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Slowing Shipments: A (Hopefully Temporary) Reality of 2021

Slowed shipments have been a reality of 2021 thus far. Find out why this is and what you can expect going forward.



The global manufacturing sector ended 2020 in a great position. It not only recover

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a significant and devastating decline in the second quarter of the year – on average, the segment exceeded expectations. The U.S., Germany, and China ended the year in a period of expansion, meaning that overall manufacturing is at its highest point in history among these powerhouse nations. This came despite the pandemic, government restrictions, and manufacturing delays due to earlier staffing issues. While many continue to remain cautiously optimistic about the output in 2021, it appears that a necessary balance has been struck to create growth and opportunity in the marketplace.

Shipping

The test now comes in the delivery of goods from the point of manufacturing through to the consumer. While shipping delays were at their height in the early summer of 2020, the increased manufacturing productivity has created new interruptions in the process.

An interesting and unprecedented situation is now occurring. Demand is up, supply is maintaining at a necessary level to meet the demand; but shipping, the catalyst between the two, remains behind. Global demand for products of all kinds had outpaced shipping capabilities. As of the first week in January, for example, the average turnaround time for shipping containers delivering goods between international ports was 100 days, some 40 percent higher than a month earlier.

Domestically, FedEx and UPS are maintaining their initiatives to limit the number of packages they are willing to pick up and deliver within a given day. While this mostly affects large orders, it can result in unusual delays. Each of these entities expected this practice to last only through the holidays, but the backlog of orders and the errors within global logistics has continued to slow the pace.

Why?

But why can't the demand, something that is helping drive global economic recovery, be executed by the delivery process? This comes down to very fundamental issues. For one, there are just not enough containers in the world. China is the largest manufacturer of shipping containers. But the demand for the containers has backed up production for months. Secondly, when demand rises and there is not enough space in shipping containers, costs rise to help filter the demand. Companies willing to pay more for shipping will take priority. Finally, the very logistics of such an increased demand in a relatively short timeframe has created unforeseen errors.

Awareness

It is necessary to be aware of the global shipping challenges that exist throughout many industries right now. While analysts predict that some ease will occur after the first quarter, the demand appears to be ever-growing. We have to learn to accept the ideals of demand while understanding the challenges that it might create.

Patience in the months to come is going to be a virtuous and rewarding practice. Manufacturers, suppliers, and importers have little to no control over shipping. Equally, those involved in distribution to customers are at the mercy of the pace in shipping. Knowledge of these persistent issues is important in managing your clients' expectations, as well as your own.

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