



Fortune 500 Retailer Unlocks Upstream Freight Market Intelligence to Improve Demand Planning Cycles

An in-depth look at how a Fortune 500 retailer utilized FreightWaves SONAR to make data-driven decisions.

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SUMMARY

The retail segment of the economy was a beneficiary of the COVID-19 pandemic as it generated windfalls as consumer spending habits shifted from services to goods. This shift drove increased demand, but that demand caused ocean container rates to soar and lead times to grow to record levels.

When consumer demand shifted, retailers were effectively left holding the bag as inventory levels soared to levels that retailers were uncomfortable with. Executives at the major retailers were asked numerous times on earnings calls about inventory levels and supply chains as a whole throughout the pandemic.

One major retailer decided that it was time to take a proactive approach and ingest as much data as it could to help better understand the supply and demand dynamics in the global shipping market. The retailer turned to FreightWaves' Container Atlas and SONAR platforms to create visibility into transportation market dynamics globally.

Through the use of Container Atlas' ocean intelligence, coupled with the FreightWaves Army of Experts, the retailer was able to improve demand planning cycles and take advantage of lulls in ocean demand. This also allowed the retailer to improve transportation procurement as it was able to benchmark itself against the broader market, identifying areas that it could improve on purchasing behaviors.

These benefits allowed the retailer to largely act faster than competitors, a must in an environment in which consumer patterns are shifting. It also allows for the retailer to be proactive and informed when the market inevitably shifts, reducing the likelihood that a COVID-like surge in freight demand will cripple the company's supply chain.



ISSUE

Limited visibility upstream caused inventory glut.



OUTCOME

Inventory levels were reduced much faster than those of peers that suffered from similar situations.



SOLUTION

Upstream freight market intelligence improved demand planning.

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LACK OF VISIBILITY LEFT RETAILERS ON THE BACK FOOT WHEN IT CAME TO DEMAND PLANNING DURING THE COVID-19 PANDEMIC

The COVID pandemic, while causing one of the shortest economic recessions, also created one of the strongest demand cycles of all time. Retailers felt the strain on supply chains as consumers shifted spending from services to goods as many services were shuttered under government orders to slow the spread of COVID-19.

While many retailers showed significant top-line growth, they also suffered from rising costs of goods sold, largely stemming from increasing transportation costs. When ocean container rates soared to more than \$20,000 per forty-foot equivalent unit, many retailers turned to chartering vessels in an effort to save money. What many retailers lacked was visibility into the supply and demand dynamics on the ocean market.

The result of the tighter capacity on the ocean and higher spot rates created a squeeze on margins but also brought a need for retailers to overorder inventory to ensure that items would be on the shelves when consumers were in store. This demand spike caused a shift from just-in-time inventory management to more just-in-case inventory management.

This shift led to an inventory glut that nearly every major retailer fell victim to during 2022 as they realized they had inventory problems as demand dwindled. Retailers, especially those without visibility into the global shipping market, missed slowing demand levels, which likely led to overpaying shipping costs, but also continued to order goods though demand levels were falling away.

A large publicly traded retailer realized that it needed to find answers to the inventory crisis that was occurring and act proactively to the market to improve demand planning.

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REACTING FASTER WITH DATA-DRIVEN DECISIONS LED TO IMPROVEMENTS IN LEAD TIMES AND DEMAND PLANNING

While still exposed to the inventory gluts of 2023, the retailer was able to react faster than other retailers in an effort to reduce inventory levels. This was partially due to the declining demand on the ocean, a signal that there was a slowdown in overall demand moving forward, thus the company had the ability to strategically plan when to order goods from overseas and determine which ports provided not only the best rates but the most efficient transit times.

Improved demand planning, through the use of global trade intelligence, has allowed the reduction of inventory to levels that the retailer is comfortable with but that also allows it to be proactive when the market changes in the future.

In addition to improved demand planning and honing in on total transit time, the retailer has been able to benchmark itself against the broader domestic freight market, allowing for better transportation procurement, which directly flows to the bottom line.

These improvements, while felt throughout the past year, will be even more impactful when the freight market inevitably shifts. The retailer will now be able to be proactive in the freight market, adjusting demand planning cycles as well as benchmarking itself, which will ultimately lead to better results.

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HOW SONAR AND CONTAINER ATLAS DROVE IMPROVEMENTS IN A GLOBAL SUPPLY CHAIN

Through the use of FreightWaves' Container Atlas platform, the leading retailer was able to understand the dynamics of supply and demand on the ocean and determine the lead time necessary to ensure goods were stateside by the time needed to ensure seasonal goods were not late.

Within Container Atlas, the retailer was able to identify when demand was increasing or declining, both through looking at when twenty-foot equivalent units were leaving global ports overseas and when they were being booked with the ocean carrier, often more than 10 days in advance.

This insight allowed for the retailer to better plan on when shipments overseas needed to be booked.

Couple the supply and demand dynamics with ocean rates and the retailer had a full view of the global market, allowing for benchmarking its spend along with improving demand planning.

The retailer also leaned on the freight market intelligence provided within the FreightWaves SONAR user interface. The retailer had the ability to identify supply and demand dynamics of the domestic transportation market, allowing for the transportation procurement team to improve purchasing behaviors.

Through the combination of FreightWaves SONAR and Container Atlas, retailers can set themselves apart in the transportation market, which will directly impact the bottom line. The platforms, when used in conjunction with each other for both transportation market insights as well as macroeconomic analysis, retailers are able to make better decisions, backed by data, that also improve demand planning, reducing the risks of inventory gluts that were experienced throughout 2022.

To find out more about FreightWaves SONAR, [visit sonar.freightwaves.com](https://sonar.freightwaves.com).