

Logistics survived & thrived the pandemic

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COVID-19 HAS EXPOSED THE VULNERABILITIES OF COMPLEX GLOBAL SUPPLY CHAINS BUILT ON LEAN MANUFACTURING PRINCIPLES. TRAVTALK SPEAKS TO THE YOUNGER GENERATION OF THE INDUSTRY TO UNDERSTAND HOW TO DEAL WITH THIS NEW AGE PANDEMIC AND WHAT DID THE INDUSTRY LEARN FROM IT.

The logistics industry, being in the forefront since the beginning of the crisis, is playing its part sincerely. The world is in virtual war with the virus, facing new challenges every day and logistics industry is no exception. At one point, there were no drivers, no loaders, and unloaders to support the \$200 billion logistics industry. However, the industry survived the pandemic.

We cannot ignore the fact that the Indian logistics sector has had its own set of peculiar problems for long, which will get further augmented due to COVID-19. speaks to few industry leaders to understand how the logistics industry has overcome the challenges that have come due to the pandemic, what changes are likely to be seen in the long-term, and what lessons are being learnt from this crisis.

Vaibhav Vohra, Managing Director, Continental Carriers and Face of the Future, India Cargo Awards 2017

Industry needs to work on better management of distribution capabilities

Deliveries with social distancing and hygiene are going to be the new normal of this industry. As the supply and demand gap will remain for some time, we will have to work on new and innovative ways to reduce cost and improve service. Industry will have to work on better management of distribution capabilities. This pandemic has made customers cautious about product sourcing and delivery. Transparency in the supply chain, quick understanding of a situation with flexible approach laced with technology to meet the changing demands of consumers will certainly play a critical role for this industry in future.

Expertise in various verticals rather than specialisation in one

This pandemic is a good wake-up call not only for the logistics industry but for all businesses. Logistics and supply chain industry is used to managing and dealing with problems related to driver shortages due to bad weather with a proper backup plan. But no one was prepared for this pandemic and its unfavourable outcome. Once through this, we have certainly learned our lesson which is, never hesitate to embrace and invest in technology as we can see techno savvy companies turned out to be winners in the pandemic. We have also learned to not put all your eggs in one basket. Logistics companies who specialised in a specific industry faced the maximum heat during the pandemic. We also need to work on 'Disaster Management Plan'; there is an urgent need to invest in worst case scenario management planning.

Automation & Digitalisation helped the industry stay afloat

This pandemic has made all appreciate the importance of automation and digitalisation. We have managed to handle this challenging situation smoothly as we are well equipped with technology and have a strong digital infrastructure. The closure of international flights and subsequent cargo capacity reduction impacted the movement of global cargo by air which resulted in big demand and supply gap. We concentrated a lot on the movement of essential commodities such as pharmaceuticals, medical equipment and perishables. With lockdown 2.0 the government has taken a decision to reopen manufacturing units and other industries which will certainly help the supply chain and logistics industry to sustain and move forward in the coming days.

Global firms look to shift to India

We are optimistic about the post-COVID scenario because an increase in the demand is expected as most of the global companies are now looking towards India as an upcoming manufacturing hub. We are hopeful that with better strategies, organised industry and self-reliant environment we will move forward in a stronger way.

Saurabh Trikha, Director, Aargus Global Logistics and Face of the Future, India Cargo Awards 2016

Logistics sector is likely to witness a sharp contraction in demand in the near term

The immediate impact of the pandemic on the logistic sector has been a sharp fall in freight availability because of restrictions on production of non-essential goods, and shortage of fleet and drivers for movement of goods, resulting in a spike in truck rentals. The logistics sector including warehousing is likely to witness a sharp contraction in demand in the near term. While the entire value chain in logistics right from transportation to warehousing would be adversely impacted, entities with asset-heavy business models will see a greater impact owing to high fixed costs. Further, the immediate term growth prospects of the sector also remain subdued and the domestic logistics sector is expected to contract in the current fiscal.

Within the industry, segments such as fleet owner-cum-operators, warehousing and Container Freight Stations (CFS) segments would see a sharp decline in asset utilisation and in turn weak financial performance. Furthermore, small fleet operators would be the most vulnerable owing to limited liquidity and financial flexibility. In the 2020 fiscal year, muted consumer demand in sectors such as automotive, FMCG, capital goods and retail coupled with the slowdown in the production of bulk industrial commodities would adversely impact the growth of the sector. The nationwide lockdown has further accelerated the ongoing slowdown in the Indian macroeconomic conditions resulting in subdued freight availability. Consequently, in FY2021, contraction of six to eight per cent is expected in Y-o-Y revenue of logistics companies. However, the operating profitability of the leading logistics players will be benefited from the operational efficiencies and adoption of cost-rationalisation measures during Q3 FY2020.

COVID-19 has opened up opportunities to re-look the supply chain

The disruptions caused by the virus outbreak have left deep impact on consumer behaviour and preferences. As demand surges for essential products, companies across the globe have been scrambling to streamline their supply chains to secure immediate operations. At the same time, there is pent-up demand waiting to be released for semi-essential and regular consumption categories that do not qualify for the essential tag. Hence, planning, digitalisation, vendor selection, managing product and assessing cash or liquidity position will be the important factors to be considered. COVID-19 has opened up opportunities to take a hard look at the entire supply chain and re-imagine it for tomorrow's needs.

Decentralisation of manufacturing capacity likely to come with companies looking to bring production home

COVID-19 has exposed the vulnerabilities of complex global supply chains built on lean manufacturing principles. This is particularly true in the healthcare sector, where the scramble for protective equipment has laid bare the inherent risks of inventory and single-sourcing models driven exclusively by cost control. The impact of China's lockdown and its dominance in key areas of manufacturing have further highlighted the problem with modern supply chains. One likely consequence is that global firms will diversify their supply chains in the future, instead of relying only on China. Manufacturing hubs such as Vietnam, Mexico, and India are likely to benefit from that shift.

We will also see a decentralisation of manufacturing capacity, with companies looking to bring production home. Digitising the buyer-supplier relationship is a fundamental element for building sturdy supply chains and will make identifying and recruiting new suppliers far less time-consuming. The current crisis is an opportunity to reset a system that has relied on outdated processes.

Ashish Asaf, MD & CEO, SA Consultants & Forwarders and Face of the Future, India Cargo Awards 2018

Capacity reduction, a setback

The COVID-19 and consequent lockdown has seen some major changes and after-effects in the working model of several sectors and industries and logistics sector is no different. We have seen capacity reduction as a major setback. As air travel has come to a standstill across the globe, so it has in turn badly affected the airfreight sector. The major airports together are only able to manage 10-15 per cent of the business that they used to handle pre-COVID.

Another important aftermath that the COVID-19 has caused is its effect on the manufacturing sector as most frequently transported commodities are not the demand of the times. There are lesser buyers in the major importing countries now as compared to earlier. This financial slowdown will take time to settle which will affect the exports and imports for a long time. The cost of transporting goods has also increased which is also here to stay for some time. Although, we can forecast the current price levels which had shot up three to four times of normal freight rates, might be reduced by 50 per cent but still it will be higher than the average freight costs of the previous years.

Industry needs to work on upfront payments for financial security

The Indian logistics industry has been used to credit risks over the past few decades. The logistics sector has realised the need of liquidity and cash flows during the COVID-19 crisis. The industry stakeholders should ensure that there is uniformity in offering planned credits to customers or work on upfront payments for financial security to the players.

Another important aspect is the need of digital mode of working. Digitisation would help not only the financial part, but also the freight forwarding tasks. Also, if companies have digital ERP systems, they can keep a daily track of their work, ensure employees are sincerely engaged in their duties and also interact with the team regularly.

It has to be a joint effort by the stakeholders of the industry and the government to ensure seamless flow of work takes place in such unexpected crisis, hence, more digital gateways and smooth processes need to be formulated. We have also realised how important is the logistics sector to the GDP of the economy, a two-month lockdown has caused so much gap in the demands and deliveries.

Avoiding unnecessary revenue leaks to sustain in business

We have formulated strategies and plans to filter out the right business and ensure enough liquidity so that we sustain and manage to grow whenever the right time comes. We are avoiding unnecessary revenue leaks like too much of office expenditure, focusing on receivables; ensuring credit received and given is balanced, being very careful in new customer enrolment, and so on.

COVID-19 leads to filtration process of the industry

Considering the fact that every player in this fraternity is realising the need for a uniform thought process and strategy, the industry should become more organised post-COVID. Sooner or later everyone is realising the importance of business continuity during such pandemics and disasters. We hope to get enough support from the government and await the National Logistics Policy to roll out plans and implementations to ensure there is convenience and support for smooth movement of the trade.

Alexandre Amine Soufiani, Managing Director & CEO, FM Logistic India

We are ready for the new normal with all safety measures in place

The nationwide lockdown announced on March 25, caused the movement of goods to come to a near standstill with the exception being the transportation of essential goods. There has, however, been a slow and steady recovery of goods movement through the months of April to June due to lockdown relaxations in the non-hotspot regions of the country. According to me, the following long-term changes could be seen in the near future.

Omni channel: Today, brands are mindful that they need to create a direct link with the end customer. To facilitate this, FM Logistic India has accelerated the supply chain of our clients to help them to reinforce their identity and renew their connection with their end customers in the B2C domain. For this, we have a proven plug and play omni channel offering and experience to support our customers reaching their end consumers directly.

Sustainable development and Green logistics will emerge as the new normal. Keeping this in mind, FM Logistic India is building sustainable warehouses that are LEED certified, using solar panels, implementing sustainable solutions on ground, launching green transportation offer in 2020, etc. And lastly, strong human capital protection law is the most efficient sustainable development possible.

Long-term employee relationships and data-driven operations are one of the key learnings

Relying on a majority of casual labourers with short-term association is not sustainable. When companies do not invest in the relationship with their employees, they cannot be entitled to any long-term and sustainable business success. Most logistic companies that did not have a majority of their collaborators on their payroll and strong strategies of human development and internal promotion and mobility systems could not sustain during this crisis. Since they do not share a strong relationship with their manpower, the latter did not support them back. FM Logistic has 75 per cent of its manpower on payroll across India and has exemplar strategies of HR development and promotion. The result of these efforts and mutual trust was the main reason for our excellent crisis management and strong business continuity.

Another key learning of the lockdown for most businesses has been the indispensable role of technology in surviving and functioning during the lockdown. This realisation is set to drive accelerated adoption of digital practices and setting up of data-driven, automated and cloud-based operations that can provide a secure IT infrastructure to the organisation, especially supporting the new work from home mandate.

Ensuring business and health of our employees with a proprietary app

Throughout the ongoing pandemic, the health and safety of our employees has been our first priority along with customer business interests and continuity of essential supplies. Our warehouses for food, medical and other essential items have continued to remain operational during lockdown. FM Logistic India has developed and launched a proprietary app which is only available for use to FM Logistic India collaborators to keep practising social distancing at all times. It is the first-of-its-kind to be developed and launched by the logistics sector in India.

The app uses Bluetooth technology available in smartphones to monitor the distance between employees on-site. If it falls under 2 metres the app immediately sends signals to the concerned people. Simultaneously, warehouse supervisors are also informed. This helps ensure that safe distances are followed at all times.

Soham Chokshi, Founder, Shipy

COVID-19's long-lasting impact on supply chains and the Indian logistics sector

These are tough times for enterprises not just in India but around the world. COVID-19 is going to surely have a long-lasting impact on supply chains and the Indian logistics sector. We see the following major themes emerging:

- Enterprises want to move away from physical documentation or meetings to truly digital supply chain so that they can manage their goods movement from anywhere.
- Reducing dependence on China for their sourcing and looking for cheaper alternatives which are closer to home or other countries.
- Being cost-effective from an inventory standpoint causes risks when supply chains come to a grinding halt; enterprises are thus keeping higher stock to ensure sufficient supply for a rainy day.
- Cost reduction pressures for logistics have only increased, with enterprises looking at automation and Artificial Intelligence to help reduce inefficiencies.
- In terms of local distribution, brick and mortar stores are likely to increasingly become warehouse points with goods finally delivered to the doorstep of the customer through last-mile delivery systems.
- Strong push from Indian government to make exports as key enabler for India's GDP growth.
- Enterprises are seeing logistics and supply chain as key area of both customer experience/differentiation.

Maintaining balance between investing for future growth and cutting down unnecessary expenses to conserve capital

As far as technology companies are concerned, we are focusing on helping our customers get end-to-end visibility of their shipments across both domestic and international movement. This would further help them in reducing costs. Our teams continue to work from home, collaborating with each other through video calls and daily stand-ups to ensure our project deliverables are met. We are maintaining a delicate balance between investing for future growth and cutting down unnecessary expenses that can help conserve capital.

Scarce financing, dipping revenue

After GST and demonetisation, COVID-19 is unfortunately another setback to the unorganised sector, that is heavily dependent on working capital. With financing also becoming scarce and revenue dipping, a lot of these SME service providers would unfortunately cease to exist. The volumes would start to get channeled to the organised players that are able to sustain themselves through these challenging times financially, and thus keep providing services.

Kushal Nahata, CEO & Co-Founder, FarEye

More digital tools; a way to go

The unprecedented COVID-19 impact will lead to quite a few changes in the Indian logistics industry, since the pandemic is now a reality that we all have to live with for a long time.

These include:

Increased demand for home deliveries is likely to continue in future and logistics companies need to improve their last-mile delivery models. To meet the rising demand for home deliveries, businesses must immediately optimise key assets such as staff and vehicle capacity. They can leverage advanced crowd sourcing technologies to optimise staff capacity by on-boarding temporary or part-time delivery executives from across disparate delivery provider ecosystems.

As social distancing becomes the norm of the day, companies need to provide customers with means to handle contactless or 'tap-and-go' payment options. OTP based transactions or even payment by touching cards will be highly sought-after. New delivery fulfillment models will be needed. The FMCG segment has seen some major innovations, several companies that earlier followed an offline model have now been seen partnering with various delivery companies in order to take their products directly to consumers. Clearly, these companies have realised that there is a gradual but very significant change in the way people will shop in times to come. There is also increased focus on concepts such as dark stores to enable faster fulfillment and deliver at short notice.

Use of mobility and digital tools – A mobile app can help numerous operational activities – wallet-enabled/card-free contactless deliveries, quick driver onboarding, real-time communication, dynamic routing, or remote implementations. Depending on the scale of operations, tools that are built for plugging and playing and offer the shortest runway to go live are more suited for times like these and preparing for the future.

Natural disasters, climate change, geopolitical tensions need to be considered to mitigate future shocks

In pre-COVID times, logistics companies usually relied on traditional metrics such as cost, quality, and delivery for improving supply chain competitiveness. This needs to change going forward as businesses now need to prepare for major events. Natural disasters, climate change, geopolitical tensions need to be considered in post-COVID-19 planning to mitigate future shocks.

Another learning has been to move beyond the reliance on traditional methodologies rather than technology. Data-backed decision tools can be of immense use in times like these. The right predictive and analytical tools can minimise wastage, improve operational efficiencies, and help enterprises recover faster.

FarEye SERVE to execute home deliveries at no additional cost

The first and foremost concern has been the welfare of our employees. We also decided to do our bit by partnering with organisations that are responding to the COVID-19 crisis through FarEye SERVE. This initiative ensures that no one is deprived of essential supplies amidst the pandemic and organisations involved in the supply of essentials like food, grocery and medicine have the necessary technology in place to execute home deliveries at no additional cost. One of the biggest challenges these companies faced was making more deliveries with lesser drivers. FarEye SERVE helped them seamlessly onboard new drivers in the shortest time by leveraging intelligent crowd sourcing capabilities, temporary delivery executives are looped onto the platform based on proximity, past performance, and cost. Together we were able to ensure 40,000 essential deliveries each day for our partners such as Gughe Farms and Orami.

Emphasis on self-reliance and domestic manufacturing

We will see a course correction as nations will look to become more self-reliant, just like in the case of India. This will lead to policies and support for building domestic expertise. The overdependence on China will reduce and we will get new trade and business alliances across the globe.