FLASHBACK PART 9:

20th Century Fashion History Los Angeles

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Hello Again! This month, Fashion Mannuscript focuses on transportation and logistics issues created by the Middle East conflict. Twelve percent of our imports come through the Suez Canal and the Red Sea, and now some of those ships are being attacked. The alternative is to go around South Africa, which takes more time and with the additional cost associated with more travel time. As we look into 2024, here are some of the most significant issues importers face.

Rough Seas: The Impact of Middle Eastern Conflicts on Transportation and Logistics
The Middle East, a region of immense geopolitical importance, has been a crossroads for trade and commerce for millennia. In recent years, however, persistent conflicts have posed severe challenges to the transportation and logistics sectors. These challenges have had ripple effects on global supply chains, affecting businesses and consumers worldwide.

The Problems
Disruption of Trade Routes: Conflicts in the Middle East often result in the closure of key passageways. The Strait of Hormuz, for example, is a strategic artery for oil transport, and tensions in the area can disrupt the flow of this vital resource.

Infrastructure Damage: Prolonged conflicts can lead to the destruction of critical infrastructure, including ports, roads and bridges, which are essential for the smooth operation of logistics and transportation networks. Think of all the apparel we get from India; if the route to the port is disrupted, so are supply chains.

Increased Costs and Risks: Insurers often hike premiums for ships and cargo passing through high-risk areas, increasing transportation costs. Furthermore, companies have to invest in security measures to protect their assets and personnel, further escalating operating expenses.

Regulatory Challenges: Sanctions and embargoes can complicate trade with and through the region, requiring companies to navigate a complex web of regulations and restrictions. We saw repercussions of sanctions against Russia in the energy sector; thankfully, they are not a big exporter of clothing materials.

Fluctuating Fuel Prices: Instability in the Middle East can lead to oil price volatility, which impacts transportation companies' fuel costs globally.

Supply Chain Disruptions: Companies that rely on materials and products from the Middle East can experience significant delays and shortages, leading to production disruptions and loss of business.

How to Adapt
In response to these challenges, companies are using various strategies to maintain the flow of goods and services.

Diversifying Supply Chains: To mitigate risks, businesses are looking beyond the Middle East for alternative suppliers and logistics routes. This diversification helps ensure continuity in the event of regional disruptions.

Investing in Technology: Companies are harnessing technology for better route planning, real-time tracking and predictive analytics to foresee and circumvent potential issues.

Strategic Stockpiling: Some businesses maintain higher inventory levels in strategic locations to buffer against supply chain interruptions.

Flexible Sourcing: By establishing flexible sourcing options, companies can quickly switch to different suppliers when a primary source becomes untenable.

Collaboration with Governments: Engaging with government entities can provide businesses with up-to-date information and assistance in navigating regulatory changes and securing safe passage through conflict zones.
Insurance and Risk Management: Enhanced insurance coverage and sophisticated risk management strategies are being employed to protect against the financial impact of disruptions. The resilience of the global supply chain depends on the ability to foresee, prepare for and navigate the complexities of trading in a region where stability remains elusive. While the situation is far from ideal, the industry's response is a testament to human ingenuity and the relentless pursuit of continuity in the face of adversity.

Since this article discusses logistics and transportation of inventory, I want to talk about how inventory can destroy a company if not properly managed. In the 1970s, I had a client who brought the Leisure Suit back into style. The Leisure Suit material was polyester with double-breasted jackets, wide lapels, bold patterns and vibrant colors. The leisure suit business grew rapidly over several years, the money was flowing and life was great for my client. He had substantial inventory in the warehouse and was prepared to handle the expected reorders for the spring season.

On December 31st in the mid 1970's, I was at the warehouse observing inventory so we could audit his financial statements for the bank. While watching the inventory count, the client came to me and asked why I was spending all this time on inventory. I explained the audit process, and he said the inventory was worthless and the Leisure Suit business was dead! He had no way of selling the inventory, and within three months, the company closed its doors forever. If the company had managed its inventory better, it could have redirected its business into the next hot market and survived. Inventory on the balance sheet is called an asset, but if you have more inventory than necessary to operate the business, inventory becomes a liability. Looking toward the future, the Marcum Retail Symposium is coming to LA on April 18, 2024. I hope many of you can join us to hear from two experts in the industry, Marshal Cohen and Andrew Rotondi.