Port diversification: avoiding the risk and high price of singular port use

Time is money, and that adage rings especially true in the transportation industry. More goods than ever are entering the United States through its ports.

For example, cargo volumes continue to surge from the high levels seen in the fall of 2020, setting new records at retail ports. "U.S. ports covered by Global Port Tracker handled 2.27 million TEU in March, the latest month for which final numbers are available. That was up 21.2 percent from February and set a new record for the number of containers seen during a single month since NRF began tracking imports in 2002."[1]

Consumer buying behavior and inventory restocking are driving record import levels.

A single-port strategy increases the likelihood of that freight being delayed by disturbances such as capacity concerns, inclement weather or labor strikes. Those delays materialize in short- and long-term costs, both of which are detrimental to shippers and to the supply chain.

The short-term costs of sitting freight

Getting a product into port is a major step in the supply chain, but it doesn't end there. In fact, it can be argued that's where the real work toward achieving a successful, on-time delivery begins. Once docked at a port terminal, it's imperative that the ocean containers get off the ship and onto a truck or train for their inland move. Many times, the freight will need to take one more trip from a distribution center to its ultimate destination.

One area that impacts cost is the availability of outbound carrier capacity. Transportation providers servicing busy ports may not have enough trailers to meet demand. It's standard for shippers to receive a certain number of free days once in port for the use of the ocean containers. When there is a capacity shortage, containers remain sitting at the terminal after that gratis period ends, and they begin accruing

[1] Source: https://nrf.com/media-center/press-releases/retail-cargo-imports-set-new-record-economy-recovers

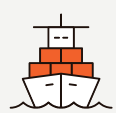
demurrage fees for taking up valuable port space. At rates between $150 to $300 per container per day, demurrage adds up quickly. The total bill can tip the scales at north of thousands of dollars, depending on the severity of the port congestion and availability — or lack thereof — of outbound capacity.

Even after the ocean containers leave the confines of the port, shippers are still at risk of incurring extra charges. A set number of free days are factored into every contract for equipment use (such as chassis), but when faced with delays, per diem charges begin to accrue.

Relying on one port means shippers run the risk of having to pay the steamship line demurrage and per diem fees because the containers and/or use of their equipment went beyond the contracted dates and are still sitting. A diversified approach mitigates these costly occurrences because a shipper's risk will be spread out, reducing the resources needed at any one port. In this divide-and-conquer approach, using multiple ports keeps freight moving and keeps incremental costs at bay.

The long-term costs of sitting freight

Greater than the financial burdens of demurrage and per diem charges is the detrimental cost of the end user being left without their product. The impact of freight not being where it needs to be is negative from both a reputational and financial standpoint. Brands that can't be trusted to deliver their products on time will lose patronage temporarily as consumers look for a substitute. If this becomes a consistent problem, the loss becomes a permanent fixture. Over time, that lost patronage results in lost profits for the customer. Using multiple ports to get products to distribution centers or stores on time ensures a continuous flow of product getting to customers without the worry that an entire shipment is stuck in one place.



Using multiple ports to move product inland

It pays to diversify

The longer a shipper waits to implement a diversification plan, the more it will pay. A port diversification plan improves costs and service levels, keeping product moving and customers happy. The incremental costs that accrue from solely relying on one port add unnecessary expenses for the shipper, and when product isn't getting to the customer, the long-term costs amount to greater damage than any invoice from the port.

An experienced provider

A transportation provider who understands the importance of using multiple ports keeps business moving. With more than 25 years of experience and on-site associates at key ports on the East Coast and the West Coast and in the South and the Midwest, Schneider knows how to remove the uncertainty that can come with international freight shipping and domestic port dray services.

To learn about how Schneider can apply a port diversification plan to your business, visit **Schneider.com/our-services/port-drayage.**

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