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## STRENGTH AMID THE STORM



THE MARKET  
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SUPPLY CHAIN  
AND LABOR  
CHALLENGES,  
ACCORDING TO  
THE ANNUAL  
INDUSTRY PULSE  
REPORT

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# Supply Chain Struggles Continue

*The industry prepares to enter another year rife with supply chain and labor concerns. Hardware supplier INOX shares its perspective about how companies can navigate this tricky time.*



**By Laurie Cowin**  
EDITOR

We're all back at work full-steam ahead after one of my favorite times of the year. I take great joy in baking cookies and distributing cookie platters, seeing my Christmas tree lights twinkle, singing and exercising to festive music, and witnessing my three-year-old son's enthusiasm for the season.

But another great joy of the holiday season is that it runs parallel to Window + Door's Industry Pulse report, giving me the opportunity to talk with companies across the entire supply chain of the residential fenestration industry. It's a delight to reconnect with companies, as well as meet new companies and introduce their voices to our pages.

It wasn't any surprise that the two hot topics in this year's survey were labor and the supply chain, with supply challenges trumping labor in nearly everyone's eyes. (See the Industry Pulse on page 30 for more insights and analysis.)

Last fall I had the chance to virtually sit down with Qianyan Cheng, co-founder/vice-president of product development, and Chris Rankin, product marketing manager, with hardware supplier INOX, where we discussed the supply chain landscape and how INOX is navigating it. "We're having to be creative," says Rankin. "You can't have any assumptions that the way things have worked in the past is the right way to do things anymore."

Following is an excerpt from our conversation:

## **Q: How is INOX navigating the supply chain landscape?**

**Cheng:** Because of the unavailability or delays in shipping containers, we've had to airfreight because we can't wait for the container. But the cost of airfreighting is double, triple or sometimes even quadruple; the airfreight could be more expensive than the product costs. We're at the point where everything is so "unnatural," you just have to do what you have to do. It's worse to lose a customer.

There are [other shipping options] available, such as [using] a smaller vessel that skips Orange County, where much of the port congestion is, and goes straight to smaller ports such as Oakland. Smaller boats also cross the ocean more quickly. Another strategy is to get whatever's available, which we call less container load. That means if you have eight pallets of product, just book it. (A container usually holds 20 to 22 pallets.) It's more expensive per pallet that way, but it's going to cut down your time and is still less than airfreight.

## **Q: How have shipping times changed?**

**Cheng:** The average time from China to the West Coast ports is about 90 to 120 days; it used to take 25 days.

**Rankin:** With ships sitting there waiting to be unloaded, they're making fewer trips across the ocean. The impact there is not only us missing bookings with our products because the ship hasn't come in to pick it up, but the cost to run these ships hasn't gone down. Ships are making half the number of crossings they normally do, which means the pricing of getting a booking is increasing at a phenomenal rate so they can continue to run these ships.

**Cheng:** Before COVID, a 20-foot container from Shanghai to Oakland ran \$1,500 to \$2,500. Right now it's around \$15,000. We recently received a quote for \$20,000 for a 40-foot container, which used to cost \$3,000 tops. And you still can't guarantee a booking.

## **Q: What does all this mean for the industry?**

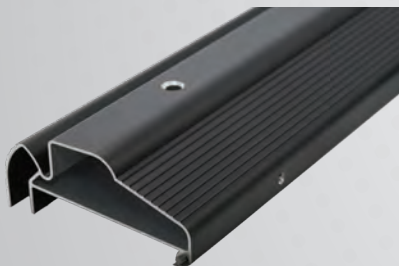
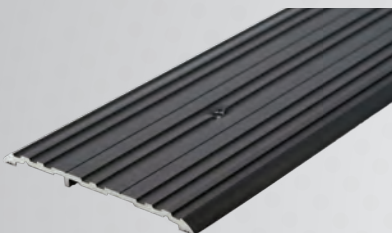
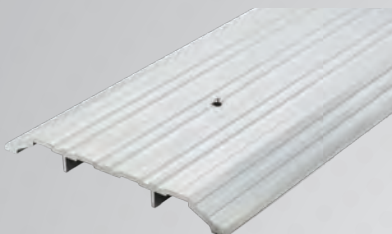
**Cheng:** The shipping surcharge has been 6 to 7 percent on the lower end to 12 to 15 percent on the higher end just to compensate for additional freight costs. That's on top of previous pricing increases



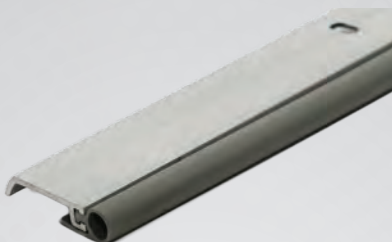
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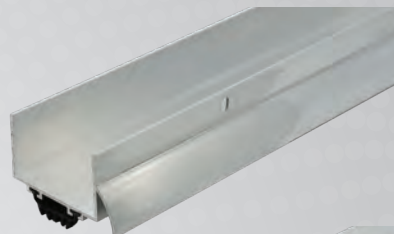
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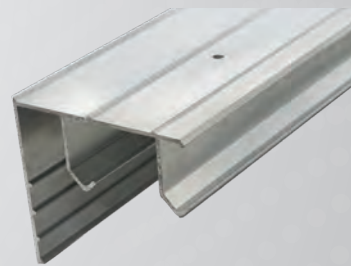
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from importation costs or Covid costs. Adding both up, we're seeing a major increase in the cost of building materials for the construction industry.

#### **Q: When do you see an easing of these challenges?**

**Cheng:** I don't see this as any better for at least another year. Our logistics importer doesn't predict things will get better until 2023, when there will be new vessel lines and new vessels released into operation. They're also hoping COVID will be more contained so there are more people handling logistics at the port. Right now, there is nobody to operate the chassis, which is what the containers are unloaded onto from the boat. Because there's a shortage of chassis, containers are being stacked and can't move.

#### **Q: What recommendations do you have for companies to navigate the supply chain landscape?**

**Cheng:** One, you have to keep your customers happy by doing whatever it takes because you don't want to lose that relationship. Two, keep calm and look for what's booking right now to find a solution to a pain spot. If you can bring value to your supply chain, that makes you the one that survives. Crises can be opportunities. You have to work harder. We have no choice; we have to put in the extra brain juice to tackle it, keep cool and get through this. It's not a month or two; it's a couple years.

**Rankin:** Innovation is key to survival in this kind of situation. It's very difficult because innovation requires you to question everything that used to work. [It's] the whole concept of "if it isn't broken, don't fix it." You have to assume everything is broken and you have to re-assess. That takes extra time and effort. I think in the long run we're going to see a lot of amazing things come out of this. ■