

Opportunities for Retail and Logistics in the Covid-19 Era

A black swan event, or much ado about nothing?

By SCOTT BIGMAN

The Covid-19 pandemic has effectively shut down global economies—due in large part to changes in consumer behavior as a result of social distancing measures. It's become a wakeup call for companies to do what they should have already done, which is to modernize and diversify their operations strategies.

The retail and logistics industries are feeling the most pressure to adapt, as it's more crucial than ever for consumers to have the ability to buy necessities and have the means of receiving them. These businesses cannot merely 'wait it out' and rely on government loans, or they will risk losing customers to more proactive competi-

tors. To survive, they must revitalize their profit strategy.

Despite the negative net effect on the economy, the crisis could be a valuable opportunity for logistics companies to make some significant breakthroughs and attract tech-savvy, quarantined customers. Global logistics leader Amazon has added over 100,000 new jobs to meet with the demand surge, and its future looks stronger than ever (Reuters).

Opportunities still exist

In the age of Covid-19, consumers are turning to ecommerce more than ever before. According to a Morning Consult study, 95% of the U.S. population is affected by stay-at-home orders, and 24% of respondents say they won't feel comfortable going shopping for another six months, regardless of whether the risk of infection declines.

To adapt to these changes in customer behavior, many brick-and-mortar retailers, including Walmart and Target, are building up their ecommerce capabilities. Restaurants have also adapted by relying on food delivery. Optimizing last-mile delivery (the last stage of delivery to the customer) will be essential for maximizing cost-efficiency for retailers and restaurants.

Smart, data-driven logistics startups such as OneRail, Locus, and Bringg offer retailers a way to optimize their supply chain, track or automate their shipments, and choose the right fleet and the most efficient delivery route—all of which can lower costs.

Also, as major logistics companies like UPS, FedEx, and Amazon Prime are encumbered by high volumes of orders and are experiencing significant delays, alternative logistics solutions—such as crowdsourced delivery startups like Uber and Deliv—offer a simple means for businesses to organize orders in a timely and organized fashion.

The future of logistics

On a grander scale, Covid-19 could represent a tipping point for embracing digital and automated technologies over human-to-human transactions. Government officials, the media, and anxious neighbors are all advocating limited face-to-face interactions, forcing businesses to adopt technological solutions for buying, selling, and shipping.

But how will these social constraints affect last-mile delivery? Many worried





customers might feel that receiving packages poses a risk for infection, so service providers must find a way to make deliveries while abiding by social-distancing norms and maintaining proper hygiene. Some changes we may see include:

- Physically signing with a pen to confirm delivery or digitally 'signing on glass' may become obsolete, as both require sharing objects and standing within six feet of another person. Companies like Bringg, Uber, and Postmates, for example, allow users to select a 'contactless delivery mode,' where the courier and recipient can communicate in real-time and use photos or text for electronic proof of delivery (EPOD).
- Companies may do away with receipts, as viruses can live on paper for hours. Eliminating physical receipts is not only more hygienic and cost-effective, but it also reduces environmental impact. Digital receipts are now ubiquitous on online retail platforms like Amazon or Alibaba, but have yet to materialize in physical retail spaces. Things may soon change with companies like Flux, which partners with retailers to send digital receipts to customers' banking apps.

- Delivery lockers may also become more popular, as they eliminate the need to interact directly with a courier. If the locker is routinely sterilized, this may be a viable alternative to in-person delivery. In China, Alibaba's Cainiao smart lockers now support facial recognition software, allowing users to have minimal interaction with the locker, thereby minimizing the spread of germs.

Finally, the pandemic could signal a window of opportunity for automated delivery technology, such as drone-delivery services and autonomous vehicles, to entirely remove human-to-human interaction during last-mile delivery. Amazon Prime Air and Google's Wing drone-delivery services have been in the works for quite some time, and now maybe the best time for them to begin operations.

Pony.ai—which received US\$400 million in funding from Toyota earlier this year, is testing the waters in Irvine, California, by delivering groceries to customers' doorsteps (Bloomberg, 2020). As of now, recipients will have to take the package out of the car trunk themselves. There is no robot courier yet, but the plans to make it a reality is underway. Other prominent autonomous vehicle companies, such as Google's Waymo and AutoX, are also mak-

ing headway in this field.

With more automation, people will inevitably lose jobs. There will likely be a growth of tech startups to fill the gaps in both industries, creating new job opportunities at the expense of traditional jobs like grocery cashiers and couriers.

These are, of course, radical long-term changes, so I would not expect a full transition immediately. Now is the time for businesses to embrace digital solutions and tailor their logistics strategies to meet their customers' needs, while simultaneously helping to stop the spread of the virus.



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