What early freight orders for peak season show — CNBC Supply Chain Survey

Keen companies are ready for peak season

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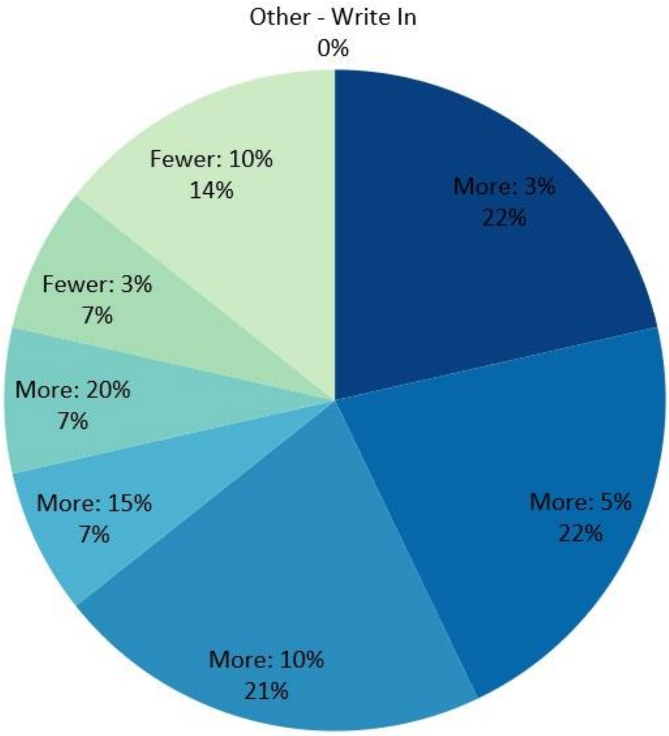
(Photo: Jim Allen/FreightWaves)

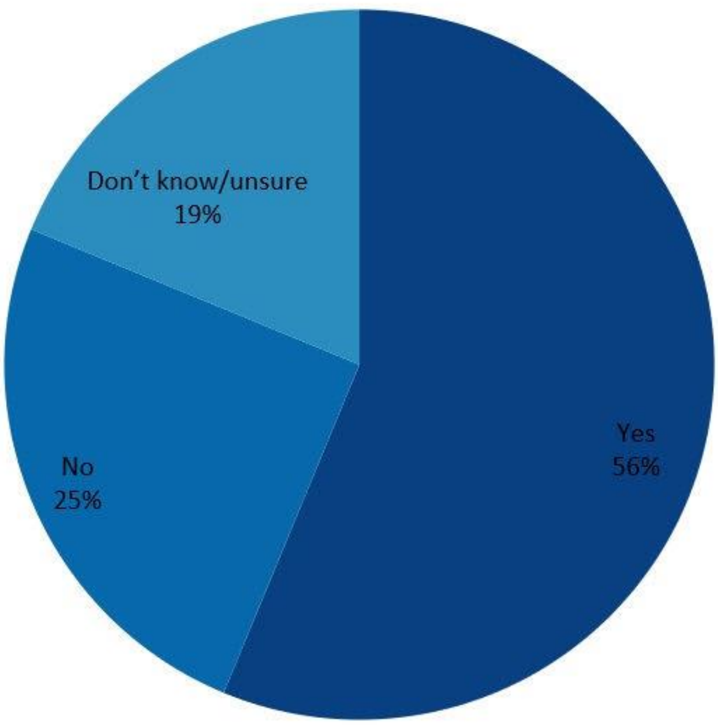
No matter what is inside that coveted container, it's the number of containers moved each peak season that dictates a merry holiday for logistics providers. Last year the combination of bloated inventories and consumers stuffing themselves fat on experiences instead of things impacted the coffers of many in the logistics industry. What will this year bring? Early indications on peak season from CNBC's Supply Chain Survey show a modest uptick in orders but no hog-wild consumer spending.

Are you ordering more or fewer holiday items this year? Are you receiving more orders from clients to pick up their imports?



Source: CNBC Supply Chain Survey

Are you concerned consumers will cut back holiday spending this year?



Source: CNBC Supply Chain Survey

Participants from the National Retail Federation, American Apparel and Footwear Association, United National Consumer Suppliers, C.H. Robinson, OL USA, ITS Logistics, Kuehne+Nagel, DHL, and Uber Freight, a subsidiary of Uber Technologies Inc., took part in CNBC's survey between April 16 and May 3.

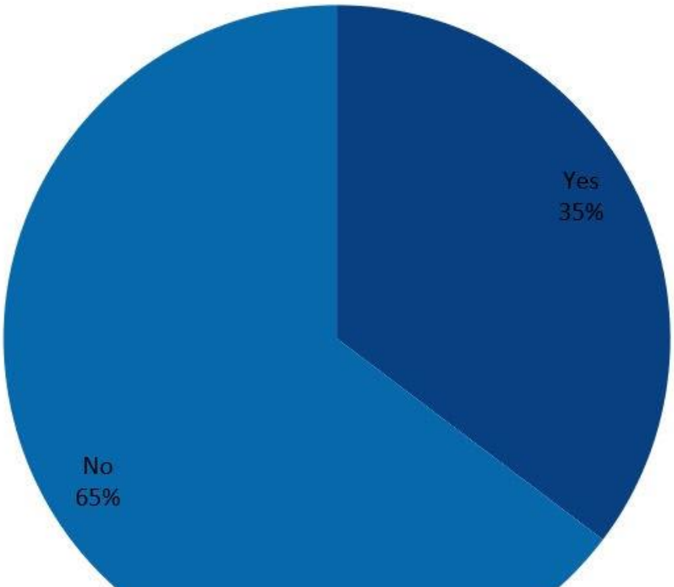
The hand-wringing and projections of a freight recession continuing are not necessary and only add drama to an already stressful situation. Data is king and based on that data, companies that have a good line of sight into their business already know how things are shaping up for them this peak season and should have their plans in place.

While market implosions and pandemics cannot be predicted, the flow of trade can be managed effectively based on planning. Orders are made months in advance, and a range of geopolitical uncertainties and weather factors can influence the flow of trade. Good logistics managers should already have their plans ready for execution, as well as their backup plans.

"The entire supply chain is derived from consumer demand, and even when people are spending less, shippers must do more to deliver efficiency," stressed D'Andrae Larry, head of intermodal at Uber Freight. "Now is the time for shippers to implement proactive strategies that prioritize supply chain optimization and cost savings. By planning ahead, strengthening carrier relationships and investing in tech that unlocks high-level visibility across shipments, shippers can set themselves up for success during a weaker holiday season."

Trade is fluid, and let's face it, fear can be a driver of the marketplace or at least influence it. Just a couple of months ago at the TPM conference, logistics managers were worried about a possible International Longshoremen's Association (ILA) strike at the East Coast and Gulf ports in the fall and were anticipating shippers to start bringing in their holiday items in June versus July and August to avoid possible hangups. The six-year contract of the ILA with the United States Maritime Alliance, which represents port terminal operators and ocean carriers on the East Coast, expires Sept. 30. Now, some of these logistics managers are hearing from clients that peak season is not being pushed up a month early on the East Coast. Why? Shippers now have confidence the ILA will not strike based on the fact the last strike was in 1977, when a work stoppage lasted 44 days, and the state of negotiations is quiet with few media headlines forecasting doom.

Are you placing your peak season orders earlier this year to offset any risk of the threat of an ILA strike?



Source: CNBC Supply Chain Survey

Painting trade with a wide brush is the worst possible generalization. There are nuances in the flow of trade. Just like the ocean, there are various currents that move the waterway superhighway. Just because some are not bringing in orders early doesn’t mean others are not.

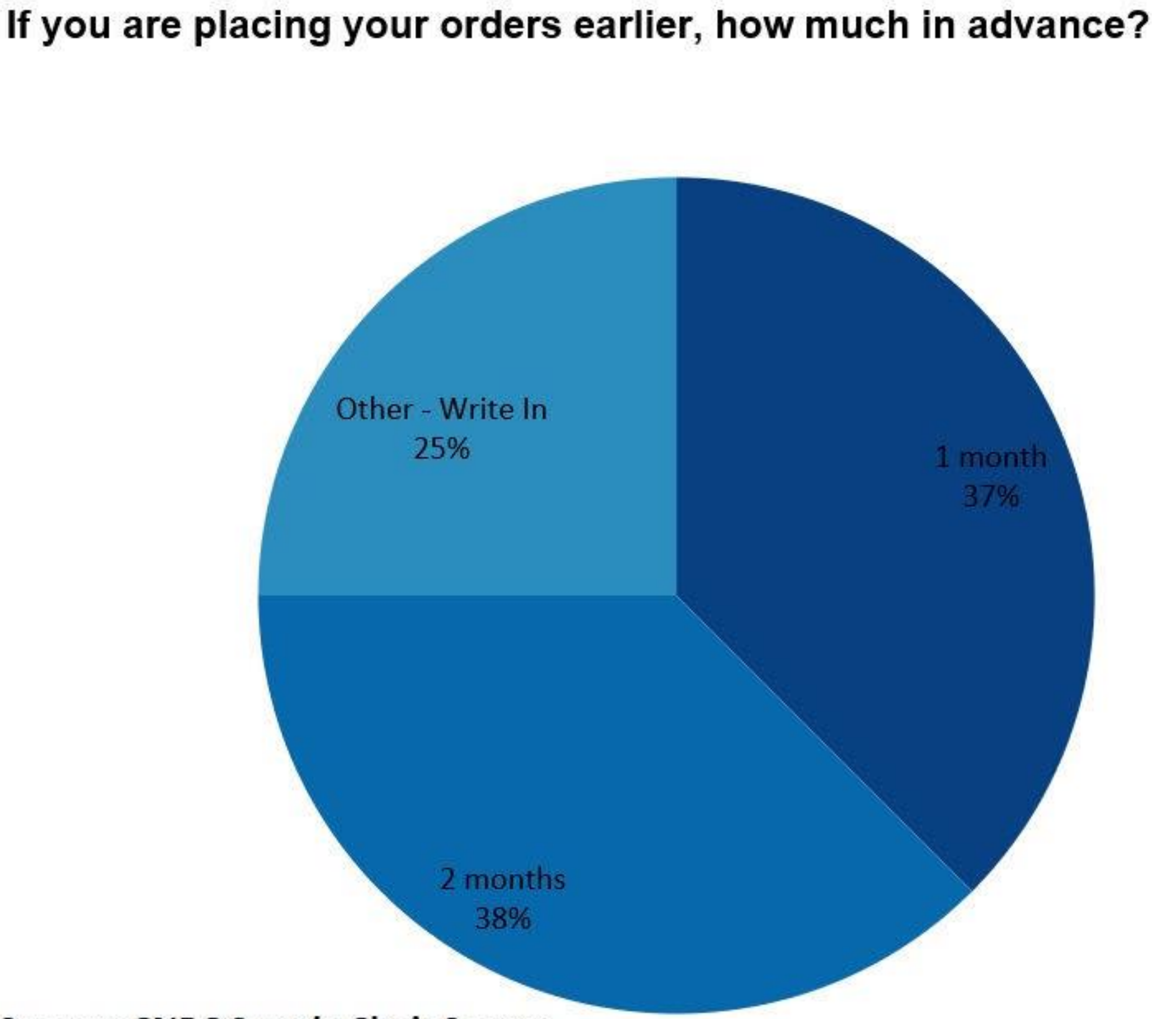
For those who are ordering early, it is between one and two months. The shorter timeline of bringing in early makes sense: If you are afraid of a cautious consumer, why have your products in a warehouse where you are paying storage fees? Floating storage on a vessel is way more economical.

Noah Hoffman, head of retail logistics for C.H. Robinson, said the industry is at an “inflection point” where consumers are cutting back on discretionary spending.

“That drives competition on the shelves and between stores. So right now, the 7,500 retailers we serve are trying to maintain a robust selection and a variety of SKUs, but at the same time trying to avoid holding safety stock because of the uncertainty of consumer demand in the coming months. We believe this could lead to a somewhat later-than-usual peak season, with retailers holding off on placing orders for the holidays.”

Hoffman warns that as a result, there is a general leeriness.

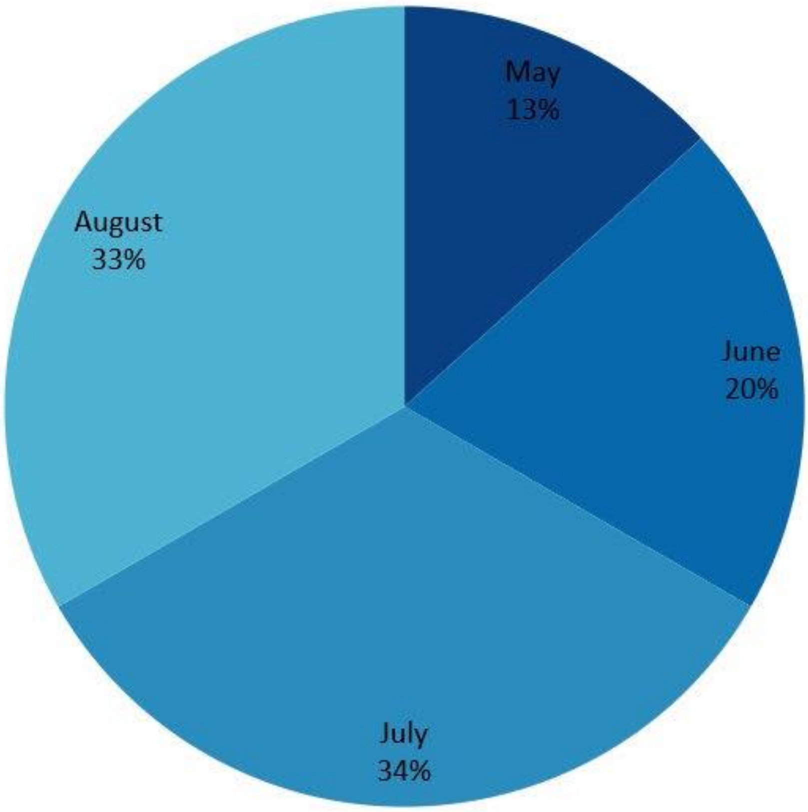
“The past few years have made many shippers hypersensitive to the highs of the highs and the lows of the lows. They’re wondering when the next shoe will drop — whether that might be geopolitical, new trade policy or another physical disruption like the low water levels in the Panama Canal. But especially for retailers, they may wait to see how the economy shakes out.”



Source: CNBC Supply ChainSurvey

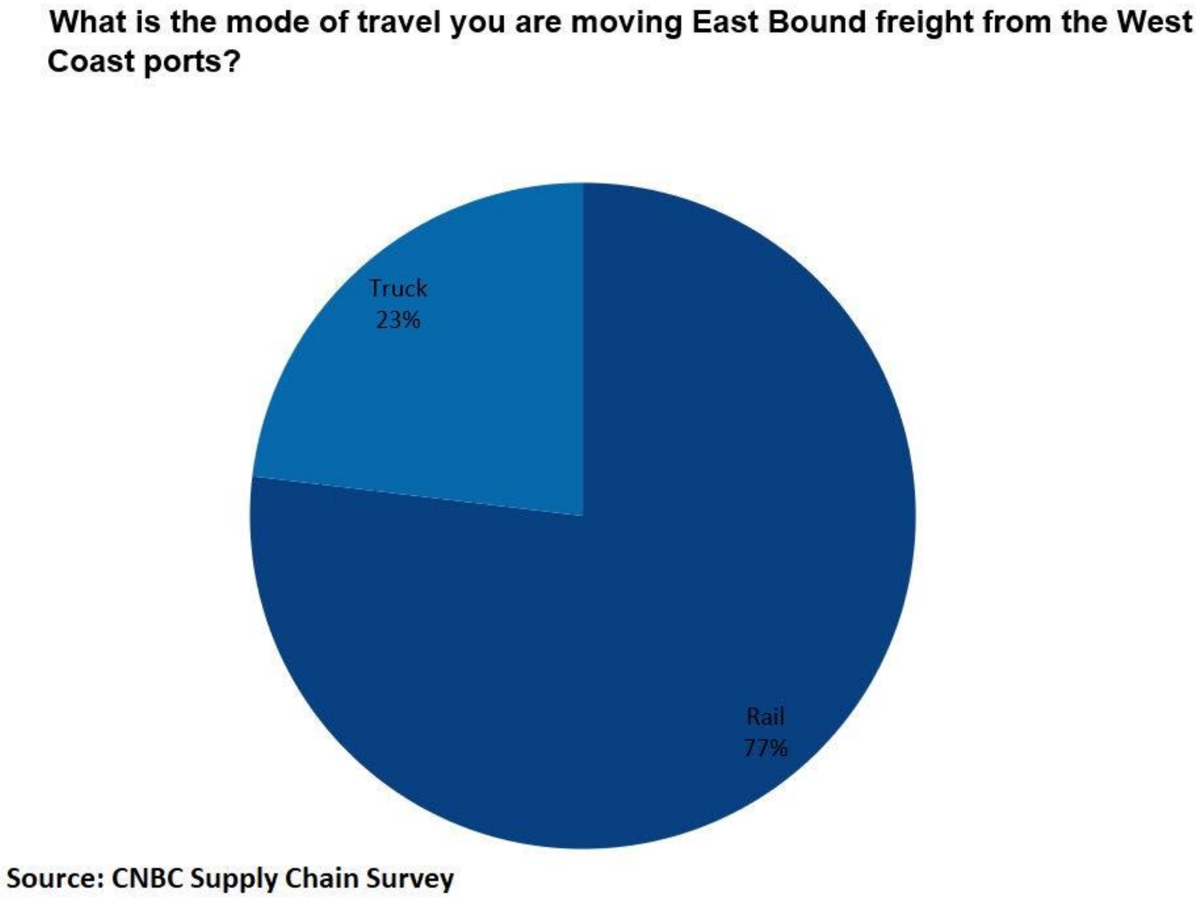
With peak season back to its July-August timetable, it will be interesting to see how much trade goes back to the West Coast. The stickiness of the East Coast and Gulf port trade will be tested this summer with the threat of an ILA strike. Logistics managers tell CNBC while they are moving some trade back due to the Red Sea diversions, Panama Canal drought restrictions and the threat of an ILA conference, they are not moving massive volumes away as they did during the ILWU contract negotiations.

When will your first peak season orders be arriving in the U.S.?



Source: CNBC Supply Chain Survey

For freight that is being diverted away from the East Coast, the mode of transportation that will reap the lion’s share of the containers is rail. Always the cheaper alternative going cross-country, rail providers shippers with the choice of getting their product across the country with no hurry and with less time in the warehouse collecting dust and storage fees.



Logistics companies like ITS Logistics still see a boom in intermodal for them this peak season on the West Coast. Paul Brashier, vice president of enterprise accounts at ITS Logistics, tells American Shipper they are already starting to see congestion manifest at terminals in LA handling IPI rail. According to their own intermodal data, there will be significant strain on rail infrastructure that is moving these diverted volumes to the U.S. East Coast.

“It looks like for the first time in two years we may be looking at a traditional West Coast heavy-volume retail peak season, though a little earlier in June and July,” said Brashier.

Larry tells American Shipper that intermodal is giving shippers some of the optionality they’re looking for.

“Rail utilization is improving and remains near the five-year average, according to Uber Freight’s latest market analysis,” said Larry. “The momentum for rail and intermodal solution adoption is exciting because shippers need optionality to navigate unexpected crises, like what we’re seeing in the Red Sea, Panama Canal, Francis Scott Key Bridge — the list goes on. Not only does intermodal give shippers a leg up on efficiency and resiliency in the face of market volatility, but it’s also ushering in a more sustainable way of shipping.”

Sustainability in the flow of trade this peak season will be based not only on logistical efficiency but on solid communication among logistics companies, their partners and customers. When trade is efficient, it is sticky.

The winners and losers of this holiday season will be revealed in less than six months. When you see the headlines of the losers, it should come as no surprise. Their grip on the trade they handled was not sticky or firm at all. It was just a limp, clammy handshake.