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Unlocking Agility Through Airfreight and Multimodal Supply Chains

The need for diverse, multimodal supply chains is greater now than ever before as single-mode solutions become less and less efficient and reliable.

With tariff increases on Chinese goods continuing to roll out through the end of 2019, importers can expect to pay more to get goods into the United States. But higher costs are just the beginning. According to Flexport Chief Economist Phil Levy, the proposed tariffs represent almost a “perfect storm” for importers.

“The timing of these September 1 tariffs is especially sensitive, as it coincides with the start of peak shipping season when businesses are reliant on bringing in increased quantities of product from across the Pacific to satisfy Holiday demand,” says Levy. “Businesses may now be impacted by not only the typical capacity crunch – they may also have to contend with raising costs to consumers to offset the tariffs.”

But tariffs are just one symptom of a global shift in supply chain management. In short, supply chains are getting more complex. The question remains: How can businesses manage this increasing complexity? The answer lies in striking the right balance of multi-modal shipment options, notably air and ocean freight.

The Impact of Airfreight

Historically, supply chains have already leveraged combinations of ocean, air, and truck freight, to move goods in light of shifting circumstances — weather, peak season, and so on. Now, however, businesses are making strategic decisions around transportation modes to mitigate the impacts of tariff announcements. The ideal mix of transportation modes now requires planning and deep business understanding, especially as airfreight continues to bring the benefits of speed and agility to bear in an increasingly complex trade environment.

"In the majority of cases, airfreight is viewed as a safety net in response to what occurs in the ocean market," explains Alexis Boutet, Senior Director of Global Airfreight Solutions at Flexport. "Peak season and tariff-related capacity crunches force the hands of businesses, making airfreight the most direct and reliable shipping method when the clock is ticking. With fewer and fewer breaks between shifts in the ocean freight market, now is the time for companies to make modal decisions based on new factors."

Making strategic modal decisions within supply chain management may offer several key benefits, including:

- Improved synchronization and continuity along the supply chain
- Ability to pivot when goods reach critical stock levels
- The option to transition to airfreight services when clients require shorter lead teams for delivery
- More seamless management of seasonal trends and fluctuations to help ensure client retention is not impacted by potential delays

For businesses of all sizes, strategically implementing the use of airfreight can help make the tides of global ocean freight easier to navigate. More importantly, incorporating airfreight into a broader supply chain strategy can help businesses grow while remaining agile. For instance, a business that imports products for retail sale might have two options:

1. To make large, bi-monthly orders delivered via ocean freight to one or two regional distribution centers, or

2. To maintain a larger network of distribution centers and make smaller, more frequent shipments via air more quickly.

Large ocean shipments may be subject to any number of global factors, including capacity crunches, that can impact timely delivery of goods. On the other hand, air shipments via multimodal supply chain give the business the flexibility to quickly deliver goods virtually on demand to specific areas, ensuring optimal product/market fit. Depending on the circumstances, there's no right or wrong answer for the choice between ocean and air. Yet the flexibility of a diverse supply chain is clear.

Moving Toward Multimodal

Multimodal supply chains offer the flexibility to serve multiple customer types seamlessly. But how do you develop a multimodal supply chain? To start, follow these key steps:

1. Identify core customers

Effective supply chains rely on establishing a clear understanding of target customers, distribution channels, and products. Doing so requires the development of supply chain segments that align this information according to factors such as profitability, revenue and other factors. Known as supply chain segmentation, this exercise delivers key insights. According to Gartner's definition, supply chain segments clearly illustrate "the dynamic alignment of customer channel demands and supply response capabilities optimized for net profitability across each segment."

2. Understand customers and create value propositions

For each customer segment created, dive in and identify your customers' motivations. The better customer needs are understood, the better they can be mapped to a cost-to-serve analysis.

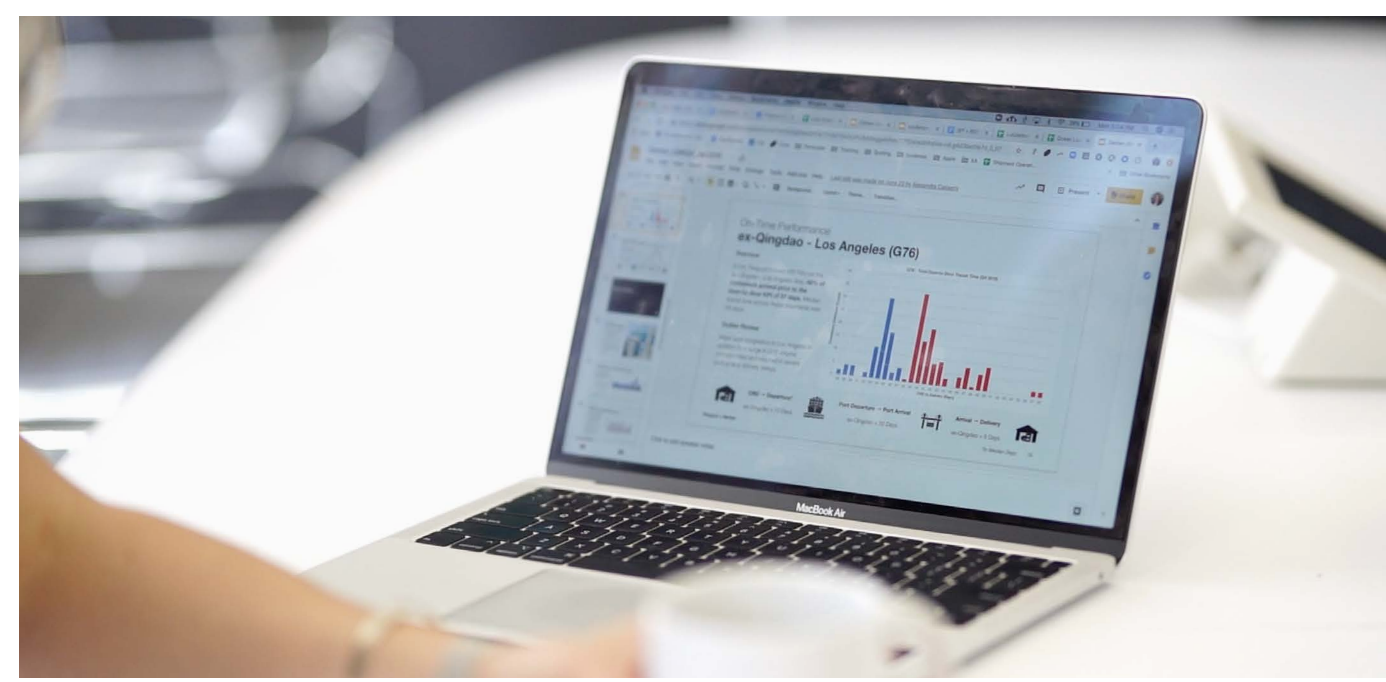
3. Connect the dots

Obtaining the full picture of the costs associated with serving specific customers along with the value markers those customers appreciate can help you hone your supply chain strategy. In turn, these processes drive greater perceived value for customers and allow businesses to choose the transportation mode that best suits business and customer needs.

In terms of freight, accurately weighing cost and value of individual products can be the determining factor that strikes the right balance between shipment modalities. Ultimately the answer comes down to the level of organizational agility required to make sales.

“It can be easy to look at the cost of transportation in isolation,” adds Boutet. “The true value of segmentation lies in understanding the cost of transportation in comparison to the value of the product. It becomes a question of how agile the business needs to be, and this balance must be customized to the individual product suite.”

Understanding key data around landed costs enables businesses to make the most informed decisions possible around supply chain. Effective segmentation, supplemented by granular shipment data — down to specific SKUs — can help business leaders clearly see the advantages or disadvantages of specific shipment modes. This, in turn, may allow for the development of a transportation mode mix, including deferred services and just-in-time air freight, that meets the business’s specific needs.



Partnering for Success

When shifting toward a multimodal supply chain, here are some things to look for when evaluating supply chain partners:

- **Global network**
  Seek out partners who have established global partner networks capable of providing the transport modes specific to your supply chain.

- **Simplicity**
  Look for tools that simplify the touchpoints of international freight. A goal of a multimodal supply chain is to make things more flexible, so look for a partner that enables it.

The modern freight landscape has so many variables and moving parts that eliminating some of the complexity can deliver significant dividends for a business and its supply chain. As unpredictable tariffs and other market indicators continue to pose challenges, building a multimodal supply chain may be the key to success in global trade.

Interested in learning more about Flexport's airfreight service? ***Visit this page.***

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.

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