



THE STATE OF SHIPPING, JULY 2021

*If Supply Chain had an arch enemy it would called
“bad communication.”*

If you read my ‘state of the union’ in April 2021, you will see that not much has changed. Nonetheless, this short article underscores that because the pressure to find carriers has not subsided, the upward pressure on prices continues, and inventory planning remains an urgent issue, we urge you to plan ahead.

If you are frustrated you are not alone. Just since April, shippers have had to work around wildfires, cybersecurity threats in the supply chain that have increased risk (and costs), container shortages continue (Home Depot recently purchased its own container ship), Yantian port congestion disrupted global supply chains because of a COVID outbreak, and retailers have started hoarding. Peak season may become permanent.

Many industries are experiencing what some call “supply chain impatience.” One CEO groaned, “Can you tell me what the ‘new normal’ will be? I would love to know.” Agility, good partnerships, and keeping the long view will help.

OCEAN, AIR, RAIL, TRUCK: DISRUPTIONS & RATE HIKES

“My team has worked harder than I’ve ever seen them work to ensure we get our containers on vessels,” said the CEO of a large manufacturer. Are the days of traditional peak season gone? Should we expect waves of peak season throughout the year?

Container shipping rates out of Asia hit record highs in June. This is creating bidding wars, which can be stressful and expensive, and is especially tough on SMEs and manufacturers of low value goods.

MANUFACTURING & RETAIL INVENTORY SHORTAGES

Last month Ford Motor Company announced plans to shut down or limit production at plants for the want of one sku: semiconductors. But automotive supply chains around the world are facing shortages, including components and parts. Lead times are at record highs.

Toyota, the company that pioneered “just-in-time” manufacturing in the automotive sector is reaping gains from a “just-in-case” strategy. Building on their experience after the 2011 earthquake, they chose to stockpile semiconductors. “Just-in-case” planning has provided a competitive advantage in today’s market.

Supermarkets are starting to hoard as they brace for price increases, buying and storing everything from sugar to frozen meat. One wholesale grocer stocked up on 15% to 20% more inventory, and another is holding more safety stock. This inventory tactic increases costs, and while demand remains strong, future demand is uncertain.

WHAT ACTIONS SHOULD SHIPPERS TAKE?

1. Expect continued uncertainty. Expect to review and revise goals, but keep the long view in mind. Plan ahead.
2. Balance the pressure to reduce costs, deliver on time, and ensure compliance. Partners who share information, and communicate in a timely manner can facilitate good, quick decision-making.

3. Invest in technology but remember, logistics is still a people business.
4. Build relationships with partners; become less transactional. Collaborate to create strategic oversight, customized solutions, and cost reductions. View your partners as an extension of your talent, or as an offset to your talent gap.

HOW WILLSON HELPS

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