



Economic Impact and Logistics Update

October 2021

The global economy has been surging for a year as the impact of the COVID-19 pandemic creates wild fluctuations in normal business patterns.

What is causing this surge?

- In the U.S., there has been a dramatic post-pandemic increase in the economy as people return to work, and as businesses recover and grow.
- There is tremendous growth in key sectors such as housing that has created enormous appetite for material goods.
- Shortages in critical components, such as computer chips, created a forced slowdown of production, and now there is a rebound effect as supplies are reestablished.
- Consumer goods sales have also increased rapidly as retailers struggle to maintain inventory. These increases have been in materials that are largely produced in Asia, both in China and India.
- Concurrently, both of those countries have experienced spikes in COVID cases with the more transmissible Delta variant that have further restricted manufacturing and exporting.
- Demand for materials, finished products, and now shipping is driving prices up. Shipping lane shortages—primarily in China to the U.S.—has created a bid-type market that has increased freight cost by 400-500%.
- The surge in demand has created logjams at all US ports, and especially in Los Angeles/Long Beach, which accounts for more than 40% of all imports to the U.S.

How does this affect Gander Group?

- Any company that moves product is affected, and Gander Group is no exception. Even items we believe are made domestically, are often sourced overseas or contain many products sourced overseas.
- Lead-times are extended on many items, both for production and shipping. We need to plan farther out to ensure we can provide relevant, customized programs on time.
- Costs have increased, both in products and freight. Import freight is normally about 5% of the product cost. It is now 15-20% of product cost on average, and even higher for large bulky items. We do expect this to stabilize as supply levels up against demand.



- Domestic freight cost has also increased significantly, especially on transcontinental routes.

What actions has Gander Group taken?

- We are establishing new sources of finished products, especially for items manufactured in the U.S., Canada, or Mexico.
- We are updating assortments to ensure we still have products that cover all price points, despite the freight increases.
- We are working to develop more products that are less freight-intensive in pricing.
- We bring products in early. We started this process in Nov. 2020, and have steadily increased our processing times to offset the shipping delays.
- We've invested in systems and tracking, so we can be more efficient with shipments and also know where our product is located at any time.
- We are working with more domestic carriers to ensure full service and also keep price increases to a minimum.

What can you do?

- Work with your Gander Group sales team to plan programs farther in advance.
- Work with us on optimized freight solutions to limit total transportation cost. We have three U.S. distribution locations and with adequate time, can plan the most efficient routing, including importing to a different port that may be closer to you.
- Don't settle. Insist on innovative and unique products that help build loyalty with your guests. We pride ourselves on delivering these types of programs, and we just need the time to develop them with you.

Outlook

While nobody has a crystal ball, we do expect continued backups of product though at least the first half of 2022. There are solutions at hand though, and by working with a company that is looking ahead and planning for success, great gifting strategies can still be managed for our guests.