

# THE RETAILER

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## THE FUTURE OF RETAIL

In-store experience is key to bring shoppers back to physical retail

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## FINANCE & PAYMENTS

Many UK retailers are overlooking the importance of the timely processing of refunds

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## SUSTAINABILITY

Green Claims Code: Getting environmental marketing right for consumers

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## RETAIL SOLUTIONS

Is there a solution to the challenges faced by the retail industry in the run up to Christmas?



# PANDEMIC SUPPLY CHAIN PROBLEMS WON'T BE EASILY FIXED AND MAY CONTINUE



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**T**HE PANDEMIC IS UNDERMINING THE GLOBAL INFRASTRUCTURE THAT SUPPORTS SUPPLY CHAINS, AND TROUBLE LOOKS LIKELY TO CONTINUE INTO 2022 AND POSSIBLY 2023

The world's economy depends on global supply chains, but the pandemic is undermining the global infrastructure that supports supply chains, and trouble looks likely to continue well into 2022, with some expectation that disruption could continue into 2023.

The continued disruption of supply chains explains why eCommerce orders are taking longer to arrive, why there's empty store shelves, and why purchases may take months instead of weeks to arrive.

This unprecedented situation is causing prices to rise at one of the fastest rates in a decade, contributing to inflation on a global scale.

**“ TAKE CONTROL - Use online visibility tools to adapt supply chain plans, products and volumes, to overcome local challenges and meet destination market demands.”**

## THE CAUSES

The disruption began with the economic upheaval of the pandemic. But it is now being made worse by the strength of the economic rebound, a shortage of workers, and a transportation system that is overstressed.

Last year when consumers were locked down, no longer able to spend money on going out and services, they spent instead on clothing, products and electronic goods.

Having laid up vessels when China first locked down last January, the shipping lines were unprepared to deal with the sudden (and sustained) consumer-driven demand for space that began in the 2nd quarter, especially with many of their empty containers out of position. The situation was exacerbated by the shortage of supply chain workers, owing to COVID and COVID-safe working practices, which is when ports, inland terminals and warehouses began to get congested.

The global fleet of passenger aircraft were grounded at the beginning of the pandemic, removing over 50% of (belly-hold) cargo capacity at a stroke, crippling the time-sensitive mode and pushing even more demand to the ocean mode.

## DISRUPTION

Usually interruptions to global shipping are overcome without lasting impact, but with supply chain operations so disrupted, since the beginning of 2020, even the slightest issue is having a disproportionate impact, with ripple effects, that spread disruption much wider than normal.

In March, the EverGiven blocked the Suez Canal, disrupting trade flows between Asia and Europe, then COVID cases forced a partial shutdown of Shanghai, one of the world's largest ports, followed by Ningbo, the second largest container port.

Rolling lockdowns have shut down swathes of Asia, with parts of China entering lockdown, then opening, just to be shut down again and now factories in mainland China, are struggling with a series of power shortages.

Laden container ships are idle, waiting for berth space at ports in North America, Asia and Europe, with schedule reliability at all-time lows and shipping lines skipping the busiest ports.

The effect of this disruption is cumulative and it comes as volumes continue to rebound due to the strong recovery in Europe and North America. It is effectively reducing capacity across the container supply chain by substantially slowing the movement of vessels and containers around the world.

With limited capacity and sustained high demand, supply and demand has pushed freight rates to levels never seen before, and as that additional cost is inevitably passed on, inflation increases.

Shipping containers have become scarce. They may be sitting unopened for a week or two and thus cannot be put to work for another shipment, which is why lines have begun to restrict free time and enforce demurrage contracts.

The problem is compounded by the HGV crisis and shortage of truck drivers available for container transport, with bookings made weeks in advance and containers still waiting to be picked up.

Obtaining vessel space continues to be challenging, with delays along the supply chain and high-cost levels, that may be impacted further by peak season traffic.

## OUTLOOK

New-build container vessels will start to come on stream from next year, though it should be noted that much of this new capacity could reignite the current global port disruption, because many ports do not have the infrastructure, cranes, equipment or capability to handle Ultra Large Container Ship (ULCS) vessels, that carry more than 20,000 containers.

And with just 9 shipping lines, across 3 alliances, controlling over 90% of global trade, managing their capacity effectively means they will enter the post-pandemic era in a much stronger position and ensure they maintain healthy returns.



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**“ OPTIMISE eCOMMERCE - merge sales order data with inventory management to automate picking and fulfilment processes, that link with courier and returns management solutions, which scale with your growth.”**

With air passenger travel gradually reopening, more belly-hold capacity will become available on long-haul routes, including the critical trans-Atlantic and Asian routes.

Sea and air freight will eventually come back into balance, but for now the pandemic's consequences will be measured in shipping costs, prices, inflation and in delays.

The pandemic supply chain challenges that have driven up prices for consumers and slowed the global economic recovery, will lessen in time. But recovery remain tenuous and easily set back by unseen events and weak links, like the shortage of HGV drivers in the UK and China's drive for zero COVID cases.

By 2023 (or even possibly late 2022) the COVID19 situation should be under control and consumer demand settled, providing stability in global shipping.

Political and global events that cannot be considered or are transparent currently, may yet have a huge influence on global supply chains, on all modes and in all regions of the world.

Local issues are now intertwined with global occurrences, due to the fragile state of ocean and air freight markets, which demonstrates how unpredictable the movement of your goods has become.

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