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How Businesses Have Adapted to Changing Logistics During COVID-19

In the first part of this article series about the impact of COVID-19 on consumers and businesses, I discussed how unanticipated changes in the supply chain have had a major effect on consumers, such as shipping delays and increased merchandise costs. Today I will go over how businesses have adapted to the new status of global logistics, setting a new standard for efficiency and customer satisfaction in 2021 and beyond.

THE DOMINO EFFECT ON GLOBAL LOGISTICS

It's no surprise that logistics is already a highly challenging area. With the rapid digitization of retail, manufacturing and many other industries, logistics providers have had to adapt to higher expectations from consumers and businesses alike. So when the coronavirus first became a public health crisis, the logistics industry was hit hard.

As I said in the previous article, China was the first to be impacted by the COVID-19 virus; because China is one of the biggest regions for manufacturing, this led to disruptions in the supply chain across the world. Global lockdowns and border closures restricted the movement of goods overseas while added health and safety measures, like social distancing in warehouses, increased bottlenecks in critical logistics areas like manufacturing, fulfillment and distribution.

We also saw a shortage of workers in transportation as many docks and shipping facilities closed due to outbreaks of the virus. Many workers were unwilling to go back to work, afraid of the possibility of becoming infected with a virus we still didn't know much about. Stay-at-home orders and widespread calls for social distancing deterred consumers from shopping in stores, so they turned to online shopping to purchase essential goods, from toilet paper and disinfectant wipes to everyday groceries and medications.

Suddenly logistics and shipping facilities were expected to not only fulfill regular supply orders for retailers and other businesses but also to transport huge volumes of packages to consumers — all with a reduced workforce, restricted cross-border movement and almost no air transportation available.

One year ago, it would have seemed impossible to overcome these challenges. But humans are resilient, able to adapt to whatever obstacle is thrown our way. Despite the ups and downs in the global supply chain, logistics providers, retailers and other businesses were able to find new solutions to keep their operations going.

RAPID ADOPTION OF ROBUST OMNICHANNEL OFFERINGS

One of the biggest changes we saw in 2020 was the major shift to omnichannel offerings. As social distancing drastically decreased brick-and-mortar shopping, we saw many retailers adopting omnichannel sales more quickly than ever.

These newer omnichannel options included curbside pickup, where a customer can order items online and an employee will

bring their purchase out to their car, and BOPIS (“buy online pick up in-store”), both of which provided a more contactless shopping experience to protect both customers and employees. Even small businesses found creative ways to continue business while minimizing contact with customers.

Grocery stores were hit especially hard in the first few months of the pandemic, struggling to keep items in stock as “panic buying” set in. They also faced new competition as brands started to skip the store entirely and [use a direct-to-consumer model to reach customers](#). Using their own website and delivery, these brands could collect data about consumers and interact with them directly, eliminating the extra costs of selling products in a grocery store.

But even when they were dramatically affected by the coronavirus, grocery stores pivoted and adapted their operations to meet new customer demands. BOPIS was a huge success with grocery stores, with [Walmart and Sam's Club leading the pack](#). In 2019, Publicis Groupe estimated that e-commerce could take at least five years to reach 20 percent of grocery sales in the United States; in May 2020, the same group estimated that e-commerce grocery could [surpass 20 percent in just a few months](#).

With such a major shift to omnichannel sales, inventory visibility has become more essential than ever. A high-quality omnichannel shopping experience depends on accurate stocking information, preferably in real time, so customers aren't left disappointed when they discover an item they ordered isn't actually in stock.

GREATER DEPENDENCE ON LAST-MILE LOGISTICS

Prior to the COVID-19 pandemic, there was already pressure on retailers to provide same-day or next-day delivery to customers at little to no cost, which introduced the additional challenge of navigating last-mile logistics.

Last-mile logistics or delivery, often called “last mile” for short, refers to the point in a product's journey when it finally arrives at a customer's door. If you've ever tracked a package online in real time and saw that it was “out for delivery,” then you've seen last mile in action. Last-mile delivery is typically the most expensive and time-consuming part of the shipping process because it involves [multiple stops with low drop sizes](#). It also plays a major role in customer satisfaction, since this is the stage where we actually receive our online orders.

The drastic increase in e-commerce sales due to stay-at-home orders during the COVID-19 pandemic pushed the capacity of last-mile logistics even further. To meet consumer expectations of fast and easy delivery, many retailers looked for other solutions, like crowdsourcing delivery or investing in urban warehousing to bring the fulfillment center closer to the end consumer.

Some retailers even chose to “insource” their deliveries by using their own fleet of vehicles to fulfill order shipments, rather than contracting a fleet management company. Because last-mile deliveries can be done with any type of vehicle, delivery drives do not need a commerce driver license (CDL) or commercial training, allowing businesses to recruit the recently unemployed who are looking for work. The flexibility of last-mile logistics has helped many retailers overcome labor challenges and take pressure away from overwhelmed logistics providers.

AN UNEXPECTED OBSTACLE IN THE SUEZ CANAL

If the COVID-19 pandemic weren't already sufficient evidence that the global supply chain depends on a delicate and complex web of logistics providers, shipping companies, manufacturers and retailers around the world, then Suez Canal blockage in March 2021 definitely was.

Created to help tankers and container ships avoid the long trip around the southern tip of Africa, the Suez Canal facilitates about 10 percent of global trade, with [nearly \\$10 billion worth of goods](#) passing through the Suez Canal each day. On March 23, 2021, the Suez Canal was blocked by a 20,000-pound container ship, which remained stuck in the canal bank for six days. Because there are virtually no alternatives such as rail or truck transportation for shipping goods from Asia to Europe, the blockage delayed the delivery of parts and raw materials such as cotton from India, petroleum from the Middle East and auto parts from China.

Combined with COVID-related restrictions, congested ports and shortages of expensive components like computer chips, the supply chain has become more vulnerable than ever. This has put more pressure on any business involved in the logistics industry to bolster their operations with data and technology and prepare for the unexpected.

Although the COVID-19 pandemic has introduced countless challenges and led to the deaths of over 3 million people around the world, we cannot ignore the unexpected bright side. By being forced to confront the inefficiencies in their current processes, businesses have learned what they can do not only to improve their operations today but to prepare for the future. Even with historic increases in package volume and driver shortages, logistics companies were still able to fulfill orders and meet consumer expectations.

As we continue to see greater investments in technology like automation, cloud computing, IoT devices and data analytics, we can expect to see businesses become even better prepared for whatever the future might hold. In the final part of this article series, I will share different strategies for businesses to adapt to changing consumer expectations and to prepare for possible challenges in the future of global logistics.

ABOUT CONTROLTEK

Since 1976 CONTROLTEK has been a global leader in tamper-evident security packaging, helping banks, armored couriers and retailers transport cash safely and securely. The company's expanding line of inventory protection and RFID visibility solutions also helps retailers protect their merchandise better and run their operations more efficiently. As a second-generation family-owned business, with a history of stable growth and a reputation for strong customer focus, CONTROLTEK continues to deliver on its mission every single day: to provide solutions that protect and to always deliver on their promises.