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eGuide

Using the Power of Forecasting to Ensure Capacity in Peak Season and Beyond

Successfully navigating capacity crunches during peak season from mid-August to mid-October can mean the difference between meeting demand during the holidays or being waylaid by a slough of rolled containers.

Or, more importantly, the difference between happy customers and bare shelves during the busiest shopping season of the year.

With so much on the line, locking in capacity in advance can help ensure consistent, predictable volume. This allows shippers to accurately allocate and utilize available space, resulting in more timely shipments and, ultimately, more satisfied customers. The first step is to get a clear picture of your shipment volume, and that's where forecasts come into play.

Build a solid foundation

Forecasting shipments may seem like a minor detail, but a little planning and careful calculation can go a long way to secure capacity in peak season. Not only that, establishing accurate shipment predictions can help you get the most out of your relationship with your freight forwarder.

Let's take a look at why forecasts should be an integral part of RFP season, best practices for building forecasts, and the resulting benefits for logistics managers and overall businesses.

The Importance of Forecasting

At its most basic level, ocean freight is a game of connecting the dots. You want to get your goods from point A to point B as quickly as possible. With this in mind, it's easy to make a few — sometimes wrong — assumptions about shipping goods:

1. Larger shipping volumes can lock in more desirable rates from carriers, and

2. High shipment volume is an indicator of overall business growth and health.

➤ The reality is that shipping rates rely on a multitude of factors — not just how much volume a single customer is moving. Poor or non-existent forecasts make it difficult for a freight forwarder to secure necessary space throughout the year. This often results in last-minute, unexpected shipments, which can be extremely costly on the spot market. Forecasts help you define a strategy that allows your freight forwarder to provide focused insight and guidance even in the most volatile ocean markets.

Easier Said than Done

If forecasts are so important, why don't more businesses create them? Much of the reason lies in the fact that they take time to build, and there are a few obstacles that can make forecasting complex, including:

- ▶ The calculations require large data sets, which can be difficult to manage.
- ▶ The market factors for ocean freight are always shifting.
- ▶ Consumers — and demand — are unpredictable.
- ▶ It's easy to overestimate.



A Better Supply Chain

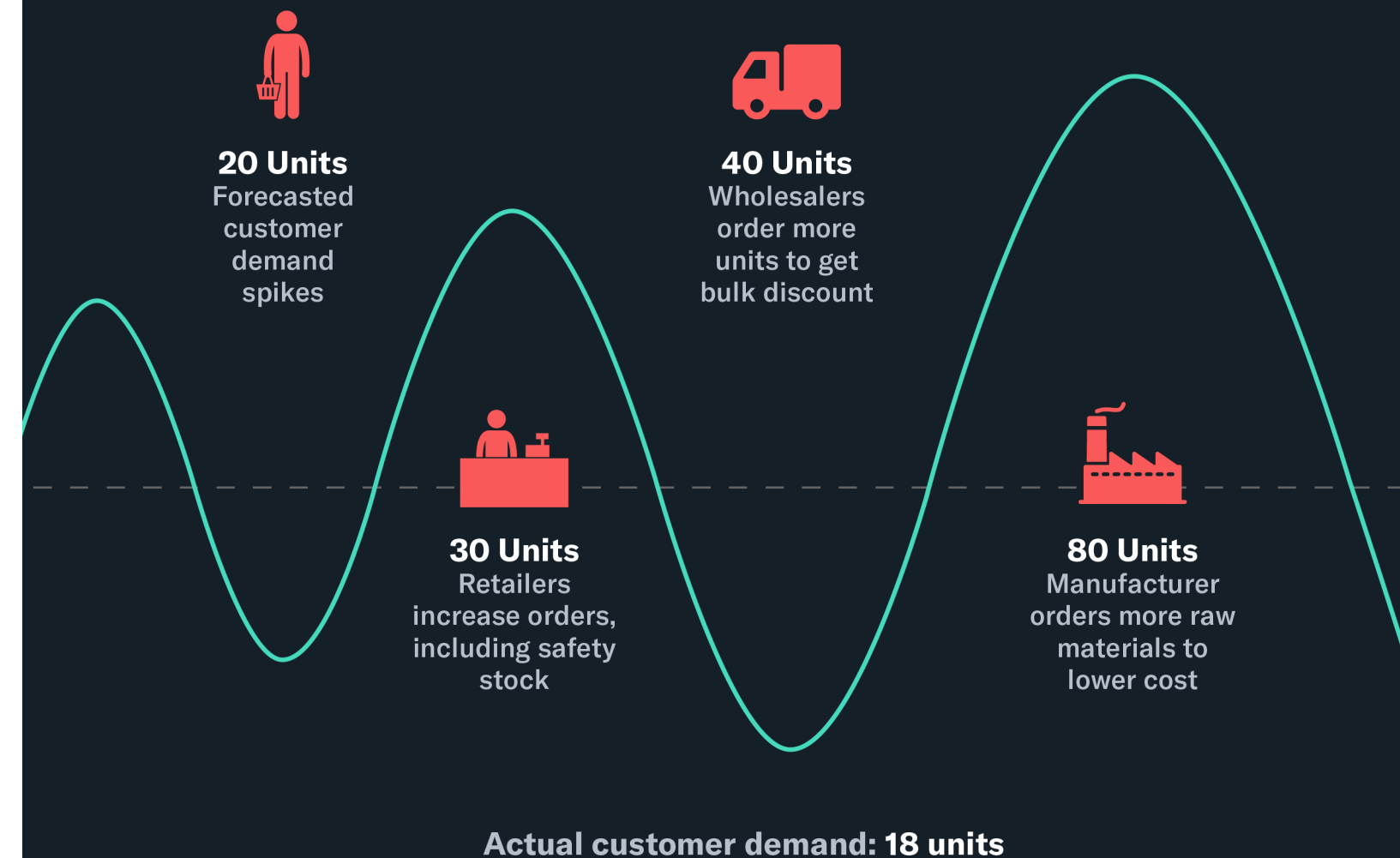
➤ Creating an accurate forecast sounds like a big hill to climb. But there's good news. Getting into the practice of predicting volume more accurately can ultimately reduce disruptions across your supply chain and make your fulfillment processes much smoother.

Taking care to be as realistic as possible protects your business from what's called "the bullwhip effect,"¹ a condition that describes how customer demands can cause inventory swings as one moves up the supply chain. For instance: Raw material suppliers are most drastically affected by seemingly minute waves of customer demand, resulting in excess inventory languishing or stockouts due to insufficient production. The bullwhip effect underscores the need to keep buffer or safety stock on hand to account for fluctuating customer demands.

The bullwhip effect can be a challenge for businesses of all sizes and, in fact, some of the world's largest and well-known brands have struggled to align production with customer demand. This point was illustrated clearly when the CEO of a major sports shoe and clothing company announced slowing sales as a result of supply chain kinks. With most of the company's production dependent on Asian suppliers, an unexpected jump in market interest left the company short of raw materials and, in turn, the volume of product to match demand.

Failing to forecast for consumer demand can be a costly pitfall for businesses of all sizes. Shifting focus to more accurate demand forecasting can minimize adverse effects and help optimize opportunities for revenue growth.

The Bullwhip Effect



¹[The Bullwhip Effect and Your Supply Chain](#)

Put the Pieces in Place

➤ A good forecasting model relies on intel from multiple departments, including sales, operations, and logistics. But, it doesn't have to be a huge organizational burden. Start by identifying who will be involved and which data points will position you — and your company — for success.

1. Start with what you know.

Think about your businesses' historical peak periods. Additionally, you should be able to map out planned pricing for the coming year. Any data around consumer behaviors and your planned sales approach will be vital. Flexport's platform provides in-depth historical shipping data to provide customers a more complete picture of their shipping trends and business seasonality.

2. Establish a process.

Simply collecting data isn't enough to adequately guide your supply chain. Go one step further and create an initial forecast, incorporating any apparent industry trends. Don't overlook meeting with sales and finance teams to come to an agreement on top-down and bottom-up forecasts.

3. Use the right tools.

Building a forecast doesn't require costly enterprise software. In fact, you can create a powerful forecasting tool right from a spreadsheet. Your freight forwarder should have a template that can streamline the process and get you up and running fast.

4. Implement and observe.

Numbers change. Keeping an eye on data sets over time can improve your forecasting accuracy and help you continue to drive value for your business.

Understand the Advantages

Implementing a forecasting strategy can have a significantly positive impact on businesses of all sizes. By taking the time to understand historical trends in manufacturing and sales, you can bring consistency and predictability to an otherwise fickle industry.

Efficient Operations

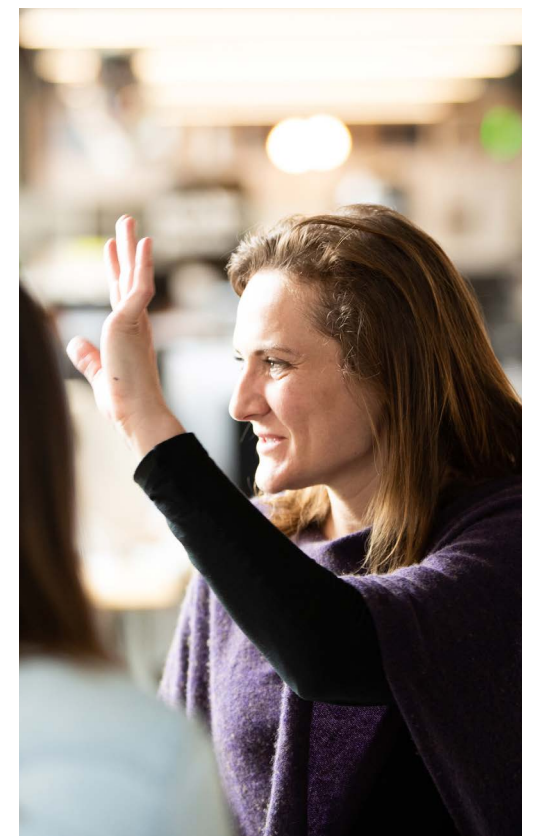
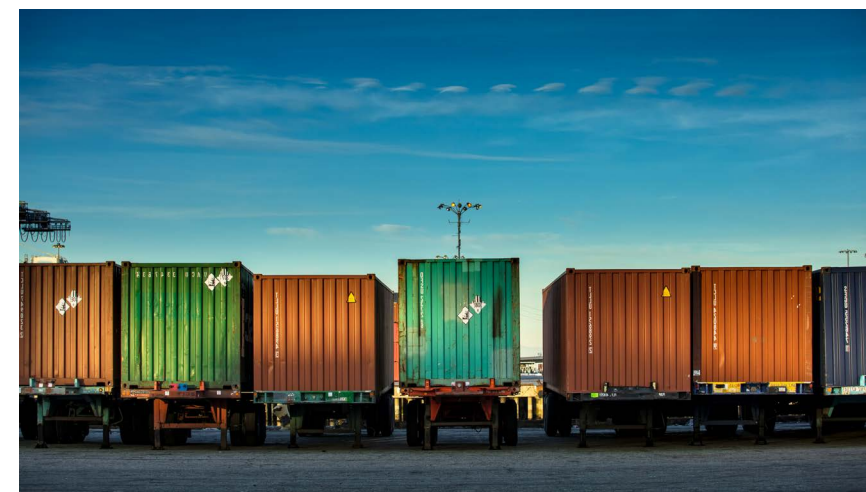
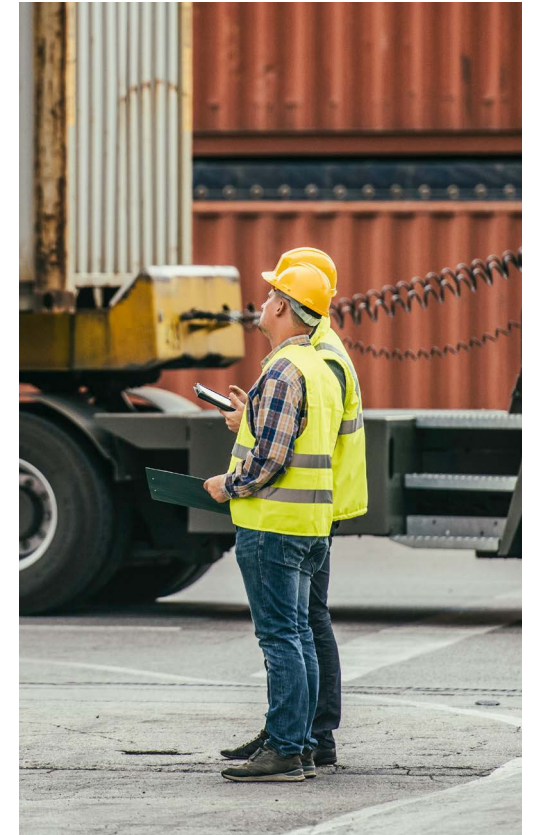
➤ Inefficiency can result in huge business impact. Produce too much, and you're stuck with inventory you can't sell. The less accurate your production or procurement schedules, the more likely you could be facing last-minute changes and exorbitant charges on the spot market. And, unclear demand expectations can mean huge delays in getting products to your customers. But by taking the time to develop realistic projections, you may be better positioned to find the most cost-effective methods to get your goods where they need to be when they need to be there.

Informed Business Decisions

➤ An accurate forecast model can become the cornerstone of meaningful business strategy that results in more efficient processes and business growth. When you've taken the time to examine meaningful data points alongside your company's supply chain expectations, executives and other team members can make more informed and strategic business decisions.

A Better Freight Forwarder Partnership

➤ In many cases, freight forwarders simply serve as a facilitator — getting goods moved. But in a best-case scenario, a freight forwarder should be your top advocate. Sharing an accurate forecast with your forwarder can go a long way in securing your capacity in a tight market. Not only that, your forwarder may have much stronger negotiating power on your behalf when there is a shared understanding of how much volume you are moving. Striking the right partnership can open up a world of strategic insight that can help you easily navigate the shifting seas of ocean freight.



Conclusion

While it's true that there's no such thing as a crystal ball in ocean freight, an accurate forecasting model will help insulate your business from the main factors that make shipping so volatile.

As trends come and go, or as the market responds to whatever waves roll in, sound forecasting can help keep your customers happy, inventory moving along, and business leaders happy — no matter what season.

About Flexport

Through its Operating System for Global Trade, Flexport delivers a strategic model for global businesses that combines advanced technology and analytics, logistics infrastructure, and hands-on supply chain expertise. Delivered to customers and suppliers via a highly available and secure cloud software platform, Flexport's Operating System for Global Trade enables fast and reliable transit times, greater visibility and control, and low and predictable supply chain costs.

With its cloud software and data analytics platform, Flexport today serves almost 10,000 clients and suppliers across 109 countries. Its offerings span ocean, air, truck and rail freight, drayage and cartage, warehousing, customs advisory, financing, and insurance.

Learn more at flexport.com

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