



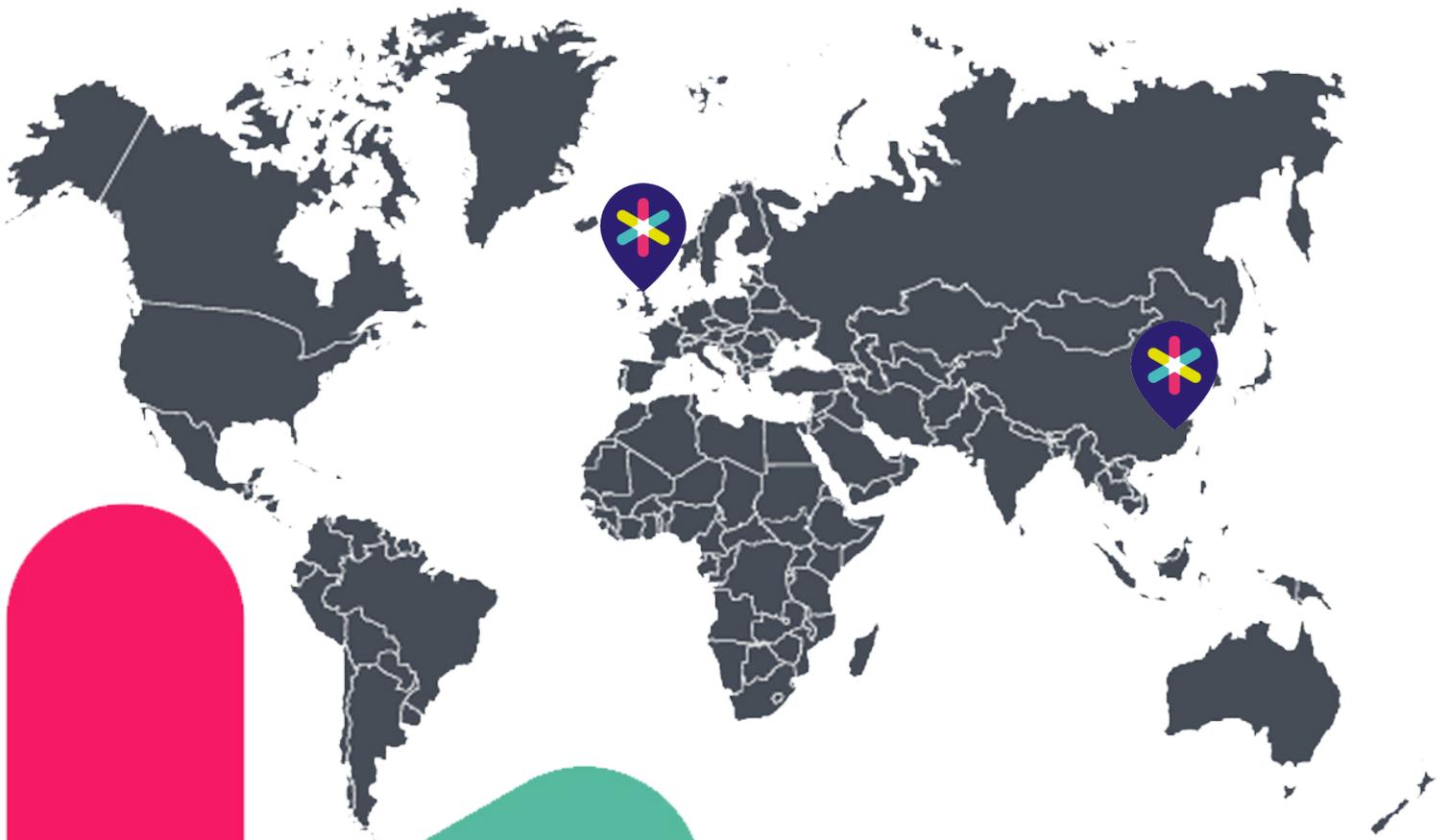
DG



PRO
CARRIER

2020-2021 Review

2022 Preview



We look back at the logistics industry...



In this whitepaper, we review one of the most challenging periods in the history of the logistics industry and how it has impacted freight forwarding.

We walkthrough what impact the pandemic has had, particularly on ocean freight and eCommerce, where the industry is now and the lessons learned which will shape 2022.

Looking forward to 2022, we offer industry insights and recommendations about what you can do in the year ahead to improve your supply chain as a whole.

The assessment thinks not only about the traditional freight operations but the emerging cross-border side of shipping. Since there are numerous sections, we have selected the most pertinent, interesting and emerging areas to discuss.

Overview of 2020-2021

2020-2021 really has been one of the most challenging and difficult periods in recent times for the logistics industry. There have been fundamental changes in how we work, live, consume, purchase goods, conduct business and spend our time online.

Even before COVID-19 the appetite for global e-commerce was growing. 2019 saw overall revenue up 4% from 2018, according to a recent UNCTAD report. The United States dominated the online market, ahead of China and the UK with total revenue hitting \$26.673 trillion. While from a cross-border B2C perspective, e-commerce surpassed \$440 billion in 2019, an increase of 9% over 2018 with cross-border purchases rising from 20% in 2017 to 25% in 2019. The world trend was clear.



How COVID-19 effected the industry

The advent of COVID-19 saw consumers radically change their buying behaviour, spending less on trips and more on physical products, giving rise to eCommerce. Though when you combine the worldwide pandemic, port restrictions, rising container costs, haulage bottlenecks and driver shortages to the mix and the appetite for world commerce, issues arise.

The pandemic brought world trade to a halt, putting ports (and the rest of the world) into lockdown. Coronavirus has dominated the freight forwarding and container shipping industry for the last couple of years, with its impact likely to be felt for several more years yet. Though, at the same time, to say the pandemic resulted in a year or more of blanketed bad news for freight forwarders and the like would be misleading.

In broad terms it's been a period of two halves, with the first half dominated as a result of the radical impact COVID-19 has had on global economies in such a short space of time. 2021 has seen somewhat of a revival in the UK and worldwide economies, with the outlook much more positive.

Yes, the problems with transport, container and driver shortages are well documented. However many businesses, industries and e-sellers have begun to bounce back from the effects of multiple lockdowns, leading to a strong recovery that's expected to last in 2022 and beyond.

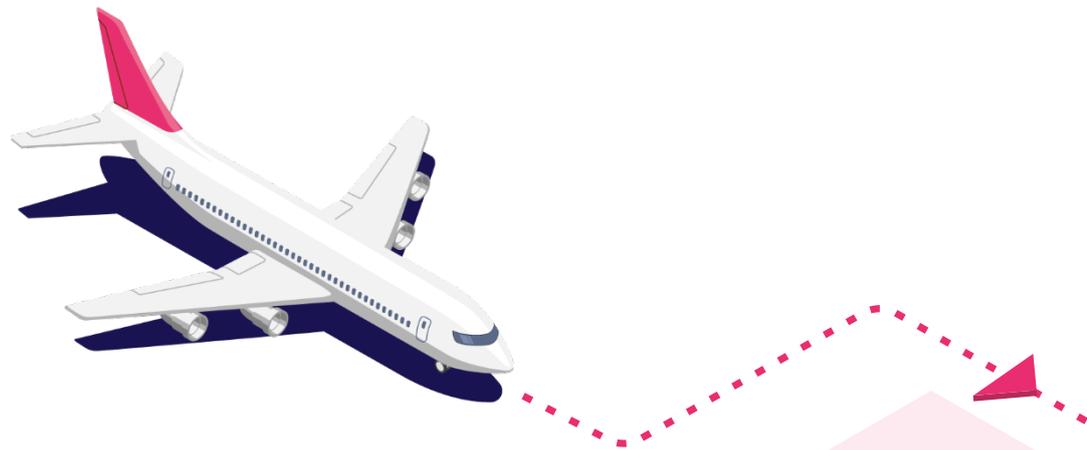
Industry turbulence (last 18-months)

The ocean freight market is a complex one, over the last 18-months there has been a stark shift away from services and functions towards consumer goods as customers have spent more time at home. Businesses across the world have faced inventory shortages, unable to keep pace with the unprecedented surge in demand.

Prior to the pandemic, ports were congested due to growing world demand and a lack of digitalisation. In maritime logistics, there is not a lot of transparency and port infrastructures are old. Therefore, this surge pushed many ports and shipping companies over the edge, as the average shipping rate for a container is now six-to-eight times the number of pre-pandemic conditions, according to [Economist](#).

The rise in demand combined with restricted commercial flights resulted in freight forwarders being unable to offer their customers as many options when it came to moving air freight. Moreover, ocean freight supply chains and established trade routes were interrupted, many broken for good.

Losses reported by shippers, carriers, and forwarders. COVID-19 and its impact were felt worldwide in 2020. Few countries and businesses escaped the consequences, and the shipping industry, like many others, was forced to undertake significant reforms with its customers in mind.



Global Congestion

Prior to the pandemic, ports were already congested due to growing world demand and a lack of digital transformation across the industry. Maritime logistics, is particularly lacking in transparency and port infrastructures are often oversubscribed, underfunded, aging and usage volumes increasing. The eCommerce surge pushed many ports and shipping companies to the brink, as the average shipping rate is now up to eight times higher compared to pre-pandemic conditions.

Peloton, the exercise equipment and media company, announced that the firm estimates they will spend over [\\$100 million dollars](#) in transportation fees to navigate the current international demand bottlenecks. While John Lewis have very publicly chartered a fleet of ships to guarantee space at ports.

Evidently, port congestion has caused and still continues to cause problems for end-to-end consumption.

With Chinese New Year on the horizon, which will bring its usual slowdown in January, things aren't expected to improve until the end of Q1 2022, and even that is being optimistic. It may well be late 2022 until things return to 'normal' for global port congestion.



Container availability

It's safe to say the global economy's strong momentum in 2020 and 2021 lifted demand for almost everything in the consumer goods markets, and by extension, the demand for containers. The uplift in demand combined with Covid-19 resulted in a global scarcity of containers, impacting everyone in the supply chain and consistently disrupting world trade.

The pandemic didn't stop consumption. Many online retailers that import products from Asia to the UK managed supply chain disruption, facing increased costs as a result of the global container shortage. The shortage led to extreme inflation in shipping and container prices as there weren't enough boxes at depots to meet demand, yet empty boxes were sitting on quaysides and in ports across the world.

It's safe to say the freight industry found itself in a difficult situation.

The lack of container availability was driven by a combination of:

- **A critical shortage of containers**
- **Lockdown restrictions at ports**
- **Limited air / sea freight capacity**
- **High demand for consumer goods**

The growth of eCommerce

Digital adoption in Europe surged over 14 percent during the pandemic. The world's embrace of eCommerce stretched the supply chain, especially for parcel logistics. But this disruption created space for many entrepreneurial minded freight forwarding companies.

In 2020, [131 billion parcels](#) were shipped worldwide. In the last six years, that figure has quadrupled, and it is predicted to double again in the next five. The top 10 international cross-border parcel carriers averaged 37 percent volume increase in Q4 of 2020 alone. While the public purchased larger things, smaller high value items and gifts for friends and family. People also began to focus on durable goods such as furniture, appliances, and consumables as a result of the work-from-home trend.

As the world's largest cross-border parcel carriers attempted to manage the demand, building technology designed to reduce the costs of the eCommerce boom was the priority. Top priorities included investing in more regional distribution centres and growing carrier networks to include local and regional carriers with the aim to reduce future disruptions. Innovative solutions to packaging, and developing more cost-effective models to accommodate the growing number of returns associated with online shopping, were to a priority.

The markets demands suggest the need to find an agile strategic forwarding partner. 2021 increasingly saw companies ship orders from local stores rather than from central distribution centres in a bid to reduce delivery times.

The pivot towards eCommerce in the pandemic has dramatically increased the role of parcel shipping in people's everyday lives. It was those companies that already had carriers in place, including a mix of local and regional carriers, which fared better.



The internationalisation of e-tailing

We've explored how buying things online has become a common practice among millions of people around the world. Online shoppers are in demand of new innovative products constantly. In a recent poll, 69 percent of consumers believe it is important to see new merchandise each time they visit a store or eCommerce brand.

The eCommerce industry is more dynamic than ever before. Retailers and e-tailers have had to evolve side by side, offering a greater depth of products and services to meet the growing needs and expectations of consumers. A totally seamless end-to-end experience from purchase to delivery is now expected by customers.

The accelerated growth in eCommerce has forced many retailers to rethink their outbound operations. Rising labour, equipment, transport and energy costs have all contributed too. It was those brands with ambitions to service foreign markets that accelerated their growth plans in 2020-21.



The retailers who partnered with digitally-led logistics specialists with experience in freight forwarding and parcel delivery, realised the biggest gains. By working collaboratively, these firms identified areas for improvement and seized opportunities in near real-time across 2020-21.

By working with agnostic cross-border carriers, not only did the retailers find a cost-effective delivery partner who could fulfil their customers' needs they also scaled up their delivery network capacity on a global level. By working with cross-border delivery partners like this, retailers gained access to an abundance of shipping options from a broad international network.

The benefits were felt immediately. Not only did the end-customer experience improve during the most challenging time in recent history, the retailer-carrier relationship simplified every part of the supply chain. Retailers were able to introduce customer tracking solutions, improve customer satisfaction, lower WISMO calls, choose favoured final-mile carriers and all but remove customs delays and accelerate customs clearance.



What motivated the change?

It's worth remembering today's consumers have an expectation that they will receive their products fast. Customers expect quick shipping times. Retailers have to get their products to the customers door quick or risk losing their business, forever. For most businesses who adopt the 'just-in-time' delivery model, meeting such demands simply isn't practical.

If 2020-21 has taught us anything in the logistics industry, it is that it makes sense both financially and operationally to outsource some of your outbound operations to providers that can help substantially reduce costs and help you grow internationally.

What can business do in 2022

Rewind to early 2020, few would have predicted the kind of year that lay ahead. To that end, trying to predict what 2022 has in store is a challenge for the logistics industry.

We thought it best to present our assessment of the likely trends and developments in container shipping and cross-border parcel delivery for the upcoming year.

Pandemic-related opportunities

Without doubt the pandemic certainly created hardships for our industry - it has also forced many organisations to ditch outdated processes and begin to embrace new technologies and strategies with the aim to drive long term benefits.

A desire to get back to the way things used to be is understandable but let's be clear: some pandemic-driven aspects of logistics are here to stay.

Recognising and embracing the acceleration as an opportunity for the industry to enter the post-pandemic economy more efficient and more productive, rather than seeing only costs and uncertainty over digital technologies, is key to the whole industry's recovery and subsequent growth.



Be flexible...

Retailers will need to continue to meet the demands of consumers.

Today, if customers are unhappy with your delivery options, they won't hesitate to find a more attractive solution. Those delivery options with cross-border carriers who use fixed networks with high shipping costs, inflexible solutions or lengthy delivery times are swiftly becoming a thing of the past.

Working with agnostic-carriers opens up a world of possibilities to retailers to be able to provide a greater depth of service to customers, such as nationwide parcel Pick-Up Drop-Off (PUDO) solutions, shorter lead times or cheaper delivery costs, for example

To meet the expectations of consumers in 2022, delivery methods must be diversified and fit with the busy lifestyles of your customers. By providing up-to-date, available delivery options at the point of purchase, e-tailers can build brand differentiation and loyalty through seemingly personalised delivery options and notifications to realise the growth opportunities when working an agnostic-carrier solution.



Strategic planning

Shippers and retailers should plan as far in advance as possible. A good plan is similar to a road map: it shows the final destination and usually the best way to get there, while the primary objective for any logistics strategy is to deliver absolute value. Strategic planning is about the right products to the right customers at the right time at the lowest possible cost.

It's simple, the more steps there are in your logistics plan, the more efficient your entire process needs to be. In a changing environment, logistics planning reduces risk by enabling the organisation to better anticipate change and develop approaches to adapt to those changes.

If multiple cargo items need to be supplied to a certain location at different times, your supply chain not only needs to be efficient, but also able to quickly respond to problems as they arise. The larger your operation, the more difficult this becomes, and the more prepared your business needs to be. In 2022 forward planning will become more important than ever.



It will be those firms that develop industry specific strategies for geographic regions or customer segments, and adapt to market changes while maintaining efficiency and service levels, that will feel the benefits. The result will be a win-win situation. The companies will benefit from cost efficiencies, while customers get what they need, when they need it that will boost customer satisfaction and retention.



Tech-stack improvements

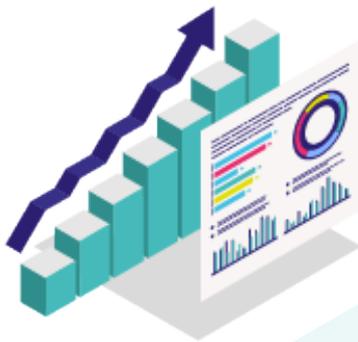
Supply chains will continue to be stressed due to aging infrastructure and underinvested technology. Repairing broken sections of supply chains and developing future-proof networks that use technology is all part of the recovery process for businesses. This raises intriguing questions about what investments in technology will serve the industry best in 2022.

Here, analytics will play a central role in demand forecasting which will gain traction with the help of automation as a supporting technology. We believe there will also be a focus on transforming logistics in Europe as supply chains between the UK and the rest of Europe change, based on regulations related to Brexit.

Previously, customers booked shipments, received an estimated delivery date and then were left in the dark, unless they decided to make contact with the

forwarder. Today, advances allow customers access to shipping and tracking systems 24/7, 365 days a year, for example. This promotes new and interesting digital challenges and possibilities whilst changing business models and strategies in the process.

Businesses looking to stay ahead of the curve would do well to exploit these areas in new and interesting ways whilst paying attention to the behaviour change people have gone through. Focusing on the demand for seamless, always on, services that work for them will be the key.



Customer insights

Traditionally, retailers and e-retailers with ambitions to be front-runners will have developed a deep awareness of what motivates end customers and what they anticipate. It has to do with developing customer insight and using it as a strategic management tool. The appropriate insights are

powerful. They allow you to predict accurate forecasts, create the best offering, and improve the customer experience. This, in turn, is a key driving force in establishing an effective, well-functioning supply chain.

The path to elevated customer loyalty is through understanding and fulfilling expectations served by insights. It is now about looking to the future - and not into the past.

Developing an in-depth understanding of the end customer and what drives them is therefore a challenge facing all conventional retailers and e-tailers who want to be remembered in a crowded marketplace.



Final thoughts...

Few will wish or expect to see 2020-21 repeated on quite the same scale. But the pandemic is still set to majorly impact global trade and international shipping for retailers, businesses and customers alike.

While the market may seem far from predictable, there is always opportunity in the midst of chaos with ways to build resilience into your supply chain in 2022. The supply chain as a whole has become better at dealing with uncertainty; and there seems to be signs ahead that the disruption could be starting to ease.

Carefully preparing to face an unpredictable ocean freight or parcel market will help you navigate it successfully. While it seems the shipping industry

has weathered the worst of the storm, it will be those businesses that take steps to build stronger customer relationships, embrace the challenges of COVID-19 with positive solutions in real-time and proactively offer solutions that are geared towards customer success that will experience growth. How quickly business conquers these areas will determine how quickly they can return to some kind of normalcy.



