



ANVYL

The Cost-Cutting Guide for Supply Chain Shipments

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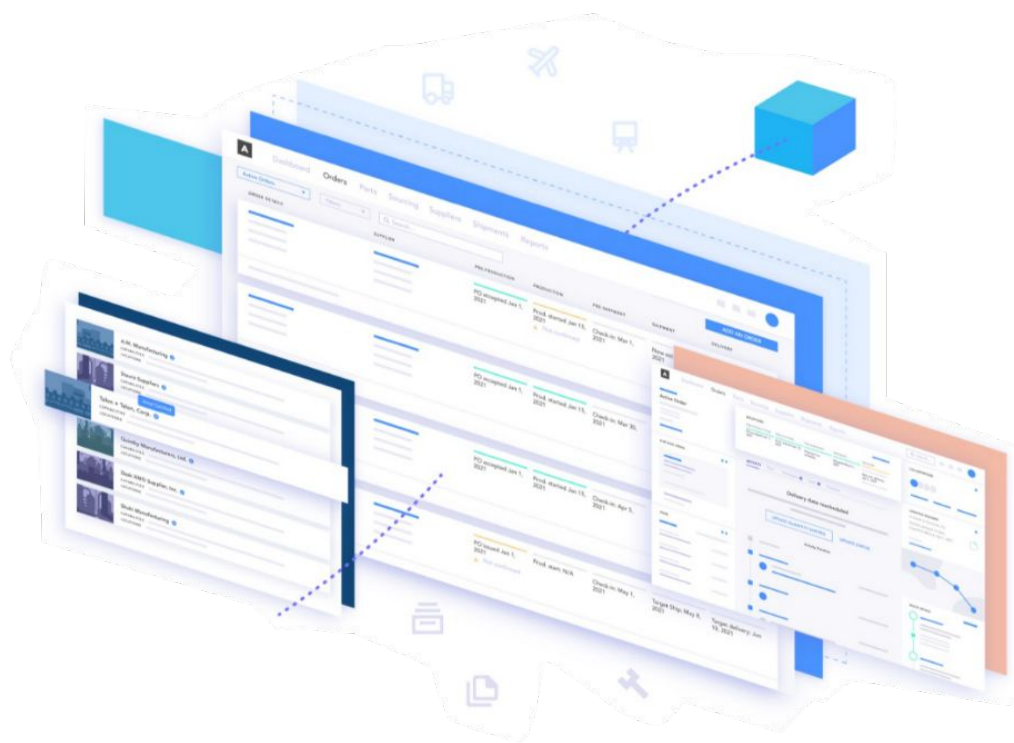


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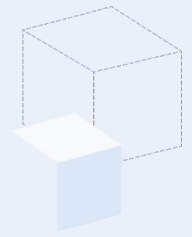


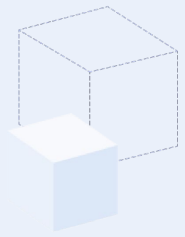
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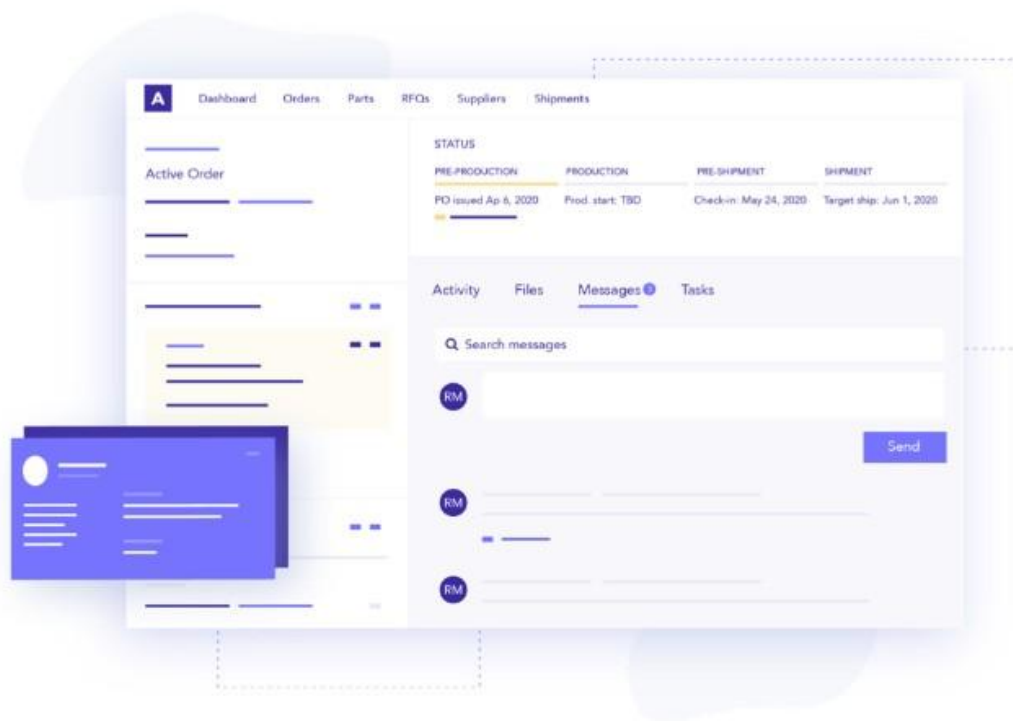
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Introduction

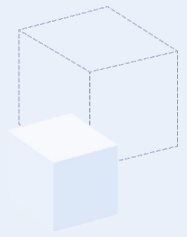


From planning to negotiating to buying, moving goods to processing goods, and managing data to managing inventory, your supply chain team has many responsibilities crucial to your business operations. While every task helps your company grow and prosper, supply chain is often thought of as a cost center, and there can be unrelenting pressure to continue to cut costs.

In this data report, we take a look at ways to trade time for money—particularly with freight—and re-allocate any saved time during production into cost-cutting strategies.

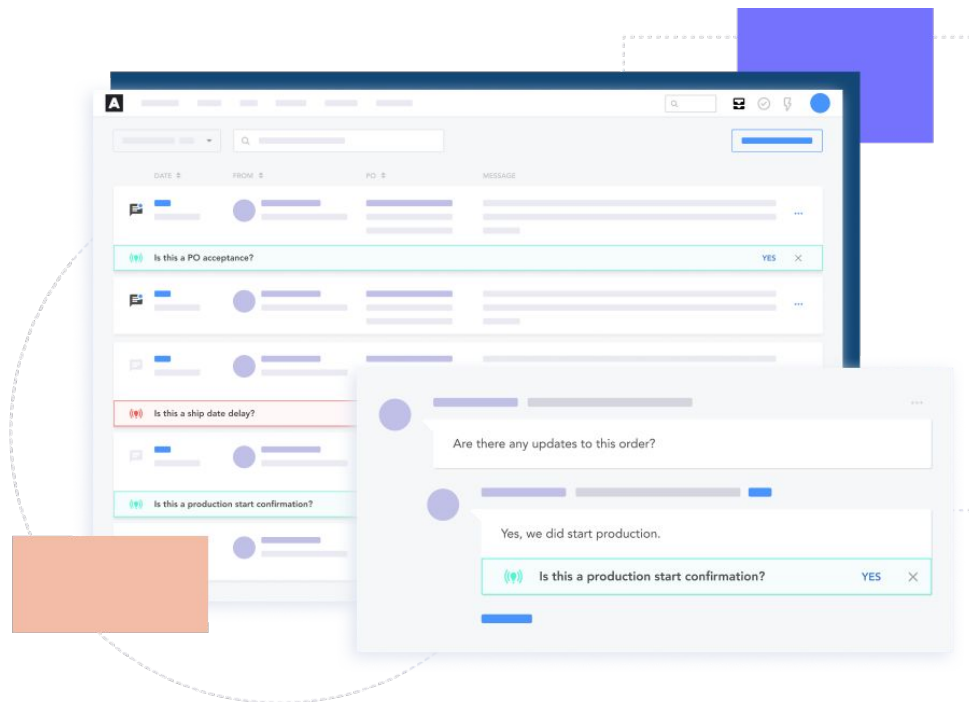


Trading Time for Money

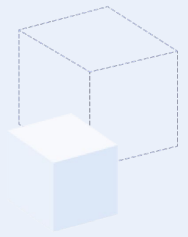


Air shipments are predominately used when goods are needed by a certain deadline. Factors such as poor planning – which we go into further detail later – certainly exacerbate the situation, but there's more to consider than that. The freight costs associated with air shipments are measured by chargeable weight while ocean freight costs are flat rates per container size or if it is LCL (less-than-container loads) it is billed by cubic meter.

In this study, we analyzed how much businesses actually lose when they trade in time for money, and how much can be saved if ocean shipments are used instead.



Potential savings to switch



Survey

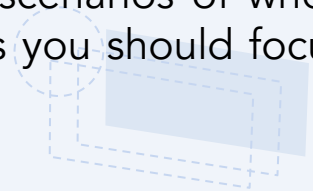
Based on our survey of 60 brands that did not use Anvyl in 2020, supply chain teams were forced to compensate for slipping timelines by switching to costly air shipments 25% of the time.



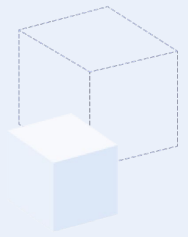
Expensive Air Freight

Since air freight can be up to five times as expensive as ocean, reducing these changes via better planning and foresight can be a great way to cut costs.

In the following sections, we'll discuss hypothetical scenarios of when air shipments will be necessary and what data points you should focus on to reduce them in the future.



When air shipments are necessary



Air shipments are typically a result of poor planning. While that is a generic term, “poor planning” has many interpretations that relate to internal team factors and also dealings with your external partners. Do you understand your replenishment rates, lead times, sales velocity, and who your partners are? Do you know that approvals may take up to two weeks? Do you understand if there is a raw material shortage? Do you have an effective way to communicate with your suppliers and are you answering their prompts? Do you have the proper documents to make a freight booking? There are, however, some rare cases in which air shipments are necessary due to uncontrollable factors. We’ve outlined some situations to be aware of below to ensure you are planning for these potential delays.

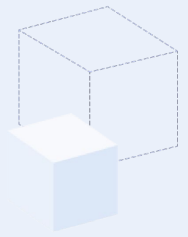


Port delays and closures

More recently, supply chains have been disrupted due to unexpected port delays brought on by the global pandemic. These impacts have brought berthing times from 0.5 to 14 days, sometimes longer. Labor shortages at US ports have also impacted shipping times forcing you to re-think the best allocation method of your goods. Most recently a typhoon in China has caused vessel berthing delays of 4 to 6 days in Shanghai and Ningbo.

Going forward, you may notice these delays as persistent and will need to work around this uncontrollable situation by factoring in additional days into your forecasts. Therefore, you should reroute and leverage your freight forwarders on those routes. Even if there isn’t a closer port, it’s imperative to analyze and understand the rail and trucking landscape. Many of these factors can course-correct but with holiday shipments already en-route, the global shipping landscape is still in a crunch.

When air shipments are necessary



Production delays



Several types of delays could happen at the manufacturing plant. Raw materials that are generally readily available can take weeks to receive and that is seen with many post consumer resin materials. Within the past couple of months, the Chinese government has rationed power in the Guangdong province forcing manufacturing plants to shut down for hours or days. Even with the typhoon alluded to earlier, plants had to shut down for days as the flood caused significant infrastructure challenges. These delays which are out of norm in production delays may make you rethink your freight preference depending on how tight your lead times are to begin with.

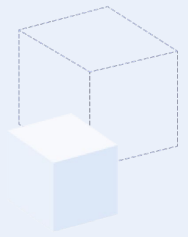
There are also some internal delays you might face, like a very slow approval process, or an unpaid invoice. For situations like these, it's best to factor in this happening as a buffer so you won't need to air ship in a panic.

Weight of product



Depending on the weight of the product, it may be advantageous to ship these goods via air. If you have items that don't fit into a 20-foot, 40-foot, or LCL, shipping these via air could be more cost effective as long as the chargeable weight is palatable.

Planning for shipments by modes



Below are some popular routes that can help you compare what type of money and time savings you will gain by selecting ocean versus air.

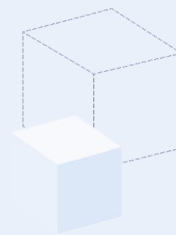


Origin	Destination	Ocean Lead Time (Days)	Air Lead Time (Hours)
Shanghai / Ningbo	Los Angeles	16	12
Yantian / Hong Kong	Los Angeles	19	17
Shanghai / Ningbo	New York / Newark	30	16
Yantian / Hong Kong	New York / Newark	35	17
Hong Kong	Chicago (via Anchorage)	--	20
Shanghai	Chicago (via Anchorage)	--	29



Lead times by carriers

Ocean lanes by carrier



Coastal China -> Los Angeles

Carrier	Lead Time (Days)
Matson	13
Hyundai	15
COSCO Container L	15
OOCL	16
CMA CGM Group	17
Ocean Network Express	18
Zim	19
APM-Maersk	19
Yang Ming Marine Transport	20
Evergreen Line	21
Mediterranean Shipping Company	22

Coastal China -> Newark

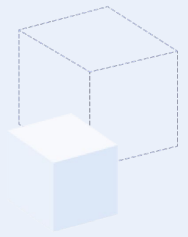
Carrier	Lead Time (Days)
COSCO Container L	28
CMA CGM Group	30
Zim	31
Hyundai	33
APM-Maersk	36
Yang Ming Marine Transport	38

Coastal China -> Vancouver

Carrier	Lead Time (Days)
COSCO Container L	14
Ocean Network Express	21
APM-Maersk	36

Lead times by carriers

Air lanes by carrier



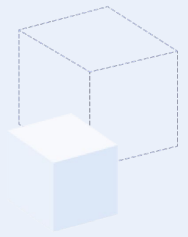
Shanghai -> New York

Carrier	Lead Time (Hours)
China Cargo Airlines	13
Korean Air Lines	16
Qantas Airways	19

Shanghai -> Los Angeles

Carrier	Lead Time (Hours)
China Southern Airlines	11
Atlas Air	12

Gaining Time Back



Managing dozens of purchase orders every week with hundreds of line items is time-consuming. As purchase orders are already costly for a business, any processes that can reduce the time spent managing them is a win because that time can be re-allocated to optimize other cost-cutting strategies. In this study, we analyzed how automation has helped production managers save time and ultimately cut costs in their supply chain.



Measuring time spent on order management

Based on our survey of 60 brands in 2020, we estimate that supply chain managers spend on average 96 minutes to actively manage one order in their supply chain.

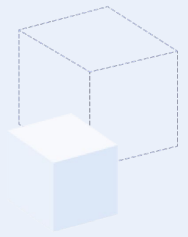
Introducing automation to the workflow

Automating certain tasks and follow-ups with orders can reduce the time spent on order management and give your supply chain team back much more time to focus on other cost-cutting projects. For example, when brands have adopted automation features within the Anvyl production management platform, we estimated that they spent roughly 28 to 33 minutes of active management time per purchase order during 2020 - 2021.

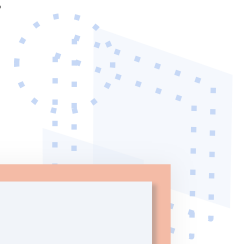
This reduces time spent on order management by about 70 minutes per order or a conservative estimate of 1 hour. The dollar value of this saved time depends on how individual teams choose to reinvest that time, but we estimate teams to see a return of \$40 to \$100 per hour saved. In the following sections, we outline various cost-cutting strategies that your supply chain team can execute on with extra time.



Cost-cutting strategies when you have time



Depending on your organization, different initiatives can be focused to help your team reduce supply chain costs. We've listed out a few below.



Score your suppliers

For long term considerations, create a scorecard to evaluate their performance and build a stronger relationship with them. You can measure things like on-time performance, response times, or completion rate. For more ideas on how to evaluate suppliers, view our [supplier quality benchmark report](#).

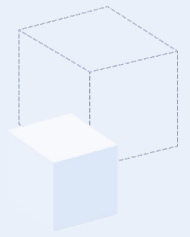
Create redundancy in the supply chain

It never hurts to have a contingency plan or explore the possibility of nearshore suppliers if the predominance is located abroad. Whether you're looking for backup suppliers to lower costs, develop a new product, or run parallel manufacturing, important business insights can be gleaned from that exercise. These could lead to a new quality standard being enacted, cost-cutting initiatives, or even a new master service agreement.

Forecast more accurately

To get better at forecasting, there are some metrics you'll need to regularly track. This includes monitoring inventory levels at the finished goods and component tiers, understanding safety stock levels and implications, and understanding the manufacturing and transit lead times for every product. It's important to stay in close contact with your marketing team on any press, holiday promotions, and product releases as these factors can cause a one-time blip in sales that may impact your recurring purchase business model.

Cost-cutting strategies when you have time



Negotiate payment terms

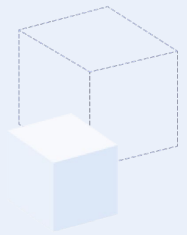
Understand the payment structure you have with your suppliers and make in-roads into better payment terms. There tends to be greater hesitancy around net terms with foreign suppliers than there are with domestic, US ones. Be open and forthcoming in your discussions. Share an honest forecast of what you expect the next one to two years to look like with your existing SKU portfolio and expansionary items. Share financial information; welcome the opportunity to disclose your balance sheet and agree to a credit check. The relationship between a supplier and a brand is one of trust. Being honest and forthcoming will not only help preserve short-term cash flow but help you grow and mature as a business.

Reduce costs on the fulfillment side

One area of the e-commerce business that deserves attention and focus is your fulfillment operation. The customer experience is crucial to your success and you have to go out of your way to ensure that experience is up to world-class standards. With that comes costs that you didn't expect, such as the pick and pack fees for extra branded collateral or the overnight cost for a delayed order. What you don't have early on is leverage. Because many fulfillment contracts are based around your monthly shipping volume, number of touchpoints in producing an order, and storage fees, you'll need to estimate this.

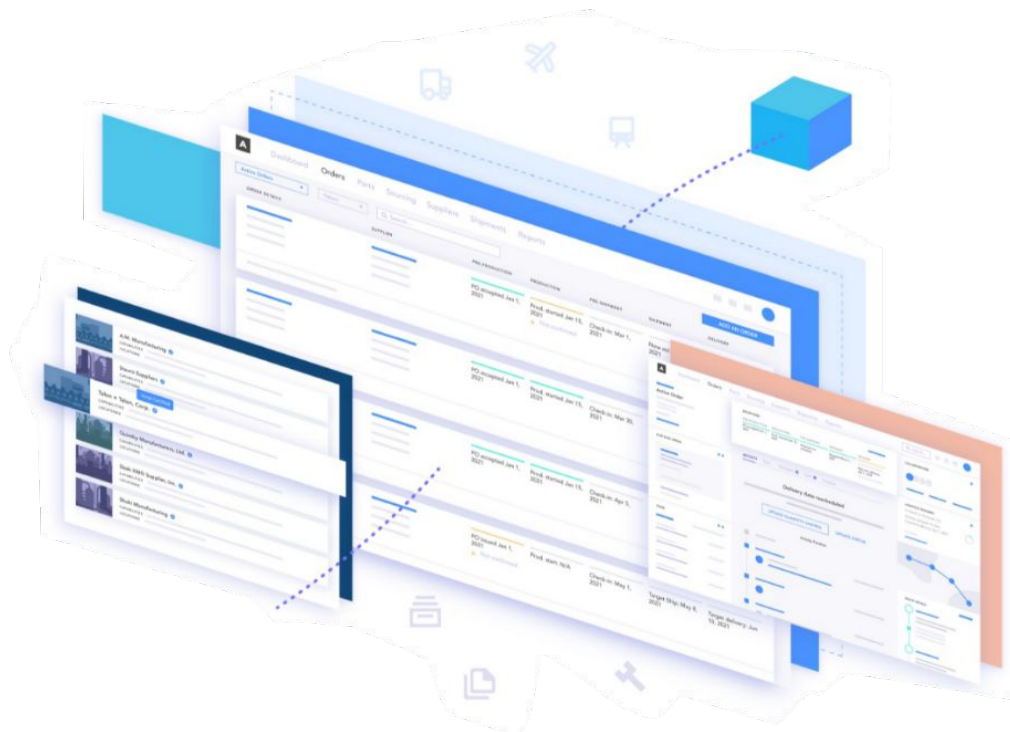
To do this, you can use data points from your customer base. Analyze your end-customer geographic location, the weight of the shipped order, transit time, and the cost of packing and shipment of your order. In each of those buckets, there are cost cutting initiatives that you can do to help increase your margins.

Conclusion

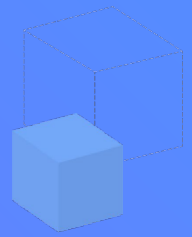


The supply chain team is constantly juggling several demands that the organization needs. The reality is supply chain must be cost-effective as a cost center. Creating and delivering value beyond cutting costs is possible for a highly effective supply chain organization and it starts with allocating time and resources appropriately.

The supply chain team is no longer just the department that buys parts and arranges for deliveries. The time spent on optimizing relationships, processes, and operations is central to the present and future of the company's success. For more information on how to gain time back through automation and intelligence, contact us at hello@anvyl.com.



About Anvyl



At Anvyl, we believe that a fully digital and transparent supply chain is as important to a brand's success as the business model itself. Anvyl is a production management platform that allows companies to centralize their production data, automate manual tasks, and leverage supply chain intelligence to more efficiently manage their supplier relationships and purchase orders. Our platform houses historical supply chain data, integrates with most ERPs, and offers collaboration across both internal and external counterparts.

End-to-end, Anvyl provides brands greater visibility into their production process, helping companies achieve operational efficiencies, cut costs, and lower risk in an agile supply chain. The cloud-based software lets users work from anywhere in the world, and customers are up and running within 24 hours.

We are a global operation with teams in New York and China.
Connect with us at hello@anvyl.com

