LEADERPROMOS
Promotional Marketing Agency

WOMEN OWNED

certified WBENC WOMEN'S BUSINESS ENTERPRISE

Getting Back to Normal

How COVID-19 continues to impact the promotional product industry and what we are doing to support client needs.

Clients and Friends,

By now, we are ready to put COVID-19 behind us and look toward a more “normal” future. Unfortunately, the effects of the pandemic are still very much taking its toll on the world.

Leader Promotions business and the industry’s supply chain is no exception.

Some of the issues we all experienced when the pandemic struck will continue to be a factor in our business for the rest of 2021 and most likely into the beginning of 2022.

THE SITUATION

Due to the rolling effects of COVID-19, the industry’s supply chain has taken a significant hit. In return, it has caused shipping delays, limited inventory, pricing increases and consistent adjustments to client orders.

One of the largest industry’s suppliers, PCNA and their Vice Chairman David Nicholson said it best, “From shifting category demand to inbound shipping delays, our approach to inventory and capacity planning has had to account for substantial uncertainty in the market.”

Businesses are all interconnected. So, when one part of the business is affected, we all feel it.

In a June 4 article from Advertising Specialty Institute (ASI), they outline this cause and effect. “Still shipping/fulfillment issues, rising raw material/labor costs, difficulties suppliers are having hiring enough staff, unfavorable exchange rates and other factors are contributing to insufficient inventory, higher product prices, Generalized System of Preference (GSP) tariffs and lengthened delivery times for orders, which make it more challenging for distributors to meet client needs and capitalize on rising demand for branded merchandise."

As a result of all these factors, Leaderpromos has worked hard with our supply partners to mitigate and absorb the price increases throughout the year and anticipate what is coming.

And then there's China who is starting to return to normal operations. However, the shipping containers that were being housed in Yantian, one of the major China ports, is still catching up to the demand. Which means there is port congestion and domestic transport issues that continue to disrupt products arriving on time to the United States, reports ASI on June 24.

WHAT THIS MEANS FOR OUR CLIENTS

To minimize the impact of supply chain issues on our clients, it is imperative we are proactive and plan now for a busy holiday season. Although it may seem premature to start thinking about Q4 needs, the disruptions we are seeing now with the supply chain are only going to be exacerbated come fall and winter.

Since the United States is trying to pull out of the pandemic and return to "normal life," our clients want to help make their employees and partners feel supported and appreciated. Planning now for your Q4 needs will eliminate inventory issues and avoid delays that we are anticipating seeing come later this year.

At Leaderpromos, we are accustomed to last minute requests and urgent orders. However, it is our responsibility to share with clients the current issues we are facing and how we can proactively support their upcoming needs. This approach will save both you and your partners time and frustration when holiday season arrives.

We will be reaching out with some upcoming ideas, specials and more information on how to plan for Q4 needs!

- Stephanie Leader
CEO, Leaderpromos

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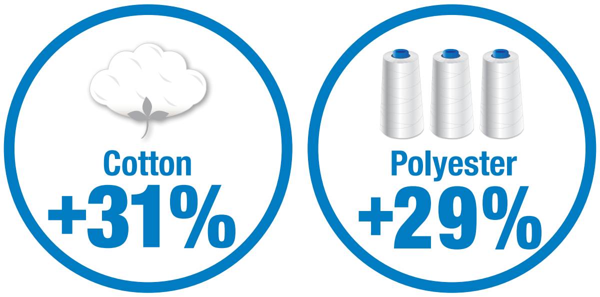
COST HEADWINDS IN THE GLOBAL APPAREL SUPPLY CHAIN

In today's interconnected world, we all work together as a supply chain including farmers, yarn spinners, textile manufacturers, cut-and-sew factories, suppliers and distributors.

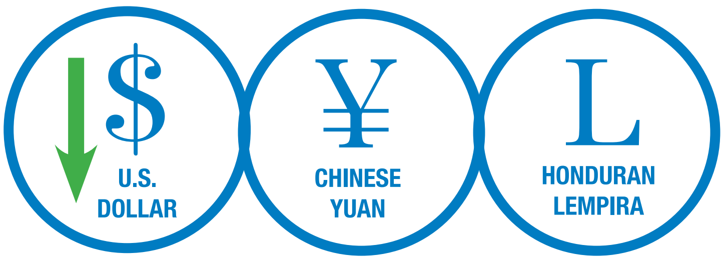
This intricate supply chain is knit together by a complex transportation and logistics infrastructure.

With that in mind, these are the factors driving cost increases in the global apparel supply chain.



1. THE COST OF RAW MATERIALS

Cotton has increased an average of 31% year-over-year. Cotton prices, like any commodity, are driven by supply and demand. While global demand has recovered nicely, supplies have been dramatically reduced by the prohibition of Xinjiang cotton (which, by some reports, accounts for up to 20% of the world's cotton). The cost of polyester has also experienced a roughly 29% year-over-year increase.



2. EXCHANGE RATES

The U.S. dollar has weakened against many global currencies, including the Chinese Yuan and Honduran Lempira. U.S. brands pay their global vendors in dollars. The vendors largely pay their workers and suppliers in local currencies. When the dollar weakens, that means they are earning less in local terms than they did when the dollar was strong.

3. OCEAN TRANSPORTATION & LOGISTICS

The cost of shipping goods across the ocean has increased by 293% year-over-year.

4. GENERALIZED SYSTEM OF PREFERENCE (GSP)

In the last few years, many bags were moved out of China to avoid the Section 301 tariffs. Those bags were moved to the Philippines and Indonesia, as they've benefitted from the GSP duty exemption which expired at the end of last year. At this time, there is no way of knowing the timing of when the GSP might be renewed.