

**MOVING ESSENTIAL GOODS
BEST PRACTICES**

NEXT

The COVID-19 pandemic has wrought havoc across global supply chains. In the US, there are many initiatives aimed at slowing the virus, but there are still everyday goods that citizens need to access.

For companies that have had their offerings deemed essential, such as medical supply manufacturers and food & beverage suppliers, it's critical to adopt a more flexible supply chain posture; there's nothing typical about the outbreak affecting every corner of the globe.

NEXT offers drayage, transloading and FTL services, connecting a marketplace of more than 16,000 truck drivers with freight from many of the largest shippers in the US; 8 of the top 10 shippers have partnered with NEXT to move their goods.

Because of this, the company has gained tremendous insights into how many of the world's most advanced supply chains operate, including during times of crisis. This paper will look to distill some of the lessons we've seen learned and applied over the first few months of the outbreak.

FROM JUST IN TIME TO JUST IN CASE

Many companies have created a tremendously lean, tremendously efficient supply chain. Items from manufacturers arrive like clockwork, hours before that particular item sells out. It's like an excerpt from *The World is Flat*, brought into a modern, real-life context.

And it all fell apart when consumers realized that toilet paper was going to be hard to come by, followed by napkins and paper towels.

Panic-buying will soon come to an end, and while consumer purchasing will be different than it was six months ago, it will normalize somewhat. As such, we can assume there will be time for retailers and CPG companies to regroup. NEXT is hearing from these companies that a few approaches are being taken immediately.

The first step many organizations are taking has to do with diversifying the sourcing of their raw materials. By way of example, toilet paper has gained infamy as one of the first goods to be unavailable on the shelves.

In the US, there was generally little risk of the country ever being entirely out, since most toilet paper used in the US is made in the US.

Delays of a day or two might cause inconvenience, but were unlikely to lead to a long term issue. The same can't be said for every other essential good. For companies importing food or medical supplies, it is crucial to realize that having access to multiple sources of raw materials, from various countries, will be critical in order to ensure the availability of products for the next few months. Companies offering foods have generally built redundancy into their supply chain - a national banana brand isn't likely to leave shelves empty if, for instance, Ecuador has a disappointing harvest.

Any company shipping essential goods for the next few months will need to be prepared with backups to their backup.

Another step companies are taking to add capacity to their supply chain is to engage with various storage and warehousing options. At the end of 2018, storage facilities and warehousing faced a tremendous capacity crunch. Importers raced to get their goods into the US in advance of the first wave of tariffs, making it nearly impossible to find affordable storage space. There is a potential perfect storm that will replicate this situation.

For the first few months of the year (from Chinese New Year through COVID-19's growth in China), manufacturing and production were mostly shut down. As those facilities come back online (NEXT is hearing from partners with Chinese manufacturing that operations are around 70% as of the start of Q2, 2020), there will be an increase in imports.

However, because many warehouses and retailers have been deemed non-essential, these goods are likely to end up in storage facilities (or purchasers will simply refuse to accept their orders,

Even if they're not committing now, many of the more advanced shippers are, at the very least, looking to storage options.

Whether it's through the use of refundable deposits or some other vehicle that ensures flexibility, companies shipping essential goods must find some facility to have enough storage space for enough product to keep up with demand.

Finally, we're seeing companies begin to document their still nascent institutional knowledge. Many health experts believe that there will be flare-ups of COVID-19 until most of the population is vaccinated and herd immunity takes over. The issues we see today are likely to reappear, over and over again, for the coming months. Many of the biggest shippers are creating and sharing a "lessons-learned" repository that includes everything from 'how to work at home more effectively' to a database of secondary options for vendors.

ENHANCING CYBERSECURITY PROCEDURES

COVID-19 has created a situation where many supply chain employees are working from their homes, opening up a new array of cybersecurity challenges.

Because of social distancing and individual isolation, there's been a tremendous rise in phishing and other online attacks. Because this is such an uncertain time, thieves are working overtime to take advantage of unsuspecting, and perhaps underprepared, organizations and individuals.

Some of the most common phishing approaches are using public information to create a more aggressive attack. These can include simple things like spoofing the e-mail address of a CEO,

making an email appear to come from the CEO, albeit with a different return address. It isn't just the CEO's address being spoofed, however. There are currently fraudulent e-mails that purport to be from the FBI, banks, WHO, and many more organizations.

To combat this, companies are, at the very least, increasing communication out to their employees about the risks in the current climate. IT teams are scrambling to share what they're learning, in near real-time.

The increase in cybercrime isn't limited to individuals who are typically bad actors. COVID-19 has created a tremendously stressful environment for many individuals, some of whom feel as though their choices are missing mortgage payments or justifying a white-collar crime as a means of survival.

REVISITING DRIVER POLICIES

COVID-19 has created uncertainty around the transportation of goods. On the one hand, there is less being shipped. On the other hand, many drivers are being more selective about which freight they will take, in no small part because of the bargain basement pricing many large companies are trying to implement. There's somehow too much supply and too much demand.

To compensate, companies are having to rely on their procurement departments to expand their pool of transit options. But this isn't an ordinary time for finding drivers. Because Hours of Service (HOS) requirements have been lifted for carriers moving essential goods, shippers need to understand what a carrier's approach and policy are to ensure safety on the roads.

In addition, shippers need to realize that procurement must only be the first step of driver engagement. Due to the oddities in the market, there is a tremendous risk for double brokering and other underhanded maneuvers. Again, this can be the result of an incredibly stressful situation;

carriers are looking to ensure they can keep their wheels turning and food on the table for their drivers.

Double-brokering, which is when one carrier accepts a tender from a broker and then passes the freight along to a second carrier (the first carrier takes a percentage of the overall spend), is illegal. It places cargo in the hands of a carrier that hasn't necessarily been vetted.

Procurement departments must work in tandem with the teams receiving goods to ensure the carrier that's contracted to move goods is the one doing so. This can be harder to accomplish when social distancing is the safest way to ensure employees are protected from COVID-19, but screening driver's licenses through a window remains a distinct possibility (and simple solution).

Finally, it's essential to understand the stresses the truck drivers might be feeling today. Truck stops, restaurants, and many daily conveniences are either operating with an altered schedule, or closed entirely.

NEXT asked our marketplace drivers what they saw in their travels, and most of the feedback centered around being unable to find restrooms, struggling to gain access to some of the PPE recommended by the government, and food being tough to come by. Where it is possible, warehousing facilities should consider keeping extra hand sanitizer and/or masks in stock to pass out to drivers.

Truck drivers are risking their health to keep essential goods on the shelves, and the companies that take steps to make a driver's day a little easier will inevitably come out ahead.

THINK OUTSIDE THE BOX

A pandemic wasn't on the product or supply chain roadmap for companies that now need to move their essential goods. That said, there are examples of companies and individuals who have managed to take non-traditional approaches to problem-solving.

- Ford, Tesla and General Motors have shifted some of their production work to healthcare supplies such as masks and respirators.
- Hobbyists who own 3D Printers have been able to download the CAD files of respirator masks and valves to help keep patients breathing.

It isn't just sourcing materials and shifting production that will allow companies and individuals to survive and thrive after COVID-19 is behind us.

For supply chain professionals, there's a wave of companies launching to help keep goods on the move. From autonomous trucks to bundling services that take transloading to a new level, innovation is creeping into the supply chain from unexpected sources.

This is also true of data sharing across the supply chain. Today, companies that have historically refrained from sharing data are making their information available as a way for customers and shippers to increase transparency.

As a shipper of essential goods, asking your supply chain partners what they're doing to keep the ship afloat might lead to unexpected opportunities to move products quicker and get goods into the hands of the people who need them.

ABOUT NEXT

NEXT Trucking, a FreightTech pioneer, offers premium shipping experiences to many of the world's best-known companies. NEXT's platform connects shippers with freight capacity across drayage, transload and FTL. Headquartered in El Segundo, CA, NEXT is venture-backed by world-class leaders such as Brookfield Ventures, GLP and Sequoia Capital. For more information, visit www.nexttrucking.com.