

# Adapting to a Pandemic

Freight Market Budget & Priority Shifts In 2020



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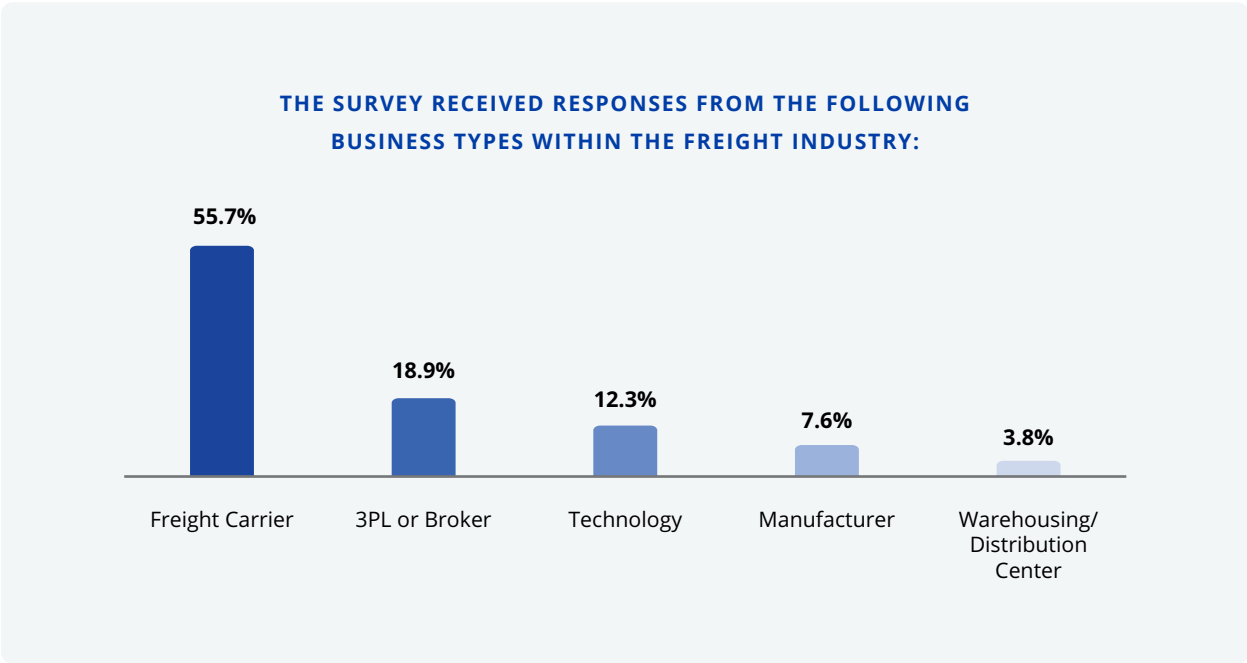
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# About This Study

**COVID-19 sent shockwaves of unrivaled magnitude rippling through the global supply chain and freight ecosystem, resulting in a highly volatile landscape adorned by colossal uncertainty.**

Despite an overall drop in freight activity and plummeting product demand, e-commerce sales skyrocketed in a matter of days. In fact, online sales put new pressure on impacted suppliers, and experts called into question the agility of widely employed supply chain strategies.

With new challenges at every turn, many plans drawn at the end of 2019 (and even in Q1 and Q2 of 2020) had to be reevaluated from the ground up. To measure the potential impact on the freight industry and determine how organizations are adjusting to the changing conditions brought on by the pandemic, DDC FPO conducted market research surveying industry executives about their business priorities for the remainder of 2020.



Survey results show that the freight industry was largely able to adapt to the changing situation by making major changes to planned spending and resource allocation swiftly — a testament to the widespread commitment to innovation and flexibility in moments of crisis.

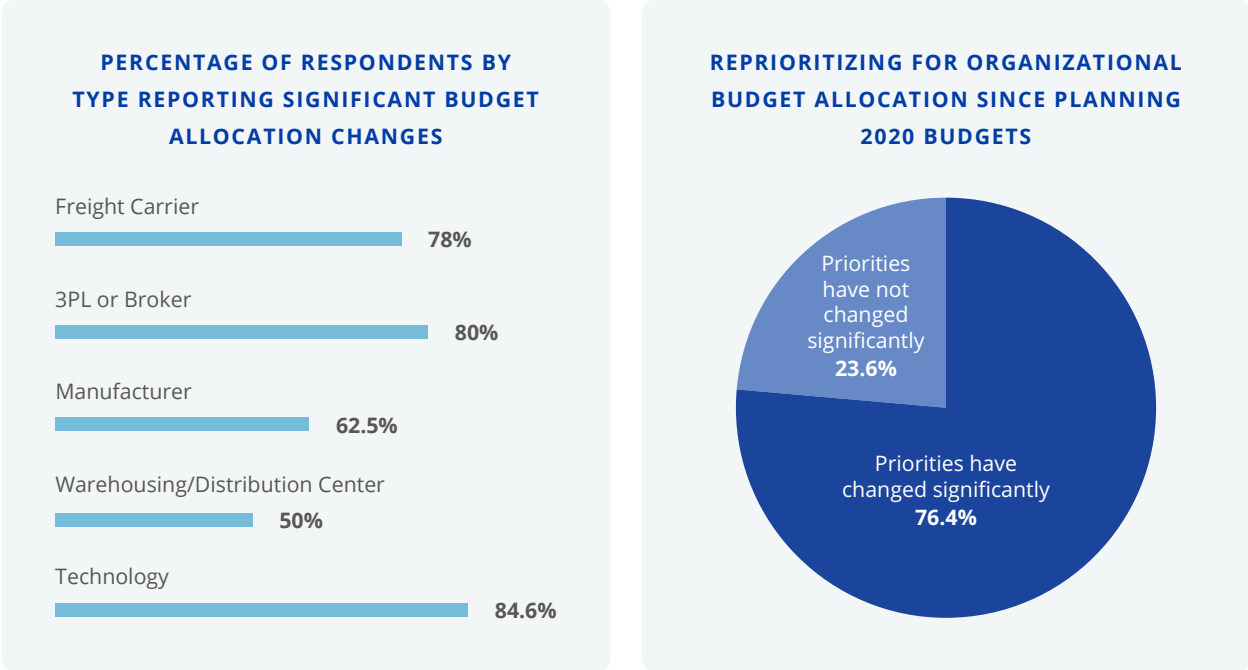
This report will review key insights uncovered by analyzing the data, and what those findings tell us about the adaptability, priorities, and strategies of freight companies and the near-term future of the industry.

# Budgetary Disruption & Reprioritization

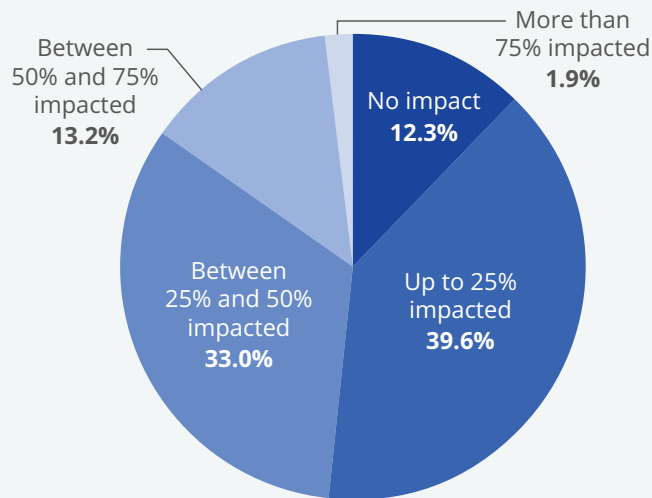
**Almost every business was impacted in some way by COVID-19** — if not directly, then via customers or vendors. More than three-fourths of survey respondents (76.4%) have seen significant shifts in organizational spending since planning their 2020 budgets.

For more than half of respondents, up to 25% of their overall budgets were subject to the consequences of these shifts, and 33% reported that up to 50% of their overall budgets were disrupted.

**Technology providers were most likely to report significant changes** to budget allocation priorities (84.6%). Warehousing/Distribution Center respondents were least likely to report significant changes, at 50%. Near the top of the list as well were Freight Carriers (78%) and 3PL firms (80%).



### PORTION OF BUDGET IMPACTED BY SHIFTS IN ORGANIZATIONAL SPENDING



15.1% of respondents reported an impact of over 50% to their budget.

Although these responses may seem surprising to some, they are likely indicative of the fact that, due to its causal relationship with the global economy, the freight industry is already largely designed to adjust quickly to rapidly changing situations. A variety of factors — such as consumer behavior seasonalities, weather hazards, and political climate — require agility. To achieve operational dexterity in such a way that embraces the dynamic nature of transportation and logistics, professionals focused in these areas already design and leverage systems and processes as part of their job descriptions.

## Trending Impacts: Staffing & Operations

**In the earlier stages of the pandemic, there was a swift downturn in the movement of freight with no clear idea of when “business as usual” would resume.**

According to respondents, not as many operations employees, warehousing and dock staff, and drivers were needed due to the drop in freight volumes. Additionally, most hiring efforts were put on hold during this time.



**We will continue to see uncertainty** regarding containment of the virus so labor elasticity and scalability will remain a pivotal part of workforce planning. Partnering with someone that specializes in streamlining operations and market fluctuations will help shift resources to stay resilient.

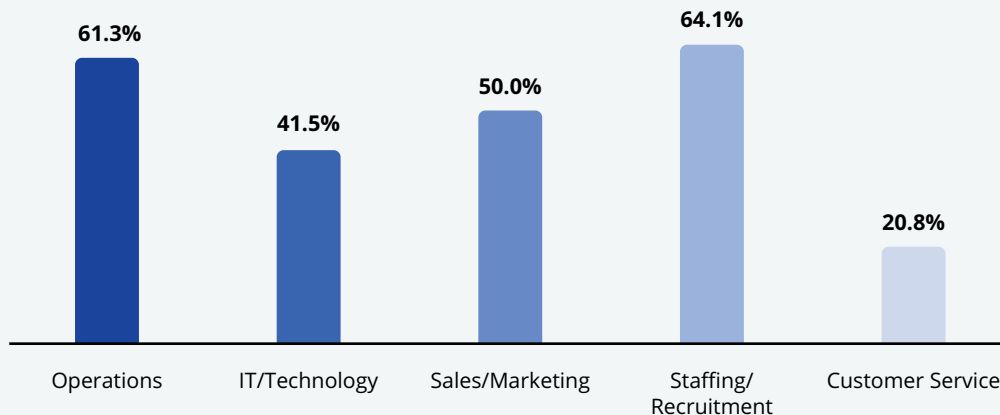
– **Chad Crotty**, Vice President of Sales, North America, DDC FPO

Likely due to the need to manage the non-variable fixed costs of assets, this study found that Operations and Staffing/Recruitment were the most impacted areas. Data showed that improving efficiency and reducing payroll/human resources costs are both common strategies currently being used to improve financial performance during lean times.

Many respondents cited a shift from on-site work to a work-from-home/remote work model as a major staffing-related change. Some also reported layoffs, reduced worker hours, and department restructuring.

Freight carriers were particularly likely (69.5%) to report an impact on Operations spending.

#### AREAS IMPACTED BY SHIFTS IN ORGANIZATIONAL SPENDING

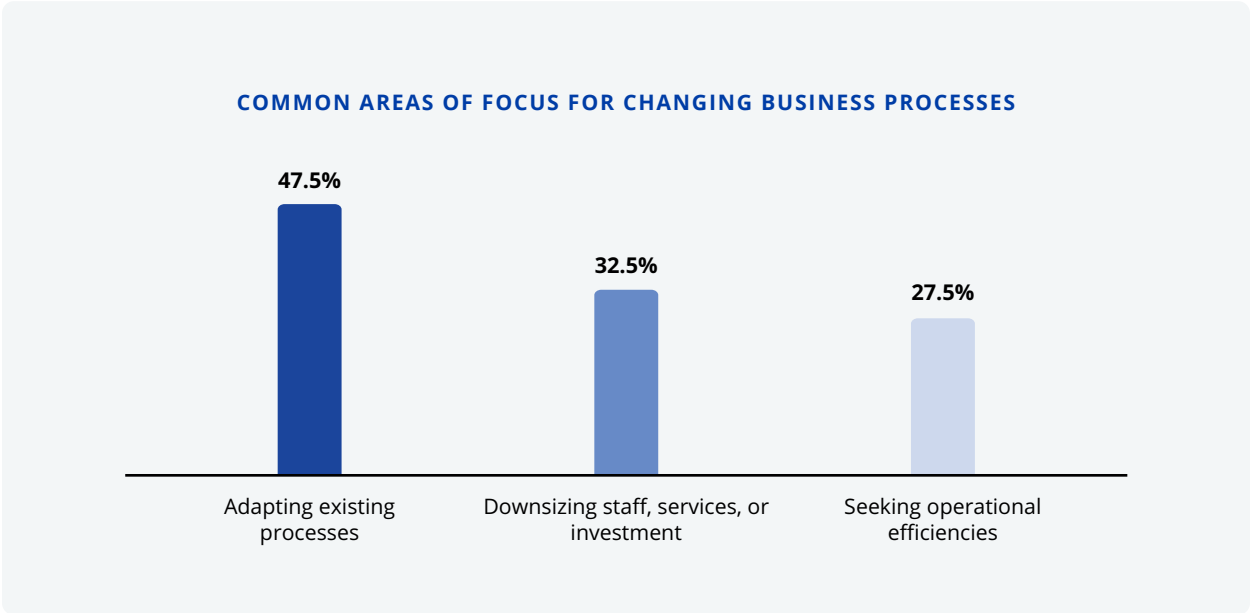
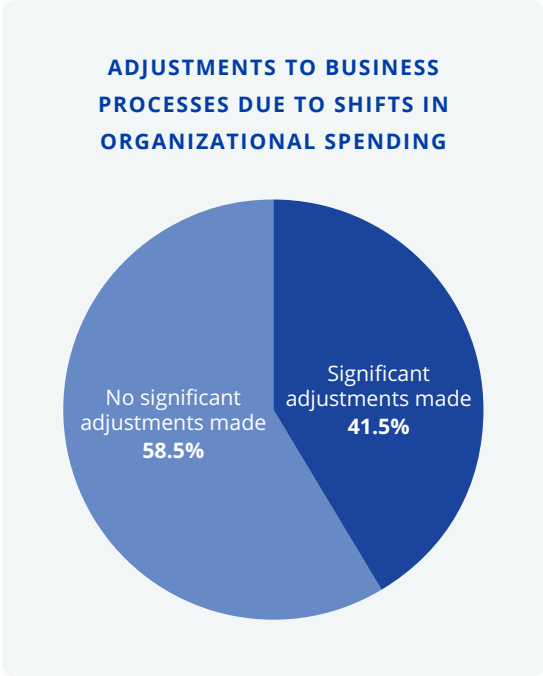


# Prevailing Changes In Process Management

With significant shifts in spending after planning their 2020 budgets, **over 40% of respondents saw significant changes** to their underlying business processes.

For respondents who indicated that their organization had experienced spending shifts, **adapting existing processes** and **seeking operational efficiencies** were two key areas of focus. **Downsizing staff, services, or investment** — something companies in nearly every industry have been pushed to do — was another.

The downturn in shipments in the early stages of the pandemic allowed operational teams more time to focus on refining processes and implementing initiatives to increase productivity, with the hope that they could operate more efficiently once volumes returned to normal levels.







Our research indicates that, as a result of the pandemic, many companies are now pursuing operational efficiency with vigor. This includes moving away from manual processes and looking for ways to increase connectivity and communication with external resources.

– Donna Kintop, Senior Vice President of Client Experience, North America, DDC FPO

Many companies are taking this opportunity to shift strategies and improve operations — in such a turbulent, unpredictable landscape, tedious processes that demand high overhead expenses thwart the agility and speed necessary to respond to rapidly changing conditions.

Several respondents noted that their organizations are pursuing technological solutions (i.e. streamlining paper-based processes and incorporating more automation) as a way to boost operational efficiency.

#### EXAMPLES OF ADJUSTMENTS TO BUSINESS PROCESSES: KEY RESPONSES

“Identification of process improvement. Review of new opportunities to eliminate waste throughout the organization.”

– Freight Carrier respondent

“No touch deliveries, no touch reverse logistics.”

– Manufacturer respondent



#### EXAMPLES OF ADJUSTMENTS TO BUSINESS PROCESSES: KEY RESPONSES (CONTINUED)

“Paperless processes, working from home adjustments.”

– Technology respondent

“The disruption in the global supply chain due to the spread of COVID-19 has led to cancellation of contracts and given the option for looking domestically to see how and where to source some essential goods and services.”

– 3PL/Broker respondent

“Our private fleet is handling more backhauls (grocery wholesale) and more store deliveries. Movements are up across our network 25%.”

– Warehousing/Distribution Center respondent

## Forecast & Final Analysis

**The pandemic has forced many organizations to fast-track initiatives focused on transforming their operations to become leaner, more agile, and more efficient.**

As carriers continue to maneuver through the waves of COVID-19, incorporating business continuity and recovery planning as part of their business model is critical. Documenting the operational changes that have taken place over the last few months is imperative to better mitigating future risks that lie ahead.

Chad Crotty, Vice President of Sales, North America, DDC FPO notes, “We will continue to see uncertainty regarding containment of the virus so labor elasticity and scalability will remain a pivotal part of workforce planning. Partnering with someone that specializes in streamlining operations and market fluctuations will help shift resources to stay resilient.”

Technology adoption is a primary way to achieve this goal, and experts expect to see digital transformation — particularly in the form of AI-powered solutions — continue to occur at an increasingly fast rate throughout the industry as companies move away from legacy processes.

“Our research indicates that, as a result of the pandemic, many companies are now pursuing operational efficiency with vigor,” notes Donna Kintop, Senior Vice President of Client Experience, North America, DDC FPO. “This includes moving away from manual processes and looking for ways to increase connectivity and communication with external resources.”

During a time defined by widespread disruption across industries, freight companies are seeking more efficient processes and ways to transform operations. This increased business continuity will help them not only weather the storm of COVID-19, but be more prepared for future challenges.

## About DDC FPO

As the freight-focused division of The DDC Group, DDC FPO currently processes 30% of all LTL bills in North America and has delivered more successful freight back office solutions than any other company, including Freight Billing, Rate Auditing, POD Processing, Track & Trace, Carrier Onboarding, and more.

Established in 1989, DDC is a worldwide network of business process outsourcing (BPO) experts, powered by a global team of over 7,000+ professionals to service our clients

in over 40 languages. Our hybrid approach leverages innovative technology, proprietary workflows, and subject matter expertise in a customizable framework to equip you with long-term cost containment and uncapped revenue potential.

To learn more about DDC FPO and how we can help you enhance the adaptability, durability, and profitability of your business processes, contact us today.



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