

Shipping And Inventory Crises In U.S. And U.K. Are Latest Reminders Of Supply Chain Challenges

October 4, 2021



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 that continue to face business leaders.

The crisis in the U.K. — a shortage of gasoline at service stations and food at grocery stores— appears to be a delayed impact to when and how Britain decided to leave the European Union (AKA Brexit).

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, [made] 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.”

Pointing Fingers

Brett Rose is the founder and CEO of United National Consumer Suppliers, an international wholesale distribution company. He said, “Participants in each link in the chain – shipping lines, port workers, truckers, warehouse operators, railways, and retailers – will point fingers when it comes to addressing the imbalances that are taking place in the supply chain.

Short-Term Solution

Michael Key, a senior supply consultant at Turner & Townsend and a former British Army logistics officer said, “The short-term solution is the British Army, which has undoubtedly been called upon to assist in the same way it did during the 2012 tanker drivers’ strike.

“However, it’s not just fuel shortages that are in short supply, this is a global supply chain issue. With Christmas just around the corner, relying on the U.K. military to ease supply chain disruption seems to be the only resort and is not sustainable indefinitely. In the short term, business leaders and the Government should look to increase the desirability of supply chain jobs by improving

remuneration, benefits, and the work life balance. Failing to do so will only prolong the current crisis and leave Supply Chains unprepared for future black swan events.”

Failure To Adapt

Meanwhile, shipping and labor 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.

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 the other “chief villains” 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.

Advice For Business Leaders

Brian Alster is general manager for finance and risk at Dun & Bradstreet. He said, “By working to create a more modern supplier operation today, companies will be in a better position to manage the unprecedented events of the future, enabling an agile supply chain that can withstand any challenges.”

Alster recommended that corporate executives follow these short- and long-term best practices.

Short-Term

- Develop a risk-based assessment process that helps identify and continuously monitors a variety of risks that could impact the productivity of your supply chain. Risk conditions can include a range of incidents, from natural disasters such as hurricanes, to trade wars and worker shortages due to the pandemic.
- Complete an assessment of all tiers of suppliers to ensure your suppliers’ suppliers are not going to negatively impact your business.
- Monitor your supply chain and make sure that you are monitoring the risks associated with all tiers of suppliers to ensure your company has a complete view of your global supply chain.
- Identify alternative suppliers in non-impacted regions of the world to diversify the supply chain and limit dependencies on any one supplier of a geographic region.

Long-Term

- Focus on digital transformation. Supply chain leaders must act now to digitally transform their supply chain operations using data-driven insights that offer real-time transparency into the financial and operational health of every supplier across all tiers.
- Build policies and contingency plans for your supply chain. Identify geographically diverse suppliers to onboard in the event of future emergencies. A company should also consider dual-sourcing for critical components within your supply chain.

Source: Forbes