

The COVID-19 Evolution and the Global Supply Chain

It was March 3rd in Dallas, and we had just kicked off the sixth annual International Supply Chain Protection Organization (ISCPO) conference. Despite several speakers pulling out last minute because of company travel restrictions due to COVID-19, the conference was a huge success overall. The underlying tone that week, however, was that a tsunami was building in the form of a global pandemic. Little did anyone know when they departed the conference what events would unfold in the next thirty days.

While most of us in loss prevention are accustomed to dealing with all kinds of immediate emergency situations and impending disasters, the COVID-19 pandemic presented a set of events that the global supply chain had not experienced since the 9/11 terrorist attacks. The gravity of this situation became even more apparent the following Tuesday when I hosted a supply chain industry leadership call to understand what my LP peers were anticipating within their respective businesses.

This event was called the “COVID Peak,” and it rivaled everything you would normally see during Christmas peak—times ten. As with most peaks, this bountiful number of packages posed many challenges for the global supply chain.

As peers from across the globe began to share their experiences, it became obvious that we had all underestimated what was occurring. The impact of the pandemic was starting to spread worldwide, creating a global supply chain slowdown. Employees were unable to go work in distribution centers, trucks were unable to transit cross-border, and airlines were scaling back daily

By Glenn Master



Master is a recognized industry expert with over twenty years of experience in loss prevention and security management. He has worked both domestically and internationally specializing in supply chain, transportation, and logistics. Master has held executive and management positions with companies such as Pitney Bowes, Newgistics, Office Depot, Henry Schein, and Motorola. He is cofounder and current board director of the International Supply Chain Protection Organization (ISCPO). He is also an adjunct professor at Texas Christian University teaching undergraduate courses in criminal justice, security, and LP management. He can be reached at Glenn.Master@pb.com.

flights to levels never experienced before. The end result was that global e-commerce and fulfillment was going to experience major slowdowns—and in some cases, no movement at all. At that point, I began to implement business recovery calls within my own organization, as is protocol for any impending disaster. Little did I anticipate that the pandemic would not only impact our business but also my family.

While global pandemics are nothing new to society, very few of us were alive to have experienced the last pandemic, which was the Spanish flu outbreak in the early 1900s. Over the next several months, the global population took part in a collective lock down, and we witnessed the world economic markets begin to crash unlike anything seen since the Great Depression. Needless to say, it was a time of great uncertainty where many of us were forced to balance work with the need to take precautions for our families’ personal safety, security, and financial well-being.

From April through June we saw retail commerce come to a complete halt, e-commerce was reduced dramatically, and necessities such as toilet paper, bleach wipes, and food were becoming absent from grocery shelves. For people living in concentrated cities such as New York, these problems were further compounded. And as predicted, we saw a major slowdown in the global supply chain.

Something, however, began to occur towards the end of May. As human beings have done since the beginning of time, we began to adapt to this non-normal way of life. While retail in general was suffering greatly because brick-and-mortar stores were closed, there was a progressive surge in online ordering, which resulted in a tremendous increase of e-commerce parcels flooding the supply chain and transportation networks. This event was called the “COVID Peak,” and it rivaled everything you would normally see during Christmas peak—times ten. As with most peaks, this bountiful number of packages posed many challenges for the global supply chain:

- **Forecasting.** Retail typically does a good job forecasting events and the volume of goods directed toward its contracted transportation providers. But it wasn’t until orders started coming in that the industry realized e-commerce was increasing exponentially, making

it difficult to forecast the anticipated volume. A worldwide population had time on their hands while being quarantined at home and was spending that time shopping online.

- **Logistics.** Proper volume forecasts dictate how transportation providers will staff and adjust their shipping platforms. However, the unexpected online volume came with little if any warning, resulting in processing backlogs. In some companies, these backlogs were up to four weeks. In addition, most e-commerce parcels that are shipped to international destinations normally travel as cargo in the bellies of passenger flights. With global airlines reducing their flights by up to 90 percent, this left very few options for shipping companies. In response, some airlines began to convert their passenger aircraft into cargo planes by removing the seats and cubing the planes out with parcels. Surprisingly, logistics providers adapted very quickly to these challenges.
- **Staffing.** In the midst of a full-fledged pandemic, regional outbreaks had a major impact on staffing. This was especially true in large-scale distribution centers, now tasked with processing a significant volume of products as they flowed into and out of their facilities. Areas especially hard-hit included Italy, Spain, the UK, and the northeastern US. New and innovative ways were needed to conduct health screening of employees prior to entering their facilities. A wide variety of methods were used, such as screening the temperatures of employees and even using new technology such as thermal imaging. In the early stages of this process, best practices were shared between organizations to pursue the most efficient and cost-effective methods. It was truly a trial-by-fire methodology that was evolving daily, but it was also among the most collaborative times I've experienced in my career.

The Evolving Role of Loss Prevention

With the fast-paced changes occurring both internally and externally, supply chain loss prevention professionals found themselves in an ever-evolving role to help their companies get through the crisis. During the initial months of the outbreak, employee theft progressively went down, while cargo theft saw a dramatic increase. This was a direct result of organized groups understanding the volume spikes occurring in the transportation network.

These crime groups also recognized that large quantities of freight were being left in distribution center lots unsecured. The old adage “freight at rest is freight at risk” was a contributing factor in most of these thefts.

Predominately in the US, fraud schemes also became prevalent. Individuals posing as federal agents were coming to distribution centers requesting to check on COVID-19 prevention measures. Most companies have very stringent policies on vetting any law enforcement or federal agency workers that arrive onsite unannounced. However, because of the uncertainty surrounding the virus

and the ever-changing local, state, and federal policies, situations were occurring where normal security protocols were not being followed by management. The scammers were actually doing surveillance for potential distribution center burglaries.

The Future

As the COVID-19 pandemic reshapes our world, more consumers have begun shopping online in greater numbers and frequency. According to new data from IBM's US Retail Index, the pandemic has accelerated the shift away from physical stores to digital shopping by roughly five years. This event will be an evolving opportunity for retailers to reposition themselves by driving revenue through e-commerce.

According to new data from IBM's US Retail Index, the pandemic has accelerated the shift away from physical stores to digital shopping by roughly five years. This event will be an evolving opportunity for retailers to reposition themselves by driving revenue through e-commerce.

This is also going to equate to sustained volumes in the global supply chain and create additional challenges for loss prevention teams that have responsibility in this space. As someone who has spent their entire career in the supply chain, I see how the rapid pace of e-commerce growth is reshaping how transportation providers are doing business. Retailers are challenged with speed and cost-reduction as their parcels are shipped to their consumers. This is going to result in consumer parcels transiting numerous providers, which in turn will increase exposure to theft, lost, and damage.

Very similar to criminal justice law not keeping in pace with cyber-tech crime, the transportation industry has been slow to evolve with this ever-changing e-commerce driven market. Most of these companies view loss at a shipment level versus a parcel level, and it will require loss prevention to push carriers to change.

Focus for the future in transportation must include adopting and accepting industry security standards, compliance auditing, and investigations. These companies will also have to realize that if they do not have LP professionals within their own organizations to do this work, outside organizations and outsourcing must be considered. Either way, it's a great time to be a loss prevention professional in the supply chain space. ■