# Title: ***A Storm-Battered Supply Chain Threatens Holiday Shopping***

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The economic effects of Hurricane Sandy are reverberating beyond areas hit by the storm as businesses warn customers of delays, try to get merchandise out of closed ports and face canceled orders.

In addition to shutting down shipping terminals and submerging warehouses, the storm also tangled up deliveries because of downed power lines, closed roads and scarce gasoline in parts of New York and New Jersey.

The supply chain is backing up at a crucial time, just as retailers normally bring their final shipments into stores for the holiday shopping season, which retailers depend on for annual profitability.

“Things are slowing down,” said Chris Merritt, vice president for retail supply chain solutions at the trucking company Ryder. “This whole part of the supply chain is clogged up.”

FedEx, for example, has rented fuel tankers to supply its delivery trucks as commercial gas stations run dry. Ryder has been hunting down rental trucks to add capacity. CSX, the major railroad company, [was continuing to advise](http://www.csx.com/index.cfm/customers/news/service-bulletins/customer-service-bulletin-sandy-update2/)customers to expect delays of at least 72 hours on shipments. And retailers ranging from Amazon to Diane von Furstenberg have [told customers](http://www.amazon.com/gp/help/customer/display.html?ie=UTF8&nodeId=201061920&pop-up=1) to expect delays on shipments.

Many economists expect the storm to shave up to half a percentage point from growth in the fourth quarter. That is a big reduction, with growth estimated to reach an annual rate of 1 to 2 percent before the storm, and the economy facing other significant headwinds, including fiscal uncertainty in Washington.

While economic losses from the storm are expected to be significantly lower than those from Hurricane Katrina in 2005, this storm’s impact has been intensified because the Northeast is densely populated.

The region is responsible for about $3 trillion in output, or roughly 20 percent of the country’s total gross domestic product, said Gregory Daco, a senior economist with IHS Global Insight. “Part of what was lost will be delayed, but part is lost forever,” Mr. Daco said.

Last week, the Port Authority of New York and New Jersey reported that all of its major marine terminals were closed by the storm. While parts of the system have started to reopen, delays persist. The New York area’s port system is the largest on the East Coast, and the third largest in the nation. Last year, it handled $208 billion in cargo.

As a result of the closings, delays may ripple through the holiday season, according to Paul Tsui, chairman of the Hong Kong Association of Freight Forwarding and Logistics. As of Sunday, almost all rail service from the ports was suspended, terminals were damaged and much of the ports’ equipment [was being reviewed](http://www.crowley.com/News-and-Media/Press-Releases/Hurricane-Sandy-Affects-NE-Terminals-Update-5) to see if it still worked.

Several customers with facilities in the New York area told him “their warehouses are totally damaged, and presume the merchandise inside will have to be reported lost to insurance companies,” Mr. Tsui said.

“We are now coming into the cutoff for seasonal orders for the Thanksgiving and Christmas holidays,” he added, and companies that missed shipment deadlines must either send products by expensive air freight, pay a penalty to retailers for late shipments or face canceled orders.

Mr. Merritt of Ryder said he expected that some items that have already been advertised for sales on the day after Thanksgiving — traditionally the busiest shopping day of the year — would not get to stores in time.

The delays are hitting smaller merchants like Robert Van Sickle particularly hard.

His pet supply company, [Polka Dog Bakery,](http://www.polkadog.com/) was relying on a shipment of cardboard tubes from China with a merry design, intended to hold popular holiday dog treats. The products represent about 15 percent of sales at the company. But the New York Container Terminal in Staten Island, where the tubes arrived shortly before the storm, was devastated, and Mr. Van Sickle’s freight forwarder has been unable to track down the containers.

It is too late to reorder the tubes from China in time for the holidays, and Mr. Van Sickle has tens of thousands of baked dog treats piled up at his Boston headquarters. Insurance will cover the cost of the cardboard tubes, but not the finished products, and those payments will not come close to making up for lost revenue.

Last week, he was forced to call customers like L.L. Bean and tell them he probably could not fulfill their orders. “Without this product, we’re in trouble,” Mr. Van Sickle said. “I am a business owner and this is pretty much my year.”

In Cape May, N.J., Rich Layton’s six-week-old start-up, [Layton Sports Cards](http://laytonsportscards.com/), was supposed to be shipping sports card orders all week. But his apartment partially flooded, his Allentown distributor could not find clear roads to get to him, and U.P.S. held his other deliveries during the storm.

“It’s thousands of dollars worth of cards that people were already paying for,” Mr. Layton said.

As the days passed, Mr. Layton spent $1,000 on cards at a local shop, and gave most of them away on a live webcam feed to try to pacify customers. “It pushed my entire business back five days, and I’ve been begging and pleading with my customers to please be understanding,” he said. He ordered replacement cards on Friday, paying $170 for overnight delivery so he could start distributing them to customers.

Wayfair.com, an online home-goods retailer, said about 1,300 of its 4,000 suppliers were hit by everything from loss of power to flooding. Niraj Shah, Wayfair’s chief executive, said his site adjusted, removing two-day shipping offers for affected products and taking some merchandise off the site.

For suppliers who cannot get up and running soon, Mr. Shah said, “at this point, it is too late to get more inventory in for the holidays. If inventory’s gotten ruined because of flooding or they’re closed for two weeks, to be honest, it’s a tough time of year for that.”

Retailers are facing smaller headaches, too. At REI, whose SoHo store lost power last Monday night, employees took groups of customers around in the dark last week, aided by headlamps and flashlights. While the store was able to accept payments, its regular flow of merchandise was thrown off. Once power was restored on Friday, employees had to manually count and order merchandise, said Les Hatton, northeast retail director for REI.

Grocery stores and others that depend on perishable items are facing trouble, as delays of several days in meat or produce deliveries can mean ruined products. “They get impacted by the ability to access the stores because the roads are not repaired yet, the traffic, the ability to get even a truck driver to drive to the stores,” said Kumar Venkataraman, a partner at the consulting firm A.T. Kearney.

As for Mr. Van Sickle of Polka Dog Bakery, he has been struggling with a sense of guilt for worrying about his dog food containers at a time when the storm has destroyed homes and killed people. He is considering repackaging the biscuits and donating proceeds to storm relief efforts.

“It’s been really difficult to take stock of what’s happening on the ground in New York and New Jersey,” he said, “versus what’s happening in my little office in Boston, where I’m calling my important customers and saying, ‘I’m sorry, guys, I don’t think you’re going to get any product’.”