

THE SHIPPING STANDARD

OUR EXPERTISE YOUR ADVANTAGE

THE DARK SIDE OF LOW RATES
AND THE INDUSTRY CHALLENGES
THAT FOLLOW

INTERVIEW WITH AN EXPERT

COMIC STRIP

I AM KAI

SHIP'S CATS

FUN FACTS

ABOUT
OEC GROUP

A pink piggy bank and a broken pink piggy bank surrounded by coins. The background shows a stack of colorful shipping containers in a port setting.



DECREASED
CONSUMER
DEMANDS

NEW
VESSELS

LOWER
RATES

THE DARK SIDE OF LOW RATES AND THE INDUSTRY CHALLENGES THAT FOLLOW

After more than two years of high costs, high shipping demand, and high levels of congestion, global ocean freight rates have slumped to lower than pre-pandemic levels. However, shippers are realizing that while rates may be extremely low there are still significant challenges they need to contend with – making this a highly complex shipping environment.

Lower rates, decreased consumer demand, and the addition of many new vessels into the market are three major reasons why this current market is so complex. These issues have created a situation where carriers, in an effort to stabilize their rates and margins, will now need to cancel many individual sailings, cancel entire services, and even temporarily park certain vessels to reduce capacity. Over a long period of time this will cause severe service degradation as carriers are forced to use this as a last resort to reduce cost and capacity to match the slack demand.

“A market that at the start of the year seemed to be more shipper friendly has become an environment of low rates, unpredictable service, and no short term solution,” said Peter Hsieh, OEC Group’s Vice President of Sales and Marketing. “Shippers need to remember the one key lesson from the pandemic which is that time and reliability – not money – is the most important element to consider in any supply chain strategy.”

Cancelling sailings along trans-Pacific west coast trade lanes and committing more vessels, during the past year, along routes to East and Gulf Coast ports has been a consistent strategy by carriers. As a result, the situation remains dangerously unpredictable, meaning shippers must face another challenge of what happens to their supply chain strategy if this situation persists and their gateways constantly change to match available services.

Even the domestic trucking market is contributing to shippers’ agita as many new providers that popped up to take advantage of market peaks have been forced to shut down, keeping costs high and provider options low. Finally, as we all learned during the pandemic, any order that is delayed has an adverse effect on intermodal transportation, planned warehousing, and labor, resulting in each and every step needing to be reorganized to accommodate new timelines.

“Like it or not, the shipping industry has evolved, and shippers need to realize that customer service and flexibility, not rates, are the key factors they need to consider when planning their supply chain strategy,” said Nick Klein, Vice President of Sales and Marketing and leader of OEC Group’s Chicago office. “The best option moving forward is to simply pay market rates – whatever they are. This will force carriers to prioritize things that really matter, like reliability, flexibility, and customer service.”

**CHASTON KOME**

Operations Manager for OEC
Group's Kansas City office

INTERVIEW WITH AN EXPERT

Chaston Kome, Operations Manager for OEC Group's Kansas City office, discusses new developments in the US warehousing sector and gives advice to shippers and retailers looking to add value through their storage solutions.

Q: Are all warehouses in the U.S. the same?

A: They are not all the same, and that is absolutely essential to understand when building the most effective supply chain strategy. Warehousing can be highly specialized, and types include Smart warehouses that rely heavily on robotics and artificial intelligence; bonded or free trade zone warehouses that assist with customs clearances; hazardous certified warehouses that store risky material; and climate-controlled warehouses designed to store perishables like food and medicine. Certain warehouses are oriented to help customers with speed of delivery, and even others are completely managed by third-party logistics providers to take pressure off of other parties. In short, not all warehouses are the same and many serve specific functions.

Q: Other than straight storage, what other kinds of services do warehouses offer?

A: Overall, there are too many specialized services to list, but many customer requests include long-term storage options, short-term storage options, pick-and-pack services, e-commerce solutions, transloading and cross dock services, and palletizing operations.

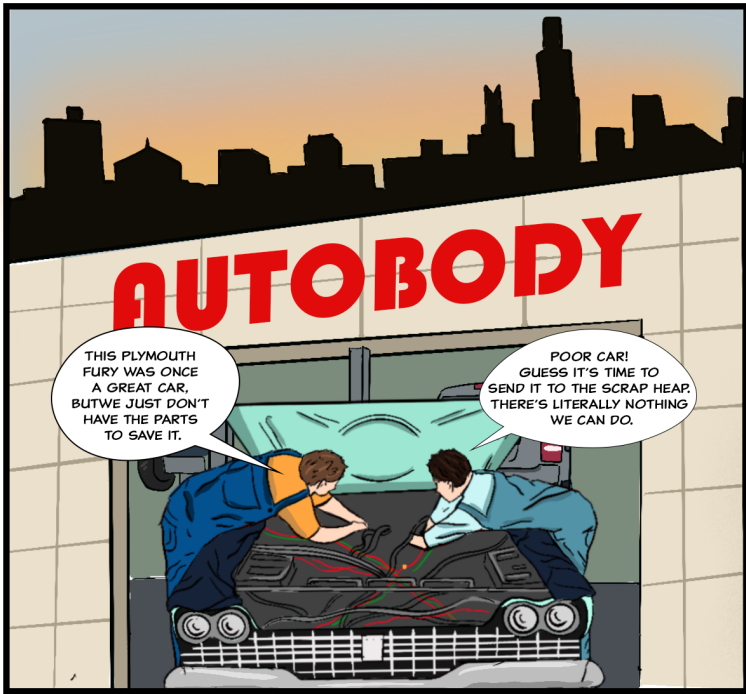
However, accessing these services is not so cut and dry, as it depends on the relationships and agreements you have with your warehousing network. The best way to reap the full benefits of an optimal warehousing plan is to partner with a provider that has that knowledge and network. Your provider can help you handpick services, and they can offer flexibility in terms of services and storage locations as your supply chain needs evolve. Building these relationships on your own and understanding which warehouses to target based on specific needs is very difficult and can take years to do from scratch.

Q: How has the push for sustainability impacted the warehousing sector?

A: Even before the recent sustainability push in ocean shipping, many warehouses and storage facilities were already striving for carbon neutrality. Most new warehouses being built across the country are designed to have minimal environmental impact. Additionally, as more shippers look to build sustainable supply chains, we're developing more end-to-end strategies that support climate conscious goals. That includes storage solutions, which can minimize the length and frequency (and in turn the emissions) of both ocean transportation and ground transportation across all orders.

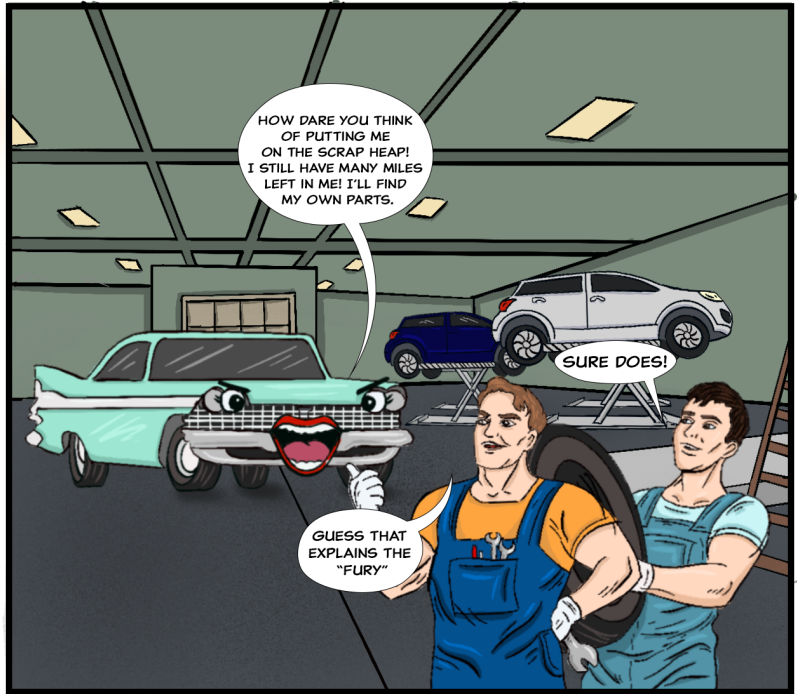
Q: Do you have any advice for shippers looking to manage such a wide variety of warehousing options?

A: Location, location, location! Having a storage location that fits into your unique supply chain and optimally connects your gateway port to your final destination is essential. Unfortunately, the perfect location can change based on evolving market conditions. Access to an exhaustive warehousing network is the strategy that can neutralize that. Whether by somehow creating a network of partnerships, or by partnering with a provider that has one in place, shippers should be looking for flexibility and complete geographical coverage in their essential markets.



THIS PLYMOUTH FURY WAS ONCE A GREAT CAR, BUT WE JUST DON'T HAVE THE PARTS TO SAVE IT.

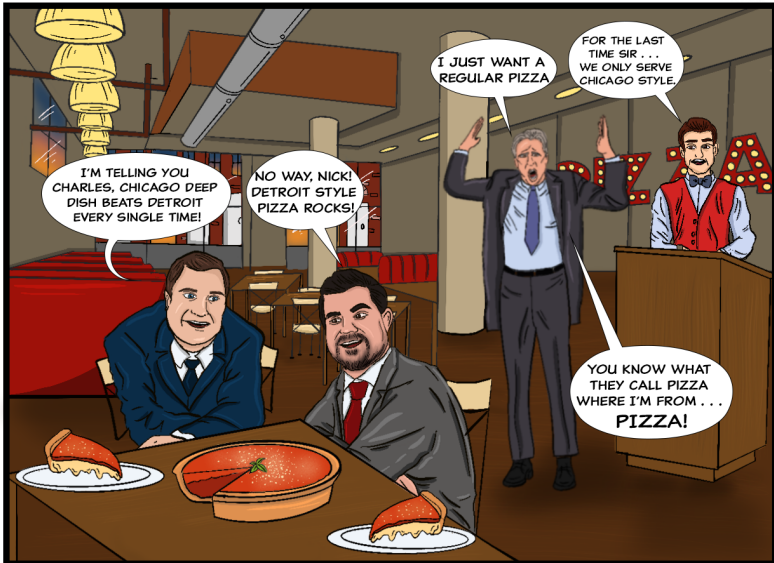
POOR CAR! GUESS IT'S TIME TO SEND IT TO THE SCRAP HEAP. THERE'S LITERALLY NOTHING WE CAN DO.



HOW DARE YOU THINK OF PUTTING ME ON THE SCRAP HEAP! I STILL HAVE MANY MILES LEFT IN ME! I'LL FIND MY OWN PARTS.

SURE DOES!

GUESS THAT EXPLAINS THE "FURY"



I'M TELLING YOU CHARLES, CHICAGO DEEP DISH BEATS DETROIT EVERY SINGLE TIME!

NO WAY, NICK! DETROIT STYLE PIZZA ROCKS!

I JUST WANT A REGULAR PIZZA

FOR THE LAST TIME SIR... WE ONLY SERVE CHICAGO STYLE

YOU KNOW WHAT THEY CALL PIZZA WHERE I'M FROM... PIZZA!



I HEAR YOU GUYS ARE THE AFTERMARKET AUTO-PARTS EXPERTS.

THAT'S US!

SEEMS LIKE YOU NEED EVERYTHING!

KATHLEEN!

INCLUDING A DRIVER! WHAT'S YOUR NAME?

FUNNY, YOU REMIND ME OF A CAR I USED TO KNOW, WENT BY THE NAME OF CHRISTINE. ANY RELATION?



HERE'S A LIST OF EVERYTHING I NEED IMPORTED IMMEDIATELY! THE LONGER IT TAKES THE MORE POWERFUL AND THE MORE UNHINGED THE SPIRIT LIVING INSIDE OF ME BECOMES, YOU'D BE SURPRISED HOW MUCH DAMAGE I CAN INFLICT.

THIS MAY TAKE SOME TIME AS CARRIERS CONTINUE TO CANCEL SAILINGS, MAKING IT HARDER TO GET THIS STUFF IN ON A TIMELY MANNER.

BETTER HAVE IT SOON, NOT SURE HOW MUCH LONGER I CAN HOLD OFF THIS SPIRIT!

WE HAVE TONS OF RELATIONSHIPS, WE'LL HAVE IT QUICKER THAN ANYONE ELSE.

NOTHING WE CAN'T DO.

THIS IS A PRETTY LONG LIST.



HELLO, KAI WE HAVE A SITUATION THAT NEEDS YOUR HELP.



YOU'RE BLANKING THAT SAILING, TOO!?!



WHAT DO YOU NEED NICK?

I WISH I COULD HELP, BUT I AM IN DESPERATE NEED OF BRAKES!

SOUNDS PRETTY SERIOUS! I'LL GET RIGHT ON IT!

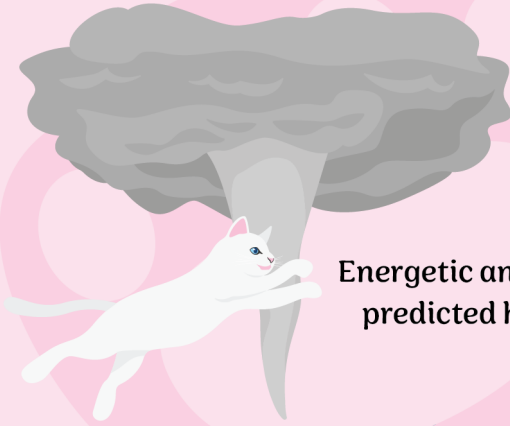
THANK YOU, KAI! THIS REALLY HELPS!

WE NEED YOU TO GO AS SOON AS POSSIBLE TO CHINA AND PICK UP THIS LIST OF AFTERMARKET AUTO PARTS. THERE IS A POSSESSED CAR ON THE LOOSE THAT NEEDS IT!

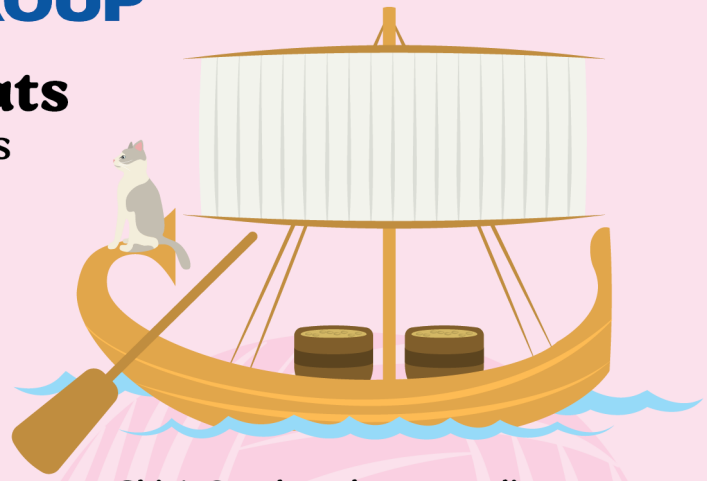
OTHERWISE, SHE SAYS SHE WILL INFLICT SERIOUS DAMAGE ON THE WORLD.

ESPECIALLY WITH ALL THESE BLANK SAILINGS.

Ship's Cats Fun Facts



Energetic and frisky cats predicted high winds.



Ship's Cats have been traveling on trading vessels since ancient times.



It was believed that it was good luck if a cat approached a sailor on deck and bad luck if they turned away.



British sailors believed black cats brought good luck.



Sailors believed that a cat licking its fur with the grain forecasted rain.



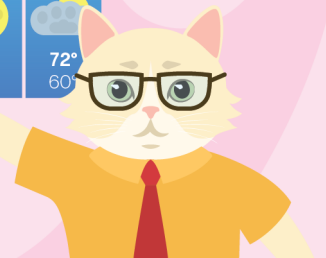
The main job of the Ship's Cat was to control rodents, which would eat through ropes, the crew's food, and even grain being exported.



A cat licking its fur against the grain meant that a hailstorm was coming.

SUN	MON	TUE	WED	THU	FRI	SAT
74° 68°	82° 71°	85° 73°	68° 51°	70° 54°	76° 63°	72° 60°

Cats were believed to have the power to protect ships from dangerous weather.



ABOUT OEC GROUP

At OEC Group, we have demonstrated our commitment to customer service in trans-Pacific trade for more than 35 years. Founded in 1981, OEC Group had a vision to provide comprehensive logistics services to clients. Today OEC Group serves destinations throughout the world and has grown into one of the leading logistics providers in North America. With over fifty offices worldwide, we take pride in being close to your cargo at all times.

OEC Group is monitoring and adapting to the changing market. We are well positioned to make continuous improvements to your supply chain using the fastest, most efficient and cost-effective services available. We work tirelessly to stay on top of the ever-changing logistics industry with the goal of delivering the most current information and services to you, our customer.

Our business is making our logistics expertise, your competitive advantage.