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Survive the holiday air capacity crunch with lead time planning

Blake Shumate, COO, American Global Logistics | Dec 07, 2017 1:42PM EST

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With the holiday shipping season in full swing, affordable air cargo space is at the top of many retailers' wish lists.

Strong holiday sales and the rise of e-commerce mean shippers are moving more inventory to meet demand from digital and brick-and-mortar channels. The National Retail Federation forecasts a [3.6 to 4 percent uptick](https://nrf.com/media/press-releases/nrf-forecasts-holiday-sales-increase-between-36-and-4-percent) in year-over-year holiday spending for 2017, driven in part by Black Friday's evolution from a one-day sale to a four-day event online and in stores.

To avoid the dreaded stockouts while meeting customer expectations for fast delivery and product variety, shippers are steadily consuming more air freight capacity. Not only do retailers use air services to ship time-sensitive inventory, such as small amounts of on-trend products for one-day sales, but air freight is increasingly being used to deliver e-commerce orders to customers. Air cargo demand [rose 11.4 percent year over year](http://www.iata.org/whatwedo/Documents/economics/freight-analysis-jul-2017.pdf) in July 2017, nearly quadruple the 10-year average of 3.1 percent, according to the International Air Transport Association. [Capacity is struggling to keep up with demand](https://www.joc.com/air-cargo/international-air-freight/soaring-air-shipments-spark-capacity-crunch-and-higher-rates-20171118.html), growing only 3.7 percent in the same time frame. Air freight prices are responding accordingly, [doubling from September to November alone](https://www.joc.com/air-cargo/international-air-freight/soaring-air-shipments-spark-capacity-crunch-and-higher-rates-20171118.html), as the holidays continue to put pressure on prices and retailer budgets.

In the evolving omnichannel environment, getting products to the right place at the right time is a balancing act. Waiting too long to ship can force businesses to rely on expensive and scarce spot air capacity, and building up inventory reserves comes with its own costs and risks. E-commerce is prompting many supply chain managers to reexamine traditional just-in-time practices, where inventory arrives at the warehouse, is cross-docked, and sent on to the customer. Shipments now take multiple paths from production to final destination, sometimes bypassing the warehouse entirely, and companies such as Amazon are building [massive logistics networks](https://www.joc.com/trucking-logistics/amazons-logistics-expansion-gains-momentum-20170915.html) that are ingraining an "everything takes two days" mentality in customers.

Although many retailers believe minimizing lead time is the key to remaining competitive, lead time accuracy, not speed, is ultimately more important. Shaving days off transport often means shelling out for more expensive modes, such as air cargo. To plan effective supply chains, businesses need precise data on inventory needs, a solid understanding of the time it takes to move goods from production to retail, and standardized processes to do so efficiently.

By forecasting consumer demand dynamically throughout the year, retailers can determine required product types and quantities well before the first shoppers line up on Black Friday. Armed with that information, businesses are better equipped to build supply chains that can deliver. Here are two key areas that can help retailers improve lead time accuracy.

The first is realistic (not optimistic) data. To understand their total lead times, retailers need visibility into each step of their supply chain. Rather than depending on data from carriers or suppliers, which can be inaccurate, a technology platform with an end-to-end view of supply chain activities can help businesses establish accurate historical averages. For example, an ocean freight forwarder may say it takes 25 days to travel from the South China Sea to the United States, but if your last 10 containers all took 30 days, you will know that the carrier's



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estimates will ultimately leave you scrambling. A technology platform built around business rules can also help retailers maintain consistent lead times by alerting them immediately to missed production or shipping milestones.

For one manufacturer with a five-step production process, a lack of visibility into the factory's progress made it difficult to predict when products would ship, threatening its promised delivery dates. The business worked with its supply chain partner to add each production stage to its technology solution, so it could see real-time status for each item. As a result, the business dramatically improved its forecasting ability while identifying new ways to enhance production efficiency.

The second area is flexible logistics planning. Transportation makes up a sizable chunk of time and costs in any shipper's supply chain, and it is an area often prone to disruption. As businesses work to keep deliveries on time and on budget, a partner with a solid logistics network and industry knowledge can help them manage their allocations to stay on top of lead times.

By employing technology to see any shipments that are not conforming to their business rules, retailers can spot hiccups before they turn into bigger problems. A supply chain partner with relationships across modes and carriers can find alternatives quickly, saving businesses the hassle of sourcing quotes from multiple vendors and helping them access critical capacity. For example, if a shipment headed for the East Coast will not meet a drop-dead delivery date, a seasoned provider may suggest changing the docking from the East Coast to the West Coast and transporting goods cross-country by tractor-trailer. Although this approach requires businesses to be open to new modes or carriers, those who focus on the end results, rather than the route, can keep lead times on target without overpaying for service.

The goal is a happier holiday season. Air freight is in high demand this holiday, but with the right lead time planning, more businesses may find they can reduce their reliance on it. By focusing on the most accurate lead times — not just the shortest — retailers can work efficiently and cost-effectively to meet customer demand year-round across any channel.

Blake Shumate is COO of American Global Logistics.

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