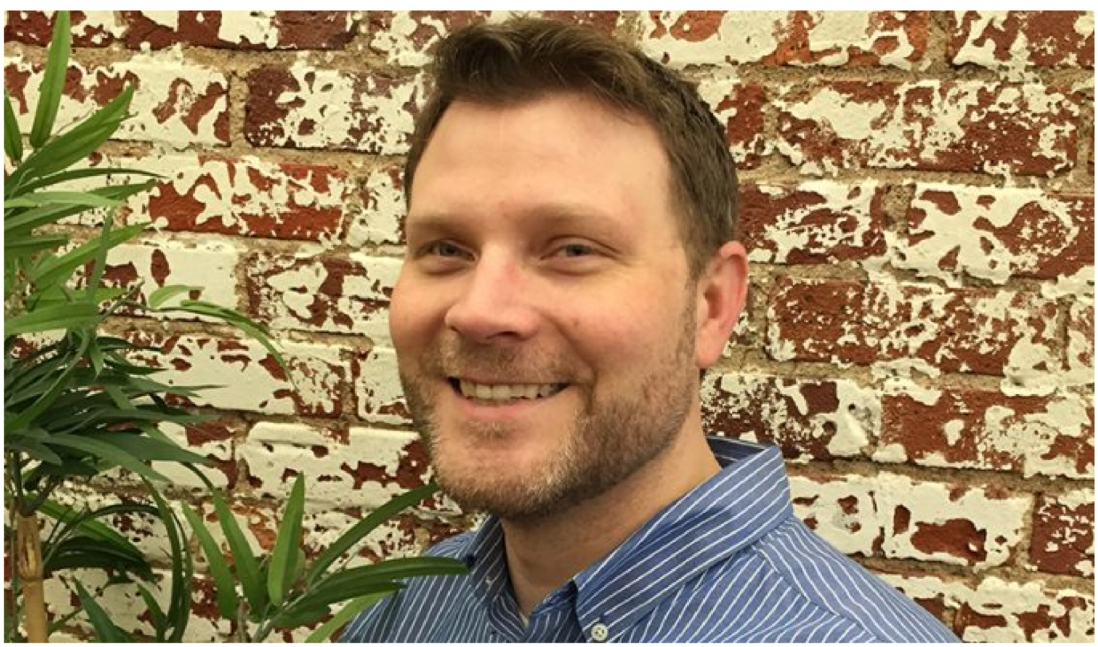
THE LOADSTAR
MAKING SENSE OF THE SUPPLY CHAIN

Three strategies for the peak shipping season



By Blake Shumate, Chief Operating Officer for American Global Logistics 30/08/2019

As the 2019 peak season heats up, plenty of shippers are rightfully concerned about a repeat of last year's turbulent ocean freight season.

While tariffs continue to impact shipping volumes and freight prices, emerging issues like the impending fuel sulphur cap could complicate matters even further.

The bottom line? Businesses need to get their goods in hand without breaking the bank before the holiday shopping season begins. As shippers prepare to weather another busy peak season, an agile, technology-enabled supply chain is critical to keep freight moving smoothly and customers satisfied.

A cooler-than-usual peak?

Many shippers started 2019 still reeling from the previous year, when spot rates skyrocketed, carriers cut back on capacity and blank sailings wreaked havoc on freight schedules. The turbulent season gave the ocean freight industry the upper hand going into the 2019 contracting season, with many carriers locking in price increases of $200 to $300 per teu compared with 2018 contract rates. While higher rates have left shippers grumbling, they could ultimately benefit businesses by stabilizing freight schedules and reducing the blank sailings that left them scrambling for expensive spot capacity last year.

As the 2019 season gets into full swing, import levels are cooling off amid economic uncertainties. Total import levels reached an estimated 1.87 million teu, just 0.8% higher than the previous year, as many businesses take a more conservative approach to inventory replenishment. Staples such as school supplies and holiday items will continue to move regardless, but this strategic shift could mean a very different peak season compared with 2018's importing frenzy.

Other trends impacting peak season include ongoing trade tensions, which remain a wild card for 2019. Last year saw a spike in shipping as businesses rushed to beat U.S.-Chinese duties, but import levels could continue to taper off as businesses only ship what they need to avoid tariff increases. Chinese import volumes have decreased about 5% so far this year, according to PIERS, as shippers begin to shift sourcing to neighbouring countries like Malaysia or Vietnam.

The International Maritime Organization's (IMO) looming cap on sulphur emissions will make its mark on the season as well, with multiple vessel strings being pulled out of service for scrubbing already this summer and more maintenance on the way. While these setbacks could constrain freight capacity, a weaker market means the fallout may not be as severe.

Forecast, forecast, forecast

The more aware shippers are of what's coming down the line, the more opportunities they have to make informed decisions, hold the line on costs and ensure their goods make it into customers' hands. As peak season ramps up, some key areas to keep in mind include:

1) Gaining visibility into purchase orders. Many shippers run into a "black hole" between the time they submit an order for production and when it's ready for shipping. Businesses need to understand what happens in that timeframe and measure incremental milestones so they can plan accordingly. For example, if production normally takes 60 days but a slower-than-usual order actually takes 73 days, it can create chaos further down the line. Gaining visibility into production progress can help shippers manage customer expectations effectively while determining the ideal freight routes for each order. For example, shippers may be able to cut costs for an order running ahead of schedule by opting for a cheaper 50-day sailing over a 30-day one. The right tech can offer valuable insights into the production process, saving shippers time and resources.

2) Avoiding shortfalls when possible. Most carriers require bookings 14 to 21 days ahead of time – and they expect them to be fulfilled. Shippers do themselves and their carriers a favour by consistently respecting the advance notice policy. If a business promises 10 containers and only delivers three, the carrier may not be willing to book with them the next

time, leaving them stuck with more expensive shipping alternatives. Forecasting can help shippers manage peak season volumes more easily and develop a trustworthy reputation with both carriers and customers.

3) Keeping an eye on exceptions. When it comes to complex global supply chains, issues are inevitable. When logistics hit a snag, make it a point to learn where breakdowns are occurring to ensure future shipments are hitting the desired delivery day. Leveraging management tools and data can help businesses pinpoint alternate routes and modes to meet price or speed targets.

With the 2019 peak season kicking off at low tide, only time will tell the true impact of tariffs and the Sulphur emissions cap on the state of ocean freight. With strategic attention to data and industry trends, forecasting consistency, and a commitment to flexibility, shippers should be well-positioned to manoeuvre through another year successfully.

This guest post is by Blake Shumate, chief operating officer for American Global Logistics, one of the fastest-growing international supply chain and logistics solutions companies in the world.