

2020-04-14

Logistics insights

Modern storage logistics in the era of COVID-19

The market for storage logistics in Europe is under increasing strain. While COVID-19 is reducing call-off orders by industrial customers and consumers, there are still many orders in process. The extremely stressed global supply chain has become tangled up.

Many new logistics warehouses have become filled to capacity with consumer goods. The e-commerce business model has changed consumer behavior. Direct-to-home orders and expectations of fast availability are calling for ever larger and more regionally distributed warehousing of goods.

This is further compounded by increased imports from other continents that must be temporarily stored. The consumer side of the supply chain requires storage capacity when it purchases more than it can currently sell.

Developments in connection with the fourth industrial revolution (Industry 4.0) are even more complex. After mechanization, electrification and automation, industry is now moving toward a digitally supported integration of the entire supply chain. This trend is merging suppliers and transport/storage logistics providers on the procurement and distribution sides into a kind of collective intelligence.

Processes and interfaces are defined with extreme precision, monitored and continuously improved. Considerable streamlining has been achieved here: with faster response times, production in better alignment with demand and reduced warehousing inventories, along with an associated reduction in capital tie-up and aging risks. Above all, it has become possible to purchase from wherever the production costs were lowest.

Thanks to reliable transports, overseas shipping containers can be counted on as inexpensive warehousing options. All of this has met with the approval of stock markets and managers. Globalization ushered in affluence for everyone, with China definitely benefiting more over the long term than Europe.

COVID-19 is now showing us a very dangerous, if exaggerated, side of globalization. Industry 4.0 and globalization are the future. Nevertheless, the associated risks must be reevaluated. It seems apparent that it will be necessary to maintain more warehousing capacity again. Some companies will at least partially localize their production or shift it back from Asia to locations such as Eastern Europe or Turkey. However, anyone looking to compete on the world market cannot neglect the large and growing markets of Asia and will continue to produce or at least warehouse there for cost and time reasons.

The time is ripe to rethink the entire supply chain, including production, warehousing and integration projects with partners. In any case, companies would be well advised to secure sufficient warehousing capacities for the coming months.