

Streamline supply chain complexity with Maersk



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■ 3. Streamline supply chain complexity with Maersk

Importers have always had to deal with supply chain challenges such as lack of visibility of cargo once it leaves the port, or uncertainty of cargo quality as it arrives at the destination. These issues became even more complicated as global trade increased, leading to multiple vendors, partners, suppliers, freight forwarders, and even truckers, as importers sought to leverage more cost-effective sourcing worldwide.

As e-commerce became the norm, customers started expecting faster lead times, putting pressure on logistics management and creating new complexities. And then came COVID-19, which occasioned a seismic shift in consumer behavior. Last year's retail season in the US, for instance, saw customers buying more online than in stores. So much so that logistics companies like UPS have capped shipping limits on leading retailers to ease pressure on their delivery network during the holiday season.

As sourcing and delivery disruptions continue to plague global supply chains, importers are struggling to deal with the aftermath. Clearly, the pandemic has highlighted multiple vulnerabilities across complex supply chains. Transportation and logistics issues are of special interest in the list of supply chain vulnerabilities.

Over the decades, the chase for profitability has created supply chain complexities. From unrealistic customer expectations to multi-tier partnerships and collaborations across the supply chain to demand management, logistics has increasingly become complicated and tricky. And all this has also come at the cost of resilience. The resultant side effects drastically hamper global sourcing during catastrophic events such as COVID-19.

Importers are unable to take corrective measures in advance due to lack of information. End-to-end visibility is critical to streamlining the entire supply chain in such situations.



■ 4. Streamline supply chain complexity with Maersk

When visibility matters

The lockdowns necessitated by the global health crisis have created business model shifts that have been enabled by supply chain visibility. A case in point: global sportswear brand Nike's major shift to online sales. Nike's retail outlets across the world were shut during the lockdowns. So, the brand used its digitized supply chain to divert products meant for retail stores to e-commerce fulfillment centers in China. This dynamic rerouting resulted in lesser revenue losses for Nike, unlike its peers. This agility to respond to supply chain disruption has been visible in several other sectors that had logistics and digital infrastructure in place. However, most importers do not have the advantage of flexible supply chain networks that can match Nike's scale.

This is where the concept of Supply Chain as a Service (ScaaS) becomes relevant to reduce complexity. For instance, Maersk's Destination Supply Chain Management (DSCM) services are ideal for mapping and managing the end-to-end needs of importers. Having understood the challenges that its customers face today, Maersk created DSCM as an end-to-end offering targeted at importers.



Regulations on the rise

Recently introduced Indian import rules such as CAROTAR 2020, which mandate comprehensive declaration and verification criteria, have not been favorable for importers. Under the new regulation, importers must procure detailed documentation from the supplier to avail of Preferential Tariff Treatment (PTT). This creates multiple issues for importers, especially manufacturers that rely on imported raw materials, such as chemicals, manufacturing, and pharmaceuticals.

Most freight forwarders do not check or validate information such as the Certificate of Origin provided by suppliers. Traditional Excel sheet-based manual tracking methods are incapable of meeting such requirements. Errors in documentation can lead to rejection of PTT claims, customs clearance delays, increased tariffs, and high Demurrage & Detention (D&D) costs at Indian ports of entry.



6. Streamline supply chain complexity with Maersk

Seamless clearances, every time

Maersk's DSCM services mitigate the above-mentioned import clearance issues. See Figure 1 to understand how visibility-backed Destination Supply Chain Management details a significant amount of real-time information that can be obtained right up to the last mile.

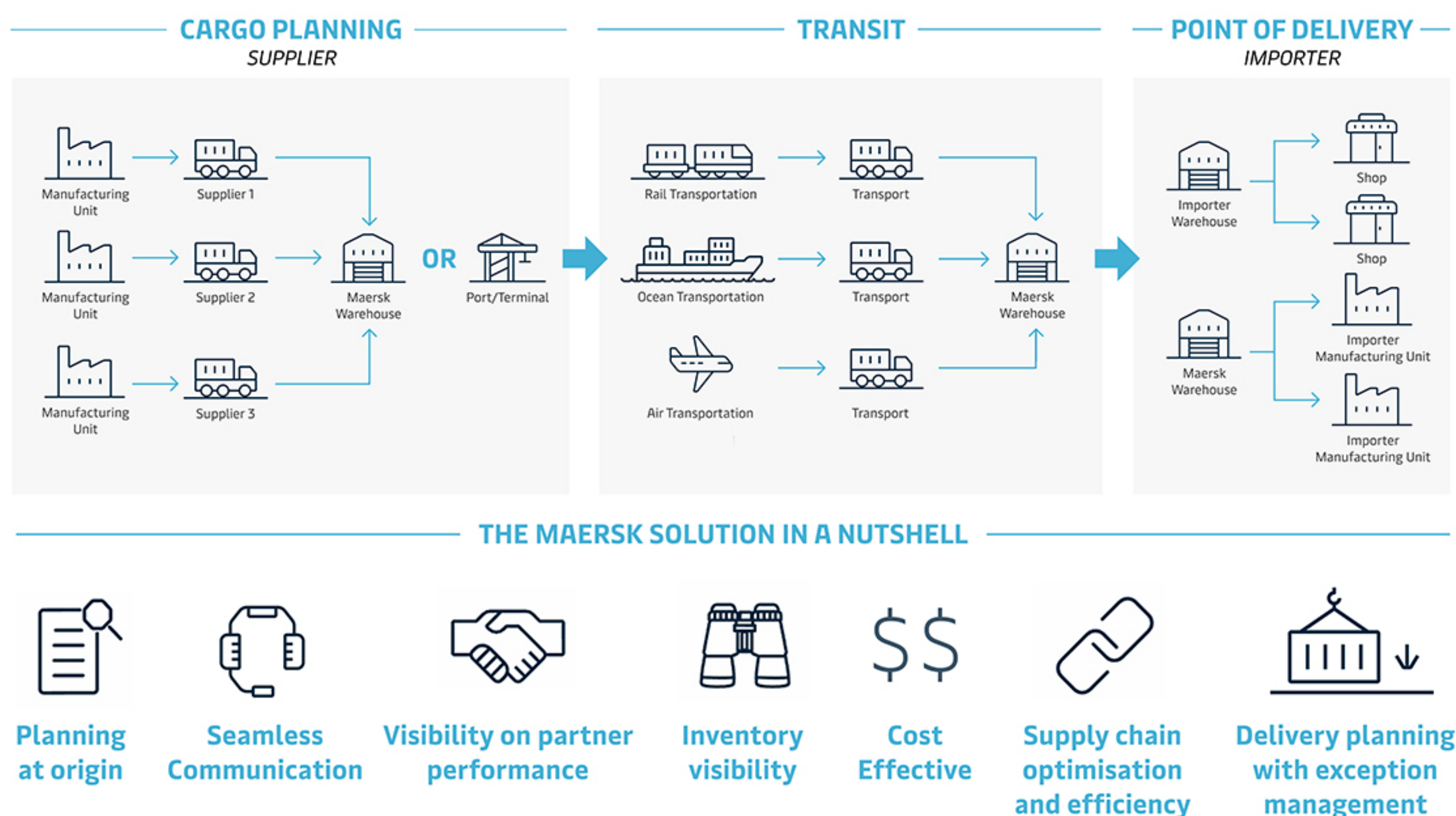


Figure 1: Visibility-backed Destination Supply Chain Management

At the origin itself, Maersk's highly experienced Destination Management team communicates with suppliers to ensure complete and accurate documentation. Physical verification is conducted on an SKU-level basis by Maersk personnel to ensure order conformity. In the case of order mismatches, the supplier can undertake corrective action immediately. The customer gets real-time updates in case of shipping delays at the vendor's end. This allows importers to take immediate remedial action such as alternative sourcing or inventory management.

Optimization of the cargo's landing cost is possible since multiple supply cargo can be consolidated to make a full box at the warehouse instead of separate LCL shipments. It also facilitates accurate shipping of one-to-many shipments. DSCM's carrier-agnostic nature provides further benefits via a selection of lower-cost supply chain partners.

Exception management is another key feature of DSCM. For example, real-time visibility is valuable in case of delays due to transshipment or climatic issues. Once the consignment reaches its destination, the Maersk team manages the documentation required for clearance. Since the shipper digitally uploads all documents, customs formalities can be started in advance for timely cargo clearance. This significantly reduces landed costs since it decreases overheads such as D&D and ad hoc storage.

Visibility in uncertain times

Maersk's DSCM service capabilities can be demonstrated by citing an India-based bottle manufacturer's use case. At this company, bottle bodies are manufactured locally, but it relies on suppliers from Vietnam and Taiwan to procure the caps. Timely availability of caps is essential for the manufacturer to meet sales and distribution demands.

Maersk's management service features on-the-ground presence and online reporting tools that help the customer get complete visibility of supplier status. In case the customer's Taiwanese supplier is unable to ship due to plant outages or a storm, Maersk's global presence ensures advance notice. This allows the manufacturer to avoid business disruptions by sourcing from the Vietnamese supplier.

Supply chain optimization controls direct material costs on an ongoing basis. Online reporting tools facilitate these objectives.



Ready for uncertain times

Supply chain disruptions due to climatic disturbances, regulatory issues, trade disputes, and political unrest are expected to rise in the near future, according to McKinsey & Co. Real-time upstream visibility, along with the assistance of a partner with a global presence, is of extreme importance in such troubled times. Maersk's proven reliability and expertise provide differentiated DSCM services that help your business to streamline its global supply chain.

*Give us a [call today](#) to discover how
Maersk can transform your import flows.*



