FALL 2018

Point to Point

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Logistics insights provided to you by AVERITT

PLANNING FOR FREIGHT CHALLENGES & OPPORTUNITIES AHEAD IN 2019

More than a decade after the worst global financial crisis since the Great Depression, the U.S. economy now sits high amid a period of low unemployment and low inflation. In an October speech, Jerome H. Powell, the Federal Reserve chairman, touted economic forecasts as having a "remarkably positive outlook." Still, many shippers and businesses are uncertain how the path to sustainable growth will look as numerous challenges to supply chains persist.

2019 FREIGHT MARKET SNAPSHOT

For shippers, 2018 was a year marked by tight capacity and increasing freight costs. Boosted by a consumer recovery that began in 2017, supply chain operations were further compounded as the trucking industry adjusted to the electronic logging device mandate that went into effect last December.

Even as trucking employment reached a record high in the third quarter of 2018, freight capacity struggled to meet demand on the road. After a year of robust growth, however, the economy at large may finally be entering a relatively calm period that could persist through 2019. While spot rates may not return to the levels seen in 2016 in the coming year, prices may reflect a more even temper of the economy.

Nonetheless, there are still challenges and forces at play that could lead to supply chain disruptions in the coming year.

GLOBAL UNCERTAINTIES STILL LIE AHEAD

Foremost, the state of international trade relations has been evolving throughout the year. Though Canada, Mexico and the U.S. have made progress in terms of a trilateral agreement, there have been very few breakthroughs with China.

In September, the U.S. imposed a new set of tariffs on $200 billion worth of products imported from China. That brings the current total to $250 billion with another proposed round of $267 billion on the table. In retaliation, China has so far imposed more than $60 billion worth of tariffs on goods from the U.S.

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Because China is the largest trade partner with the U.S., the increasing costs of international trade have and will continue to add financial burdens on supply chains.

PREPARING FOR THE YEAR AHEAD

In little more than a month, the new year will begin and many of the same challenges faced by shippers and carriers in 2018 will still be prevalent. The driver shortage will continue for the foreseeable future. And if the economy continues to drive forward in a positive direction, capacity and pricing will still be a primary hurdle to deal with. On the other hand, rising interest rates may force many businesses to slow down on investments and growth, which could take pressure off capacity.

While there may be more room to breathe, consider what has worked and what has not worked this year. Have discussions with service providers to identify the areas they can help you excel at the most and always keep the lines of communication going back and forth. PtoP

POINT 2

MANAGING THE SURGE
IN POST-HOLIDAY REVERSE LOGISTICS

One of the most challenging aspects of the holiday season, particularly for retailers, can be the aftermath. Many purchases are often returned due to damages, wrong sizes and a variety of other reasons. To recoup losses, businesses are often able to ship the returned goods back to their suppliers for a refund or rebate.

However, the process of reverse logistics can often be tedious, time-consuming and costly. Take advantage of the following strategies to help reduce the hassle of managing your reverse logistics operations.

MAKE THE PROCESS EASY FOR YOUR CUSTOMERS

The most critical part of developing a successful reverse logistics plan begins with your customers. A return generally indicates a level of dissatisfaction with the product itself.

This is a prime opportunity to ensure that customers are delivered a positive experience that will bring them back again and again. To that point, make the return process as easy for your customers as possible. Offer a full refund or store credit and avoid requiring the original receipt and packaging. Taking a small hit on one return could lead to even bigger opportunities in the future.

CONSOLIDATE RETURN SHIPMENTS

To reduce the complexity of reverse logistics, try to consolidate your return shipments when possible. Shipping in bulk can reduce your costs in the long run. While many returns can be handled by parcel delivery, it may make more sense to combine your small packages into bulk LTL shipments.

UTILIZE RETURN POOL POINTS

If your business operates multiple locations that act as return origins, explore the use of return pool points. Through this strategy, each location ships returns to a single consolidation point. From there, the products are sent to your returns destination in a single shipment.

This process makes it possible for your company to reduce the number of long-haul shipments needed to get the returned goods to the same point. Setting up a pool point can be as simple as utilizing one store location to receive and ship from, or by using a freight carrier that has available storage space.

CONSIDER RETURN ALTERNATIVES

The costs and time needed to manage return shipments may not always equate to a cost-effective process for some businesses. To that point, consider these alternatives for making use of returned goods:

- **Utilize components from returned items as spare parts for making repairs**
- **Sell slightly worn or out-of-season products at a discounted price**
- **Donate returned goods to local nonprofit organizations as a tax-deductible contribution**

Incorporating these tips into your reverse logistics strategy can help you minimize the stress on your staff and also reduce your overall transportation costs. PtoP

PREPARING YOUR SUPPLY CHAIN
FOR THE CHINESE NEW YEAR

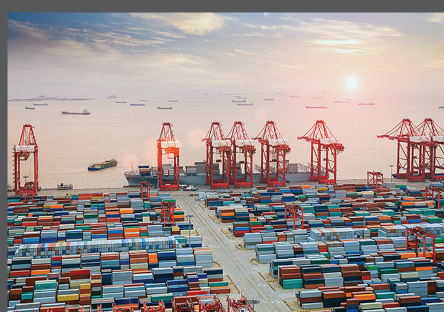
As most of North America gets into the swing of a new year in 2019, the Chinese will be celebrating the beginning of a new lunar calendar. The "Year of the Pig," which begins on February 5, 2019, will bring about a standstill in manufacturing and freight movement in and out of the world's primary production center.

While the observance of the Chinese New Year (CNY) will last one week, the impact on international supply chains could cause disruptions throughout January and February.

For many seasoned supply chain professionals, planning ahead for CNY is a common practice that begins months in advance. However, many businesses are just beginning to get their feet wet when it comes to understanding the intricacies of managing an international supply chain.

Let's look at a few important supply chain practices that you should keep in mind when preparing for CNY:

1. Know Your Supplier's Production Schedule: Obtain an annual production schedule from your Chinese manufacturer. Operation down times will vary from supplier to supplier, ranging from one week to a month.



2. Account for Delays: During the weeks leading up to and after the official celebration of CNY, businesses may experience delays in production. This occurs because many Chinese factories will be understaffed as workers travel long distances (often to other countries) to be with their families. Additionally, Chinese manufacturers often see a jump in production orders ahead of CNY as more customers plan ahead.

3. Book Ocean Cargo Space in Advance: Even in the age of mega-vessels, the thirst for ocean cargo capacity cannot be quenched leading up to and during CNY. If you are importing from China, make sure to book space on a ship months in advance.

Failure to align your overseas production and shipping needs can quickly escalate into an emergency supply chain situation during CNY. For instance, failing to secure container space on a vessel for products that have been manufactured may result in the need to quickly find warehousing space in China until after CNY.

In the end, the No. 1 key to overcoming supply chain challenges, including CNY, is to plan ahead and work closely with your service providers. Identify state-side logistics and supply chain service providers that will be proactive with you. Your partnerships should help you to focus on growing your business rather than chasing after it. PtoP

POINT 3

5 TIPS:
FOR EASY CROSS-BORDER SHIPPING WITH CANADA

Do you ship to or from Canada? If so, you know there's no shortage of paperwork and shipping rules involved when shipping across the U.S.-Canada border. In fact, it can be easy to miss something–and many shippers do. How can you avoid common cross-border shipping mistakes when moving goods to and from Canada? Here are five tips to get you started.

LIST THE CUSTOMS BROKER REPRESENTING THE IMPORTER

When you don't indicate the customs broker, your carrier must do extra work to find the appropriate one. Your shipment will be delayed until the carrier confirms the customs broker.

INCLUDE ALL REQUIRED CUSTOMS INFORMATION ON THE COMMERCIAL INVOICE

The commercial invoice must contain a good description of the goods, seller, buyer (and shipper and consignee if different from seller and/or buyer), quantity, weight, proper shipment value (goods must be declared for their true value, even if it is for customs purposes only), currency of sale (USD or CDN) and country of origin of each product.

Importers frequently mistake country of origin as the country from where the goods were shipped or the country where simple assembly of goods took place. Simple assembly such as packing painting or washing of parts does not determine the country of origin as the good has to meet substantial transformation to be considered the country of origin.

WORK WITH CARRIERS THAT MEET AEO GUIDELINES

Authorized Economic Operator (AEO) programs, which meet the World Customs Organization security standards, allow cross-border carriers to ensure better shipment security and fewer customs delays. Averitt, for example, is certified in CTPAT and PIP programs and requires its partner carriers to have the same requirements, to keep shipments secure and on the move during the cross-border process.

USE SERVICE PROVIDERS THAT KNOW THE COUNTRY

Many carriers sacrifice service in the name of coverage. They might say they offer service direct to Canada, but truth be told, it's often in a limited capacity because they operate in only a few of the largest cities.

FILL OUT NAFTA CERTIFICATE OF ORIGIN ACCURATELY

Correctly completing a NAFTA Certificate of Origin can be confusing for those who have never done it before or do not understand the requirements of each field. The NAFTA Certificate of Origin must be completed and certified by an authorized signatory of the producer or exporter of the goods who has enough knowledge of the information provided in all fields.

Frequently, brokers are faced with informing their clients of inaccuracies made when completing a NAFTA certificate. An incomplete or incorrectly completed certificate invalidates the ability to claim the lower preferential rate of duty that would have been awarded with a valid certificate. PtoP

Download a free Canada shipping checklist at:
AverittExpress.com/CanadaCheckList

SHIPPER ON POINT:
HOW FORTESSA TABLEWARE SOLUTIONS KEEPS ITS TABLEWARE FRONT AND CENTER IN CANADA

FORTESSA® TABLEWARE SOLUTIONS

As the second-largest trading partner with the U.S., Canada is a highly valued market to American shippers of nearly all industries. To put this trade relationship in perspective, consider that U.S. exports to Canada have grown by more than $100 billion since 2000. That's a lot of freight, eh?

Since its founding in 1993, Fortessa Tableware Solutions LLC, (FTS) a Virginia-based producer of tableware, has become a leader in its marketplace. The company's wide array of products, including flatware, dinnerware and glassware, can be found today in restaurants, hotels and homes across the globe.

For Kathleen Rivera, a logistics manager at the FTS warehouse in Winchester, VA, maintaining a seamless cross-border supply chain is critical to the success of the company's sales in Canada.

"We're looking to deliver to our final customers in Canada as quickly as possible," Rivera said. "Our process is very specialized in that we deliver to a lot of restaurants and hotels in the Toronto area. At the same time, we also have small package deliveries throughout the country as well as shipments that are going west to the Vancouver area of the country."

To ensure that its customers receive their orders in time, which can range in size from pallets to packages, Fortessa streamlines much of its cross-border operations by having its warehouse designated as a foreign trade zone (FTZ) and by handling its own customs clearance.

To learn more about Averitt's cross-border Canada Services, visit:
AverittExpress.com/Canada

In order to reduce costs and improve efficiency, FTS consolidates its large and small orders into a daily shipment with just one bill of lading that is then handled by Averitt and its Canadian partner Polaris Transportation.

"Nearly every afternoon, our drivers pick up and bring FTS shipments to our nearby facility to consolidate with other Canada-bound freight that moves in bond," said Dan Whittaker, Averitt's Winchester service center director. "From our facility, Polaris picks up the shipments and makes the overnight trip to Toronto."

Once in Toronto, Polaris deconsolidates the freight and delivers the larger shipments to locations in the region. FTS' smaller orders, which arrive already labeled and packaged, are delivered by a parcel carrier. For the company's westbound shipments, a third-party carrier handles the transportation across the country.

Keeping the various parts of the company's cross-border supply chain with Canada moving without issue has required a strong focus on detail, communication and working closely with its transportation service providers.

"We've worked internally and together with Averitt over the past couple years to fine-tune our shipping process," said Rivera. "It's a very specialized process, but it's become normal to us." PtoP

POINT 4

PIECING TOGETHER
THE E-COMMERCE SUPPLY CHAIN

Succeeding in today's highly competitive e-commerce market requires more than just offering the perfect product. Customer demands have changed drastically as a result of the ability of large online marketplaces, such as Amazon, to offer quick delivery services. In addition to ensuring a speedy purchase-to-delivery process, businesses also have to find ways to minimize their overall costs to effectively compete in what is quickly becoming a saturated industry.

Download the white paper at:
AverittExpress.com/ECommerceSupplyChain

The approach that you take to designing and executing your supply chain strategy is vital in today's competitive market. The individual touch points of your supply chain equate to individual costs that add to your overhead.

Finding ways to maximize efficiency and streamline the various processes can help you reduce your costs of getting goods to the market. By that same measure, keeping your supply chain costs in check will help you keep your customer pricing competitive.

To help shippers succeed in today's competitive online market, we've put together a white paper that takes an in-depth look at the various touch points of the e-commerce supply chain—all the way from origin to customer. This educational resource is full of information that can be used to identify strategies to simplify supply chain operations while also finding ways to reduce costs and transit times. PtoP

Be a part of our 2019 shipper survey!

SURVEY: 2019 State of the North American Supply Chain *sponsored by Averitt*

Complete the 2019 Supply Chain survey and receive a FREE copy of the results from thousands of other shippers from across North America.

> AverittExpress.com/2019survey

BONUS OPPORTUNITY: The first 1,000 participants will **receive a mobile device charging kit**, and all participants will be entered to **win 1 of 15 $100 Mastercard gift cards.**

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