

LCL: A COST-EFFECTIVE SOLUTION TO SUPPLY CHAIN AND INFLATION CHALLENGES

Over the past few years, consumers have had to endure unrelenting increases in supply chain rates as well as inflation caused by several factors. Indeed, consumers have faced higher prices when shopping for everyday commodities, such as food, clothing, and shoes. But how did we get to this point in the first place? Globalisation created opportunities to move goods overseas. Transport costs depend on several factors, one of which is the price of fuel, which is now increasing rapidly due to the economic and political situation in the world.



Elevated Consumer Demand

The COVID-19 pandemic changed the lives of many consumers across the globe, forcing them to adopt new digital behaviours. One of them is switching to shopping online. This exponential growth in customer demand has considerably stretched manufacturers' capacity to produce and supply the ordered goods, thereby leading to acute inflation throughout the supply chain.



Supply Is Disrupted

Since most shipments travel by sea, the additional stress on ports has led to port congestion. Ports are now backlogged, and container ships, therefore have to wait at anchor for several days before unloading. Moreover, there are not enough personnel to unload the shipment. These shipping delays and port holdups have left businesses with inadequate supplies. As a result, labour shortages and backlogs influence transportation prices.



Energy Crisis

Energy is quickly becoming a major cause of inflation. When inflation began to pick up speed in early 2021, the prime culprit was supply-chain problems related to the pandemic. The crisis between Russia and Ukraine – which began in February 2022 – caused an upheaval in energy markets, resulting in a spike in oil prices. These increased prices pose a major challenge to the global supply chain because virtually everything needs energy.



So how do oil prices affect the price of commodities and services?

// HIGHER PRODUCTION COSTS

Oil plays a key role in most of the products people purchase.

For example:



The production of clothes and computers uses petrochemicals extracted from petroleum.



The cosmetics industry also uses petrochemicals to create beauty liquids and creams.



A vast amount of oil goes into pesticides and fertilisers that are used to protect vegetables, grains, and fruits.



Popular foods contain mineral oil for preservation.

In effect, the high cost of oil is passed down throughout the entire supply chain.

// HIGH TRANSPORTATION COSTS

Oil powers the ships and trucks that move goods from place to place. With the current surging oil prices, shipping and overall transportation costs are now substantially higher.

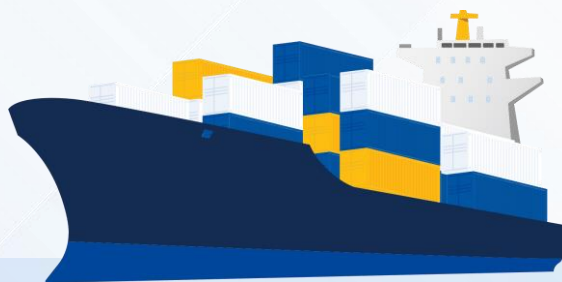
// LOGISTICS AND CONTINUITY COSTS

Fuel expenses account for a huge share of logistics expenses. Logistics companies estimate fuel surcharges depending on the fuel costs of the preceding week. As a result, when fuel prices rise significantly over a short period of time, there is a lag between the fuel price and the fuel surcharge rate, which has a negative impact on a logistics company's bottom line.



LCL to the Rescue

Less than container load (LCL) is part of the solution and seeks to solve many supply chain challenges. LCL allows shippers to consolidate and split costs with other freight-paying parties, thereby reducing costs, especially now that the world is experiencing supply chain inflation due to high energy prices. LCL is both flexible and cost-efficient. With Rhenus, you can count on weekly services from Europe to Asia Pacific, which will strengthen your supply chain.



Sources:

[Theconversation.com, Soaring energy costs fuel fastest inflation in 40 years: 3 essential reads](https://theconversation.com/soaring-energy-costs-fuel-fastest-inflation-in-40-years-3-essential-reads)
[Forbes.com, Supply Chain Woes, Inflation Crimp U.S. Producers' Growth Potential](https://forbes.com/supply-chain-woes-inflation-crimp-u.s.-producers-growth-potential)
[Slouistered.org, Global Supply Chain Disruptions and Inflations During the COVID-19 Pandemic](https://slouistered.org/global-supply-chain-disruptions-and-inflations-during-the-covid-19-pandemic)
[Unctad.org, COVID-19 Has Changed Online Shopping Forever](https://unctad.org/covid-19-has-changed-online-shopping-forever)