

Impact of Transportation On Supply Chain Management

For A Small Wholesale Distribution Business

One of the most important factors to the success and failure of South Asia Plastics Group, a small wholesale distribution company is its ability to supply their goods to their dealer network in a timely manner as per the purchase agreement. When the wholesaler misses a delivery date because of transportation disruptions, the end result is often profit loss because of failure to deliver on time, additional incurred expenses depending on the nature of the delay, perceived poor level of service and company reputation/customer relations.

Although South Asia does not technically control the actual movement of the goods that are being shipped from point A to point B, it has no choice but to take the brunt of the backlash from the customer when the delivery of goods is delayed. Depending on the nature of the days, often South Asia has no way of determining when the goods can be delivered and consequently cannot advise the customer whether or not to secure another source for the delayed goods. This is quite problematic because South Asia's customers are distributors that supply goods to OEMs that rely on the availability of goods. When transport delay or disruption occurs there is a trickledown effect that adversely affects everyone and consequently the Canadian economy as a whole.

Shipment delays are inevitable and can cost a company lot of money; however, if a transparent transport network (track/trace and provided cause and expected resolution of delay) existed it can only help small companies manage their supply chain more effectively. South Asia Plastics as a small wholesaler can then take this information and share it with their customer to help them decide the best course of action to manage this delay. This visibility in the transport network will enable all affected parties to make operationally efficient (lowest cost) decisions to help mitigate unnecessary loss or improve the bottom line.

Transport Delays Experienced by South Asia Over the last 1 ½ Years

Labour Dispute At Tacoma Port

South Asia had 2 containers on route when the dispute escalated and are containers were delayed. If an intelligent transport system was in place and could have advise us of possible delays then we would have diverted the shipment through an alternative route.

The average selling value of a 20' container is round C\$50,000. 2 containers were delayed for approximately for 2 months. This meant we had C\$100,000 dollars tied up at the port and could not count on this cash flow for operational capital. Using a conservative borrowing rate of 4% /month, this delay cost us roughly C\$8000.

Trucker Strike At Vancouver Port

South Asia had 1 container stuck at the port due to the trucker strike. The container was delayed for 3 weeks. South Asia incurred storage cost at the port even though we had nothing to do with the strike. To ensure the release of the container, South Asia subsequently paid 5x more to a trucking company to cross the picket to retrieve our container. Further delays were no longer an options as the goods had to arrive on a construction site or our customer faced contract penalties.

If an intelligent transport system was able to forewarn South Asia of potential strike, perhaps a longer delivery lead-time could have been built into the contract. The question that all small business would like answered is why the dispute is only mediated by the government after the truck drivers has crippled the port to a standstill and affected thousand of small Canadian businesses with delayed imported or inability to export.

The economic impact of the strike is more costly as we had to pay in excess of 5 times of regular transport fee to retrieve our container. As some trucker demanded the high fees to cross the picket line. This amounted to roughly to us paying C\$1500. In additional to the high transport fee, our container storage fee which was unfairly forced upon us was close to C\$2500. The end result was an additional expense of C\$4000 to move this load out of Vancouver Port. If we also consider the cash flow impact scenario noted above. The total monetary lost for South Asia due to last spring strike was estimated to be roughly C\$5500.

CBSA Inspection

South Asia was notified of container inspection . The email concerning the inspection was welcomed and appreciated as we are able to inform our client of possible delay; however, when the standard delay stretched from typically 2 weeks to subsequently to 3 weeks we could not ascertain an response from the CBSA Vancouver office. All emails and calls were ignored with no response. South Asia believes that this is a gross negligence on the CBSA not to respond and shows lack of accountability. In this case, if an intelligent transport system could be used to track the status of the inspection then decisions on our end could have been made to help our customer.

The additional inspection charge amounted to be roughly C\$1000 to inspect our container. The 3 week delay tied up our container and in essence our capital. The estimated lost due to the CBSA inspection was estimated to be C\$2500. However, the most distressing part to this delay was the fact that the customer decided to source the delayed product elsewhere because the ETA of the goods could not be provided. South Asia had to sit on the goods in excess of 6month and sell off the goods at 10% below cost. The monetary impact of this inspection cost South Asia in excess of C\$10,000.

As illustrated above, transport delays have very detrimental effect to the bottom line of a small business such as South Asia Plastics. With an annual gross profit of C\$400,000 it is very difficult to absorb additional expenses resulting from delayed goods. The worst case scenario with the deepest impact was the CBSA inspection which resulted in cancelled sales due to our inability to inform our customer on the shipment's ETA. On average our container goods take approximately 2-3 weeks to cross the pacific ocean from China. All the cited delays noted above, more than doubled our regular delivery time to our customers in both Toronto and Vancouver. As I have mentioned before, transport delays are sometimes unavoidable; however, South Asia certainly welcomes a transport information system that will empower all parties involved to make better supply chain management decisions.