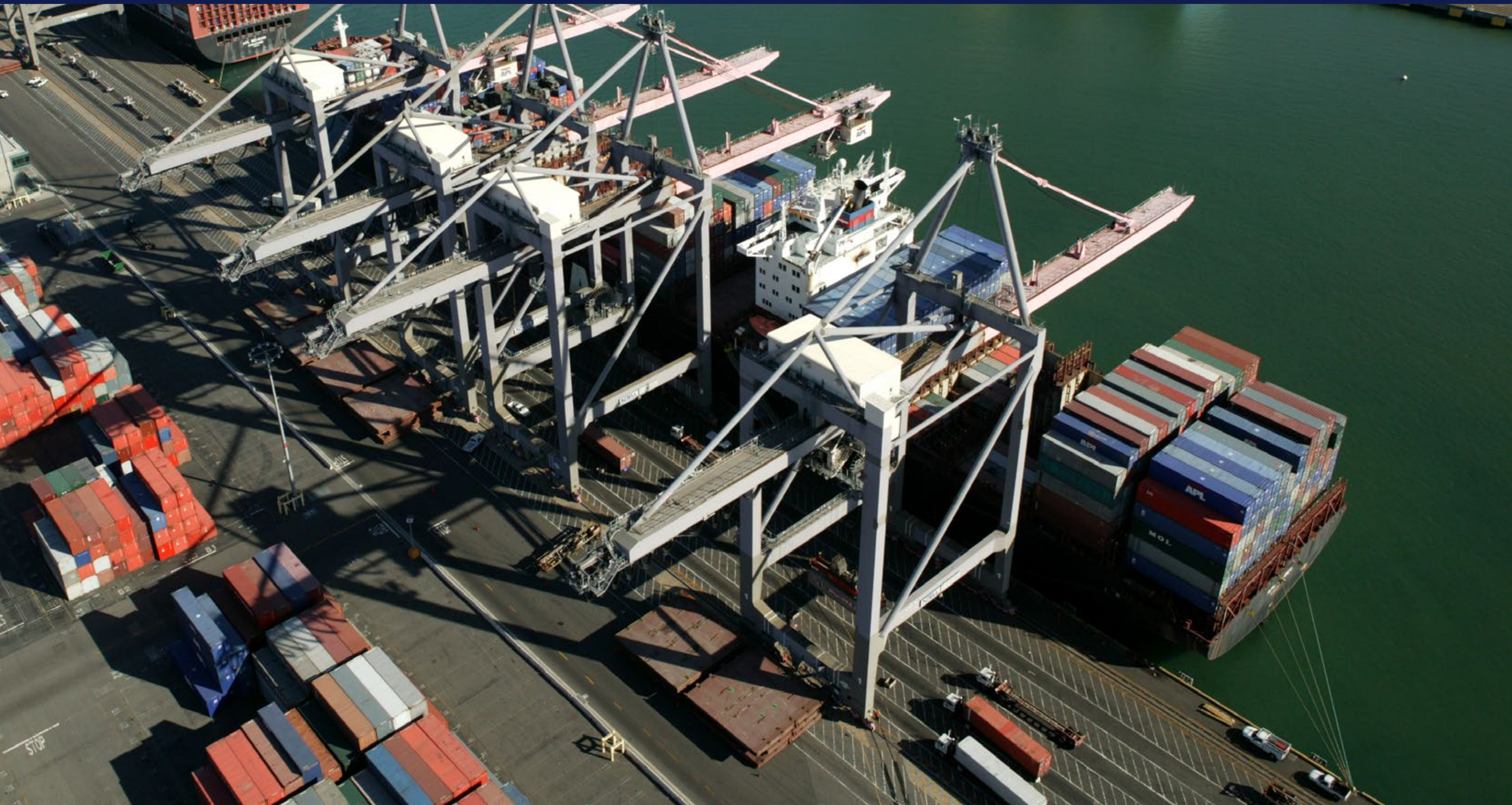
FROM PORT TO MARKET:
How to Speed Distribution Cycle Time for Asian Imports

6 STEPS IMPORTERS CAN TAKE TO ACCELERATE THEIR SUPPLY CHAINS



There's a new supply chain mantra in the post-Amazon era, and that mantra is **SPEED**.

Whether you are delivering to retailers or consumers, or both, customers want products faster in a more predictable time window.

If you import from Asia, your company has made a strategic decision to lengthen its supply chain to lower actual product costs. While you can't control this decision, you can control how goods are transported and what happens once a container hits U.S. shores. It's here that you can make a real difference to your company's financial health by shrinking its cash cycle.

These days winning is no longer about product differentiation; it's about supply chain differentiation and how quickly you can turn your product investments into cash. To do that, **you need a logistics operation that supports high-velocity distribution**, from port to final delivery. This paper provides 6 tips for importers to get products to market faster.

1. SELECT THE RIGHT PORT

To improve port-to-market speed, we need to start at the beginning.

What is the origin port for your imports?

If that port is in Asia, then a California port will minimize your ocean transit time.

The 2016 expansion of the Panama Canal now allows today's large-capacity vessels to sail straight to East Coast ports and closer to much of the U.S. population. Yet currently 70% of Pan-Pacific ocean freight to the U.S. flows through West Coast ports according to the JOC, and volumes at the ports of LA, Long Beach and Oakland continue to set records, even after the Panama Canal expansion.

The reason comes down to time.

According to ODM Group, travel time from Hong Kong to the Port of LA is about 20 days while moving the same cargo to the Port of New York/New Jersey would take about 34 days.

For companies importing from Asia, shifting more freight to East Coast ports would require you to carry significantly more inventory, increasing inventory carrying costs by as much as 30%. As a result, the total cost to ship products would exceed the benefit of having products "land" closer to populated Eastern U.S. cities.

Time is money. Talk to your CFO.

Freight costs would obviously increase to move goods overland, west to east. If you're shipping a lower-cost commodity product, you may choose to prioritize freight costs over time. But if you're shipping high-value, short-shelf-life products like iPhones, you want to shrink distribution cycle time as much as possible.

If you ship into Los Angeles, products can move by road to 90% of the U.S. population in 5 days and by rail in 8-9 days. So, compared to shipping into the Port of NY/NJ, products could literally be in your customers' hands before the NY-bound containers hit the port.

BOTTOM LINE: Understand the financial implications of longer supply chains that force your company to carry inventory for extended periods. The faster you can get finished goods to market, the faster your company can translate its investments into cash – a hugely important metric for shareholder and investors.

2. SELECT THE RIGHT OCEAN CARRIER

Last we checked, no ocean carrier had built a faster boat.

But there are other factors, post arrival, that can impact how quickly you get your Asian-made imports out of the port and out to market in the U.S.

Carrier choice can slow you down in a couple of ways:

1. **A carrier may call at your port of choice, but not as its first stop**. For example, if you're shipping goods into Los Angeles, a carrier may call at Seattle first and then Oakland before arriving at the Port of LA. It's kind of like the hotel shuttle bus at the airport that drops off at "all downtown hotels." If your hotel is the first drop, that's awesome. If it's the last drop, the trip becomes excruciatingly slow and frustrating. Know the carrier's exact route or risk having containers sit on the ocean a few more days than they have to.

2. **A top-notch carrier may use a horribly slow and congested terminal**. Most ports have multiple terminal operators that unload containers and stage them for pick-up. These days, many large ocean carriers are part of alliances that seek to drive efficiency and profit for alliance members. That often involves using the least expensive terminal at each port, which leads to congestion and delays. At the Port of LA, for example, six of the major ocean carriers belong to alliances that use TTI as their terminal. Of late, TTI has had a poor record moving containers in and out efficiently. Carrier choice impacts terminal use, so know that going in. Lean on your freight forwarder or 3PL partners to advise you on which terminals, hence which carriers, to avoid.

BOTTOM LINE: Prioritize carriers that have your chosen port as their first port of call and avoid the most congested terminals at that port.

3. SELECT AN ASSET-BASED CARRIER FOR DRAYAGE

Many companies will select an ocean carrier because it also performs drayage services. However, with ocean-carrier-managed drayage services, it's easy to become a small fish in a very big pond. Your products can easily fall to the bottom of the queue as the carrier first accommodates behemoths like Walmart or Target. When you turn to an asset-based 3PL provider for drayage, however, those assets can be at the port solely to serve you.

The key word is "asset-based."

With advance notice on your sailing schedule, asset-based 3PLs plan capacity to meet this demand. If you say, for example, that you will have 300 containers coming in during your peak-volume period, the provider will ensure it has the trucks and chassis to handle the volume – regardless of how "peak" your peak is. **You don't want a partner that says "yes" and then has to go hunting for a truck**.

Choosing an asset-based carrier also allows you to lock in rates and avoid the price volatility that can wreak havoc on freight budgets.

Of course non-asset-based providers can handle your drayage operation effectively using available capacity from owner-operators and small trucking firms. During slow times, there may be a negligible difference between asset and non-asset-based providers. But during peak shipping seasons, freight capacity of all types – for dray, as well as customer deliveries – can be difficult to source. You may find that the available capacity is being monopolized by large-volume retailers.

BOTTOM LINE: Your best option could be a balanced strategy that relies primarily on asset-based providers, using non-asset-based carriers as backups or for sporadic work

4. CONSIDER TRANSLOADING/DECONSOLIDATION TO KEEP PRODUCTS MOVING

If you want to get somewhere fast, go direct. The express train gets there faster than the local.

Transloading is a proven freight strategy that keeps your products moving, from port to market, without stopping. Goods are simply moved from containers onto truck trailers at a port-side facility and then hauled to the final distribution market, with no warehousing in between.

The rationale for implementing a transload strategy has changed over the years. In the past, it was primarily a cost-savings play as the contents of multiple 20-foot and 40-foot ocean containers can fit into relatively fewer 53-foot domestic trailers. This results in fewer trips and, therefore, lower costs. **With the "Amazon-ization" of the supply chain, however, transloading – and its ally, deconsolidation – continue to thrive for a different reason: speeding order-to-delivery time.**

With transloading, your 3PL receives your container, moves the contents onto a container or OTR trailer and ships to a destination within last-mile-delivery range. Your product is now staged for fast delivery to the end customer, whether it's a consumer or a retailer. Use of transloading is growing at twice the rate of imports (4% vs 1.9%), according to the Intermodal Association of North America.

Deconsolidation adds one level of complexity to transloading by segregating your products (by purchase order or SKU) and then loading them for distribution to multiple locations, simultaneously.

The ability of transloading to reduce order-to-delivery cycle time is now every bit as important as the cost savings. For Ecommerce orders, you must contend with the 2-day-or-less delivery expectations created by Amazon. For retailers, you need to meet a growing requirement for smaller, more frequent deliveries. That means getting products within 3-day delivery range as fast as possible.

BOTTOM LINE: Transloading can speed your supply chain and reduce inventory, but you need to find a partner with the know-how and systems to coordinate this flow-through strategy.

5. SELECT THE RIGHT WEST COAST WAREHOUSE LOCATION

California is a hugely popular market for warehousing and distribution for a couple of reasons:

- **It's where the majority of Pan-Pacific freight arrives.**
- **It's the largest consumer market in the country. Nearly 50% of the products imported into SoCal are consumed in the region.**

Most importers to SoCal want to establish a West Coast warehouse for national, regional or local distribution. But exactly where you choose to store your goods has a major impact on costs and speed.

If you establish distribution near the ports of LA/Long Beach or Oakland, you'll pay less for drayage and more for space and labor. And you'll deal with a lot more congestion, which can slow your products down and create unwanted headaches for your carrier partners.

If you choose to distribute further from the port in areas such as the Inland Empire (60 miles east of LA) or the Central Valley (70 miles or more east of Oakland), you'll find the opposite. Higher dray costs, but lower space and labor costs. And facilities will be much newer.

BOTTOM LINE: the quicker your product turns and the higher its value, the closer you should be to the port. The slower your product turns and the more space you need, the further you should be from the port.

Here's a quick PROs & CONs reference chart to help you decide the warehouse location that is best for you.

	WAREHOUSE CLOSE TO PORT	WAREHOUSE AWAY FROM PORT
PROs	• Lower drayage costs • Lower transportation costs to customers in and around the port • Convenient location if you do significant will-call business for urban customers	• Lower space and labor costs • Greater availability of labor • More convenient pick-up point for carriers doing inland distribution –avoiding the congestion around cities and ports • Good for companies with low-turn products that need to minimize storage costs
CONs	• Space hard to find • Higher space and labor costs • Older, inefficient warehouses with lower ceilings • Congested roads and delays	• Higher dray costs • Higher transportation costs for deliveries back into the city • Inconvenient for simple container transload operations

6. INTEGRATE DRAYAGE WITH DECONSOLIDATION, TRANSLOADING AND FINAL-MILE DELIVERY

Each choice you make on U.S. distribution – which port, which carrier, which warehouse location – impacts port-to-market speed.

While you can optimize each individual piece of the distribution puzzle, by far the greatest impact you can have on reducing cycle time is to integrate the pieces with a single provider. Where time is often lost is the communication and coordination among different providers.

The fastest individual runners don't always win the relay race. The winning team is usually the one that works together to master the baton passes and can maintain the fastest speed through the handoffs – one team working together.

That winning approach applies to the supply chain, as well. Let's say you have 5 containers you need picked up at the port and those containers need to be deconsolidated and shipped to retailers waiting for orders. You've got hot items on two of those containers and want those two containers prioritized. With a single provider managing the distribution process, you have greater ability to make this happen and to do it quickly, particularly if it's an asset-based provider with its own trucks and drivers.

Clear, quick and direct communication among company colleagues results in the right containers being pulled, the right products being identified upon arrival at the warehouse, and immediate outbound shipping once orders are staged.

In addition to shortening distribution time, this single-source approach helps eliminate demurrage, detention and chassis fees by tightly managing free time limits.

BOTTOM LINE: Don't piece together a collection of different providers based on price or other criteria. Look for one 3PL that can manage every element of your port-to-market distribution in a highly integrated way.

FROM ASIA TO U.S. STORE SHELF: FASTER IS BETTER

Your business has made a strategic decision to source products cheaper in Asia, accepting the downside of a longer cash cycle. But you have the power to mitigate this downside.

By shortening distribution cycle time on this side of the Pacific Ocean, you create real financial leverage for your company by minimizing inventory and freeing up cash. You elevate logistics from the boiler room to the board room.

BOTTOM LINE: Time is money when managing lengthy supply chains. Do your part in reducing port-to-market cycle time and, for sure, the right people will notice.

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