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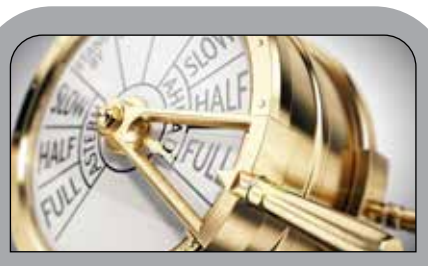

Box line bonanza

Record sea freight rates expected to remain as box lines enjoy bonanza

"EXTREME freight rates" on the Transpacific and Asia-Europe trades are expected to last for another three to five months, creating a "profit bonanza" for box lines.

Analyst Drewry said the high rates were contagious and that the Transatlantic was next in line.

"There is a phenomenon of contagion, where extreme freight rates spread from trade route to trade route. This happened last year, when extreme rates on the transpacific spot market were followed by extreme rates on Asia-Europe. There is strong evidence that the transatlantic trade spot market is next in line.

"For carriers, this means a profit bonanza, for at least another two years."

The 'bonanza' has already begun. Ocean carriers' first quarter results have so far been staggering in comparison with other years. Cosco posted a US$2.7 billion profit for Q1, while Japan's ONE recorded a profit of $1.8 billion.

Maersk recorded the best quarter in its history, reporting a net profit of $2.7 billion, compared with $209m for Q1 20.

The Danish transport and logistics group attributed "around $2bn" of the result to the "extraordinary market conditions".

The result is just $2m short of its earnings for the whole of 2020, and Maersk said it expected these market conditions to "continue well into Q4".

Hapag-Lloyd posted a net profit of $1.45 billion for the first quarter, up from just $27m for the same period last year - but said it could have done even better if not for vessel and box shortages. Hapag-Lloyd saw a decline in volumes of 3 per cent, versus a rise of 5.7 per cent for Maersk, and 24 per cent for OOCL.

> "For carriers, this means a profit bonanza, for at least another two years"

"I'm not really happy with the volume because I think we should have done a couple of percentage points more, but I also think that we are going to catch up later in the year," said Hapag's CEO Rolf Habben Jansen.

Rates are expected to remain high, but forwarders say the weekly rate indexes are inaccurate.

"I follow the indices every week, but we can't even get close to those rates," one UK forwarder said.

"When you talk to the carriers, they just laugh when you quote those spots. The real market is at least 50 per cent higher, and that doesn't always guarantee you a box release in China," he added.

The shipping lines are currently negotiating long-term contracts, with Maersk expecting to see an additional 20 per cent of volumes from multi-year contracts. It is agreeing fixed rates for the first year, while rates for years after that are index-linked.

Soren Skou, Maersk's chief executive, said he was "very confident" that shippers would honour their volume commitments when spot rates eventually fell.

Customers, however, may have different ideas, as the box lines have profited heavily – while breaking volume commitments.

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Uneven economies lead to imbalanced air tradelanes

AIR freight rates are becoming increasingly uneven as economies re-open – or re-close – around the world.

The overall lack of sufficient capacity to meet demand has resulted in persistently high rates, but there are signs of imbalance, which could mean that "stakeholders may struggle to right-size their transportation networks", according to logistics analyst Bruce Chan of Stifel.

He pointed to Hong Kong - North America, a lane which broke the US$9/kg threshold at the end of April – higher even than during the record levels of 2020.

BRUCE CHAN
Stifel

The TAC Index revealed that while Shanghai to Europe grew 7 per cent from March to April, and from Hong Kong grew 14 per cent, North America-bound prices grew 39 per cent from Shanghai and 32 per cent from Hong Kong, as the US economy rebounded.

As Chan explained, this growth is likely to drive more air capacity into the North American market.

"If we see a sustained rift in Europe-bound versus North America-bound pricing, we might expect capacity providers to naturally allocate more lift to the North American demand market. Follow the money, as they say."

But he warned: "Among the other challenges posed by severe supply chain disruption and scarce air cargo supply, geographic variance in the pace and magnitude of recovery and reopening may create additional layers of complexity and cost for shippers and other purchasers of lift."

> "geographic variance in the pace and magnitude of recovery and reopening may create additional layers of complexity"

An air freight forwarder in Shanghai supported the view that the North American market is drawing in capacity, following the ending of China's May national holiday.

"The market to North America has been strong, with many charters," he noted, citing expensive-to-operate European passenger freighters serving Asia to US – via Europe.

Ex-China, the past two months have been dominated by the export of Covid rapid test packs, "which are going everywhere worldwide", but volumes are now starting to slim.

However, as shops re-open in Europe, general cargo and garments are starting to travel by air again.

"This is a signal that the stores opening up will be likely to affect the coming air freight market." He added that vaccines are also starting to impact the market - although PPE has started to drop off.

"In general, we do not see any likelihood of air freight rates falling in the coming weeks. Bear in mind that the sea freight situation is still not improved at all, and rates are at an unprecedented record high. And e-commerce is still booming."

Turkish expands German network

TURKISH Cargo has expanded its direct cargo network with the addition of Munich. The carrier will offer a service from Istanbul on an A330 freighter, and said it hoped to capitalise on the city's technological and business demand. It has already launched a service to Frankfurt.

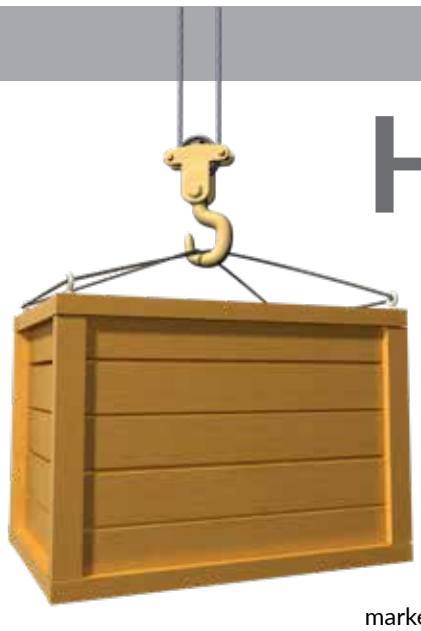
"Besides making a remarkable contribution to the need for global air cargo transportation, we are glad to add Munich, a substantial business centre, to our flight network, and continue to offer a stable and reliable cooperation to the leading exporters of the market," said chief cargo officer Turhan Ozen.

"As one of the prepotent air cargo brands in the world, we are aware, and resolutely fulfil our critical role in the development of our country and in increasing the competitiveness of global trade. We perform this mission not only with the transportation we carry out, but also with producing, opening areas, contributing the development of sectors, and creating a large logistics ecosystem."

TURHAN OZEN
Turkish Cargo

The expansion of the network comes as Turkish Cargo joins the WebCargo booking site. Forwarders will be able to conduct real-time e-bookings, access live rates and see available capacity. Turkish will be available to book via WebCargo in Spain and India first. The carrier predicts that more than 20 per cent of its capacity will now be booked digitally. E-bookings have increased tenfold in the past year, according to WebCargo data.

Focus ON



Heavy going: forwarders face uneven demand in projects

PROJECT cargo is proving something of a mixed bag at the moment. While some markets appear to be thriving, others are struggling through the pandemic. Not surprisingly, the shut-downs of the past year have played their part in reshaping the sector, "for the moment, at least". As project manager for AllCargo, Yaron Eyal, tells Voice of the Independent (VOTI), the restriction in air movements forced by the cancellation of commercial flights has seen shipping costs shoot up "substantially".

"There has been a surge in demand for charter vessels and aircraft," Eyal says. "Project cargo forwarders that have experience in these fields have had opportunities to develop these services further."

> "Project cargo forwarders that have experience in these fields have had opportunities to develop these services further"

Singapore-based Dextrans Worldwide's director for projects, Daryl Tan, says the "substantial increases" in freight shipping costs, together with the market "undergoing adjustment" has resulted in delays.

Tan tells VOTI: "However, certain sectors such as mining, industrial and infrastructure projects are only witnessing a minimal to small impact, due to ongoing capital investment."

Even with the spikes in shipping costs, Eyal does not believe it is accurate to describe the project cargo market as weak at the moment - "at least not in Israel". While he does acknowledge that many industries were affected by Covid-19, particularly commodities, he shares Tan's belief that certain sectors have experienced a relatively prosperous period. And, like Tan, he points to infrastructure as one of those sectors. They are not alone. Business development manager at Polaris Shipping Agencies, Rajesh Damodaran, sees infrastructure as something of a lifeline.

"Our region's project logistic sector is expected to have a steady growth due to infrastructure development and increase in cross-border trade once the Covid-19 restrictions ease up," Damodaran tells VOTI.

"[In other areas] we are still experiencing a weak market due to Covid-19-related disruptions such as lockdowns, travel restrictions, a slow-down in customs clearance, and also the additional costs linked to the protocols and procedures that have to be followed during this pandemic."

For Eyal, the growth in infrastructure has been a boon for his business. AllCargo considers this sector, along with rail and energy, as one of its key verticals. And, in Israel, all three are being developed at a "rapid rate".

"We are involved in multiple projects in these areas at the moment," he continues. "From the electrification of the Israeli Railway, to the LRT underground in Tel Aviv and a water-based energy project in the north of the country, these are all projects we are involved with.

"We were also very active this past year in Covid-19-related project forwarding and have done many charter aircraft and multiple shipments with covid tests and protective gear. We represent some of the leading companies in the world on fast Covid-19 tests. So, no, I don't think you can describe the market as weak at the moment."

> "certain sectors such as mining, industrial and infrastructure projects are only witnessing a minimal to small impact"

Tan, however, cautions against too much optimism. While he says at present the impact of the pandemic has not been "vastly felt", he has reservations over how the situation will play itself out moving forward. Changes in the pattern of consumption have undoubtedly altered the make-up of manufacturing, spurring more industrial projects, but he's not certain this will inevitably continue.

"In the medium to longer term, the outlook may not be positive as a result of the fiscal efforts required to deal with the pandemic," Tan says. "These may have been exhausted, particularly for developing countries. Fears of inflation may also dampen the outlook for more capital investment."

For Damodaran, future profitability will depend on how forwarders in the project sector have evolved over the past 15 months. He says that the pandemic has resulted in a behavioural shift in the ways projects at Polaris are now managed. This, he continues, has largely been achieved through the effective integration of digital technologies, including the use of purpose-built, in-house meetings software – the likes of Skype, Teams, and Zoom, to name a few.

"These systems have helped project managers to overcome the limitations surrounding face-to-face meetings," he continues. "Furthermore, governments focusing on digitalisation and the launch of 5G services, supported by several initiatives relating to artificial intelligence and cybersecurity, is expected to aid the transformation of the logistics system which will give a positive impact in the long run to the industry.

"But, as far as project logistics is concerned it appears that the decision makers are taking a 'wait and see' attitude due to the higher freight cost charged

YARON EYAL
AllCargo

by ocean carriers. Though these price fluctuations are expected to settle, their current levels are negatively impacting project cargo movements."

Indeed, the way countries have handled the pandemic itself seems to be influencing a shift in the market in terms of "who" is seeing success. Taking Israel as an example, Eyal notes that project logistics in that country "at least in the areas we are active" is determined by those companies that win the bid.

"Since some of the Asian countries, mainly China, have returned to normal sooner than their competitors in Europe or the US, the latest bids have mostly been won by Asian companies," he continues. "This is resulting in the surge in Asian-Israel business we are witnessing. As Europe and the US start returning to full capacity, I think this trend will change."

Project Logistics

Opportunities for SMEs

IN previous discussions, project forwarders have expressed consternation over the make-up of the project sector. It is, as one said, to be considered "a small pool teeming with both small and large sharks". But, for Polaris' Damodaran, it would be "incorrect" to describe it as an "unfriendly market" for SMEs, and pointed out that not all the jobs are "swallowed up" by the larger players.

"Traditionally if you look into the project logistics market it will be noted that 'the large sharks' have their portfolio of clients," Damodaran tells VOTI. "Yes, these are difficult portfolios to be brought into SMEs, considering the certifications and standards set to be qualified in their approved vendor list. However, there are enough other industrial project movements for SMEs to handle, with project owners looking out to award contracts to those who have established a track record and that they feel are capable of meeting their set standards."

Eyal goes further to suggest that SME logistic providers in the project sector have certain advantages over the larger players, provided they take the time and effort to specialise. "Our company is in the top 15 in the country in General Cargo, but easily places in the top three when it comes to project logistics," he says. "I agree that it is harder for an SME to break into the project cargo market than the general market, but once it has done so, it can compete with the big 'sharks'."

> "I agree that it is harder for an SME to break into the project cargo market than the general market"

The big sharks may be coming into the independent sector, however.

Tan notes: "As opportunities for largescale projects may have scaled down, larger logistics providers who have primed themselves in this segment will inadvertently increase their focus on whatever is available in the market, which will lead them to competing with SME logistics providers."

One thing that seems to divide SMEs is the prospect of consolidation. By no means unique to project, consolidation has been occurring across sectors within the supply chain.

Damodaran, unlike Eyal and Tan, seems less concerned by the prospect of consolidation. Indeed, he would be surprised if the end of the pandemic does not result in its own consolidation spike, but he also believes this will be good for both the industry and his customers. Eyal expresses a note of caution.

"The pandemic brought opportunities to small operators of aircraft and vessels to book charters where regular lanes were less active or very expensive," says Eyal.

"When the larger operators are slowly returning to regular traffic lanes, and prices will probably start returning to pre-pandemic days, there will be a growing trend toward consolidation among shipping and air operators. [When this happens] small operators need to seek cooperation between them to survive or the continuation of the split in cargo will make continued operations very difficult."

This, explains both Damodaran and Eyal, can be supported through their partnership with the WCA Project Network. For Damodaran, WCA has opened up the opportunity to work with other heavy lift and project specialists "around the world" with the knowledge that they can be trusted because they have had to go through a shared vetting process. Eyal adds that joining the network ended the need to "hunt around blindly" for partners in regions that AllCargo does not have a long-standing presence in.

"Even if I do have an agent in place, the network enables me to work with an agent specialising in the field I need assistance in," he adds. "The important thing is that there are many agents in the network, including AllCargo, who are genuine assets who can help each other get business and do the work well once they have it. That is the life-blood of forwarding."

RAJESH DAMODARAN
Polaris Shipping Agencies

Spotlight ON

Jackson Campos

Growth amidst the Covid chaos

Pharma and government affairs director AGL Cargo

BRAZIL has had one of the worst responses to Covid-19 in the world. As of this month, it has the world's third-highest number of confirmed cases, at more than 15 million, and second-highest death toll – more than 430,000 people – behind only the US.

While some of the lockdowns have been less stringent than elsewhere, the lack of control over the virus means Brazil is more likely to face a longer-lasting impact, with a likely negative effect on its economy and trade.

But forwarder AGL Cargo has not just survived, but grown, as its strategy pivoted towards different sectors, in common with many WCA members around the world last year.

> "When the pandemic arrived in Brazil, AGL Cargo was ready for the lockdown"

Jackson Campos, pharma and government affairs director for the São Paulo-based company, says the first big change, in common with others, was working from home. AGL had already invested in technology, so the move was easy, he explains.

"When the pandemic arrived in Brazil, AGL Cargo was ready for the lockdown. All our systems were in the cloud and almost everybody was using laptops already."

But he adds, the restrictions did not really work in terms of limiting the impact of Covid-19.

"We had something that looked a bit like a lockdown, in the first three months. Some of the [state] governors thought that holidays would keep people at home, but it didn't work. Officially, our social isolation was only about 60 per cent of people during the beginning. But people stayed home to protect themselves and their relatives."

However, he adds, a number of politicians were relaxed about social distancing and some, including the president, advised the population to take unscientific treatments, while they also did not encourage mask-wearing.

"We became the second most dangerous country for Covid-19, with nay-sayers not respecting social distancing, and organising large events with large numbers of people."

The impact has been devastating for some businesses, explains Campos.

"Due to both the pandemic crisis, and the exchange rate rise, many small freight forwarders fell into bankruptcy.

"AGL, however, is a strong company with solid cashflows, so the pandemic didn't affect us in the same way."

Nevertheless, business changed. And AGL changed with it.

"We have had a period of decline in consumer spending, but medical demand has increased. AGL managed to increase its business during 2020 as it started working with several new customers and other sectors - especially healthcare. Brazil has been facing tragic times as the number of deaths went up, but so did the demand for medical products."

As head of pharma at AGL, Campos says he has now spent a lot of time studying different vaccine requirements – although Brazil was slow to start its vaccination programme.

"Our federal government rejected all the pharmaceutical proposals in the early agreements for vaccines, which has put Brazil at the end of the line to buy immunisations," says Campos. About 7 per cent of Brazil's population has now been fully vaccinated – compared with 33 per cent of Americans.

One of Campos' biggest challenges over the past year has been importing pharmaceuticals and the raw materials for them, with a chronic lack of transport capacity hampering efforts.

"There was a reduction of flights to Brazil because of the country's bad management of the pandemic, so to bring raw materials in for the pharmaceutical industry became a challenge, even from nearby countries."

But AGL, which is "committed to the healthcare industry", looked for other "disruptive" options instead – including air charter solutions for its customers. It chartered an AN-124 to bring essential equipment into Brazil from Venezuela on behalf of major Brazilian drug manufacturer Brainfarma.

"With air charters, AGL Cargo can give our customers all the possible solutions which would fit their needs.

"We also worked with local WCA partners, and we were well supported by them."

> "I think we have a lot to learn from the pandemic in our personal lives, as well as in logistics"

Ocean has also been challenging, he says, and the high freight rates can put customers off.

"Customers are always looking for a cost reduction - and even more for ocean freight that is mostly used for low-value commodities.

"With ocean rates rising from less than US$1,000 in the beginning of 2020, to $10,000 in the third quarter, customers started to make more enquiries, looking for savings and alternatives.

"However, as everybody had the same problems, often the alternatives were busy or expensive too."

Campos says change is part and parcel of a forwarder's life – but there have been some lessons along the way.

"I think we have a lot to learn from the pandemic in our personal lives, as well as in logistics. But change in the logistics industry is constant, we are in a continuously shifting market.

"But there is something that we should have learned from all of this: do not underestimate a disease."

Campos himself says he is much more knowledgeable now about healthcare equipment and pharmaceutical logistics.

"I have learnt how each Covid-19 vaccine acts. Also, how often we need to test people, and what types of masks are available in the market.

"I also learned that we need to be ready for anything related to pharma logistics. During the last year, we had several new urgent enquiries for the fight against Covid - and I was ready for all of them."

And what next? Pharmaceutical logistics seems likely to be a critical sector in Brazil for some time.

"AGL Cargo will keep up the good work and investments, to continue to be seen as the pharma specialist in Brazil."

And it will keep on growing and investing, he adds.

"AGL Cargo has always invested in people and technology. This was the secret of surviving 2020 - and growing. In fact, last year we grew staff numbers by 20 per cent, while volumes went up by 25 per cent.

"And AGL Cargo will work to keep all the good staff in the years to come - and we will increase the training programmes during 2021 and 2022."

Insights IN

Seafreight – comment by Mike Wackett

Could there be an end to slow steaming?

MIKE WACKETT
Sea Freight Consultant, FICS

THE slow boat from China is getting a little faster.

According to a recent survey by VesselsValue, the average speeds of containerships of more than 8,500 teu on headhaul routes has increased by 8.5 per cent since last June.

There is increasing evidence that ocean carriers are speeding up their networks, not only to mitigate the impact of port congestion, but also to maximise capacity in a bid to hoover up as much cargo as possible from Asia in a red-hot freight market.

Slow steaming was first adopted by the liner industry in 2007 in response to escalating fuel prices that had hit US$700 per ton.

It was calculated that slowing down a 15,000 teu ship from a service speed of 27 knots to 18 knots could save some $2m on fuel costs on an Asia to North Europe loop.

And adopting super-slow steaming on the less critical backhaul route, by cutting speeds back to 14 knots, achieved even greater savings.

The downside was an extra seven to 10 days' sailing time on the Asia to North Europe tradelane, and four to seven days' additional transit time on the transpacific.

Carriers required extra ships to fill the gaps, but that turned out to be a blessing in disguise as the industry was suffering from chronic overcapacity driven by a spate of over-ordering, fuelled by an unrelenting liner arms race.

Thus slow steaming and super-slow steaming became the norm in liner trades, and with the unrelenting upsizing of containerships, was the main weapon used by the biggest carriers to reduce their unit costs and therefore become more competitive than their smaller rivals.

Moreover, the unintended consequence of more efficient use of fuel by containerships was a substantial reduction in greenhouse gas (GHG) emissions.

There is increasing evidence that ocean carriers are speeding up their networks

Research by the Dutch environmental consulting group CE Delft concluded that the impact of slow steaming would reduce GHGs from containerships by as much as a third.

Shippers that were initially angry at the delays to their supply chains and the need to build larger inventories, were ultimately won over to the arbitrary decision by liner companies to lengthen their transit times by the knock-on reduction in their carbon footprint.

Consumers wanted 'greener' products and retailers were not minded to challenge carriers that were reducing emissions, albeit not as their primary reason for slowing ships.

Furthermore, carriers promised shippers that by slow steaming ships they would - in case of need - be able to speed up to compensate for bad weather or port delays, and therefore improve schedule reliability.

So what went wrong? Even before the pandemic, liner schedule integrity was at a record low.

Now however, with skyrocketing rates resulting in carriers raking in billions of dollars of profits in the first quarter alone, the lines have money to burn.

And burning more fuel in order to have their ships and equipment back in Asia quicker, to fill up with containers paying freight rates 1000 per cent higher than a year ago, makes good business sense.

However, newbuild ultra-large containerships have had engines installed with design speeds set significantly lower than pre-slow steaming vessels, so there are physical constraints to a return to fast transits.

But more importantly there is no going back on shipping's path to decarbonisation requiring the reduction of GHG emissions.

Nevertheless, with stable fuel costs and highly elevated freight rates is it at last possible that carriers will deliver on their promise of 2007 to improve schedule reliability?

Don't hold your breath!

Central Europe invites you to do business

EVENTS are coming back. This October will see the first international B2B exhibition in Bratislava, Slovakia; the World of Freight (WoF) Expo 2021.

"It's an ideal place for a logistics hub in central and eastern Europe (CEE)," said Tomáš Kočner, WoF managing director.

"Our vision is to create a very first expo that will relocate across the countries of the CEE region yearly in order to establish a common and stable platform for freight/supply chain providers and industrial/manufacturing companies with a specific focus on the region."

The CEE region is both dynamic and an increasingly important distribution and logistics centre.

"There is a lot of production, new distribution centres, and warehouses that have been established so we can really see good progress in terms of quality and services that are provided. Therefore it came naturally to us to create something unique for our region."

WoF expects to see visitors from more than 44 countries, who will be participating in a bid to connect all stakeholders, from shippers and manufacturers, to supply chain solution providers. The event will feature an online 1 on 1 meeting scheduler, allowing participants to find partners before the event. There will be a networking lounge, a cocktail networking event, and a conference focusing on digitalisation, innovation, ecommerce, start-ups and the environment.

"Top speakers from all sectors will join forces to provide a platform where visitors can take away valuable insights into a brighter, more prosperous future," said Kočner.

"The topics are prepared in collaboration with big players and we will focus on sustained growth in ecommerce, progressive digitisation of logistics processes, the revolutionary impact of Industry 4.0 on transport and logistics, and much more."

Kočner added that the event will be fully Covid-compliant.

"We cannot wait to do some business in person after all this time. However, we have to be considerate of the current situation and everything will be taken care of when it comes to the covid restrictions. We are closely monitoring the situation and guidelines of the Slovak government. Providing safety measures for all visitors and exhibitors is our main priority."

And of course, there are awards, to be given at a gala evening.

"WoF Expo has launched voting across the industry in order to celebrate the incredible achievements of the people, organisations, and businesses within the logistics sector.

"The awards aim to promote companies and their achievements to consumers and the trade across the globe."

The awards are for: Port of the Future, Air Cargo Excellence, Smart Freight Forwarder, Last Mile Expert, Green Impact, Start-Up Hero, Innovation of the Year, Shipping Line Efficiency, and Speedy Flow Airport.

The event will take place on 6 to 8 October at Incheba EXPO, Bratislava.

Shippers struggle with forward-looking visibility

THE scramble for capacity has left many shippers frustrated and angry. A coalition of US perishables shippers are accusing container lines of denying them capacity by rushing empty boxes to Asia rather than making them available for US exports, resulting in US$1.5 billion-worth of lost export sales. During the 2020 peak season, parcel shippers that wanted to up their volumes with some of the integrators were faced with eye-watering surcharges, or worse, denied additional capacity.

"I think everyone is struggling at the moment," observed Eric Rempel, chief innovation officer of Redwood Logistics. "I think if anyone said – whether it's raw materials or the sourcing of transportation – that they're not struggling with it, they're either blowing through an insane amount of money and not realising it, or they're not being honest."

In recent months a legion of consultants has urged shippers to improve their demand forecasting to avoid such scenarios in the foreseeable future. For many, though, this is easier said than done.

"A lot of companies are still in firefighting mode," remarked Ed Barriball, partner in McKinsey & Co, adding that they have some way to go to get a better handle on their forecasting capabilities.

"A lot of companies are still in firefighting mode"

"A lot of assumptions people built their supply chains on are not true any more," he warned. He noted that many firms still have blanket strategies on inventory. Instead, they should develop a more nuanced view of the ramifications of holding inventory for longer or shorter periods of time.

"Usually there is not enough nuance, which can be a cause for disruption," he said.

As a risk management tool, a mix of capacity arrangements can yield some flexibility to deal with spikes in traffic. For its trucking needs Google uses dedicated capacity for 75 per cent of its traffic through a brokerage partner and the remainder from the brokerage's carrier base to flex capacity up or down. The mix can shift depending on market conditions, said Ilse Schultz, Google's head of logistics.

On the airfreight side block space agreements have been critical to navigate through the pandemic, she added. These are based on a mix of historic and forecast data.

A growing number of operators are turning to technology. "We try to automate to deal better with the scramble for capacity, as we are up in some lanes, some are down," said Steven Judge, senior manager truckload, LTL, intermodal and flatbed at Newell Brands. His company used to have one dedicated carrier per lane in place but changed its strategy during the past year to comprise of dedicated carriers, truck brokers and digital brokerages.

According to Barriball, there is plenty of technology available. If anything, the challenge for companies is to pick the right match from a rapidly growing number of offerings. Many companies are out at sea trying to figure out what technology meets their needs and is likely to be relevant two or three years down the road.

Rempel noted that companies usually approach the issue from one particular problem they are facing, such as the need for a cloud-based transport management system, or to help with managing their LTL business.

"No one starts wanting to build the Taj Mahal," he said. The first step should be to enable real-time communication between various systems to bring the different streams of data that reside in them to a central platform.

Barriball remarked that there is enough data available in the ecosystem to allow better supply chain visibility and forecasting. This encompasses companies' own supply chains as well as broader supply chain issues, such as the current shortage of semiconductors and how this affects various industry verticals.

ED BARRIBALL
McKinsey & Co

A critical point in this is the quality of the data on hand. "All of these models are only as good as the data is," remarked Rempel. "The hard part is to get clean and uniform data."

A company like Redwood performs data cleaning work as well as developing pipelines that connect different systems to allow for fast and unfettered flow of data.

"We weave systems together. From there we can introduce business logic in-between," Rempel said.

This is becoming more important as the need for data flows between supply chain partners is growing exponentially. Judge remarked that shippers can gain important insights from data provided by their carriers, which the latter are usually willing to share.

"Carriers have a lot of data. Ask for that data! It helps us drive insights," he said.

For example, carriers have records on how much time their drivers have to wait at different customers, revealing problems that the shipper normally would not be aware of. Learning that a particular customer has a bad record of making truckers wait allows the shipper to address the issue with that customer, he said.

Moreover, shippers and their transportation partners have to work more closely together, stressed Joe Beacon, chief safety & operations officer at Landstar.

"Collaboration is key. We need to understand the customer's business, what his pain points are. Who are their vendors?" he said. "You want to take a lot of surprises out of the supply chain. Collaboration mitigates the risk."

Jennifer Shaffer, manager of sales support & marketing at Mallory Alexander said: "Our operations teams – especially those in Asia – have to work very closely with our clients and their suppliers in the hope of securing the equipment and capacity they need in today's market conditions."

Schultz emphasised the importance of strategic partnerships with carriers as a key plank in Google's forecasting and risk mitigation efforts. These involve joint planning processes on a monthly and quarterly basis.

This kind of involvement is hard to attain, what with the work load that most companies are dealing with. It becomes harder and harder to do it without technology.

Voice of the Independent
Contacts
Production & Design: Mandy Warren
mwarren@worldlogisticsmedia.com
Editorial Team: Editor
editorial@worldlogisticsmedia.com
UK Office
Talon House, 6 Blackthorne Road,
Colnbrook, Berks, SL3 0AL, UK
Phone: +44 7736 034153