COVID-19 and its impact on transportation and logistics ecosystems is unlike anything we have ever experienced. It could be comparable to having multiple hurricanes hit the U.S. at the same time. It has placed an unprecedented strain on our transportation and logistics resources.

The COVID-19 virus has hit some geographic areas of the U.S. population harder than others. The areas of highest impact or “hot spots” are also seeing the highest demand for goods (e.g., food, consumer staples, and medical supplies). However, factories and distribution centers (DCs) that normally supply goods to these regions are either shut down due to the virus or out of production capacity. As a result, companies need to transport goods and supplies from factories and DCs located further away from the high-impact areas.

This is causing a supply/demand imbalance for trucking companies as freight coming into the impact areas is greater than the freight leaving those areas. Carriers have to reposition their fleets to serve the affected areas, which adds costs and additional lead time to the supply chain. As a result, carrier transportation networks are being disrupted, which has a domino effect on the national supply chain system.

Additionally, the health and safety of truck drivers and delivery personnel have to be taken into consideration. Some drivers may be unwilling to go into COVID-19 hot spots for fear of getting infected, which puts further constraints on an already tight driver labor market and available truck capacity.

So how should companies respond in times such as these to keep their goods moving to markets?
What organizations can do now

Short-term action steps:

— **Activate emergency plans** – Activate your transportation and logistics emergency response plans, disaster control towers, and emergency response teams. If you don’t have emergency response plans or need help, please contact KPMG: visit.kpmg.us/covid-19

— **Communicate with carriers** – Speak to each of your transportation and logistics providers to ascertain their situations and understand any potential impacts to your supply chain. Discuss mitigation strategies with each provider and document service capabilities, capacity, and constraints. Establish daily and weekly communication cadences with key transportation providers to ensure strong lines of communication and stay current on changing circumstances.

— **Stay informed on federal and state regulation** – Stay informed on the federal and state regulations impacting the trucking industry (e.g., travel restrictions and national emergency declarations).

— Visit the Coronavirus Resources at the Department of Transportation website: https://www.transportation.gov/coronavirus to learn more. Pay attention to any required documentation that drivers must have in their possession to enter into high-impact areas. Establish “know before you go” practices to avoid unwelcome surprises.

— **Conduct supplier assessments** – Identify key suppliers by both primary and secondary DC locations (not corporate addresses). Document key transport lanes, distances, and lead times. Also evaluate alternative suppliers and assess their DC location networks for rapid response and replenishment options.

— **Perform carrier capacity and service analysis** – Overlay your carrier capacity and service capabilities by key supplier transportation lane and perform a gap assessment. Identify potential shortfalls, constraints, and determine mitigation strategies.

— **Evaluate mode shifting** – Evaluate using other modes of transport to meet the identified shortfalls and perform a cost-benefit analysis, including lead time analysis, to quantify cost-to-serve impacts.

— **Consider fleet strategies** – Assess alternative fleet strategies to provide additional capacity to your truck fleet. For example, activate short-term contracts with third party trucking companies to provide dedicated “pop up” fleets to supplement your current fleet operations until the crisis has past.

— **Execute wave planning** – Distress situations typically come in waves so it is imperative that your transportation and logistics planning activities include modeling for multiple response scenarios.
COVID-19 has tested and shaken our traditional way of thinking when it comes to transportation and logistics operating models. The “new normal” will require three-dimensional thinking as we re-evaluate our traditional supply chain dependencies and transportation operating models. The who, what, where, and how companies move goods to market will need to change as we enter into tomorrow.

**Mid-term to long-term action steps:**

— **Perform a recovery assessment** – Perform a deep dive recovery assessment of your transportation network and operations to identify inefficiencies, weaknesses and high-cost drivers impacting cost-to-serve profit margins.

— **Focus on resiliency** – Rethink supply chain dependencies and establish a more robust and agile network of strategic suppliers by creating Micro Supply Chains that can shorten supply chains, adapt quickly, and increase goods-to-market response times. Consider the implications to your transportation network and identify ways to improve and enhance it.

— **Conduct a sensitivity analysis** – To understand the impact on cost-to-serve by utilizing transportation analytics and modeling software to analyze new supply chain strategies and help you think three dimensionally. Perform “what if” scenario analysis to identify cost and service impacts to your transportation network and find creative solutions to overcoming them.

— **Establish leading partnerships for future state success** – Collaborate with leading transportation and logistics providers on new and innovative ways of working together and develop win-win partnerships that reduce cost and improve service.

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