



MANAGING VOLATILITY IN LOGISTICS DURING COVID

October 15, 2020

COVID has created and amplified uncertainty, volatility and complexity throughout the supply chain. Logistics is always complex; we manage uncertainty every day. But COVID has amplified it. The need for agility, security and speed delivering goods is greater than ever, as is the need to balance these requirements with costs.

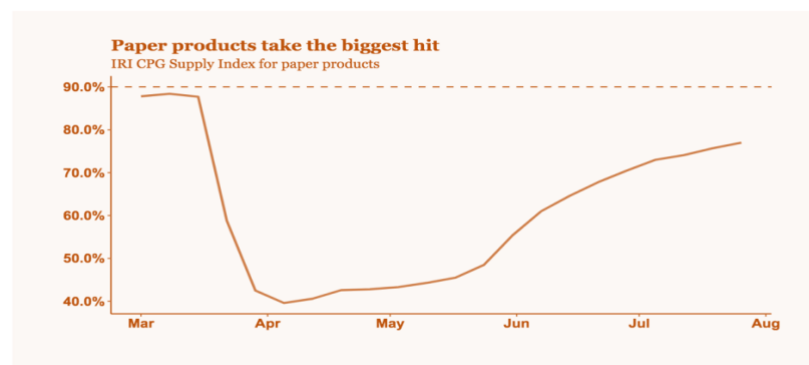
A recent study found that 91 percent of supply chain professionals say they cannot stay ahead of today's complex challenges. "Just in time" is being reevaluated; "just in case" may be more relevant. Senior executives now view the supply chain as mission-critical.

*"We will never again operate our business
as unprepared for something like this."* Supermarket Executive

Inventory Volatility

Panic-buying created volatility in inventory in many sectors. One pet food manufacturer built a new, centrally located, limited SKU warehouse to manage spikes in demand. Some manufacturers with complex supply chains are rationalizing SKUs. Other companies stock-piled inventory from overseas knowing that transportation costs were going to increase significantly for quite some time.

The following chart visualizes the inventory challenge in paper products. No one could have predicted that toilet paper would be the “poster child” of panic buying.



Indices less than 90 indicate decline; more than 90 indicate growth.
Matt Leonard / Supply Chain Dive, data from IRI CPG Supply Index

These charts are reprinted with permission from “5 Charts Show CPG Inventory Challenges” from Supply Chain Dive.

Freight and Rate Volatility

The pandemic has created broadscale rollercoaster effects in transportation. During the lockdown essential goods continued to move, while sectors such as food service and travel were decimated. The trucking industry suffered a bloodbath in 2019; COVID is making it worse. Meanwhile, the demand for PPE has created urgency in manufacturing and shipping, and the global network of refrigerated transportation

equipment (the cold chain) will be in the spotlight when vaccines are ready to be distributed. One of the major results is spiking costs and rising uncertainty in the transportation sector.

Airlines have been decimated due to the drop in travel; flight cancellations, and supply and demand issues affect airfreight capacity. Rates are expected to rise.










Ocean capacity and rates are volatile. Steamship cancellations, port congestion and port strikes mean reliability is declining. Transpacific rates nearly tripled during Golden Week in China (the first week of October). U.S. West Coast ports have been congested with imports of PPE (China is the biggest supplier), as well as retailers who are stocking up for the season. Currently, with the U.S. importing more than it is exporting, the limited supply of shipping containers is affecting shipments of American cotton, grain and hay.

Trucking has been disrupted in multiple ways. Drivers who transported essential goods had to adapt quickly to using PPE, distancing requirements, limited washrooms and food stations, and quarantine measures on the return home. Some drivers refused to drive, wanting to only take on short routes so they could be back home each evening. Many were not willing to enter certain hot spot areas of the USA.

Drivers who transported non-essential goods were idled. Before COVID the trucking industry was already struggling with razor thin margins, driver shortages, managing future investment in autonomous trucks, and addressing sustainability challenges. COVID is accelerating disruption.

Rail transportation, meanwhile, stayed steady and fluid, taking on capacity that the trucking industry could not handle. Rail demand has risen; we anticipate increases in rail pricing.

Transportation Trends

	JANUARY 2020	COVID	PROGNOSIS
 Airfreight	Passenger travel  Capacity  Driving rates 	Capacity  35% Avg. Rates 	Capacity  Rates 
 Ocean Freight	Cost of Ships  New Fuel Regulations Fuel Surcharges 	Slashed Capacity  Delays At ports GRI's  Peak Season Surcharge	Volumes  Reliability  Rates 
 Trucking	Steady Growth Bankruptcies(Contract)	Demand  More Bankruptcies Driver Shortage	Slow Recovery Rates 
 Rail	Steady Growth	Demand Grew 	  

Shipping across borders.

Not surprisingly, border delays have increased because of COVID. In addition, changes in the new NAFTA, the Canada - US - Mexico Agreement (CUSMA), came into effect on July 1, 2020, make exporting and importing more complex. Complexity is ramping up another notch due to the increase in customs compliance requirements from government agencies. An end-to-end solution may be more important than ever.

HOW SHIPPERS CAN MANAGE VOLATILITY

Look at ROI

Cutting and minimizing costs has always been a top priority for shippers. COVID has forced companies to pay more attention to Return on Investment (ROI) and Return on Time invested (ROTI). An expert 3PL team is hard to replicate in-house. Research shows that leveraging a 3PL partnership can translate into reducing overall logistics costs.

Look at Flexibility and Process

COVID impacted supply chains around the world, highlighting the need for agility, and the need to pivot quickly to find new solutions. An expert 3PL team can help, especially with multi-modal solutions, and end-to-end solutions for shippers who cross borders.

Look for Trusted Partners

A good 3PL will go the extra mile to provide top-level customer service, and customized solutions, but they can also provide strategic insights. A team of experts can go beyond a 'what-can-I-get-this-week' and look into your supply chain needs for the future.

Volatility, uncertainty and complexity are not likely to end soon.

WILLSON RESPONSE TO VUCA

Agility. Willson, founded in 1918, has weathered the Great Depression, WW2 and numerous recessions. This required vision and agility. As a privately owned, family company we can keep our eye on the long term, continue to invest in technology and expansion, and avoid making short term decisions just to appease shareholders.

Adapt Our staff bring decades of experience, and Willson's core values guide them to continuously adapt, learn and grow to ensure that we provide customers with the best solutions. Dedicated teams, take ownership (another core value), with a customer-focused sense of urgency. We understand the need for clear, timely communication, providing eNews, Urgent News, and regular blogs.

Value. We pride ourselves on delivering value at Willson, and understand our customers' increased need for customized service and efficient cost management. ROI is always important, but now more than ever.

Technology. Shippers, exporters and importers require visibility, customized reports, and the ability to adapt quickly. Willson continuously invests in technology that improves efficiency by saving time and frustration. Our end-to-end solutions integrate logistics and brokerage, offering customers a full array of technological solutions, including the ability to easily working from home.

We can help with logistics solutions, or provide more information on how end-to-end solutions can reduce complexity and volatility. Reach out to use at logistics@willsonintl.com or call 1 866 945 5378.

