

Sink or swim?

Ensuring “smooth sailing” for your company’s ocean supply chain operations

Historically, the commodities contained within ocean containers moving along the world’s seaways usually involved heavier, lower-value commodities, such as unfinished goods or raw materials. But given the turbulent state of the current economic environment, those trends have shifted and logistics shoppers have become more willing to look past the world’s highways, railways and airways to move their higher value goods.

“Since cost increasingly seems to be dictating customers’ transportation expenditures, the longer transit times involved with ocean freight, which were once very much ballyhooed, have suddenly developed a greater appeal based on the affordability and significant cost savings that are linked to ocean transport,” says Kevin Krause, director of ocean services for AIT Worldwide Logistics, Inc. “In opting to ‘slow boat’ their commodities, so to speak, customers can potentially save hundreds of dollars.”

Smart Business sat down with Krause to discuss how the ocean freight-forwarding industry and its customers have adapted to skyrocketing fuel costs, reduced cargo capacity and transportation restrictions as a result of this month’s upcoming Olympics in Beijing.

What are some of the pivotal concerns faced by the ocean industry?

Today’s ocean industry is currently being barraged with multiple concerns. The higher cost of fuel, simultaneously matched with smaller ships being deployed into the U.S. market, creates severe reductions in cargo space for U.S. exports. Every day, we’re fighting tooth and nail for that limited space and equipment.

In addressing these supply chain headaches, urging customers to plan early in forecasting their demands and scheduling their bookings at least 10 days ahead of time is critically important. Taking this initiative gives forwarders ample time to reach out to multiple carriers, find several feasible solutions within their customers’ cost parameters and time constraints, advise of alternative routings, and design the most efficient and cost-effective logistics plan for the customer.



Kevin Krause
Director of ocean services
AIT Worldwide Logistics, Inc.

Discuss how the industry is increasingly affected by ‘peak season.’

Our industry is currently experiencing what I like to call an unprecedented ‘perpetual peak season,’ with U.S. exports in particular.

In the fall of 2007, the declining dollar against foreign currencies in Asia and Europe served as the catalyst for this ‘perpetual peak season,’ where the U.S. export market began experiencing full vessels on a weekly basis. Although there is no export peak season currently being charged by ocean carriers, additional costs, such as equipment repositioning or early return fees, were enacted in order to cover this ‘peak’ in export shipments. Determined by various factors, including the fluctuating fuel index or oil price per barrel, these peak season surcharges have created a ripple effect on the bottom line of what is being produced and sold in the global consumer marketplace.

In 2008, several ocean carriers began delaying the start of applying peak season surcharges into August. This delay has cre-

ated an artificially sustained spike in shipments, while vessel capacity remains fully utilized from Asia to the U.S. by importers who are hoping to ship their goods before the surcharges apply.

What other ocean supply chain strategies can be used?

Taking a consultative approach in communicating with your customers and maintaining ocean contracts with established carriers and co-loaders is of critical importance in maximizing service reliability and minimizing losses among your customer base.

Educating and informing your customers on various transit times, schedules and intermodal transport options and providing all-inclusive visibility is also a crucial supply chain strategy. Keeping them well versed in regards to spikes in import volumes or backlogs on export vessels allows them to prebook at origin in an accurate and timely manner, ensuring container equipment availability.

For example, Aug. 8 is the start of the Summer Games to be held in Beijing and surrounding areas through Aug. 24. Beginning in July, ocean carriers and local government bodies began enforcing restrictions in order to improve the air quality in the city and surrounding areas in preparation for the games. Keeping your customers abreast of these restrictions and advising them on suppliers in alternative locations until these restrictions are lifted is a crucial supply chain strategy.

Lastly, maintaining partnerships with established ocean carriers allows providers to offer customers exclusive pricing points and service options. The benefits of these relationships not only include competitive cutoffs and enhanced access to equipment and space availability, but forwarders are given more freedom to be creative and flexible in crafting logistics plans for their customers, especially if time-sensitive cargo is involved. <<

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