



September 12, 2021

This week's note "From the Desk of Deborah Weinswig" discusses the repercussions of global supply chain fluctuations for retailers and consumers. Read the full Weinswig's Weekly online [here](#).

Retailers and Consumers Continue To Be Buffeted by Global Supply Chains

Supply-chain participants including retailers and consumers are continuing to feel the repercussions of surges, rapid declines and the resurgence of demand in global supply chain as we progress through the second half of 2021.

Many serious shipping bottlenecks continue, alongside recent additional challenges. According to the Marine Exchange of Southern California there were 44 ships anchored at the US West-Coast ports of Los Angeles and Long Beach, California, at the end of August (versus a prior record 45 ships in January which included oil tankers). Exacerbating the situation, a positive Covid-19 test at the world's third-largest port, China's Ningbo-Zhoushan port, resulted in a two-week shutdown from August 11 to 25, amid China's practice of aggressively snuffing out any emerging outbreaks.

These bottlenecks have driven up freight-container rates, with the rate for a 40-foot container increasing by 351% year over year to nearly \$10,000 as of August 28, according to the Drewry World Container Index. These costs will hurt retailers' margins and/or be passed on to consumers.

On the supply side, Ho Chi Minh City in Vietnam implemented a large-scale lockdown on July 9, affecting numerous apparel and footwear manufacturers, including Gap, NIKE, PVH, Steve Madden and Urban Outfitters. Following trade disputes with China, many brands moved their manufacturing out of China, including to Vietnam, and the country accounts for nearly one-third of US footwear manufacturing and one-fifth of US apparel manufacturing in dollar terms, according to the American Apparel & Footwear Association.

At the same time, the [global chip shortage](#) continues, with chipmakers fervently adding capacity, which can take several years. The shortage has prompted shutdowns of automotive lines (which affect the delivery of retail goods) as well as the availability of appliances, gaming consoles, PCs and smartphones. Chip foundries are running at above optimal capacity utilization, which increases costs, and the largest chip foundry, TSMC, has hinted at price increases. Apple, one of TSMC's largest customers, is likely to announce price increases for the iPhone 13 at its new product event on September 14.

These supply-chain gyrations have resulted in periodic shortages and long lead times, with consumers reacting to headlines about the spread of new variants by returning to prior behavior: stocking up. There are reports of renewed toilet paper shortages, and after being virtually given away during the summer, face masks are back in demand.

These events present a great deal of variability for retailers. Retailers are keenly aware of the shipping bottlenecks and placed their holiday orders amid continuing [healthy retail demand from consumers](#). They face the concerns of ordered items not arriving on time to make it to the shelves for the holidays, given the unanticipated recent port closures.

Much consumer behavior this [holiday season](#) is likely to parallel that of last year. We expect to see consumers that are aware of port closures starting their shopping early to avoid last-mile capacity bottlenecks. The US Postal Service has already announced holiday shipping surcharges—and other major carriers are likely to follow suit—in what should be another record shipping season due to ever-growing e-commerce demand. Savvy shoppers should shop early to avoid those surcharges.

There also appears to be a race among retailers to be first to launch holiday promotions, blurring the meaning of traditional peak shopping days such as [Black Friday](#)—and again encouraging consumers to shop early. Our latest weekly [US consumer survey](#) identifies the trend of increasing consumer avoidance of public places, with a marked jump in the past week. This sentiment decreases the likelihood of consumers embracing doorbuster Black Friday sales.

The silver lining is that brands and retailers have learned from last year's supply chain fluctuations and there are several industry leaders and innovators offering tools to help them manage and mitigate the impact. Although the events of this year have presented new and renewed challenges, retailers are likely better equipped for expecting the unexpected.

[Read the online version for a full breakdown of US, Europe and Asia retail and tech headlines.](#)

Digital Events

Sunday, September 19, 2021 at 5:00 PM (EDT)

**[Groceryshop 2021: Shark Reef
Startup Pitch](#)**

Tuesday, September 21, 2021 at 11:00 PM (PST)

[IBM VIP Dinner @Groceryshop 2021](#)

Thursday, September 23, 2021 at 11:00 AM (EDT)

**[Holiday 2021: The Critical Missing
Element in Your Personalization
Strategy](#)**

Thursday, October 7, 2021 at 11:00 AM (EDT)

**[The \\$242 Billion Opportunity:
Unwrapping the American Gifting
Market](#)**

Catch up with our previous digital events [here](#).

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**US Retail Sales
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**US Consumer Tracker
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Amazon Databank

**Corporate and Financial
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