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 eGuide

The Logistics Manager's Playbook

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Introduction

For growing companies in the hand-over-fist climb to success, half the battle is setting up processes and systems.

Add massive disruptions like the ones from 2020, and you quickly separate the pros from the amateurs.

At the center of all this action is the logistics manager who faces unknowns on a daily basis—and who is the carabiner on which business survival relies. After a year like 2020, it can be easy to say all bets are off. But big challenges often lead to momentous opportunity. And with advance preparation and a prescription for

essential steps to take, logistics managers can gain a stronghold for maximum control and visibility.

With that, what follows is a primer to help you take concrete, actionable steps to set you up for supply chain management success in the year ahead—in any year.

Section 01

Pre-shipment Planning: What to Know



The View from the Top

Even during a year of what used to be called 'normal,' finding space on transport options—whether by sea or by air—can be challenging. But by keeping the fundamentals in mind at the outset, you can firm up your foundation.

Plan For—and Around—Key Dates

From RFP season to peak season, there are key timeframes to keep in mind. How you plan around these dates can have a huge impact on the smooth running of your supply chain—including whether you land inventory when and where you need it, and how cost efficiently you manage your supply chain. Here's your cheat sheet:



Chinese New Year

Chinese New Year (CNY), also known as the Lunar New Year or Spring Festival, is the biggest Chinese celebration of the year. **Kicking off at the end of January or early February, it lasts about 16 days.**

Why you should care:

- Suppliers and factories close down for the entire week of CNY. Any disruptions already occurring become amplified during this time. It can take up to four weeks for factories to return to full capacity.
- Ocean rates increase significantly during this time.
 - Space with carriers becomes more difficult to secure—sometimes three to four weeks prior to the CNY rush—as shippers push to clear out warehouses before the holiday.
 - Carriers typically have a few blank sailings during CNY, so it's important to plan ahead.
- Air Freight rates also increase significantly ahead of the holiday as shippers look to move goods prior to the CNY production hiatus.



RFP Season

RFP Season stretches from the beginning of the year through the first quarter.

Why you should care:

- For many, especially those focused on the Transpacific Eastbound (TPEB) trade lane, RFP season is considered the start of a new contract season. With that, it's an opportunity to explore proposal terms and evaluate spot versus contract:
 - Contract or fixed rates refer to pricing that is tied to specifics around shipments for a defined period of time.
 - Spot rates refer to ad-hoc pricing of shipments, and are based on market conditions at a given time.
- Shippers who may be your competitors are shopping around, looking for the best carrier rates.
- Not all carriers offer the same services and rates can vary dramatically.



Golden Week

Golden Week is a holiday in China that starts in early October.

Why you should care:

- Carriers will be overbooked even more than usual, likely resulting in cargo getting rolled.
- Airfreight demand is strong ahead of the holiday and rates typically increase as shippers compete for limited capacity.
- During the actual holiday period, airfreight capacity is cancelled since factories are typically idle for 7-10 days.
- Trucking services carry higher rates
- Blank sailings will be likely immediately after Golden Week to account for factory closures around the holiday



Peak Season

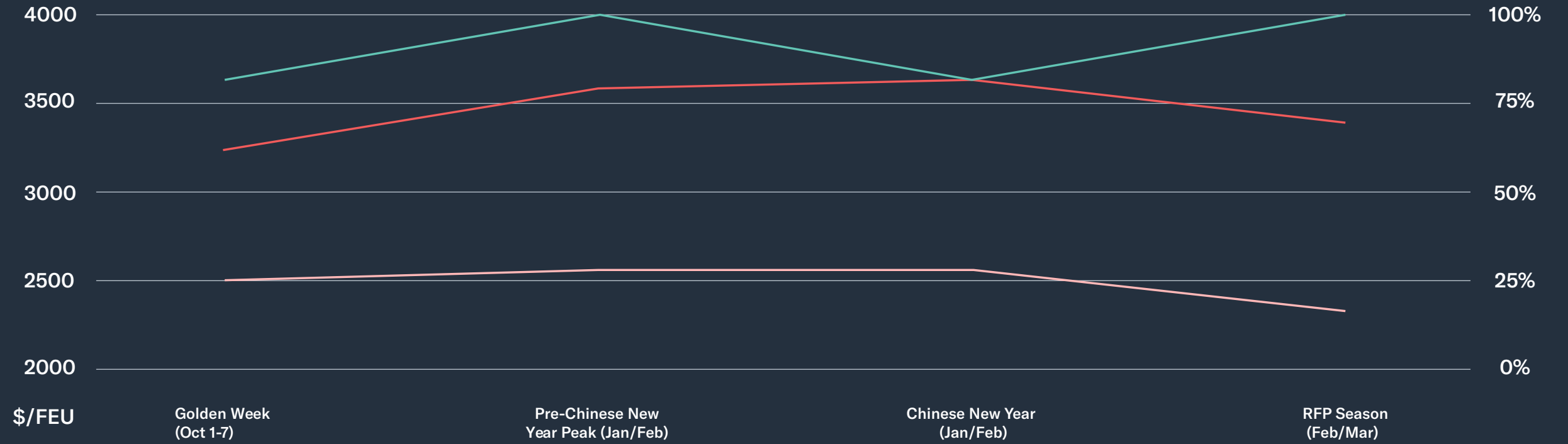
Peak season stretches from mid-August through November, as shippers rush to get goods in time for the holidays. From a shipping perspective, peak for US holiday season will start with US East Coast first, followed by US West Coast due to the difference in transit time.

Why you should care:

- Ocean carrier capacity will likely be tight, prompting higher rates.
- Airfreight is busiest at this time. Rates continue to rise during this period, peaking prior to the Thanksgiving holiday. If disruptions occur in ocean shipping, demand for airfreight increases, further exacerbating a tenuous demand/capacity balance.
 - Delays are typical and transit times increase by 2-3 days.
 - Airline ground-handling terminals experience significant congestion in many of the key gateway airports.
- Ports and warehouses will also likely be congested, impacting time required to load and unload at origin and destination.

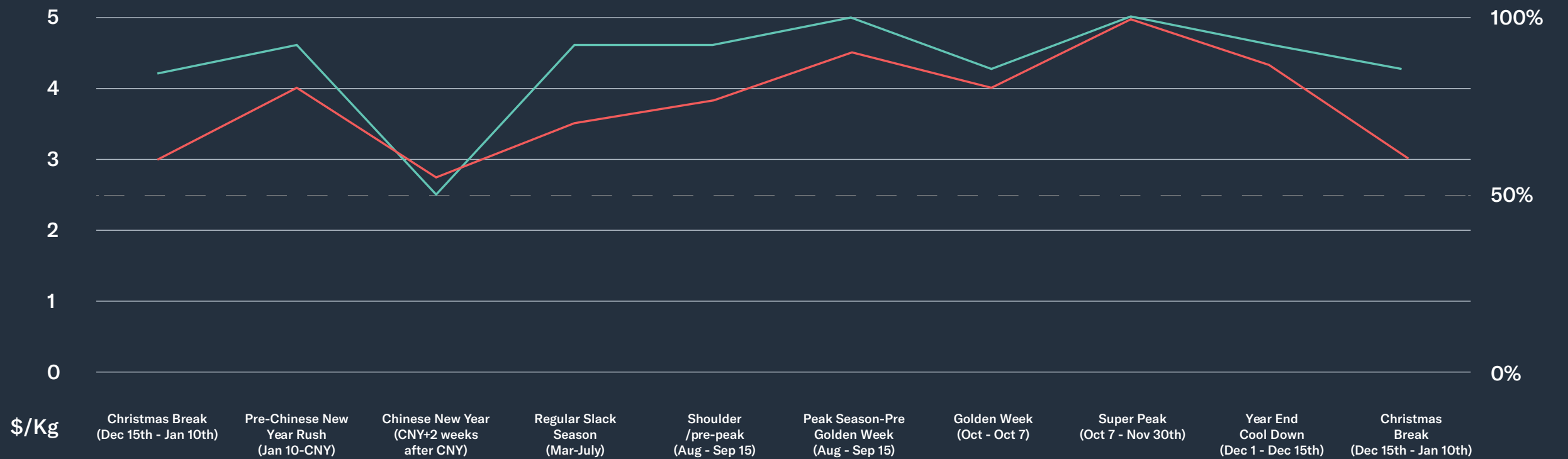
OCEAN
How Capacity and Rates Trend Over Time*

- TPEB Rate (WC)
- Capacity
- TPEB Rate (EC)



AIR
How Capacity and Rates Trend Over Time*

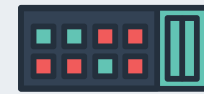
- Capacity
- Rate (CN/HK -> US)



* These graphs refer to years as normally seen in global shipping. But both 2020 and 2021 lived up to their reputations by showing highly irregular patterns.

Understand Shipment Transport Options

If you want to have a successful vacation, commute, or trip to the grocery store, you must pick the right way to get there. Shipping is similar, with equally important mode choices. Ocean freight is a fraction of the cost of airfreight, but far less fast. And going by sea requires a choice between full or partial container loads, each with different speed/cost trade offs. This reference page will help you choose the right transport modes for your supply chain.



Ocean LCL

Less-than container load

Typical transit time

20-45 days

Pros

- Less expensive than FCL or air
- Built-in flexibility lets you ship smaller quantities of goods instead of waiting to have enough volume for a full container load
- Cargo can move dynamically to different warehouses

Cons

More stops due to freight from various businesses sharing the same voyage

When to use

When your ocean freight shipments don't require the full capacity of an ocean container



Ocean FCL

Full container load

Typical transit time

20-45 days

Pros

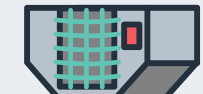
- Voyages are more direct because they don't involve consolidation and deconsolidation, which saves valuable time
- Flexible options let you choose container sizes and types:
 - 20', 40', 40'HC, 45' HC
 - Refrigerated (aka reefers, for temperature-sensitive cargo like produce), standard dry, open-top
- Schedules are more reliable
- Potential for damage and delays is lower due to fewer handoffs in the shipment
- Premium services are typically available for expedited services

Cons

Slower, overall transit time (compared to air), more expensive (than LCL) but cost is based on a single rate paid for the entire container, versus volume.

When to use

When you have enough goods to fill an individual container. And, when you are shipping goods such as bulk/nonperishable food stuff like canned goods; high-margin consumer electronics; furniture; stock-replenishment clothing



Air

Typical transit time

1-10 days depending on service levels

Pros

- Very fast transit times: between 2-7 days from anywhere to everywhere
- Highly reliable, with sophisticated ability to track and trace each shipment
- Ability to safely and securely move temperature-sensitive goods like pharmaceuticals and perishables—or high-value cargo like smart phones, hard drives, and fashion

Quick recovery of cargo at destination gateway

Cons

Significantly more expensive than any other mode of transport

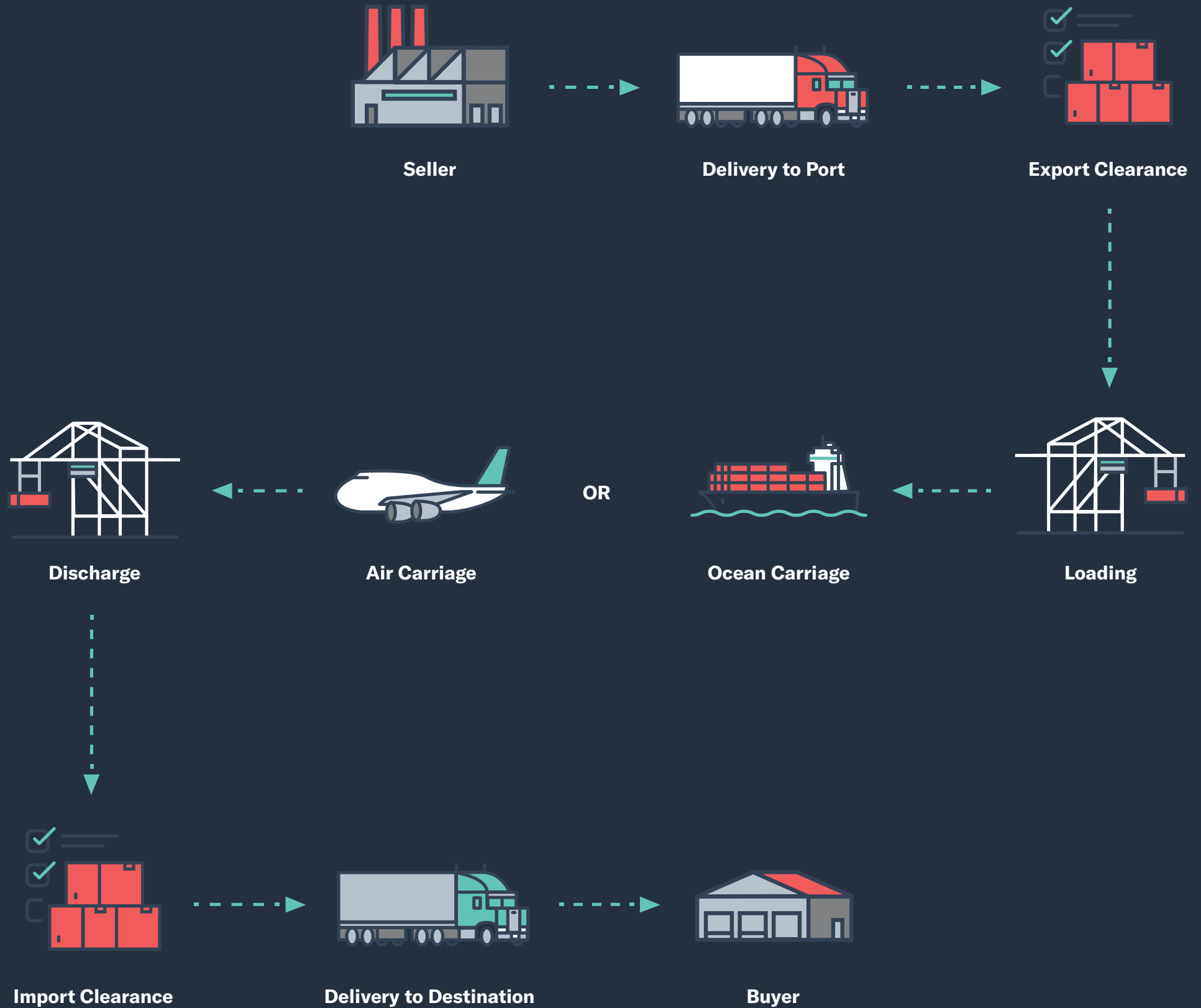
When to use

- When goods have high retail value (think luxury watches vs peanuts)
- When products are perishable (and 30 days on the ocean would be too much)
- When demand is unpredictable (think PPE, or batch-size orders like engineering samples)
- When the shipment is time sensitive and tied to a product launch or need-by date

Learn the Lifecycle

Regardless of which transport mode you choose, every booking has specific phases it passes through.

And, each phase presents an opportunity for delays or incidents that can jeopardize your cargo.



Section 02

Putting Things in Motion: What to Do

Know the Footholds and Handholds

Following the basics of supply chain management might seem easy on the surface. In reality, not so much. A lack of transparency can make bumps in the road seem mountainous. But when you're empowered with visibility and resources, complexity is removed from supply chain management. The guidelines below can ensure high-adrenaline scrambling is kept to a minimum.



Remember the sequential phases of the shipping lifecycle? Let's dive down into the next level.

From the time you start to price freight, there are multiple steps before you get to booking. And from there: even more steps before you ever see your goods. Being clear about your objectives and taking concrete steps can make all the difference.

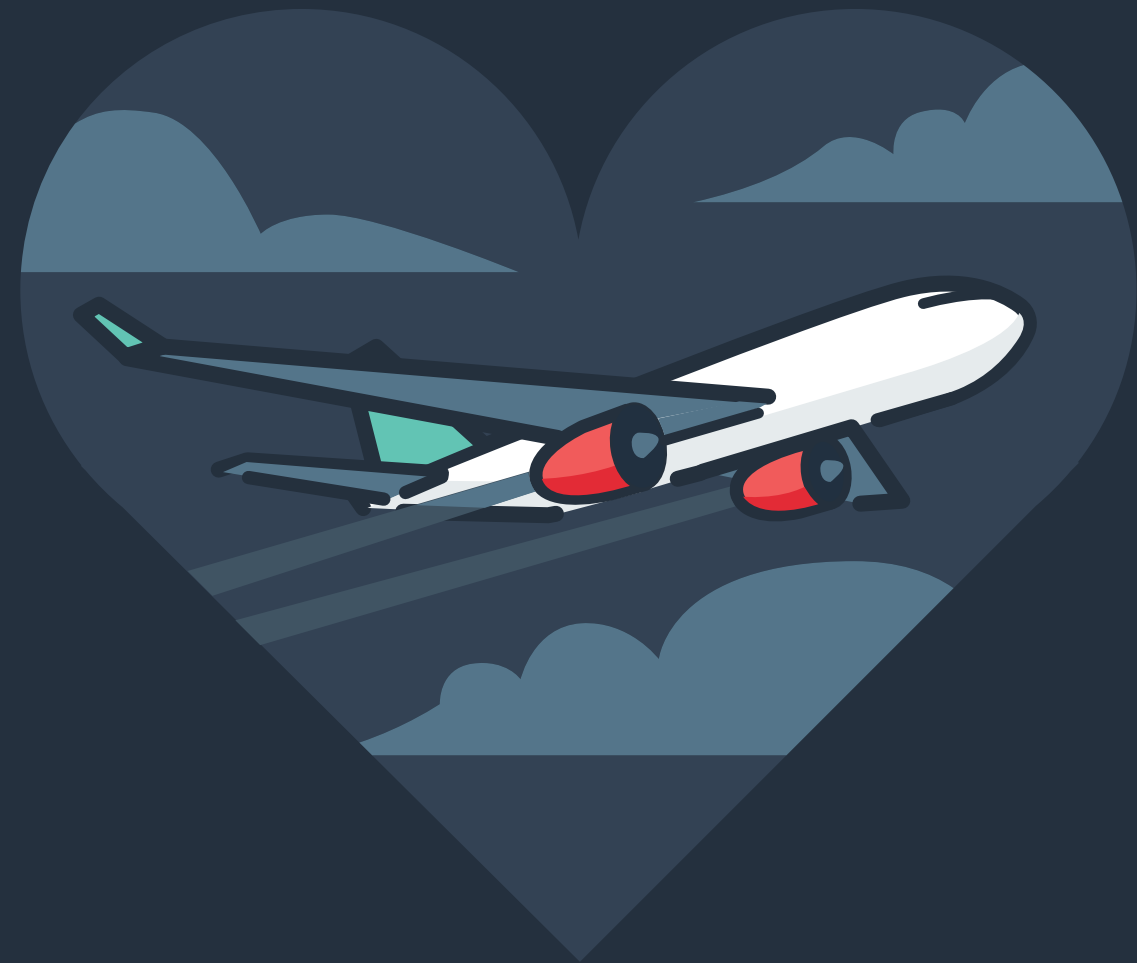


Finding the Right Freight Forwarder: From FF to BFF

Finding the right freight forwarding partner can be tricky as you navigate relationship building and the delicate balance of budget and reliability.

What to do:

- Get clear on what exactly you need and want. A template can help, as can these key questions to ask your potential vendor:
 - How many TEUs can I expect to be available to me on a weekly and monthly basis?
 - What happens if I don't deliver the volume committed to?
 - Are there any additional surcharges or fees not included in the pricing quoted?
 - Do you have a platform that allows me to easily coordinate with my supply chain partners?
 - What types of expertise do you have available in the event that customs or other trade issues arise?
- Predict your cargo volume as precisely as possible.
- Schedule a trial before committing.



Setting Strategy: Plotting from Point A to Point B

As you design your freight forwarding strategy, consider the realities of infrastructure and their impacts on your inventory. Not all ports are created equal, so educate yourself on the quirks and nuances of each before committing. Achieving the best odds for on-time performance means having a clear view of the big picture.

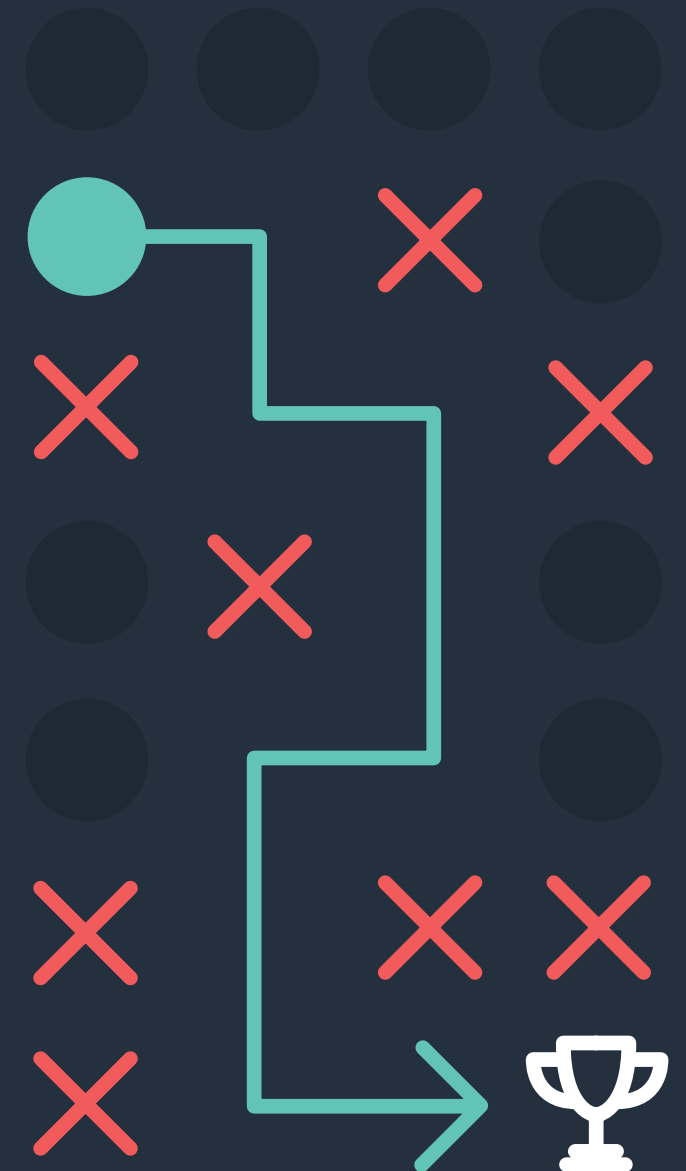
What to do:

- Book carrier space early; four to six weeks is not too soon.
- Be clear about which transport mode will best serve your needs and your budget.
 - Air is costly, so ensure that the goods are needed for high-margin sales or urgent inventory.
 - Consider premium ocean. It costs less than air and can save a few days on ocean time. Even better, premium contracts offer space guarantees, the promise of no-rolls, prioritized discharge, and chassis availability.
- Communicate needs. Ask freight forwarders about capacity mixes for different business goals. Sharing as much information as possible can help find available space across wide air or other carrier networks. And, don't hesitate to ask air or ocean experts with your freight forwarder to join planning sessions as needed.

- Use data for realistic forecasting. For instance, data stored within the Flexport digital platform helps clients uncover trends and predictors to help avert the effects of disruption.

Pro Tip: Run in-depth reporting from the Flexport Platform to learn as much as possible about new or emerging supply chain patterns.

- Get creative. Adaptability allows you to find unexpected solutions, like multimodal transportation or new gateways. For example, if the Chicago airport is congested, fly goods to LA and truck them from there.



Onboard With Clarity. Keep Fear of the Unknown in Check.

Onboarding is often one of the biggest concerns when logistics managers switch to a new vendor. Here's where the relationship is really put to the test. It's also where technology can streamline the process and take care of the heavy lifts. To keep worry in check, do some homework upfront to ensure you have the information and experts at the ready.

What to do:

- Become fluent in exception management and create a standard operating procedure (SOP) with your freight forwarder that outlines an agreement of what would qualify as an exception to your shipping plan. This is critical not just because exceptions can throw your shipment off schedule and trigger inventory issues; steep fines and other accessorial costs could also come into play. Outline the possibilities and be aware of the consequences:
 - Weather delays
 - Mechanical failures
 - Missed cargo-ready dates
 - Incorrect Customs documentation
 - Inbound damage
 - Demurrage: when containers are not picked up within the allowable time, resulting in a fine
 - Detention: when containers are not returned after cargo unloading within the allowable time, resulting in a fine

- Make sure technology is in place that:
 - Flags the exceptions—especially the ones you deem a priority
 - Unites all stakeholders in the process with real-time communication abilities
 - Centralizes details and presents clear snapshots of shipments in progress, including POs, quotes, invoices, customs forms, and other key information
 - Provides access to rich data that gives you understanding of trends and patterns around your shipments down to the SKU level, including average landed costs
- Know who you can rely on with your vendor to answer any questions regarding routes, rates, customs, compliance, or any other hot topics specific to your business. The freight forwarding process is not one-size-fits-all.



Section 03

Keeping Things on Track: What to Consider

Controlling for What You Can: The Art of Taming Risk

Predictability might be boring for some, but not in shipping. When goods set sail (or take flight), there's always the chance that the unexpected can arise. The top three areas where risk can be controlled are: Customs, Insurance, and Working Capital.



Customs

With tariffs and trade agreements constantly evolving, customs is a critical area of focus to keep shipments moving—and without incurring additional costs. It's also highly complex because of the many regulations surrounding not just products, but the materials that comprise the products and how they're categorized.

What to do:

- Make sure the HTS codes assigned to your goods are correct. Incorrect classification can result in underpayment of duties, which can lead to fines. It can also cause your cargo to be held up by customs officials.
 - Check Flexport's [Customs and Compliance Help Center](#) for information on HTS Codes and all things Customs and Compliance.
 - Explore Flexport's [duty calculator](#), which can take the guesswork out of the process for US customers.
- Understand the nuances of source of origin for materials that comprise your goods. Doing so can help reduce duty fees and keep you out of trouble. For instance, near the end of 2020, US Customs and Border Protection (CBP) said it would block imports of cotton and products containing cotton from the Xinjiang region of China to help curb human rights violations.
 - Map supply chain sources. Know how goods are made, from raw materials to finished product. Take the time to understand who worked on the goods, along with where and under what conditions they were made.
 - Vet vendors and suppliers. Identify and document basic information on all suppliers throughout the supply chain. Ask where they source their material; require written responses.
 - Review purchase order terms and conditions. If needed, add clauses to prevent suppliers from using unknown sources of materials.
- For any goods regulated by [Partner Government Agencies](#) (FDA, EPA, etc.) make sure you have appropriate registrations and certificates in place prior to shipping. If you don't know whether a product is regulated by an agency other than CBP, contact your customs broker.





Insurance

Some might think skipping insurance can be a worthwhile risk. But when you think of the percentage of a company's revenue that a shipment represents, it can alter the perspective.

Even more eye opening: Carriers are not financially liable for the full value of your goods. News outlets report containers being lost overboard fairly frequently. Not only that, in 2019, [one in five losses were caused by bad weather](#)—a factor that can also be blamed for damaged goods.

When you consider that shipping is just one leg of the cargo's journey, it's easy to see the scope of the risk as it travels from the manufacturer all the way to the final destination. The chart below provides an overview of the common risks in cargo loss.

What to do:

As you develop your freight forwarding strategy, look for ways to protect your business from the unexpected. When exploring insurance providers, be sure to ask these questions:

- What is the total cost of liability to our company if the cargo is lost or destroyed?
- Would insurance cover unexpected costs such as detention or demurrage caused by incidents like port strikes?
- Would insurance prepare my business for the impact of new tariffs?
- Would coverage span the entire voyage, including warehousing and local delivery?
- Does coverage include losses overseas, and in all jurisdictions where we are shipping?

Capital

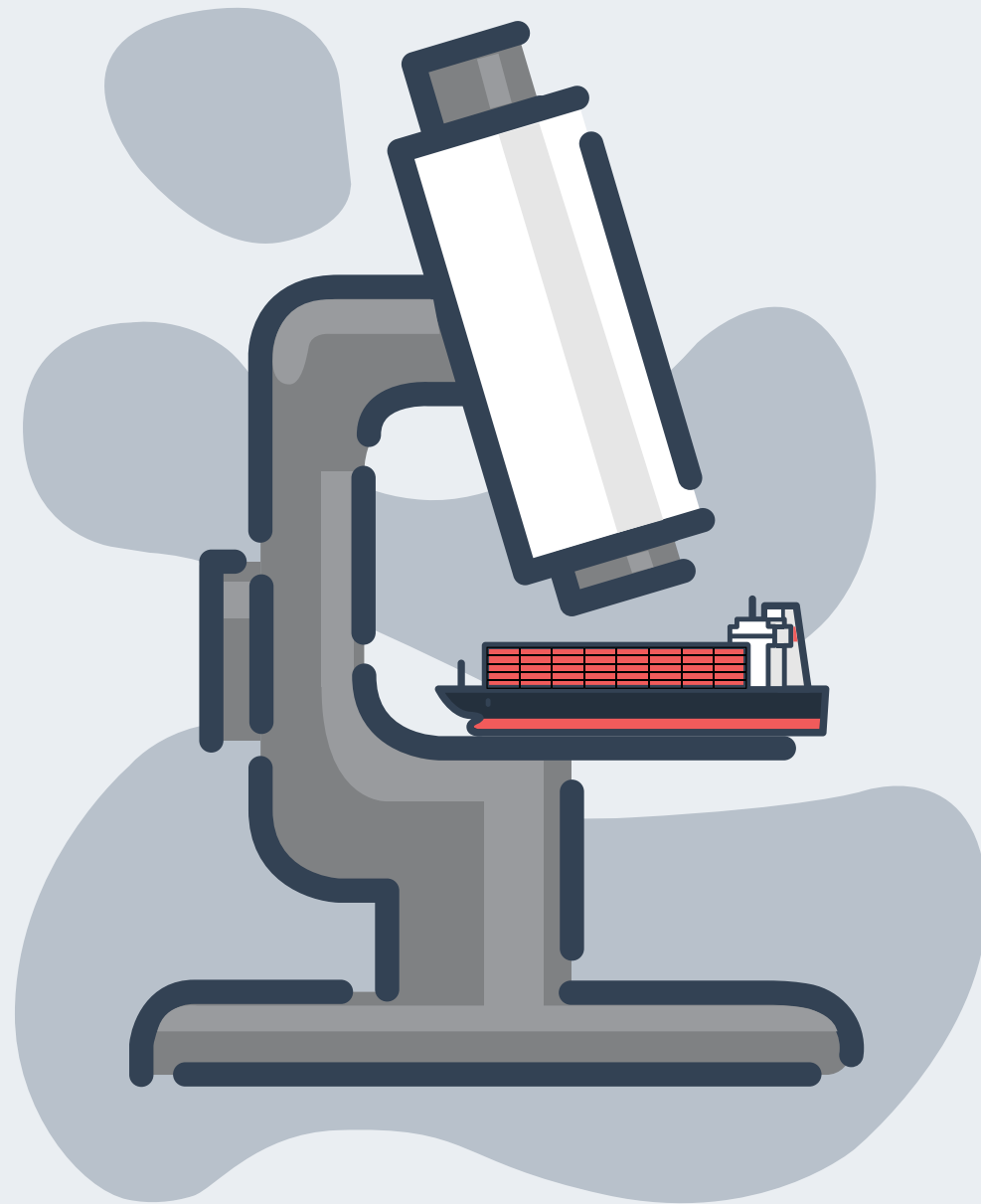
For SMB importers aiming to grow their businesses, the biggest hurdle to scale is often how to afford to buy more product. As you generate demand, your cash is tied up in your supply chain and inventory costs. This reduces liquidity and negatively impacts your ability to reinvest in your staff and infrastructure.

What to do:

- Look at your cash conversion cycle and identify the gap of time between when you pay your suppliers and vendors for goods, and when you are able to generate revenue on those goods.
- Identify strategic areas of your business that could benefit from greater investment—enabled by working capital financing. Efficient cash flow empowers you to grow your business.
- Explore procurement options with supply chain partners to find opportunities for price breaks based on different terms afforded by trade financing:
 - Increasing your orders with your factory
 - Adjusting shipping timelines
 - Shifting payment schedules



Look Closely and Leap Ahead



For companies today there's no time to lose and no room for error when it comes to logistics. Understanding the fundamentals of global trade can help inform a smart supply chain management strategy. To set your logistics planning up for success, keep key industry dates in mind; study transport trends; seek data and analytics from your shipment cycles, and cast a discerning eye on your partnerships and strategies in the context of prevailing circumstances.

Above all, remember that freight forwarding strategy is dynamic.

To keep current on the myriad factors that influence supply chain management, check these resources:

[Forecasting Guide](#)

[RFP template](#)

[Duty Calculator](#)

[HTS Code Search](#)

[Freight Market Update](#)

[Case Studies](#)

[Flexport Blog](#)

[How to Activate Agility During Major Disruptions in Global Trade](#)

To learn more about how Flexport can help you keep your supply chain moving smoothly, reach out for [a free consultation](#).

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