- *Low range, low customization.* The declining segment of the market is for firms offering a traditional and low range of services without customization. Customs brokerage may be an area where a focus on a narrow service range for a wide client base may be effective. However, over time it seems likely that information systems (which are the core of custom brokerage) and physical logistics systems will become integrated. Customs brokers will need to increase the range of services provided.

- *Low range, high customization.* A narrow range of services may be provided successfully on a highly customized basis. A small forwarder may provide highly "personalized" service to one or a few firms. Increasingly, however, such services will be oriented more to meeting logistical needs fulfilling transportation requirements.

- *High range, low customization.* Substantial resources are required of forwarding firms providing a wide range of services for many diversified customers, commodities and geographic areas. In practice, most firms have some areas of concentration whether defined by commodities, transportation modes or the distribution of their offices or agency networks.

- *High range, high customization.* The development of highly customized services, whether based on customs, product or geographic markets served with a wide range of services, is consistent with the trend to greater provision of logistics services. Firms with modest resources can provide a wide range of services in market niches.

The development of office and agency networks must be carefully linked with forwarders' strategies, especially as service specialization and customization become important. Mergers and acquisitions among European firms, accelerated by Europe '92, may cause Canadian firms to seek new arrangements. Partnerships and arrangements must be sought with forwarding firms not only with excellent management and service levels, but also with compatible business strategies, which may involve significant customization.

The importance of policy harmonization, as distinct from effective service integration, is raising new questions about the desirability of the ownership of, or partnership in, offices in Europe. Some Canadian firms already have such arrangements in place. For companies that do not have such arrangements, extreme care must be taken in moving to Europe at this time, whether by starting a new company or by acquiring interest in an existing company. The current loss of customs brokerage and the strategic responses of forwarders to Europe '92 make the industry particularly competitive and returns through 1993 uncertain.

Freight forwarders should also look for opportunities to cooperate while still competing "in the field." Cooperation may be beneficial in the development of EDI systems and in the negotiation of freight rates.

Market Opportunities and Europe '92

Change on the scale of Europe '92 will result in a great diversity of challenges and opportunities. Industry sectors in which new export opportunities are expected include biotechnology products, telecommunication products, and automobile parts and accessory aftermarket products. Growth in trade may occur through established exporters and through Canadian firms entering European markets for the first time. Freight forwarders might be able to make a particular contribution to the NEXOS program — New Exporter to Overseas Markets — of External Affairs and International Trade Canada. However, one should not lose sight of current exporters who may be less successful than possible because of insufficient attention to and control of logistics arrangements.