

COVID-19 RESPONSE

AlixPartners insights and advice: Transportation and Infrastructure

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As the novel coronavirus spreads through populations around the globe, US transportation and infrastructure players are facing a host of new challenges. By striving to meet immediate imperatives as well as plan for the future, they can contribute to efforts to ensure continuity for communities across the country.

Situation

The COVID-19 pandemic is upending normal ways of life for every consumer, industry, and economy—as entire populations self-isolate, shelter at home, and practice social distancing in an effort to slow the spread of the virus. Amid the crisis, people are minimizing in-store shopping and turning to home delivery of groceries and other staples to get the supplies they need.

The spike in adoption of home delivery for those categories presents new challenges for grocery chains' transportation departments and for third-party-logistics (3PL) companies providing that service. Protecting the health and safety of distribution and package-delivery personnel as well as customers is the top priority, of course. But transportation and logistics players are also struggling to manage certain new strains on the last-mile cold chain, on the supply of labor essential for home-delivery services, and on their everyday operations—strains that could persist into the future. In addition to addressing the immediate and near-term challenges, transportation and logistics providers must also plan for a future landscape that may look very different from today's, if the pandemic leads to permanent changes in how the home-delivery business operates.

Note: AlixPartners' 2020 Home Delivery survey, conducted before the World Health Organization declared the COVID-19 outbreak a pandemic, showed that adoption rates for home delivery of groceries and other staples were already increasing in the United States—before efforts to contain the crisis escalated. Those rates have since become amplified by the crisis. Whether they will stay elevated when life returns to some degree of normality remains uncertain.

Advice

Put safety first

For home-delivery-service providers, an immediate priority is the safeguarding of the health and well-being of distribution and package-delivery personnel as well as those of customers. Ensuring that safeguarding requires transportation departments and logistics providers to excel on multiple fronts such as (1) clear and consistent communication and training with regard to safety protocols and (2) effective supervision to see that those protocols are followed.

Confront supply imbalances triggered by the new dynamics

The accelerated adoption of home delivery of groceries is already straining grocery chains' transportation departments and home-delivery-service providers in multiple ways. To manage the strain, companies must excel on the following fronts—not only today but also in the future.

- **Last-mile cold chain:** as demand for home delivery outstrips existing supply, grocers will have to build capacity in such forms as temperature-controlled vehicles and storage. In the immediate term, grocers will have to optimize how they use their existing vehicles and distribution centers, those provided by 3PLs, and, potentially, their stores. In the medium or longer term, grocers and 3PLs will have to invest in developing the last mile of the cold chain beyond densely populated urban markets.
- **Labor:** acceleration in adoption of home delivery for groceries will require a massive number of new warehouse and delivery personnel. As a result, transportation departments and 3PLs will be forced to focus less on labor quality and more on quantity. To bring the required numbers on board quickly, these companies will have to find ways to streamline recruiting and onboarding efforts without sacrificing safety levels. Companies should also review management capacity and capabilities to ensure effective oversight of labor to maintain safety levels and productivity to the fullest extent possible.
- **Operations management:** in the short-term, companies' transportation departments and 3PLs will be asked to do more with less. They should look at a variety of opportunities to scale their operations and increase capacity through customer prioritization, schedule adjustments, route optimization, and load planning, among other tactics.

Companies will have to find creative ways of meeting the challenges that will arise from the supply imbalances. Repurposing assets and labor is a case in point. For instance, food service distributors that used to support restaurants can turn their available capacity toward home delivery of groceries in certain markets.

But pivoting in this way will be hard for many. Companies will have to operate in unfamiliar ways, forge new partnerships, and become more flexible than ever to meet customers' demands.

Plan for the future

In addition to addressing immediate and near-term priorities, companies must also grapple with daunting questions about the longer term. Specifically:

- How will they scale and drive growth again—profitably—once life ultimately returns to some sense of normality?
- In what respects will the pandemic forever alter the home-delivery business in the United States?
- How will those permanent changes influence the way shipping and delivery enterprises partner with retailers and direct-to-consumer companies?

Tough questions, but companies that address them now will stand the best chance of not just surviving but also thriving in a future filled with uncertainty.

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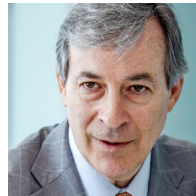
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