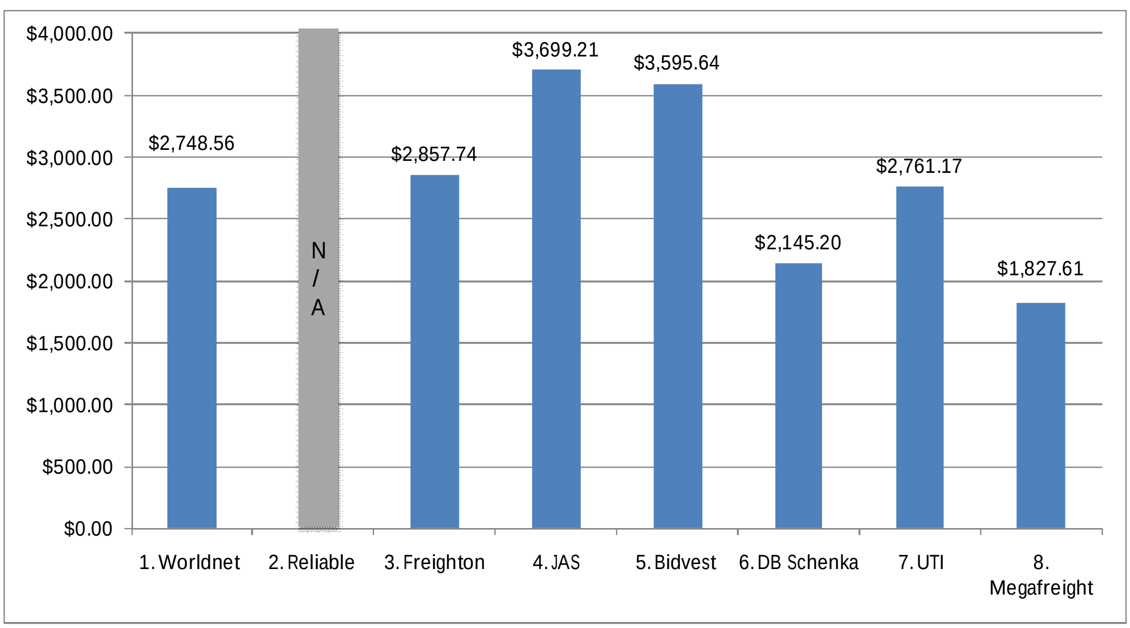


Figure 4.6

Answers to average lead time of a FCL from Ningbo:

1	Worldnet	30 Days
2	Reliable	No Quote
3	Freighton	34 Days
4	JAS	No Quote
5	Bidvest	27 Days
6	DB Schenka	27 Days
7	UTI	No Quote
8	Megafreight	29 Days

Answers to average lead time of a FCL from Shenzhen:

1	Worldnet	25 Days
2	Reliable	No Quote
3	Freighton	25 Days
4	JAS	No Quote
5	Bidvest	22 Days
6	DB Schenka	27 Days
7	UTI	No Quote
8	Megafreight	25 Days

Answers to average lead time of a FCL from Hong Kong:

1	Worldnet	29 Days
2	Reliable	No Quote
3	Freighton	29 Days
4	JAS	No Quote
5	Bidvest	26 Days
6	DB Schenka	23 Days
7	UTI	No Quote
8	Megafreight	27 Days

Answers to average lead time of a FCL from Shanghai:

1	Worldnet	33 Days
2	Reliable	No Quote
3	Freighton	25 Days
4	JAS	No Quote
5	Bidvest	40 Days
6	DB Schenka	26 Days
7	UTI	No Quote
8	Megafreight	30 Days

Findings: For the FCL from Ningbo, Freight Forwarder 5 and 6 came out with the shortest lead time of 27 days. For the FCL from Shenzhen, Freight Forwarder 5 can do the shipment in 22 days. With regards to the FCL from Hong Kong, Freight Forwarder 6 could deliver in 23 days. Freight Forwarder 3 could deliver from Shanghai in 25 days.

Interpretation: It can be noted from the above answers that certain Freight Forwarders have an advantage above others depending on where the goods are leaving from. It must also be noted that there was a high amount of the sample that did not answer this question. As a result they will not be considered for the average lead time that Freight Forwarders can do from different areas in

China. The following Freight Forwarders will therefore be evaluated as they answered this question in its entirety: Freight Forwarders 1, 3, 5, 6 and 8. Their average delivery days are as follows:

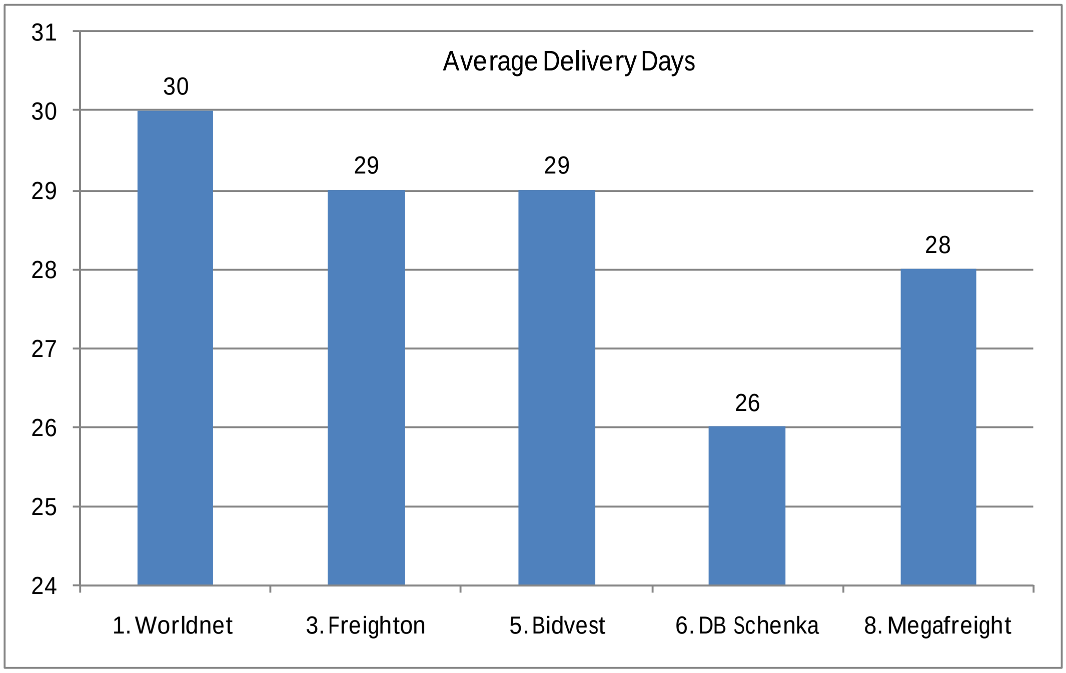


Figure 4.7

From the above (Figure 4.7), Freight Forwarder 6 came in with the lowest number of days.

Question 19: Please provide an average lead time on a LCL, destination Johannesburg from (answer in days)

1. Ningbo
2. Shenzhen
3. Hong Kong
4. Shanghai

Answers to average lead time of a LCL from Ningbo:

1	Worldnet	31 Days
2	Reliable	No Quote
3	Freighton	36 Days
4	JAS	No Quote
5	Bidvest	28 Days
6	DB Schenka	29 Days
7	UTI	No Quote
8	Megafreight	30 Days

Answers to average lead time of a LCL from Shenzhen:

1	Worldnet	27 Days
2	Reliable	No Quote

3	Freighton	33 Days
4	JAS	No Quote
5	Bidvest	29 Days
6	DB Schenka	29 Days
7	UTI	No Quote
8	Megafreight	21 Days

Answers to average lead time of a LCL from Hong Kong:

1	Worldnet	29 Days
2	Reliable	No Quote
3	Freighton	34 Days
4	JAS	No Quote
5	Bidvest	21 Days
6	DB Schenka	26 Days
7	UTI	No Quote
8	Megafreight	21 Days

Answers to average lead time of a LCL from Shanghai:

1	Worldnet	32 Days
2	Reliable	No Quote
3	Freighton	37 Days
4	JAS	No Quote
5	Bidvest	23 Days
6	DB Schenka	29 Days
7	UTI	No Quote
8	Megafreight	23 Days

Findings: For the LCL from Ningbo Freight Forwarder 5 came in with the quickest days delivered for 28 days.
For the LCL to Shenzhen Freight Forwarder 6 can deliver in 21 days as well as with a LCL from Hong Kong.
Freight Forwarder 8 can deliver a LCL from Shanghai in 23 days.

Interpretation: As with question 19 some Freight Forwarders did not answer this question. Yet again Freight Forwarders 1,3,5,6 and 8 can be evaluated, by using their average days delivering as follows.

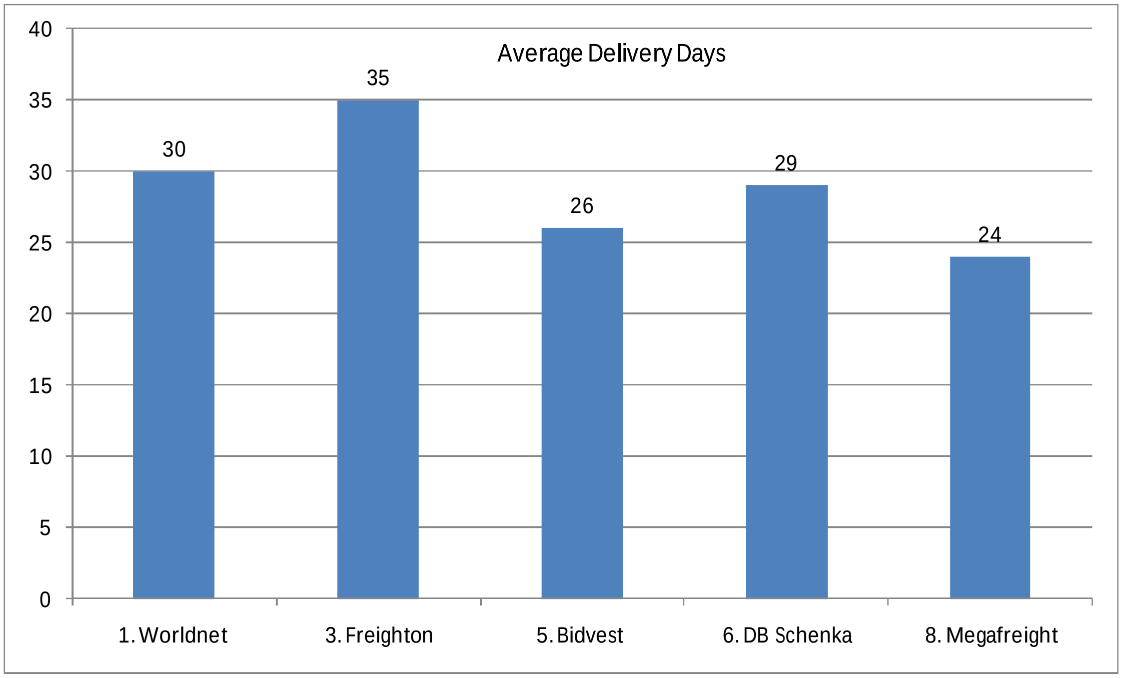


Figure 4.8

Question 21: This question asked the Freight Forwarder if they have a designated airfreight consultant that will be able to deal with all the subsidiaries queries. This was asked as it is important that there be a designated consultant that can handle all airfreight queries.

Designated airfreight consultant

Freight Forwarder	1	2	3	4	5	6	7	8
Answer	1	1	1	1	-	1	-	1

Table 4.33

Finding all Freight Forwarders except 5 and 7 can allocate a dedicated contact person for any sea freight as well as a separate dedicated contact person for any airfreight queries. Answer of 1 was the only acceptable answer for both questions 20 and 21.

Interpretation and Discussion

Each of the questions were interpreted separately as it was felt that each question needed explanation at the specific point the results were shown. A general discussion will now be undertaken regarding the results from the subsidiary respondents and the answers from the Freight Forwarders will be discussed.

From the research questions from subsidiaries it can be noted that there was a general level of co-operation with regards to China and inroads into Chinese products. As was expected by the level of resistance felt during the compilation of the research paper, when it came to suggestions of reducing costs by sharing suppliers or Freight Forwarders, resistance was felt, as openness was not forthcoming, specifically by most of the heads of the subsidiaries. This now can be noted that the reason for this is because they felt that this would impact them negatively and immediately. In hindsight more consultation is required to inform them that this paper is only here for suggestion purposes and more research needs to be done in future before anything is implemented. This statement can be emphasised by answers given to questions 7, 8 and 9 found on page 52, China and Chinese products affect the markets that the subsidiaries are in.

Overall costs pressures and lead times have been shown to affect all the subsidiary markets. As such in order to reduce costs a single procurement division can be seen as beneficial. This has been stated by Hugo and Badenhorst-Weiss (2011:31) who state advantages of a centralised organisational structure for purchasing and supply management as

- “Materials and products are standardised
- Negotiating power is increased and volume discounts are made possible
- Staff are afforded the opportunity of becoming experts
- Control is improved
- Administrative costs are reduced
- Supplier relations are enhanced
- Information systems integration is facilitated
- Duplication of effort is eliminated

When it comes to Freight Forwarders evaluation as previous stated in the research, the following needs to be considered. According to Voortman (2004:131) is important as: “Among the basic requirements of the new economy are accuracy, efficiency and speed. These are just the starting block for global competition. Managing international shipping involves a good understanding of a number of factors:

- The external people involved in shipping;
- The terms of trade used in international shipping (Incoterms);
- The various modes of transport or intermodal options available to the shipper;
- The risks involved in shipping for the buyer and the seller (and the associated Incoterms used).

Taking the above into consideration all the Freight Forwarders were told how important this exercise is and actually how big the holding company is for future potential work. Knowing this the following astounded me by their lack of commitment and interest in not answering all the questions. The reasons why certain Freight Forwarders cannot be considered for further evaluation will now be discussed.

Freight Forwarder 2

Did not answer all the questions especially did not give any quotes.

Freight Forwarder 3

They did not quote initially correctly. Just sent through average US$ freight totals. They did not ask for a Material Data Safety Sheet as Li-Ion batteries are flammable. Yet stated in question 10 that they have no restriction, they should know they need this documentation when shipping Li-Ion batteries.

Freight Forwarder 4

This Freight Forwarder did not give accurate quotes for each question. They rely on their potential client to work these quotes out themselves. Room for error is, therefore, greatly enhanced.

Freight Forwarder 7

This Freight Forwarder did not supply all the quotes required, just stated on one quote that this quote is the same for the other area left out – not professional enough. They took three weeks to submit their quotes, which was way over the lead time. When dealing with this company you have to go through a call centre and I was referred to four different people for the same account. Their quotes were also not standardised to one currency. Dealing with them was too time consuming.

As a result from the questions that were answered the following Freight Forwarders should be considered.

Freight Forwarder 1
Freight Forwarder 5
Freight Forwarder 6
Freight Forwarder 8

How to evaluate them further will be dealt with under recommendations. Interestingly enough only two of the original six Freight Forwarders that are currently been used in the group have successfully made it to the list of recommendations.

Conclusion

This research by means of questionnaires was undertaken to see firstly at what level Chinese products are affecting the six subsidiaries trading markets. Secondly, the questions helped to find out to what degree Chinese products are already being utilised in the existing product portfolio of the six subsidiaries. The questionnaires show the feasibility of consolidating shipments as well as better management of Freight Forwarders. Questionnaires helped with streamlining potential Freight Forwarders. It also highlighted some shortcomings that are being experienced by some subsidiaries utilising existing Freight Forwarders. Recommendations on what steps to follow gained from the results of the questionnaires will be discussed under the next chapter.

CONCLUSIONS AND RECOMMENDATIONS

Findings from the Study

It has been shown in the literature review that China has dominated trade with Africa, with regards to export from Africa and in most recent time's imports from China. China as a country is the biggest trading partner with Africa and this trend is not subsiding. The review has shown that it be beneficial to import goods from China as it will save in costs. The review has shown that a single procurement division for the Group will also help save time and increase product supply.

The primary research has shown the subsidiaries are open to Chinese products and that cost saving is required. These cost savings have been shown to come from a consolidated shipment structure implemented by using a single Freight Forwarder.

Findings from the literature review

Under the China in Africa section, the review indicates how China is stepping up its authority as the world number one power house controlling import and export trade to Africa. It starts with government to government relationships build through financial loans and infrastructure build. The Chinese government then promotes its state owned enterprise to build relations with African government organisations. The Chinese government then helps Chinese firms build relations with African companies thereby having dealings in all aspects of African trade.

As quoted earlier, according to Rice (2012): “Chinese exports to Africa jumped 22 percent last year to his $73bn – which is more than double the GDP on Kenya or Ethiopia...” This includes importation of cheap Chinese ware which has forced factories to close in African countries; it even acts as a deterrent for everyone thinking of local production.

With regards to Chinese quality the following needs to be re-iterated from a report from Department of Science and Technology (2010:3), which states: “Australia, China and Italy have maintained high levels of scientific research and in some scientific domains their quality of research in engineering and technology in China is much higher than that of Germany, Japan and England.”

Findings from the Primary Research

From the research questions to respondents from the various subsidiaries, it was noted that all the markets are under pressure from competition. All have or are looking into dealing with China as an alternative supply hub. There is a case for alternative supply options and better Freight Forwarder handling. There was some resistance from various subsidiaries when questions were asked about sharing costs and suppliers from other subsidiaries from the Group. The questions relating to sharing freightage and Freight Forwarders were particularly met with non compliance to this idea.

With regards to the Freight Forwarders, it was noted purely from comparing each other some subsidiaries could save between 13% and 31% in costs. They could also save between 6% and 11% on lead times. Not all the existing Freight Forwarders were helpful with regards to completing all the questions and with regards to supplying sufficient quotes. It was found from the accuracy of the quotes alone that the two additional Freight Forwarders should be given the opportunity to handle the Group’s Freight Forwarding business.

Conclusions

The findings of the literature review has stated that over the past decade most of the successful growth experienced by sub-Saharan African countries has been due to China’s acquisition of agricultural commodities and petro chemicals. So much so that according to the IMF Chinese Consumption in metals can be attributed to the actual growth of sales of these metals between 1995 and 2011, Roache (2012:8).

According to Africa: China’s Growing Role in Africa – Implications for U.S. Policy (2011): it states: “China’s interest in Africa China generally does not discuss its “hard” interests in Africa... China has four “hard” interests in Africa: - Maintaining or increasing access to energy, minerals, timber and agricultural products.

- Developing good relations with all African countries so that China can count on their support in regional and international forums.
- Increasing significantly China's exports to Africa, especially as the economies of African states become more robust and Africans increase their disposable income.
- Ending Taiwan's official diplomatic presence in Africa and replacing it with recognition of Beijing.

It has shown that China's quality standards are improving as what was stated by the Lingela (2010:3) "Australia, China and Italy have maintained high levels of scientific research and in some scientific domains their quality of research in engineering and technology in China is much higher than that of Germany, Japan and England."

The primary research has shown that, firstly the Freight Forwarders for the Group should be re-evaluated. As all the questions put to the subsidiaries, regarding Freight Forwarding, most of them intimated that Freight Forwarder intervention would benefit them. From the results of the primary research regarding the quotes received from the Freight Forwarders, it was shown that consolidated shipments and changing of the Freight Forwarder to the recommended ones, from the research paper, will help in reducing lead times as well as savings in freight costs.

The literature review shows that a consolidated procurement division can offer the following advantages which according to Hugo, (2011:31) is listed as follows:

- Materials and products are standardised
- Negotiating power is increased and volume discounts are made possible
- Staff are afforded the opportunity of becoming experts
- Control is improved
- Administrative costs are reduced
- Supplier relations are enhanced
- Information systems integration is facilitated
- Duplication of effort is eliminated

In summary the research paper has shown:

- China to be a trading force in Africa
- In order to be more competitive, Chinese trade has to be improved
- Getting the correct Freight Forwarder to handle the Group's shipping and clearing will reduce lead times and costs savings will be felt
- A single procurement division for Chinese imports is feasible

As stated in the beginning of the research, the consolidated procurement division although the right thing to aim for is not what must be aimed for initially. Under the recommendation section of this paper the time lines for actionables will be discussed further.

Recommendations

From the literature review it has shown that from 2010, China has become the biggest trading partner with Africa. In 2010 China has overtaken the United States of America as the number one trading partner with Africa by more than $14 billion in that year alone. The primary research has shown that a single Freight Forwarder should be utilised for the Group. The literature review as well as the primary research has shown that a procurement division utilising purchases from China would be beneficial for the Group. Taking this into consideration the suggested process to be followed that would yield most benefit for the group would be:

Firstly with regards to the single Freight Forwarder objective:

1. The four Freight Forwarders that could be used should now be tested with actual shipments from China. Even though the two are known, all four are recommended to be dealt with as if they are a new Freight Forwarder. As such no previous benefits or relationships that have been nurtured over the years should come into play. Once they all have been tested with a Sea and Airfreight, a comparative module could then be drawn up to see which one would work for all the subsidiaries. To reduce time wasted on this actionable it is recommended that two of the subsidiaries use these four Freight Forwarders and then report their findings back to the CEO who can forward it to the divisional heads of the remaining four subsidiaries.
2. Explicit instructions will be given to this Freight Forwarder that each subsidiary although one company must be handled separately, only benefit gained would be getting consolidated or grouped shipment rates. This is recommended in order to ease resistance to change that might be experienced from the subsidiary heads.
3. From this consolidation, after a stipulated time, which is recommended at 6 months trading, this Freight Forwarder must then give feedback on volumes and 'out of common date' shipments which needs to be worked on, in order to get new standardised shipping dates implemented.

Secondly with regards to Chinese Trade Partners:

1. It is highly recommended that each subsidiary, start strengthening ties with any Chinese manufacturer, they are presently dealing with.
2. The above can be established firstly by making sure, minimum order quantities is adhered to, orders are pre-paid before shipping. Initially recommending that shipments are handled, ex works, from any of the recommended Freight Forwarder. This helps by reducing risk to the supplier which will help in building a long term relationship. It also helps from the point of view to find out of any of the subsidiaries are actually dealing with an agent of Chinese products or the factory directly, no more can be divulged because of competitive advantage that could be gained at the present moment from reading this review.

Thirdly with regards to a consolidated Far East procurement division:

1. During the above time it is highly recommended that the proposed procurement division be allowed to quote on any products that are required, that would be feasible to import.

2. It is recommended that all the buying divisions start formulating a product list of existing products that they presently require and stock on a large scale. This list should be firstly sent to each subsidiary head for approval. Once approved it should be sent to the recommended procurement division to see if any benefit can be had in standardising certain products. The procurement division can then get competitive quotes from existing subsidiary suppliers for this standardization of products and get quotes from new potential suppliers which the procurement division has made contact with.

Area/s for further Research

1. As the Freight Forwarder will be consolidating shipments, a meeting after 6 months of trading with this Freight Forwarder, all Subsidiary Heads should meet in order to discuss the exercise in house and stock holding costs. Please refer to Figure 2.1 on page 22 of this research paper with regards to a perspective on cost savings.

2. Further to this all subsidiaries should eventually start building a unified task team in order to consolidate costs and to institute an Enterprise Resource Planning and Distribution Resource Planning model that can benefit all the subsidiaries. After this exercise, further benefits would then be felt from the Freight Forwarder.

Conclusion

It is shown that China needs to be taken seriously. Africa, Chinese trade is growing each year. China is the next superpower in the world. The research has shown that the Chinese government and Chinese companies have made the biggest inroads into Africa compared to any other country over the past decade. China is too big to ignore anymore. Chinese product quality is improving daily and has made significant inroads in the electrical, telecommunications and textile industries into Africa.

The research also shows that the subsidiaries should start working as one when it comes to importation from China in order to remain competitive. Communication channels from all the procurement divisions should not be static. Opportunity to reduce costs from suppliers should be the number one priority for all the procurement divisions dealing with products that are imported. If not, benefits of a multinational company cannot be fully utilised in order to combat competitive pressures.

To improve the Supply Chain it is also shown that a single Freight Forwarder should ideally be used. This single Freight Forwarder will be recommended after the four Freight Forwarders have been evaluated. The single Freight Forwarder will help improve lead time and freight costs. This will come about by consolidating shipments at source for all the subsidiaries involved.

This dissertation has shown China to be a competitive supplier in Africa. It has shown that all the subsidiaries could benefit from getting products at a more competitive price specifically from Chinese manufacturers. It has also shown the benefits of utilising one Freight Forwarder for the group.

NOTE:

This paper was written as extracted and edited from the dissertation submitted by the principal author in partial fulfilment for the award of the Master of Business Administration Degree (MBA) to the Regent Business School, Durban South Africa in 2013.

The dissertation was supervised by Annette Mentasti who is an external examiner attached to the Regent Business School. The manuscript was edited by Professor Anis Mahomed Karodia for purposes of publication as a journal article.

The entire bibliography cited in the study is presented and those applicable for this edited version of the article can be accessed from the cited references.

Any reader who wants a copy of the full dissertation can Email Professor Karodia at: akarodia@regent.ac.za to obtain the full manuscript.

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