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Supply Chain Crises In U.S. And U.K. Are Latest Reminders Of Challenges Facing Business Leaders



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I cover crisis-related news, issues and topics.



NORTHWICH, ENGLAND - SEPTEMBER 22: Shelves in a supermarket look sparse as supply chain issues continue on September 22, 2021 in Northwich, England. Gaps in supermarket shelves have appeared more frequently as a shortage of lorry drivers and other workers has disrupted supply chains. (Photo by Christopher Furlong/Getty Images)

The biggest and latest supply chain crises since a cargo ship blocked the Suez Canal last March are now playing out in two widely separated parts of the world. While the reasons behind each crisis varies, they are the latest reminders about the supply chain challenges and opportunities that continue to face business leaders around the world.

According to CNN, "... the form of Brexit pursued by the UK government — which introduced stringent immigration policies and took Britain out the EU market for goods and energy, making it much harder for British companies to hire European workers and much more costly for them to do business with the country's single biggest trading partner."



LONDON, ENGLAND - SEPTEMBER 25: Out of service signs on fuel pumps at a Shell garage which is out of all fuel on September 25, 2021 in Grove Park, London, United Kingdom. BP and Esso have announced that its ability to transport fuel from refineries to its branded petrol station forecourts is being impacted by the ongoing shortage of HGV drivers and as a result, it will be rationing deliveries to ensure continuity of supply. (Photo by Chris J Ratcliffe/Getty Images)

Reuters reported that, "Prime Minister Boris Johnson said on Tuesday the government was making all necessary preparations in the supply chain ahead of Christmas as Britons continued to panic buy fuel leading to queues at some gas stations.

“What we want to do is make sure that we have all the preparations necessary to get through until Christmas and beyond, not just in supplying the petrol stations but all parts of our supply chain,” he told broadcasters.

Meanwhile, shipping issues in California have caused dozens of cargo ships and thousands of cargo containers to sit idle at or outside the port of Los Angeles.



Containers stacked high are seen at the Port of Los Angeles on September 28, 2021 in Los Angeles, California. - A record number of cargo ships are stuck floating and waiting off the southern California coast amid a supply chain crisis which could mean fewer gifts and toys for Christmas this year as a combination of growing volumes of cargo, Covid-19 related safety measures and a labor shortage slow the handling and processing of cargo from each ship. (Photo by Frederic J. BROWN / AFP) (Photo by FREDERIC J. BROWN/AFP via Getty Images)

As the Los Angeles Times observed, “The American supply chain has so far failed to adapt to the crush of imports as businesses rush to restock pandemic-depleted inventories. Tens of thousands of containers are stuck at the ports of Los Angeles and Long Beach, Calif., the two West Coast gateways that move more than a quarter of all American imports. More than 60 ships are lined up to dock, with waiting times stretching to three weeks.”

The Big Picture

John Boyd is the principal of the Boyd Company, an authority on global supply chain trends. He observed that, “As for overall supply chain challenges, the chip shortage (impacting virtually all consumer appliances) along with the pandemic have been the chief villains here but not the only ones. For example, we have seen freak storms in the U.S. Gulf Coast, Japan and China become serious roadblocks to the supply chain. But there are others.”

He said they include:

Warehouse Shortage

- A national shortage of cold storage warehousing space—how pharmaceuticals and vaccines are warehoused and distributed around the country.

Stockpiling

- A shift in manufacturing strategy away from “just-in-time” delivery to one of stockpiling.

Labor

- Another speed bump in our nation’s supply chain is the current labor shortage. Companies throughout the U.S. are struggling to find workers and no industry is struggling harder than warehousing, especially labor-intensive fulfillment centers.

Backlogged Ports

- The supply chain is also being constrained by heavily backlogged West Coast ports and rising over-the-road freight costs, with truckload van rates now averaging \$2.73 per mile nationally which is up a huge 25.6 percent year-over-year.

E-Commerce

- A longer term challenge to supply chain efficiencies is the unprecedented boom in e-commerce which has skyrocketed during the pandemic.

Regulations

- The re-emergence of NIMBY (“Not in my backyard”). As warehouse construction continues its historic boom due to e-commerce and our country’s instant gratification economy, heightened regulations are on the horizon spurred by anti-growth critics and watch dogs of the industry.

Solutions To Supply Chain Bottlenecks

Boyd said, “Looking ahead, solutions to supply chain bottlenecks are led by the construction of new warehousing space, already proceeding at record levels coast to coast. In fact, warehousing has proven to be a remarkably resilient sector during the pandemic.

“Real estate developer clients of ours—including those active in markets historically not tied to logistics like tourism-driven South Florida—are all telling me that they’ve never experienced demand for warehouse space like way they are seeing it today. They are all building new warehouse space as fast as they can, but it's been a struggle to keep pace with what seems like an insatiable demand,” noted.