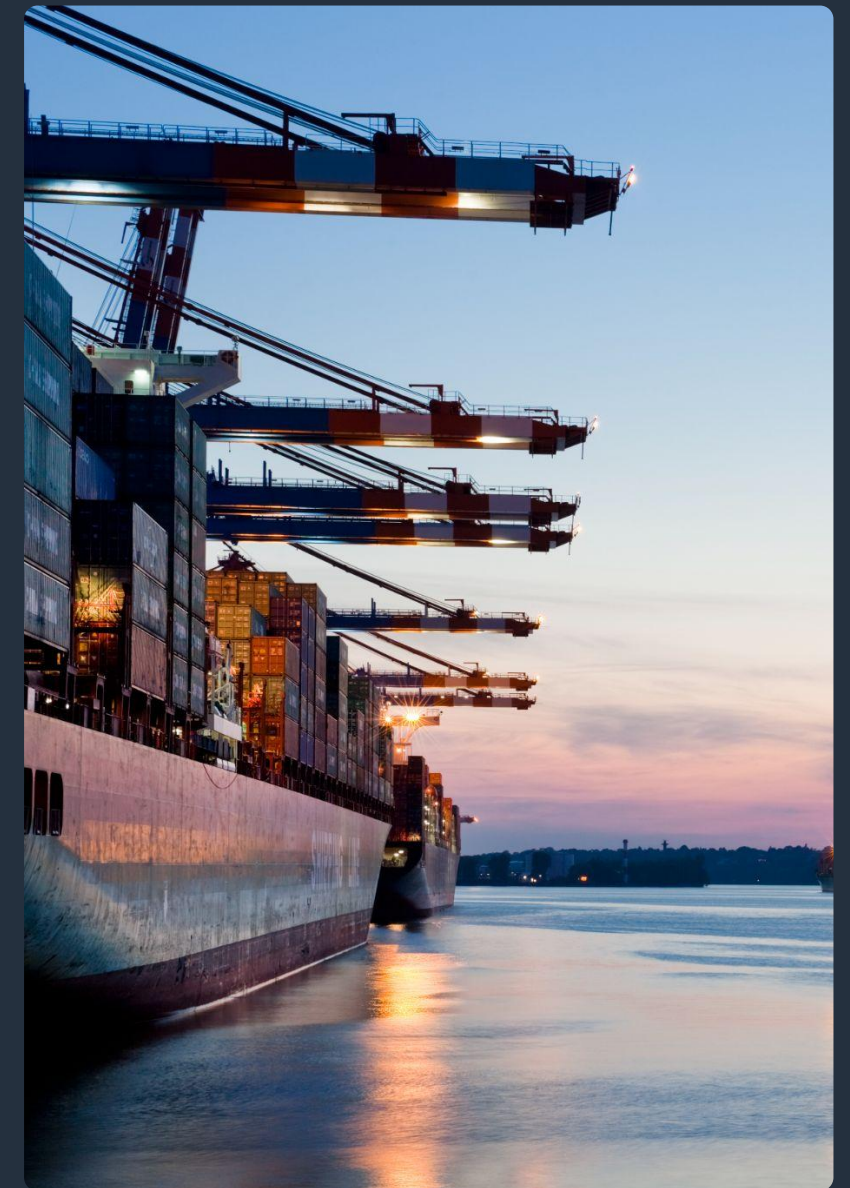


E-GUIDE

Beyond Peak Season

Tips for Navigating Ongoing Supply Chain Uncertainty



Guides for how to prep for holiday and peak shipping are abundant this time of year. You came to Flexport, so we're figuring you already know not to expect yet another cookie-cutter version of "plan ahead, the supply chain is a mess," and that we won't waste your time rehashing the standard talking points. This is more of a guide for planning for all the unexpected challenges that none of us can predict. If last year was any indication, prudent brands should expect chaos and turbulence and plan accordingly.

The COVID-19 pandemic wreaked havoc on the global supply chain over the past two and a half years and counting. By now we're sure you also understand that while the pandemic was a major player in our supply chain woes, there are also many other contributing factors including fluctuating consumer demand and a labor shortage.

In light of everything you already know, this e-guide is geared more towards helping you navigate the economic uncertainties, supply chain bottlenecks, and other factors that may recur this holiday season and directly impact your ability to keep top SKUs in stock and your customers delighted during your busiest months. In addition to advice from internal experts at Flexport, we also interviewed global industry experts to get their advice and predictions for holiday season 2022. So without further ado...

Just What Will Peak '22 Look Like?

There are as many opinions on that as there are supply chain experts to ask. If not more. The truth is, nobody truly knows with what peak shipping season will look like this year. There are just too many unknowns, uncertainties, and misunderstandings circulating for anyone to issue a definitive statement. Will sales be up? Down? Level? Just look at some of the stats to get a feel for the confusion and uncertainty around this:

- **29%** of shoppers say they plan to spend more this holiday season than last ([NPD](#))
- **46%** say they started their holiday shopping early last year ([NRF](#))
- It's expected that nearly **2 million more people** will shop between Thanksgiving and Cyber Monday this year over last. ([NRF](#))
- Holiday sales are expected to reach **\$1.3 trillion** this year, an **increase of 3.3%** over 2021 ([eMarketer](#))

What we do know is that destination risks that we've become accustomed to aren't going away anytime soon. Port congestion is ongoing, floating just on the edge of every logistics pros consciousness. Rail dwell times are up across North America. While air travel is coming back, and belly space is once again available, labor issues are plaguing the industry and causing delays. Meanwhile, Inland Port Intermodal (IPI) locations continue to see chassis shortages.

We can also tell you that what's in store is more likely to be a "regression to the mean" situation than either a true peak or a slump. In other words, were we are right now isn't as precarious a scenario as some are portraying it. With capacity, rates, and availability shifting daily, what we're seeing is that all of these factors are, in fact, releveling at a place we would have expected them to be given pre-COVID trend lines.

And lastly, we know that it's not technically too late to get your orders in and ensure you're in stock for the holiday rush. Technically, a peak is a restriction in access to available capacity, not an increase in demand. The market retracting in response to a lack of demand can look like there is a peak in progress. All of that means that if you know where to look, you can find space, today.



For air freight, the summer trend with volumes down 19% YoY is not representative of what the market will be longer term. It just reflects a combination of inventory surplus and new procurement policies being implemented.

Alexis Boutet

Senior Director of Airfreight Development,
Flexport

It's Always Something. You Should Be Planning For Peak Year-Round

If it's not one thing, it's three others, right? Think back to high school when the printer broke 5 minutes before you were due to give your speech. Now that you're in global logistics, the stakes are higher. If it's not a supplier late with a PO, it's congestion at the port of origin or labor disputes at the port of arrival.

“ In this business, it's not a question of whether there will be another crisis, but when. The time to let down your guard is not yet—it never is for a logistics professional.”

Bjorn Vang Jensen
VP of Advisory Services,
Sea-Intelligence



If your goods are season-specific or late-to-market—you're even more likely to feel the pain this time of year. Goods like holiday candy, live trees, seasonal fashion, and winter sports gear are all especially susceptible to seasonal peak crunches. The thing is, in '22 the bottlenecks and other disruptions causing these goods to be potentially delayed aren't what you might expect.



Nathan Strang, our Director of Ocean Trade Lane Management here at Flexport uses a fun analogy. He says, “It's like when you go to Disneyland and use the app to help navigate. You're standing at Thunder Mountain and the app says the wait is 90 minutes, but over at Space Mountain, it's only 15. So you head over there, only to find out that everyone else did the same and now the wait is 75 minutes. Access to Space Mountain has constricted with the influx of people following the app's recommendations, and now it looks like peak on that ride even though the number of seats hasn't changed.”

Bringing this back to the supply chain, what's happening is that carriers are seeing the lack of demand as a reason to raise rates and bring additional capacity online, artificially constraining the market and leading to the appearance of a peak on the horizon. Then when those seasonal items and product launches come around and actually boost demand, capacity constraints may become real again.

The present reality is that port congestion isn't going away any time soon, POs will continue to be filed late, and inventory surpluses and stockouts will continue to plague retail. The question is whether or not your logistics processes are agile enough to pivot and keep up.

Why Some Companies Haven't Truly Planned For Peak '22

Given all of the above, you might be surprised to learn that there are a great number of retail and ecommerce companies out there who are not currently planning for the holiday season. What might not surprise you is that most of them share a short list of reasons for this—and one root cause, a lack of data visibility.

Upstream Partner Bottlenecks

The best, most comprehensive supply chain management software platform is only as good as the input coming in from upstream. For many fast-growing, tech-native companies that means upstream partners are the source of their main bottlenecks when it comes to forecasting and inventory planning. If someone at the factory didn't get a paper purchase order submitted to the supplier in time and now a production run is delayed, even the most advanced machine learning algorithm can't help, it's up to you to have contingency plans in place and open lines of communication all the way up and down the chain.

“ Invest in shoring up your “Made in the USA” supply chain. Although it may be late for this year, it's a worthwhile investment to ensure agility, resiliency, and speed.

Lisa Morales-Hellebo
Co-Founder,
REFASHIONED Ventures



Inefficient Decision-Making Processes

Also falling under the category of “lacking data visibility” is when decisions are being made within siloes or in ad-hoc ways. Say the director of sales finds out a particular distribution center is out of a high-demand SKU (because someone at the warehouse emailed them, most likely). If they react by asking for an emergency order of 5k units to that center without consulting anyone, only to find that a DC 3 states away had an overstock of 10k units—you see where this is going.

“ Having everything accurate and at my fingertips allows me to work better with finance, demand planning and our warehouse team.

Jim Guenza
Logistics Manager,
Klean Kanteen



Had everyone had access to a single source of logistics truth, it would have been an easy matter of redistributing existing inventory to balance the load. At this point, even a shared spreadsheet acting as an inventory tracking system would have eliminated the problems and ensured adequate stock for the upcoming season.



Some Already Have the Inventory They Need

Retailers big and small have learned something important over the last 2+ years of disruption—get your orders in when you can. This has led to many larger businesses running out of warehouse space, while for smaller retailers, it means they’re already fully stocked on the SKUs they need to make it through the holidays intact. Since they won’t need to place any big, last-minute orders, a fair amount of capacity is opened up for others to take advantage of.

This scenario can also come down to a lack of data visibility. When you can’t see precisely how many of your high-demand SKUs you have (either by location or just in general), you’re more likely to order more, you know, just in case. Add in the supply chain uncertainty of the last two years and it seems perfectly reasonable to add a couple extra pallets or crates to each order.

Solutions To Stay/Get Back On Track For The Holidays

Even if you find yourself in one of the first two categories just discussed, it's not too late. Mostly it's going to come down to communication and making good use of available shipping modes. This isn't the time to fall back on "we've always done it this way." The key is going to be getting started today.

Communication is More crucial Than Ever

That's not to say that clear communication up and down the supply chain isn't always important. It's just that now is when your ability to collect information from suppliers, transmit that data to factories, freight forwarders, and your own internal teams will truly be tested.

“ We were in a particularly challenging and disruption-prone market environment during the pandemic. Flexport's Platform solution makes it possible to work dynamically and intelligently with customers and partners in a network to remain resilient and adaptable and mitigate supply chain risks.

Roel Linders
Buyer,
XXL Nutrition





Flexport customers can use the platform's built in communications tools to stay in touch and ensure every key partner and internal stakeholder has the data they need to make the right decisions, from booking shipments to arranging port-side transportation.

Otherwise, take whatever steps you can to increase your data visibility. That might include moving tracking data into a shared spreadsheet that sales, CS, and the warehouse team all have access to. It might mean scheduling regular check-in meetings with suppliers and factories management to make sure they stay in sync. Whatever steps you can take to increase data visibility and availability will help keep you one step ahead this time of year.

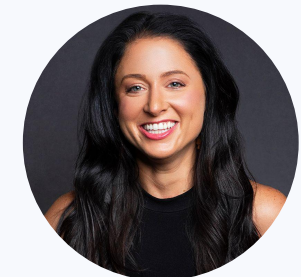
Make Better Use of Multiple Modes for an Optimal Mix

You are well aware of the main modes by which freight gets where you need it. What you might be forgetting is that there are ways to tweak how you're using each mode that would improve the efficiency with which your goods make their way to their ultimate destination.



Have a communication plan in place before any potential storms arise. You can add a prominent holiday FAQ guide to your website. Bonus points if you communicate shipping deadlines in advance.

Blythe Brumleve
Founder & Host,
Digital Dispatch





Ocean Shipping

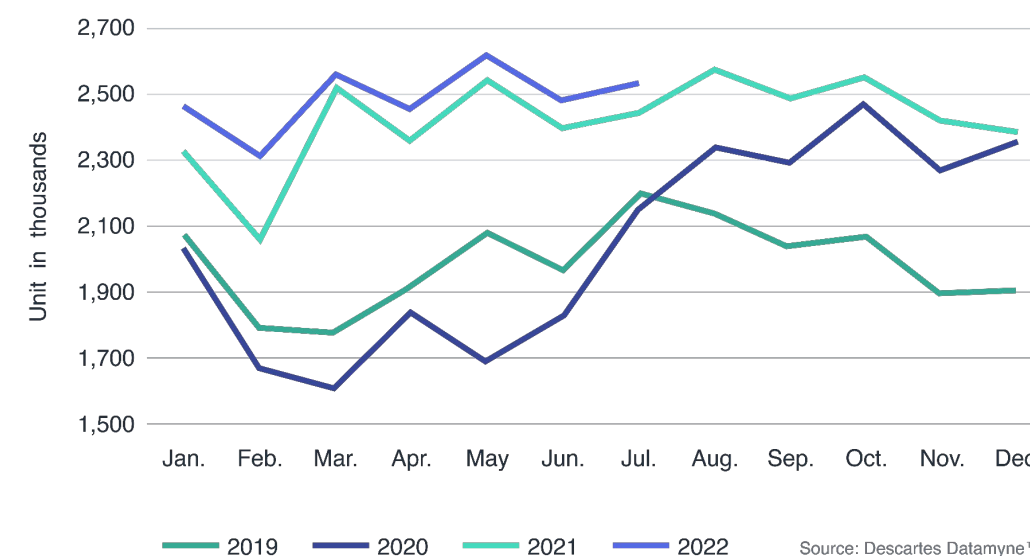
First things first, even if you don't have cargo-ready dates to hand, connect with your freight forwarder now to lock in rates and ensure you get the space you need. Then, consider your timelines and production schedules: can you ship smaller loads, more often? If you have a total of 2 containers worth in production, but will have enough to book half a dozen LCL shipments instead, that diversification can help ensure that more of your pallets arrive on time, rather than literally putting all of your eggs in one basket that's more likely to get bogged down in port congestion, for example.

Next, consider alternative port pairs. Is there a less congested origin port that can take those LCL shipments faster than the FCL you were planning on? And upon arrival, maybe there's a smaller port that's close to a deconsolidation facility or even your distribution center you can use that would bypass the congestion at most major ports.

According to a [recent report](#) issued by Descartes, July 2022 set yet another monthly record for Twenty foot equivalent (TEU) import levels at 2,530,906. That's up 3% from last year and 15% from the pre-pandemic numbers in 2019. They go on to state that every month of 2022 has been a record-setting month when compared to previous years.

What bearing this data has on the holiday season this year is still anyone's guess.

2019 - 2022 U.S. Container Import Volume (TEUs)



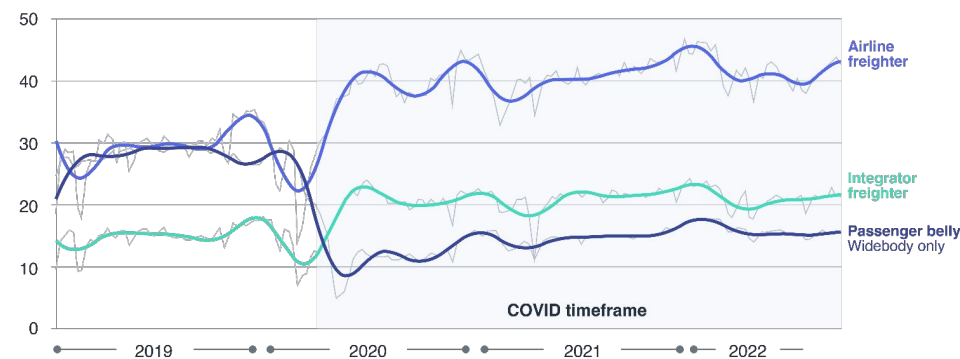
Air Freight

At the risk of repeating ourselves, consider breaking up your shipments into smaller units to ensure faster shipping times by shipping as soon as you have either 6 or 10 pallets. 6 pallets will fill one air freight container, while 10 is standard for a top deck container. Breaking up your shipment like this eliminates deconsolidation delays, and ensures you get goods into inventory in a timely manner while avoiding common bottlenecks.

The last recommendation from the ocean section applies here, as well. Consider all of the route options open to you. Airlines are reopening routes that have been shut down for two years, freeing up belly space for more cargo, but they may be departing from a different airport. Also, take into account the labor actions currently affecting major hubs in Europe and see if you can route your shipments through different ports.

Transpacific air cargo capacity has for two years now stabilized at a new post-COVID normal

Eastbound Transpacific air cargo capacity, 2019 - 2022 YTD
Thousand tonnes per week



Total growth
Jan-Apr 2022 vs.
Jan-Apr 2019

Air cargo capacity
+10%

Air trade demand (Eastbound)
+39%

Air trade demand (Westbound)
+27%



Trucking

The key this year is that it's a shippers market. Generally speaking, domestic trucking was in lockstep with ocean freight for the last two years. This year volumes are down, rates are down, load to truck ratios are down, etc. making it a shippers market. Other than that, there is one stand-out aspect to this year in trucking—demand for transloading is way down. If you can take advantage of that, you'll be in good shape.

Trucking By The Numbers:

- Overall volumes down **20%** since Jan
- Tender rejections down **70%**
- Rates are down **35%**
- Load to truck ratio down **30%**

Getting Your Goods Across the Finish Line

Once you've sorted all that out, the last thing you want is for your shipments to be held up in customs because someone left a field blank on the forms. We spoke with our Customs team to get the lowdown on how to ensure that doesn't happen this year.

These are their top 4 suggestions, in no particular order:

- 1. Get your commercial documents in order.**
 - During the regular season, back-and-forth with your customs broker can be a tedious annoyance. During peak season, however, it can mean crippling delays for your shipments. Brokers are obligated by law to ensure your commercial documents satisfy Customs requirements, and they cannot clear your shipments without the necessary data. The good news is, those requirements don't change with the seasons, and a little review can go a long way. If your inbox is clogged with recurring questions like, "please confirm the country of origin for the products in your shipment," now is the time to address gaps in your documentation. Communicating directly with your suppliers to ensure all the necessary data elements are included on your commercial documents can save time and money, assuring your goods are cleared without incident.
 - Dealing with Partner Government Agencies (PGAs) like the EPA or FDA? Don't be a victim to Customs and Border Patrol (CBP) tunnel vision—having PGA compliance documents on hand will similarly ease headaches and minimize potential delays.





2. Review your classifications.

- In the world of Customs data, classification rules over all. The modern Customs era brings with it the often moving target of product classification. For historical products, a refresh of your classifications may be needed—this year alone, the [U.S. Harmonized Tariff Schedule](#) has undergone ten revisions, with additional changes likely ahead of the holiday season. Don't be caught off-guard by requests to update existing tariff codes—take the time to review now, before your broker has to ask. Knowing your SKUs skews the process in your favor. As soon as POs are in place, be sure to provide your broker with a detailed description of the product as well as the material composition, intended use, and product photo. And before you ask—relying on your foreign suppliers to provide U.S. tariff codes is a recipe for disaster (and delays).

3. Know your risks.

- The Customs risk landscape is wide and varied. Knowing where the pitfalls (or landmines) exist in your import program can mean the difference between being blindsided and sailing through.
 - Review CBP's [Priority Trade Issues](#) to understand where Customs is most likely to look.
 - Refresh your trade compliance assessment to consider this season's product lines.
 - Recognize the features of your business that demand the most diligence. Enforcement areas like antidumping, forced labor, and intellectual property are constantly expanding their reach. Staying up-to-date mitigates the likelihood of surprises.

4. Prepare for contingencies.

- High-volume inherently means high-risk. And while no broker or importer has a crystal ball, that is no reason to operate blind. When the stakes are high, planning for Customs delays, like practicing a fire drill, is a matter of responsible preparation. Discuss with your broker how you will respond to potential disruptions—anticipating the time, cost, and mechanics of your response will empower your business to take those disruptions in stride.

All of that said, the same overall recommendations hold here: get your bookings in as soon as you can to lock in on those great rates and guarantee the space you'll need. As soon as you have a cargo-ready date, you should have your truck space booked.

There's No Time Like the Present to Plan for the Future



This dynamic supply chain environment requires flexibility and responsiveness, which requires very intentional investment in people, processes, partners, and technology.

Nate Skiver,
Founder,
LPF Spend Management



Peak season 2022 is shaping up to be...different. Or rather, it's shaping up to be business as what has become usual, not so much a peak as a continuation of the ups and downs of the past 2+ years. Work with your suppliers to get POs filed in the coming days (or weeks on the outside), talk to your freight forwarder about locking in rates and guaranteeing space, and stay on top of key dates. To go into deeper detail on any one of these topics, [reach out to our freight experts](#), they're always happy to talk peak.





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About Us

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.

[Start Shipping with Flexport](#)

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