

REACT, RECOVER, PREPARE

Future-Proofing Supply Chain Management

Supply chain disruptions have long been a common occurrence—from weather events... to the evolving Amazon effect... the impacts of Brexit... and more. Now, the COVID-19 pandemic has caused an unprecedented **blow to global supply chains**, creating uncertainty regarding the impact and duration of its economic shockwaves.



The **International Monetary Fund recently predicted** the global economy will likely suffer the worst financial crisis in 2020 since the Great Depression, with expectations it will contract by 3%. Concerns continue to grow that the economic downturn could be far more grueling and long-lasting than initially feared—potentially persisting into 2021 and beyond.

IMMEDIATE IMPACTS

On Shippers and Customers



Determining the full impact of the coronavirus on the supply chain remains a challenge, but many companies are scrambling to alter their supply chain behavior to manage the effects of COVID-19.

Global carriers like UPS, FedEx, and DHL [announced temporary peak surcharges](#) in response to coronavirus, prompting businesses to adjust their own fees or promised shipping times to accommodate the changes. Similarly, Amazon Prime suspended delivery promises with [delays up to a month long](#), inviting scrutiny of fast shipping's future.

While numerous industries have been deeply damaged by the COVID-19 pandemic, others are seeing a surge in demand, [according to ResearchandMarkets.com](#).

Surge Industries

1. Air Purification
2. Biodefense
3. Biometrics
4. Contactless Payment
5. Cyber Security
6. Detergents
7. Diagnostics
8. eCommerce
9. eSports
10. Firearms
11. Food Delivery
12. Hand Sanitizer
13. Home & Garden
14. Home Fitness
15. LEDs
16. Logistics
17. Social Media
18. Over the Counter Drugs
19. Packaged Food
20. Pharmaceutical Manufacturing
21. Personal Protective Equipment
22. Remote Learning
23. Telehealth
24. Thermal Scanners
25. Vaccines
26. Ventilators
27. Video Conferencing
28. Video on Demand
29. Virtual Reality
30. Workplace Chat

As a result of widespread store closures and much of the population staying at home due to mandated shelter-in-place orders, demand for online orders suddenly spiked, with **e-commerce in the U.S. increasing 25%**. This increase in e-commerce and strain on the retail ecosystem led sellers to rethink their inventory and fulfillment strategies, with many increasingly shipping goods directly to customers.

Likewise, consumers' soaring demand for take-out and grocery delivery propelled the market for food delivery services, in turn boosting the global couriers and messengers market, which is expected to **grow from \$541.6 billion in 2019 to \$824.9 billion in 2023**.

SUPPLY CHAIN MANAGEMENT

An Industry Divided



Multiple industry sectors have been impacted by the COVID-19 outbreak in some way. Based on early observations, Logistyx found responses to these impacts fall into one of three categories:

1.

React

The rapid onslaught of the COVID-19 pandemic left some companies unprepared, requiring quick modifications to supply chain strategies in response. Many organizations either utilized urgent program change request (PCR) activity to support their supply chain operations—such as re-writing or introducing new business rules, onboarding a new carrier, etc.—or implemented cash conservation measures until clarity with respect to the longevity of the situation is better defined.

Companies with rate shopping capabilities in place reacted immediately to lessen the impact of carriers' increased fees and surcharges, using their ability to automatically determine the ideal carrier service or combination of carriers in real time to their advantage.

Omnichannel retailers, in particular, were prepared to react swiftly and effectively to the coronavirus outbreak by reallocating inventory geographically among stores and distribution centers. Resilient omnichannel technology integrations providing inventory visibility, demand forecasting, and advanced fulfillment capabilities offered omnichannel retailers greater options to react to these changes, empowering them to support e-commerce and active stores by quickly initiating:

- Ship-to-store from distribution centers or other stores
- Ship-from-store to support rising e-commerce sales
- Online order pickup either in stores or curbside

Leveraging offline inventory to support e-commerce and make other agile adjustments utilizing advanced parcel transportation management technology allows omnichannel retailers and other businesses to respond nimbly in a crisis and helps inform strategies when they encounter the next supply chain disruption.

2. Recover

Whether or not companies could immediately respond to supply chain disruptions brought on by the COVID-19 outbreak to lessen their impact, many businesses must at least consider the necessary adjustments to re-establish their industry standing. Specifically, companies need to plan for recovery on two key supply chain fronts:

- Re-establishing supply chain projects and activities to climb back to their position prior to the pandemic wreaking havoc
- Navigating a very short preparation window for peak season 2020, including the advantages of completing system upgrades and required maintenance now

3. Prepare

Looking toward the future, many companies have decided to embrace further critical measures and establish programs to prepare for the impact of another unforeseen situation. These newly motivated companies seek to elevate their operations and fulfillment capabilities to better insulate their organizations from supply chain disruptions.

During this economic slowdown, companies should use the unplanned downtime to strategize how to effectively minimize future disruptions, including:

- Administering Disaster Recovery Plan and Continuity Plan upgrades
- Increasing carrier access and connectivity
- Running cloud-based system upgrades
- Boosting supply chain visibility programs with Control Tower applications
- Building ship-from-store capabilities into the supply chain/ moving to an omnichannel strategy

ESSENTIAL VS. NON-ESSENTIAL BUSINESSES



The sudden onset of the COVID-19 pandemic and subsequent global lockdown of standard commercial operations involved divided many businesses into two categories: essential and non-essential.

Many federal and state governments ordered the closure of non-essential businesses amid the coronavirus outbreak. Whether businesses are considered essential or non-essential varies by different regions, but there are some businesses that all locales deemed essential, including healthcare facilities, grocery stores, pharmacies, gas stations, banks, and so on. Non-essential businesses are generally considered social or recreational in nature, such as restaurants, gyms, salons, and theaters.

Depending on how your business is classified, your world is changing and with it, your response. Prioritized tasks may fluctuate within different stages of planning—React, Recover, Prepare—based on business classification.

Many essential businesses are currently reacting to the pandemic to continue operations and cope with supply chain disruptions by changing workflow and behavior. While key functions may vary by industry, for essential businesses, the prioritized supply chain management tasks for each stage of planning generally include:

Stage 1: Reaction

- Essential Goods
- Retooling
- Fulfillment Adjustments
- Adding Carriers
- Adding Distribution Centers
- Staffing

Stage 2: Recovery

- Sourcing
- Retooling
- Fulfillment Adjustments
- Managing Carriers
- Staffing

Stage 3: Preparation

- Supply Chain Diversity
- Multi-Origin Sourcing
- On-Demand Manufacturing
- Distribution Diversity

Most non-essential businesses are focused on surviving the pandemic by conserving resources and planning for recovery. The prioritized supply chain management tasks for non-essential businesses in each stage of planning generally include:

Stage 1: Reaction

- Cost Control
- Cash Flow Management
- eCommerce Presence
- eCommerce Fulfillment

Stage 2: Recovery

- Sourcing
- Fulfillment Adjustments
- Managing Carriers
- Completing Projects
- Prepare for Peak/Rate Change in Compressed Timeframe
- Staffing

Stage 3: Preparation

- Supply Chain Diversity
- Multi-Origin Sourcing
- On-Demand Manufacturing
- Distribution Diversity

For essential businesses, the current focus remains on efficient execution in supply chain management—tackling challenges like determining the fastest route to market and addressing depleted carrier resources while aiming to fulfill higher and faster inventory turns in essential goods.

With many non-essential businesses currently experiencing some downtime and reduced demands, they not only look to the immediate future to prepare for forthcoming peak seasons and how those may change amid the pandemic; some have begun taking steps to pivot strategies and lay a new foundation for their supply chain and technology infrastructure.

Whether essential or non-essential, businesses need to ensure that, when impacted again by another wave of the coronavirus or a different supply chain disruption, they won't encounter the same challenges. For most organizations, the answer lies in embracing the cloud to decrease supply chain risk.

CLOUD TECHNOLOGY

Decreases Supply Chain Risk



Many manufacturers, retailers, and third-party logistics (3PL) providers alike are looking to digitize supply chain management and move as much of their technology stack as possible to the cloud, with the goal of improving the speed, accuracy, and flexibility of their supply chains by building a single source of truth.

A digitized supply chain improves a company's abilities to:

- Anticipate risk
- Improve transparency and coordination across the supply chain
- Manage issues that arise from increasing complexity

For example, knowing how quickly cloud-based supply chain operations can shift in response to a crisis or disruption, more businesses have come to realize the benefits of a dynamic, multi-carrier approach to order fulfillment and parcel shipping. As part of this, numerous companies have started prioritizing improvements in tracking and transparency across all carriers by utilizing Control Tower technology, which helps shippers gain greater visibility into a product's journey to track potential delivery disruptions and easily share information to improve customer service and real-time communication.

And when a cloud-based Control Tower is paired with Business Intelligence technology, shippers can normalize shipping data and execute quick, real-time analyses. Instead of scrambling at the last minute, companies have loads of information at their fingertips within minutes of a potential disruption. These analyses can help them look at their transportation costs in a deeper way, identifying problems, zeroing in on their root causes, and uncovering opportunities to improve. With better information, shippers gain the necessary flexibility to continuously optimize their fulfillment and shipping strategies in any shipping scenario and transform fulfillment processes while slashing costs over the long term.

Take Action to Future-Proof Against Supply Chain Disruptions

The COVID-19 pandemic has most companies making substantial modifications to their supply chains to avoid disruptions and prepare for the moment when the world exits lockdown and gradually returns to something approaching normal.

Whether essential or non-essential, forward-thinking shippers are leveraging their experience and their data to prepare for recovery and future-proof against the next crisis. A cloud-based Transportation Management System for parcel shipping with Control Tower technology and Business Intelligence better positions businesses to quickly react to supply chain disruptions and seize opportunities.

There's no better time to rethink your supply chain strategy. [Contact us today](#) to see how Logistyx's cloud transportation management system (TMS) for parcel shipping can help you prepare for the next supply chain disruption.