

Winter is Coming...Are You Ready?

The shipping industry suffered the perfect storm last January and February. Weather crippled transportation for highways and rails alike. Drivers exited the market, and capacity tightened overnight. Delays and dropped loads compounded inventory issues, and freight costs sky-rocketed. Spring eased some of the issues, and the industry has seen remarkable resurgence. Freight demand remains strong, which is good for the industry, but poses a challenge for shippers, especially as we head into the winter season.

In order to maintain the steady improvements, you need to be prepared for the upcoming months, which will bring another round of winter weather and tight capacity made even tighter by the holidays. Below we outline our top ways to prepare for this winter. Most of these tips seem obvious, but with the stress and chaos caused by this time of year, it is easy to forget. Have you done any of these yet?

Take a proactive look at your network

The first thing you need to do is take an overall look at your network. Use historical data to determine your at-risk lanes that have caused the most problems – expedited costs, stock-outs, etc. - in past winter seasons. You should also identify which regions (and specific states) in your network will be affected by seasonality of products. For example, the Midwest will be busy shipping meats and dairy, while the Pacific Northwest focus is Christmas trees.

Start proactively addressing these with solutions such as forward deploying or transferring products to other locations. Ask stores or distribution centers if it is possible to take the product early and hold additional inventory. Rearranging shipments in your at-risk lanes and regions now will save you on freight costs - and headaches - later.

Work on plans with your carriers

Communication is crucial to ensure success for both you and your carriers. Have proactive and honest discussions about your at-risk lanes and review contracted commitments. July and August saw record year-over-year freight volume increases of 58% and 44%, respectively, while freight availability remained constant, causing spot rates to inflate. This trend will only continue in line with the tighter capacity of the winter season. Dedicated freight lanes will save you from going to the spot market and spending more money than planned.

While you expect your carriers to honor their commitments, you should also be meet them halfway and be more carrier-friendly in your operations. Work together to match their extra capacity with shipments in your at-risk lanes and to find opportunities to round-trip routes. Another solution is to find different days and times than are typically scheduled, such as loading or unloading on a weekend. The better the relationship between you and your carriers, the better it will be for operations on both sides.

Be proactive when it comes to weather and holidays

You cannot control the weather, and holiday shipping is what of nightmares are made of. However, you can take proactive measures to help alleviate some of these problems. Ship in advance as much as possible to avoid the week before and after a holiday. This solution can also be applied to weather. If you know when snow storms are going to come, move the shipment before it hits or reroute. It is also important that you order in accordance with your forecast. Try to avoid underestimating and putting yourself in a situation where you need to expedite.

If you have other supply points, set-up contingency plans to use them to service affected locations in case there are delays caused by weather. Similarly, have your customers and DCs hold an adequate amount of safety stock, at least seven days is commonplace, to reduce delays and ensure uninterrupted product flow.

Use technology to your advantage

All of the solutions outlined above will help you prepare for this winter; however, with the current state of the market, your business needs to be at the top of its game. Utilize technology solutions to achieve business intelligence and agility. With technology, you gain more visibility into your network, empowering you to be more proactive with planning and flexible in reacting quickly to changes. The biggest advantage of technology is the capability to optimize your network, shipping freight smarter and cheaper. Better utilization of trucks across the overall network will reduce the number of trucks on the road and ease the burden of tight capacity and market conditions.