

LOGISTICS COMPANIES IN THE POST LOCKDOWN WORLD



Covid-19 swept across the globe completely changing the way we work, interact and even the way we transport our products. Given the ease with which the pandemic has spread, the logistics sector particularly has had to institute a number of precautions, follow strict hygiene and sanitization measures and ensure that their employees vehicles, containers and packages do not spread the virus. The logistics sector is the life blood of the Indian economy, employing an estimated 40 million people and contributing over \$200 billion to the economy. Their commitment to their service is the reason deliveries reach each customer on time despite the challenges of reduced staff, unplanned stoppages, border closings, rescheduling, multiple payment options, etc.

While we rely on e-commerce to provide us with our daily essentials and ensure we play our little part in flattening the curve, many companies large, medium and small, including those of e-commerce in nature are heavily dependent on Logistics Companies to ensure the delivery of essential goods at the right place at the right time, each time every time.

As the world re-starts in a post Covid scenario, what does it mean for logistics and supply chain companies? In this article we look at how these companies, which are already under stress with many existing issues like lack of technological development, thin margins, weak infrastructure and an increase in petroleum price, can re-assess their operations and action plans in the wake of Covid-19.

Redefining Operations Post Covid-19

- Necessity of Optimizing Resources as capacities remain underutilized while demand and economic growth recover

- Supply/Demand Imbalance caused by shutdowns, containment areas and other COVID related disruptions and delays to the country's supply chain
- Increase in Delivery Time due to an increase in compliances and documentation when crossing state borders
- Extra measures and additional costs incurred to ensure sanitization and health and safety of employees and consignments

Navigating Through the Financial Impact

- **Managing Liquidity is essential**
In an industry with a high proportion transactions in liquid assets (for example, cash on hand, trucks, transport vans, cash at bank, shares), liquidity management is essential. Right now with rising expenses due to delays in the delivery of goods resulting in a delay in recovery of dues, penalty charges being imposed, increased running costs and falling incomes due to few new orders and frequent cancellations, companies that don't plan their working capital requirement are heading towards a liquidity crunch.
- **Re-negotiate Onerous Contracts**
Agreements for assets taken on lease, e.g. Warehouses, Trucks, etc. may turn onerous due to a drop in business. Lease rentals may be higher than the revenue generated from these assets. In the absence of back to back agreements or recovery plans in the logistics business, many logistics companies with dwindling revenues, may find it increasingly difficult to pay their lessors which may result in a credit crisis.

New compliances and regulatory obligations

- Compliance relating to Epidemic Diseases Act - Section 2A empowers the Central Government to inspect ships and vessels leaving or arriving in the territories of India and empowers the government to detain such vessels if required.
- Specific laws and regulations applicable to emergencies as imposed by the Central or State Government such as movement of goods from one state to another, social distancing rules, health safety SOPs for employees etc. Dealing with various checkpoints by local authorities of the States Government.

As seen above, some of the major changes post Covid-19 include delay in the supply chain, managing liquidity, and investing in health workforce management amongst other challenges. So, the question is what can logistics companies do to ensure they stay afloat and prosper in the immediate future as well in the long run?

Immediate Actions

- Implement new policies and procedures to protect the health and safety of the employees and reskill the workforce to deal with the new norms.
- Identify all available avenues for improving cash-flows, e.g., aggressive collection efforts, reassessing the cash flows, reducing overhead cost by focusing your efforts on optimizing warehousing, using different modes of transportation, automation replies, and outsourcing some aspects of your business to a third-party at an affordable cost.
- With respect to better utilization of resources, transporters should perform a cost-benefit analysis and seek third-party collaborators with alternative transportation formats and develop a flexible distribution capability to quickly implement alternative supply chain models if necessary.
- Assessment of various regulatory compliances with respect to GST related compliances for

relaxation in submission of various GST returns and depositing the GST, extending the validity of lower TDS Certificate till June 30, 2020, relief of 25% cut in TDS/TCS rates with effect from May 14, 2020 till March 31, 2021 for non-salary payments. These changes will help to increase the liquidity to some extent.

- Focus on capacity and perform assessment of the network operations to identify inefficiency, weakness and factors impacting profit margins. If required, revisit the contracts entered with vendors, renegotiate the pricing and add on back to back clause in the agreement.

Long-term Actions

- Develop clear lines of communication with all employees to stay updated on developing situations and understand any potential impact on the business and establish an emergency response team that quickly step in and resolve situations as they occur.
- Look for ways to develop and maintain high levels of customer satisfaction, reduce operating costs, improving productivity and operational efficiencies and seek out initiatives that can drive business growth.
- Document lessons learnt and identify gaps in business processes. Develop flexible plans and learn from this outbreak to lead in a challenging business environment

The post Covid-19 world has thrown open a whole new set of challenges and opportunities for logistic companies to learn from and experiment with. As the business operations resume, the ability to get things delivered seamlessly without any hurdles will be demanding and challenging. In such a scenario, Logistics companies need to look at revamping their business models to suit the current market conditions, put in place digitization plans, and take a close look at their operations and see where they can bring in more efficiencies as stated above. Whether this is the new normal or things return to what they were pre-COVID, it is always the most prepared and nimble companies in the sectors that will emerge as leaders.