



SUPPLY CHAIN DISRUPTIONS

KS DEPT. OF COMMERCE

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Supply Chain Challenges



Watching the news can really make you wonder about how we will all get through things.

- The cost of fuel is going up...
- The cost of transportation is going up...
- Space on both ships and planes is tight...
- Container & Chassis shortages...
- Driver shortages...
- Railyard shutdown to catch up with backlog...
- Stock shortages...
- Supply chain delays...
- Warehouses at the ports are full....
- The cost of virtually everything is going up.

Comparing year-over-year volumes reveals October's import 3 percent higher than 2020 and 23 percent over 2019.

The Driver Shortage May Eclipse Other Issues

The shortage of drivers affects global and local trade. Whether it's getting goods out of ports to last-mile deliveries, there are not enough drivers and the situation appears to be getting worse. The data tells the story:

- Current U.S. driver shortage stands at 80,000 and is projected to be 160,000 in 2030²

Things to Consider



- Sourcing from suppliers in a different region
 - Be careful when switching suppliers. Your supplier may source piece part components from Asia and still creates a back log in receiving goods
 - IT takes time to onboard a new vendor when following your internal processes
- Evaluate alternative inbound logistics options
 - Air freight vs Ocean (*\$30k per container may be the same cost for air*)
 - Charters instead of steamship line
 - Drop shipments to customers for FCL
 - Unloading containers at the port and trucking freight inland
- Diversify your supply base - add more sources in locations not vulnerable to the same risks
- Consolidate and Negotiate Volume Directly With Your Supplier
- Execute prebuys so you can have inventory
- Consolidate Across Business Units – pooling across businesses



- Be aware of your suppliers industries they sell to as they may impact your delivery time (i.e. automotive industry)

- Froth vs Slaush

Froth: Customers are placing orders with multiple suppliers and the first supplier to make an order ready, then cancel all other supplier orders

- Buying a new dishwasher your preferred store is out of stock of the one you want so you buy the one in stock
- You won't necessarily go back to the same store the next time – short run good for suppliers but not necessarily long term customers

Slaush: who ever has inventory a wave of buying goes to the supplier, when out of inventory shifts to another supplier who has inventory W A V E



- Adjusting forecast to prebuy inventory
 - Be careful not to overbuy
 - Careful for products that have a shelf life
 - Do you have the space to store & do you really need it
- Assist - Sourcing components for your vendor they currently cannot obtain to help them finish the sub assembly your buying from them

Landed Cost Adjustments



Factors to consider

- Fluctuating freight charges
- Sec 301 provisional duties
- Anti Dumping tariff's
- Sec 232 provisional duties

DON'T ask your vendor to quote an "all in price" for shipments imported into the US as the US does not pay duties and taxes on freight.

DON'T quote "all in prices" to your customers for drop shipments as freight charges are too unpredictable.



Product Compliance

Be careful when switching vendors. There are chemical restrictions that must be adhered to when shipping into the US or EU, which adds another layer of data needed from manufacturers/vendors prior to procurement.

- Chemical Restrictions (REACH, RoHS, TSCA/EPA, Prop65)
- Products often incorporate critical components or materials that require specialized chemicals or technological skills to make.



Freight costs are increasing, so look for savings with your duties.

1. U.S. customs laws and regulations provide for a duty exemption for goods manifested at less than \$800 fair retail value in the country of shipment if imported by one person on one day (so-called **Section 321 shipments**).

This exemption applies to not only base MFN tariffs but also section 301 tariffs such as those currently in place against imports from China.

ONE shipment per consignee per day

2. *Submit your request for reinstatement of an exclusion under Sec 301*

Thank You

