LOGISTICAL NIGHTMARES—

STRATEGIES FOR RESPONDING TO TODAY'S SUPPLY-CHAIN CHALLENGES

Commercial laundries boost inventories, woo suppliers to keep customers stocked with garments and flatwork items

By Phillip M. Perry

The linen, uniform and facility services industry is grappling with recurring supply-chain issues in the wake of a rebounding U.S. economy. Faced with robust consumer and business demand, companies are beefing up costly inventories and wooing second-level suppliers to help close the gaps when shortages arise.

In recent years, textile services companies have regularly experienced product shortages and delays—and associated price hikes—thanks to the impact of international tariffs. However, COVID-19 has transformed an exercise in efficient materials distribution into a full-scale crisis.

"With the arrival of the pandemic in early 2020, linen shipments that normally took three or four days stretched out to a week or two, and some were delayed up to a couple of months," says Paul Jewison, general manager of Textile Care Services (TCS), Rochester MN. "We had shortages of linen from Pakistan, India and China. All of those countries have experienced some issues, whether they shut down plants, slowed production or experienced disruptions in shipping."

Throughout 2020, TCS continued to experience delays in receiving shipments of isolation gowns, hand towels and other basic items. Jewison describes the result as "a big challenge" that resulted in "a significant revenue loss."

Other companies tell similar stories. "There have always been supply-chain issues, but COVID-19 has taken it to a whole other level," says Phil Byerly, vice president of supply Chain for VF Workwear. "When the pandemic hit the Western hemisphere in March (2020) it was a game changer. It became a serious supply-and-demand issue, disrupting our supply chain internally, and then our customers and our tier one and tier two suppliers. It was a monumental problem."

Costs have also skyrocketed. "The vendors have been contacting us about significant price increases in the products we're buying—as much as five to 10 times pre-pandemic levels," says Jewison. A major reason is the spike in shipping costs, which Jewison characterizes as "fantastically high" due largely to a backup in container ships at ports clogged by COVID-19-related slowdowns.

The reports from linen, uniform and facility services companies are part of a larger issue plaguing the entire industrial spectrum. "For a number of years, our member companies have been dealing with supply-chain disruptions caused by factors such as tariffs and higher energy costs," says Tom Palisin, executive director of The Manufacturers' Association, a York, PA-based regional employers' group with more than 370 member companies (mascpa.org). "But the COVID-19 pandemic has given the supply chain a whole new level of priority. Companies in just about all sectors have experienced pauses and shutdowns. Some have even gone out of business."

With its diverse membership in food processing, defense, fabrication, and machinery building, Palisin's association can be viewed as a proxy for American industry. Many factors have contributed to its component companies' supply-chain disruptions and cost spikes, including bottlenecked ports, factories shuttered by local COVID outbreaks, employees afraid to return to work and government unemployment

PHOTO CREDIT: sorbetto/iStock

benefits that help employees stay at home until the pandemic completely abates.

Government policies overseas also have played a major role, as they have in the United States. "We have plants in Honduras and Mexico, and we are impacted by what's going on in the Eastern Hemisphere as well," says Byerly. "What is Cambodia doing? Or Bangladesh or Thailand or Vietnam? In many of those places, factories have been shut down."

REBOUND UNDERWAY

The economic rebound now underway in the United States, while certainly a welcome development, has ratcheted up the pressure on product deliveries at a time when many companies were starting to get things under control. "Supplies are going down and demand is going up," says Jewison. "That's putting a strain on the supply chain, leading to delays and increases in the costs of transportation and manufacturing."

> **FOR THE PAST YEAR, HOTELS THAT WERE EITHER EXPERIENCING LOW OCCUPANCY OR WERE CLOSED DIDN'T HAVE THE MONEY OR THE NEED TO PURCHASE LINEN. NOW AS AMERICA REOPENS, THEY'RE HAVING TO REACH OUT AND START PLACING ORDERS.**

Jewison gives an example: For the past year, hotels that were either experiencing low occupancy or were closed didn't have the money or the need to purchase linen. Now as America reopens, they're having to reach out and start placing orders. Given expectations for a hot summer, Jewison also anticipates increasing demand for linen by hospitals, which need to crank up their chillers to cool their environments.

Other companies report similar experiences. "We are having issues with the large hotels where we process COG items," says Anthony Brancato, a co-owner of Excel Linen Supply in Kansas City, KS. "Not many spent money on linen pars in 2020. Now they (and we) are paying the price. We heard from one hotel that just placed an order for hotel linen. It will be here in November." Over the past year Excel has experienced delivery delays on such items as napkins and towels.

Textiles are posing a particular problem for Arway Apron & Uniform, Philadelphia, which for the past year has been able to obviate supply-chain crises through a combination of saved

"OUR PRACTICE IS TO HAVE ALTERNATIVE SUPPLIERS FOR EVERYTHING WE BUY," SAYS JEWISON. "WHETHER IT'S A TOWEL OR A SHEET OR A GOWN, WE HAVE A PRIMARY AND A SECONDARY SOURCE, AND IN MANY CASES A THIRD AND A FOURTH.

inventory and cooperative vendors. The economic rebound changed things drastically. "Six weeks ago, we accelerated from zero to 100," says partner Mario Stagliano. "We were in need of product at a time when some of our suppliers were still waiting for their stuff to come in from overseas. It's still sitting at ports. They can't get drivers to pick it up." The result: burgeoning back orders.

The economic rebound also has made it difficult to accurately forecast supply and demand when developing a game plan for serving customers. No one is sure just how quickly the economy will rebound, whether it will be in a straight or jagged line, and whether supply interruptions will continue or dissipate. "We had to start asking, 'How can we forecast what our supply will be and what our demand picture will look like?'" says Byerly.

Like that of other companies, the VF Workwear picture is complicated by its diverse customer base. Employees on the frontlines in medical-response teams, fire and police departments have generated strong demand. Not so the food and beverage (F&B) industry. "They took it on the chin really hard," says Byerly. "Demand went way down. Consumption also went down in the oil and gas industries when airplanes weren't flying. So, we really had to do a lot of analysis and project when things would curve back up."

SOLUTIONS EXAMINED

Companies are responding to the challenge by doing more with less. In some cases that means running machinery beyond its prime. "We had to keep our old equipment running for a couple of months because of a two-month pandemic-related shipping delay of some finishing equipment from Europe," says Jewison. "If we had been building a new plant it would have been a big headache."

Careful management of linen also helps. "Linen conservation and optimization are key," says Jewison. "We are staying on top of process improvements to make laundry last longer and make sure we're getting as many turns on renting and washing as possible. Some facilities we've studied can get maybe 25 to 30 or even 100 wash cycles on a bath blanket before a replacement."

Close cooperation with suppliers also is important. "We've had to reformat how we approach buying," says Jewison. "The folks in our ordering department have become much more proactive with vendors, calling ahead to see if there will be any shipping delays as soon as they know what supplies they need. Fortunately, our suppliers are also pretty proactive, reaching out to let us know when things are changing."

VF ramped up its communications along the entire length of the supply chain. Keeping informed of anticipated end-user needs and unexpected shortages from suppliers helped reduce unpleasant surprises. "We really had a common objective with our customers and our suppliers," says Byerly. "The pandemic, from a supply-chain perspective, really drew everybody together. We had a common enemy."

Shortages caused by the pandemic have also reaffirmed the need to line up backup vendors. "Our practice is to have alternative suppliers for everything we buy," says Jewison. "Whether it's a towel or a sheet or a gown, we have a primary and a secondary source, and in many cases a third and a fourth. So, if someone can't get us a blanket, we'll move on to the next vendor."

VF has taken a similar approach. "We have changed our mindset in terms of how we look at our suppliers," says Byerly. "We found ourselves having to do some quick-fire drills to locate alternative sources for some supplies. As a result, we decided to look at those products we have been single sourcing. Even if they were not so high in volume that they would justify splitting between two sources, we asked ourselves, 'Do we still want to have a backup source?' In some cases, the answer was yes. We put together a list of those we felt were our highest risks."

Such moves strike a familiar chord with Palisin at the manufacturer's association. "The pandemic has really highlighted the need to develop strategies to mitigate potential disruptions in the flow of critical components," he says. "That means doing a deep dive into the supply chain, mapping the geographical locations of the first tier of suppliers and learning about the reliance of a second tier as well."

INVENTORY ADJUSTMENTS

In yet another move to ensure adequate supplies when customers call, many companies have been increasing inventory levels. "When you lose the stability of repeatable, dependable delivery times, you have to create your own stability," says Jewison. "And that may mean you have to buy more or keep more on hand because deliveries are taking longer."

The driving force here is to satisfy customers. "Our next day delivery goal to our customers hasn't changed, and that has required us to do whatever we need to do to be able to provide that service," says Byerly. "And because supply and demand volatility is greater, the inventory buffer has to be greater. We have become more aggressive in determining what we need so that we can absorb some of the bumps in the supply chain. Now if something happens, we are not so tightly scheduled."

The drive to bolster inventory isn't confined to the textile service sector. "Some of our members have looked at adding additional inventory to protect against disruptions," says Palisin. "Others are requiring their suppliers to maintain reserves of critical parts."

Of course, businesses must pay the price when they bolster their inventory levels. But the cost of inventory must be balanced against operational expenses: the need to pay a higher price for goods as the company scrambles to fill the orders of loyal customers—or even the lost sales to an unhappy customer who jumps ship for a competitor. "Buffering against volatility with higher inventory requires a greater investment of cashflow on your shelf instead of in the bank," says Byerly. "But that's a cost of doing business right now. And inventory cost can be lower than the cost of expediting things."

The move to bolster inventory is a testament to the triumph of the human over the digital environment, where the goal has long been "just in time" delivery. Jewison puts it this way: "Computers don't understand what an emergency is." Nevertheless, he feels a return to the days of warehouses bulging with expensive inventory is unlikely. "Everybody has become accustomed to reducing costs by minimizing touch points, moving goods from the ship straight to the distribution facility and on to the customer."

THE WAY FORWARD

Looking to the future, Jewison says the corporate-purchasing department of the Healthcare Linen Services Group (HLSG)—a Midwestern regional organization of nine plants that includes TCS—is taking pains to stay on top of supply-chain developments. That includes assisting HLSG-affiliated plants with their purchasing. "We're excited that it seems like the pandemic is coming to a rest and the economy is on a rebound," says Jewison. "For the people who are delivering quality service, I think it's their time to gain market share. We just have to adapt and grow in our fast-changing world."

Byerly takes a similar tack. "I'm looking forward to the supply chain continuing to get better and taking some of the noise out of the process," he says. "But we're not planning for it to do so for a while, so we're assuming the worst and hoping for the best. Our overriding goal is to protect the health of our people and service our customers. Those things haven't changed a bit. And we'll do what it takes to get it done." TS

PHILLIP PERRY is a freelance writer based in New York.