

Navigating a Global Crisis

By Rob Doyle and Robin Siekerman, President and Vice President at The Shippers Group

Editor's Note: This article is more than a chronicle of how one logistics service provider has dealt with the Covid 19 pandemic. It will also provide a guideline for how your organizations might deal with similar crises in the future. The authors are the chief executive and the chief marketing officer at The Shippers Group. KBA

How do we execute when customers are panicked, supply chains are disrupted, and information is changing so fast it makes your head spin? There have been at least three such crises in the last two decades, including 9/11 and the Great Recession. These challenges have taught lessons about resilience and adaptability. We should look far beyond the events of the pandemic. We should and will consider crisis insights and implications. How will we adapt to new realities? Finally, what's next? As this is written, the pandemic is not over, and some people predict that similar challenges are right around the corner.

Navigating the new frontier

The global pandemic changed the game for logistics service providers in five different ways:

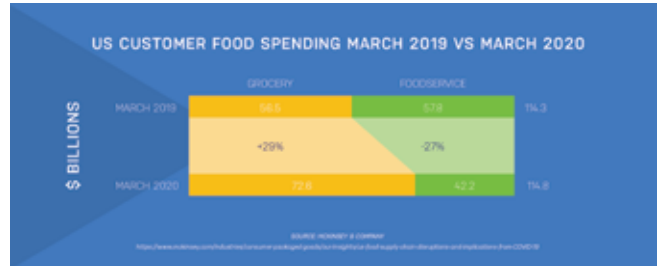
- ① Customers' needs changed dramatically.
- ② Those changes tested the agility of storage and shipping operations.
- ③ Supply chains were disrupted.
- ④ The health and safety of warehouse workers were compromised.
- ⑤ The economic outlook remains uncertain.

Dealing with the pandemic created several insights and implications.

Disruption in the grocery product supply-chain

Panic buying of toilet paper was one of the early symptoms of the pandemic in the United States. In a television interview, the chief executive at Walmart noted that some families must have accumulated several years of tissue supplies. Beyond reporting, there was a dramatic shift in consumer buying. As shown in Figure 1, in the first few months of the pandemic there was a 29% increase in grocery spending accompanied by a 27% decrease in food service (restaurant) purchases. One of the challenges this change brought was the difficulty of transferring goods that were packaged for food service to the supermarket grocery shelves. For example, a bulk #10 can of fruit

FIGURE 1



cocktail is hard to sell to the average consumer. Repackaging is practical for some products, but for other products, like in the above example, it's very difficult.

Changes in demand

Balancing the drastic reduction in revenue from traditional grocery product warehousing, e-commerce in the first half of 2020 rose 30% compared to the same period in 2019. As a result, some logistic service providers pivoted from the handling of truckload and LTL orders to the establishment of e-commerce shipping to respond to the dramatic change in consumer buying habits. Well-established online retailers such as Amazon and Walmart were scarcely able to handle demand. Amazon set limits on the amount of product that sellers could store in their distribution centers. As a result, those sellers looked for other sources, one of which was the use of logistics service providers.

In addition to dramatic increases in e-commerce fulfillment of grocery products, the distribution of PPE (sanitizers, masks, etc.) exploded. Figure 2 illustrates the dramatic changes in the relationship between e-commerce and total retail sales.

FIGURE 2



Adapting to new realities

The pandemic caused us to take a new look at safety, continuity planning, customer collaboration, and finance.

Safety has always been of paramount importance, but the pandemic created risks that had never been seen before. Families expect their loved ones to return home from work every day in a safe and healthy condition. Maintaining this in the face of an exotic disease is a challenge.

Continuity planning involves looking beyond the day-to-day challenges to create a strategy going forward. Because the pandemic has been full of surprises, typical processes were disrupted. Adapting to the new realities took collaboration both internally and externally.

Collaborating with customers requires attention to four essentials:

- **Cultural fit:** beliefs and values should be aligned.
- **Compatible goals:** if they don't exist, the cultural fit will disintegrate.
- **Measurable deliverables:** above all, the metrics must be reasonable.
- **Commitment:** this must be a mutual desire for success of both vendor and buyer.

Financial health

Massive bailouts by the U.S. Congress allowed most corporations in the US to survive. However, the logistics service industry had a unique problem as grocery product customers depleted their warehouse inventories. Low interest rates and availability of capital made it easier for the industry to adapt.

Recruitment and retention

Attracting and retaining talent was an unexpected challenge in the pandemic. The industry growth is in e-commerce, and e-commerce is more people-intensive than traditional warehousing. Therefore, logistics service providers are continuously hiring and training new associates. Taking into consideration that people are not just motivated by salary, a successful hiring strategy also must include:

- Incentives such as productivity bonuses, time off, game tickets, and team building trips.
- A clean and safe workplace
- Healthcare
- Training and skill upgrading programs
- Open communication
- Appreciation for a job well done
- Constructive feedback
- A well-defined career path

Information technology

The 2020 lockdown created new challenges for IT systems. It tested networks to handle not only daily warehouse operations, but also the capacity to manage an overnight increase in the number of associates working remotely. While freight handlers had to be on-site, knowledge workers were able to work from home, and many did just that.

A dedicated technical support team is crucial for maintaining information systems, especially during critical crunch times.

A new business model

The explosive growth of e-commerce changed the logistics service business, and that change is not likely to go away. Leading logistics service providers are focused on evolving their e-commerce services to meet the needs of the rapidly changing grocery product supply chains.

At the same time, the pandemic led to lucrative shorter-term warehousing opportunities. For example, some retailers had products in transit from the Orient that had to be warehoused since the destination retail stores were closed for the lockdown. In the wake of supply-chain disruption caused by the pandemic, some companies are now bringing Oriental production back to North America, converting existing industrial space from warehousing to manufacturing. As a result, the need to outsource storage to logistics service providers has arisen.

Finally, grocery product manufacturers are re-examining the capability of logistics service providers to offer a wide variety of diversified services. The best of these may be the capability of providing packaging services.

What's next?

The catastrophic events of 2020 and this year has been a wake-up call for the logistics industries. Our once vaunted supply-chain systems proved to be vulnerable. At the same time, many logistics service providers found new ways to help their customers cope with a challenge that had never been seen.

Some public health authorities warn that Covid 19 may be only the first of a series of pandemic challenges. If they are right, our events since the winter of 2020 will be nothing more than a dress rehearsal for dealing with the next pandemic. Because of the practice which the logistics service industries gained in the current situation, it seems likely that the logistics service industry is better prepared today than ever before.



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KEN'S COMMENTS

Handling the brilliant bastard



In many organizations, and possibly in yours, it is necessary to deal with an extremely talented employee who is also a disagreeable jerk. Perhaps the best-known corporate example is Steve Jobs, who was forced out of Apple because of erratic behavior. After a brilliant 12 years in other technology companies, he returned to Apple as chief executive officer and remained there until his death. While undeniably talented, his difficult personality was a challenge to everyone in the company. Like Jobs, many difficult people are outstanding contributors, and that makes it difficult to enforce the discipline that is expected from all employees. Toxic behaviors should never be tolerated, but frequently they are. There are several reasons why this happens:

Management presumes that intensive coaching will change behavior.

Accountability is not evenly employed. Talented managers are allowed to break the rules.

Some executives feel that no price is too high to pay for results.

Consultant Art Perry claims that there are four reasons why the “brilliant bastard” is not disciplined:

- ① People are afraid of her/him
- ② Because he loves what this individual produces, the boss is willing to look the other way
- ③ Management focuses on numbers, and nothing else is important.
- ④ There are two standards – one for the brilliant people and another for everyone else.

WAREHOUSING TIPS

Robotics with altitude

Robotics in the warehouse are not new. Yet there is a commonality about many of the product offerings. Nearly all of them remain on the warehouse floor, able to reduce human travel time but not able to retrieve units above those on the floor. Most are designed to move full unit loads, but not to retrieve individual cases. They are justified by their ability to cut travel time, but many of these products still rely on people to retrieve individual cases or pieces, or to operate above the floor.

BionicHIVE (www.bionichive.com) offers a robot that is quite different. The machine has the capability of climbing vertically up conventional racks and retrieving a single case. It can operate with the same boxes in the same racking system currently in place. The system, is

The bottom line is that discipline and quality cannot be maintained unless rules are enforced for everybody. Apple did the right thing by releasing Jobs, and perhaps they did the right thing by allowing him to come back.

Where is the miracle adhesive?

In our discussions with warehouse operators, the most common complaint is the inability to find capable people. In recent weeks, the second most common issue is people who quit their jobs. At first, we thought there was something wrong with the internal environment. Then we learned that the Bureau of Labor Statistics reports a quit rate of 2.7%, which is the highest since data was first collected more than 20 years ago. While the largest quit rate is in retail, transportation and warehousing is in third place. The best way to deal with this issue is simply to recognize that it exists. The challenge is to demonstrate that your workplace is not just adequate, but actually better than competitive alternates. What have you done or will do to make your warehouse a superior place to work?

How do we evaluate those working from home?

If you were leading an information handling team with six people, and three are working from home and the other three are in the office every day, which ones are more likely to be tagged for promotion? To what extent does proximity influence your views about productivity? How does it influence your views about attitude and leadership capability?

If you are one of those who prefers to work from home, are you willing to recognize that this step may limit your ability to be promoted? Not every Indian wants to be a chief, and many workers are content to stay in the same job without assuming a leadership role. Should we assume that those are the same people who also prefer to work from home?

mounted directly on a standard pallet rack. The robot can pick from any location, from floor to 60 feet high. The robots can be acquired on a service-based business model, with no investment and a lease based on usage. In case of a robot failure, the system will assign a new robot to complete the interrupted task.

Piecework from staffing services

Most users of staffing services expect them to supply workers who are paid by the hour. However, there are a few companies in this industry that offer to charge their clients based on piecework, or a fee for each piece of freight that is handled. In effect, the staffing service acts in a manner similar to a public warehouse, and that is both a great convenience and a risky business. If the piecework rate is too low, the worker cannot make a decent living and will not stay on the job. Therefore, the staffing firm must use excellent engineering to attract and retain productive workers.

The Future of Warehousing – Cornerstones of competitive advantage

By A. Kochar, S. Chadha & A. Sharma, *Supply-Chain Management Review*, August 2021, pg. 38.

Most fulfillment operations were designed for a less challenging era. The warehouse in the future will be capable of slotting many more SKUs. It will also handle a higher percentage of small quantity shipments. It will handle a higher order line complexity.

The platform for the future will be based on three imperatives: capability, resiliency and efficiency.

The capability imperative requires peak capacity on demand and the ability to scale up to unexpected surges in volume.

The resiliency imperative requires that the warehouse operator develop contingency plans to share space, build seasonal capacity and share workforces as the need arises.

The efficiency imperative involves the ability to scale up to meet rising customer demands without sacrificing cost efficiencies already developed.

Software keeps DC workers and robots working in harmony

By B. Ames, *DC Velocity*, July 2021, pg. 38.

Historically, labor management software has been used to compare workers performance to engineered standards. Today, new automation techniques are changing the definition of a warehouse job. Today's order picker may collaborate with cobots (collaborative robots), interact with goods-to-person systems or manage an automated storage and retrieval system. The best software will focus on the warehouse as a whole, instead of managing automation and labor separately. The labor management system is more effective when used holistically, evaluating performance not just by comparing workers to their peers, but also in relation to the machines around them. Instead of comparing worker performance with labor standards, the system will look at performance statistics by shift.

Are you certifiable?

DC Velocity, pg 3, June 2021.

Prologis, the world's largest warehouse lessor, has teamed up with Association for Supply-Chain Management (ASCM) to create a new industry certificate program for warehousing. In doing so, they have joined several other trade groups that are doing the same thing. This program will launch in the third quarter of this year. Its sponsor claims that "the industry driven certificate will serve as a standard for core skills in logistics."

Supply-chain complexities increase risk of cyber attack

By S. Jackson, *MHI Solutions*, Q3 2021, pg. 46.

The interconnectedness of the supply-chain has increased the risk of vulnerability to cybercrime. Defense against this usually requires the employment of technical specialists. Yet this article offers a few practical tips:

- Make sure your cyber security efforts are holistic and vendor agnostic
- Train staff on protocols
- Monitor day-to-day operations
- Train everyone, because all it takes is one person to click on a phishing email to infect the network

In an ideal situation, your organization will have someone on staff who understands cyber security.

Five ways to position your supply chain for retail compliance success

By S. Smith, *Inbound Logistics*, June 2021, pg. 24.

Retailers hold shippers to a high standard when delivering their freight. These include regulations surrounding packaging, barcode labeling, appointment scheduling, and advanced shipping notification. When the standards are not met, the vendors bottom lines are impacted.

The first action is to **find value in economies of scale**. For vendors who are not in a position to send full truckloads to the retail buyer, a consolidation program may be an appropriate solution. Multiple purchase orders going to the same destination are combined to ship together

Understand retail compliance. The vendor needs to not just understand what the retailer demands, but to also know why such requirements make sense.

End-to-end: Visibility, once a luxury, is now a requirement.

Focus on KPIs. Insist on metrics that benefit the operation, such as capacity utilization, velocity, movement, and on time performance.

Offer a fluid supply-chain, one that emphasizes resiliency and the ability to adapt to change.

Supply-chain software

By B McCrea, *Modern Materials Handling*, July 2021, pg. 42.

The article focuses on the 10 top supply-chain management software suppliers. Of these, only six offer warehouse management systems. Revenue figures show the degree of industry concentration. The number one supplier, SAP, reports revenue that is greater than the next five providers of WMS.