



The Evolving Supply Chain

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Director of Marketing for the Mid West Region which includes Indiana, Kentucky, Michigan, Ohio and Pennsylvania having direct responsibility for market insights and strategic direction of the Region. With 30 years of experience driving marketing and financial disciplines around market insights, small-medium sized business growth, customer profitability, and new product development.

Agenda

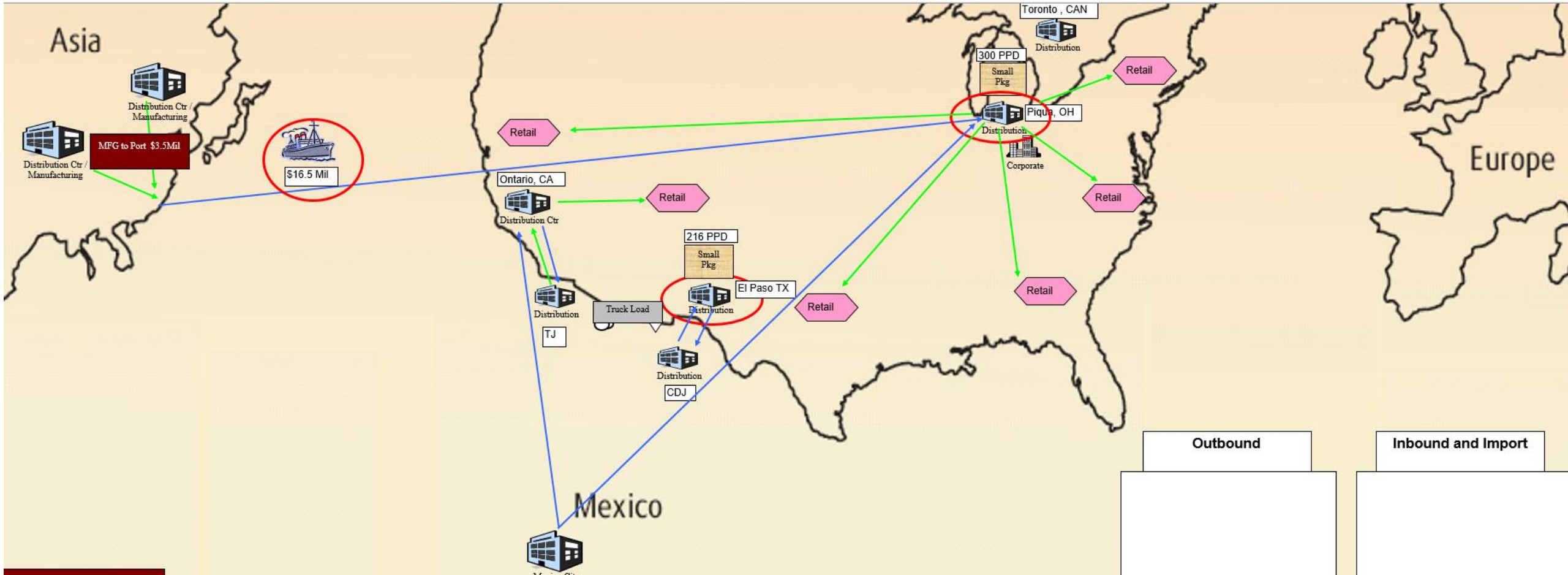
1. Opening Comments
2. Pre-COVID Supply Chain
3. Vaccination Supply Chain & Distribution
4. Post-COVID Supply Chain
5. Q&A
6. Closing Comments



Pre-COVID Supply Chain

Pre-COVID Supply Chain

- Prior to the pandemic, online retail sales were growing at a rate of 8% annually.
- Supply chain – Manufacturer to company to distribution centers to consumer.



UPS Vaccination Supply Chain & Distribution

UPS Vaccination Supply Chain & Distribution

<https://youtu.be/GiM6lola8v0>



UPS Vaccination Supply Chain & Distribution

- **3 Billion vaccines by years end.**
- **27 million pounds of PPE.**
- **Freezer warehouses distribution (freezer farms in Louisville & Netherlands).**
- **\$32M COVID-19 Relief support.**
- **11 million sq. ft. healthcare distribution space.**
- **UPS Premier uses next-generation sensor technology and monitoring.**
- **UPS Healthcare now can produce up to 2 tons of dry ice per day.**
- **Best end to end Cold Chain Network globally.**
- **99.9% on-time performance.**

Post-COVID Supply Chain

It's Been a Bumpy Road...

UPS has monitored SMB sentiment around COVID since the very beginning

THE WORLD SHUT DOWN March 2020

83% of SMBs reported being adversely impacted by COVID¹

- Shipping volumes and sales fell
- Cash flow and payroll concerns rose
- Business closures peaked
- Package delivery challenges began

WAVE 1



FLATTENING THE CURVE? Summer 2020

SMBs rallied—roughly half indicated they were well positioned for a second shutdown²

- Many still impacted but optimism rose
- Shipping volumes and sales ticked up
- SMBs prepped to reopen their doors
- Reassured by recent business changes made to manage future impacts**



WAIT AND SEE Fall 2020

A little over half of SMBs prepared for peak season differently than they did last year³

- Ad/marketing spends were up
- Precautions for employees and customers
- Prepared for shipping delays
- SMBs were not going to be caught off-guard by the first-ever pandemic peak season**



WAVE 2



**1 YEAR ON—
WHERE ARE SMBs NOW?**



NEW HOPE Jan-Mar 2021

SMBs rode it out—35% say business was better compared to Wave 1 (55% reported business as the same)⁴

- More reopenings and holiday spending
- Consumer confidence picked up with vaccine rollout/new leadership**

¹ COVID-19 Customer Pulse Survey Week One, n=1,200, March 2020
² Customer Advisory Council Second Wave Readiness Survey, n=108, June 2020
³ Customer Advisory Council Peak in a Pandemic Survey, n=201, Dec. 2020
⁴ Customer Advisory Council COVID—1 Year On, n=177, Dec. 2020

Executive Summary

SMB optimism and performance ticks up as they continue to flex and carry over business changes to a post-pandemic world—yet uncertainty still looms as they navigate the “next” normal

SMBs are optimistic looking ahead

Nearly 60% are optimistic about the future—with the rollout of the vaccine and limited worry about variants impacting their business, many are starting to see the light at the end of the tunnel. Yet, **uncertainty still looms and it’s a top emotion for SMBs.**

Many have made changes to their business & plan to keep those changes

Nearly all SMBs (92%) who implemented changes to their eCommerce strategy plan to keep those changes, and notably, 87% attribute better performance to the changes.

SMB resiliency is on display

A major concern is anticipating future supply/shipment disruptions and SMBs will not be caught flat-footed again.

UPS has a vital role in helping SMBs position themselves for what comes next.



Post-COVID Supply Chain Disruptions

A supply chain is a network of people, organizations, and activities that move a product from a supplier to a final customer. A supply chain disruption is any sudden change or crisis—be it local or global—that negatively impacts that process.



BIG DATA ANALYTICS

Enables companies to store and process vast quantities of information.



BLOCKCHAIN

Allows organizations to transfer assets directly, while documenting each transaction.



IoT

Uses sensors to monitor and track products as they move through production and delivery.



DIGITAL SUPPLY CHAIN

Transmits digital media rapidly from the content provider to the consumer.



ADVANCE ROBOTICS

Uses AI and machine learning to increase operational speed and accuracy.

Post-COVID Supply Chain – Challenges

Supply chains lack global resilience and are breaking down in the face of multi-country disruptions.

Supply chain and operations are becoming more costly (eg less global and ecommerce fulfillment costs) – and can often represent a company's highest costs.

The significant impacts that supply chains and operations have on the planet and society are not meeting stakeholders' expectations for sustainability.

Talent gaps across the supply chain and operations continue to create high dependency on the human workforce.

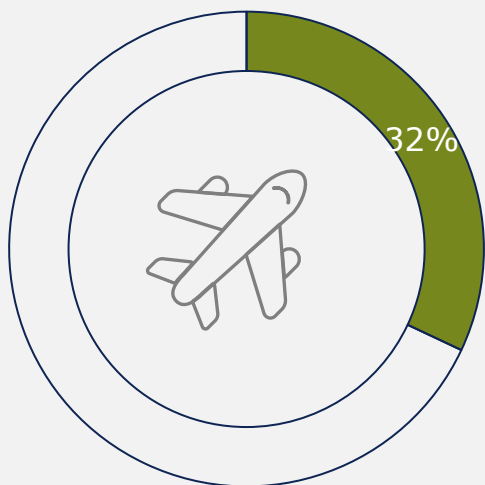
A lack of flexibility inhibits the ability to address customer demands for personalization and customization.

IT systems continue to be expensive to run, inflexible and often over-reliant on legacy technologies.

Logistics shifts are driven by a need to balance safety and customer needs

Some SMBs are happy with efficiencies they've achieved making changes

1/3 have implemented changes to logistics



■ Logistics changes

CHANGES MADE

Changes have been made to save costs and meet customer expectations

- Reduced shipping/consolidated shipments
- Created own delivery service

Changes were also forced due to pandemic protocol

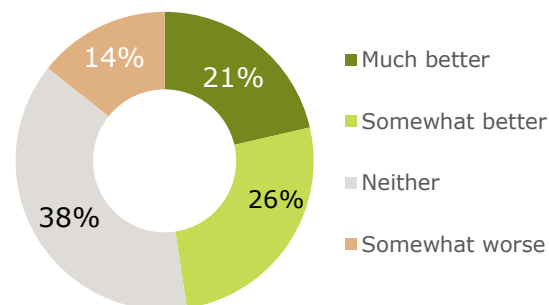
- Slowed shipping/reduced hours for fulfillment due to reduced staff onsite
- Hard time getting trucks into transport (due to quarantine, etc.)
- Started offering direct to consumer shipping to cut down on touchpoints
- Containment period for shipments received before opening

"Warehouse operations are slow because we limit the number of people in the facility at a time."

"Making sure packages don't go through so many people to keep everyone safe."

"Flexible staffing. Limiting number of staff in building at any one time. Remote work where possible."

PERFORMANCE DUE TO CHANGES



For those who consider their performance better, they have been able to successfully continue serving customers efficiently and safely.

"We quickly adapt to the changes that were necessary and managed to continue to serve customers."

Yet, unfortunately, for others, shipping has been slow.

"There are no guarantees with schedule with our traditional shippers."

"Have had some challenges with Shipping and Delivery due to overload of business at the Shipping Partners that we utilize."

LIKELIHOOD FOR CHANGES TO STICK

A MAJORITY are likely to keep changes made because they

- Are making customers and employees feel safe
- Are saving money and still delivering
- Feel like things are working efficiently

"I had to let some employees go which brought out the best in our current staff."

"I will try to keep my packages from going through so many channels for safety."

A MINORITY want things to go back to how they were:

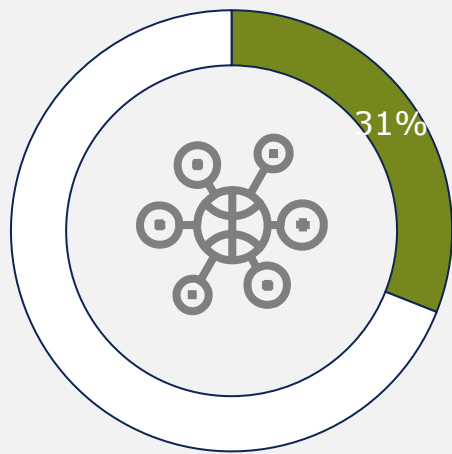
- Because these were temporary changes to 'make it work' during COVID

"Since people are used to the new way of working many will not go back to the old ways. We will work with staff to use a smattering of both pre and post pandemic work situations to meet our customer needs and to make sure staff is comfortable back in the building."

SMBs have done their best to avoid disruption and get ahead on supply

They have reduced inventory and some have found new suppliers they'll keep long-term

Nearly 1/3 have implemented changes to supply chain operations



■ Supply Chain Operations changes

CHANGES MADE

Changes have been made to help avoid disruption to supply chain:

New/different suppliers:

- Added more suppliers
- Changed suppliers (previous supplier couldn't fulfill orders)
- Sought out local suppliers to reduce freight/shipping costs

Volume of inventory/supply:

- Reduced inventory to better match decreased demand
- Increased raw materials as safety net

Timing:

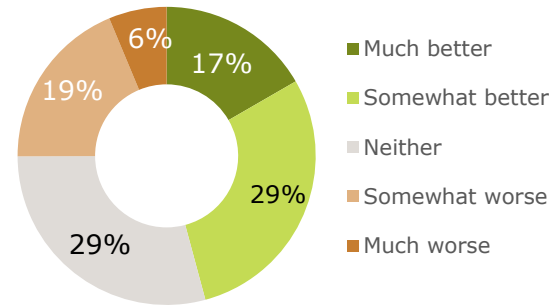
- Ordering from suppliers earlier to offset any delays

Facility/staff:

- Reduced staff
- Increased cleaning/hygiene protocol
- Staggered shifts with fewer employees on site at the same time

"We are ordering in less quantity so we have less inventory on hand and are planning according to demand."

PERFORMANCE DUE TO CHANGES



Some feel positive - they have found great new suppliers and efficiencies working with reduced inventory. But others are frustrated that they continue to experience supply shortages.

"We have established some additional options for supplies and services."

"One of our most popular lines is either unavailable or is backordered very far."

LIKELIHOOD FOR CHANGES TO STICK

ONE-HALF are likely to keep changes made because they

- Are working smarter/ more efficiently
- Like their new supplier

"Increased profitability, based upon lower cost."

THE OTHER HALF would prefer to go back to how things were because:

- They want/need greater demand to drive the need for more inventory
- Want to feel less reliant on suppliers

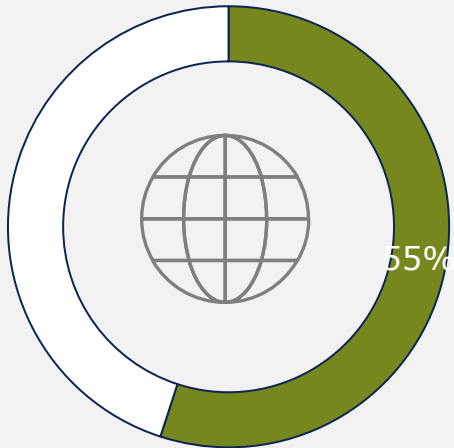
"Business should increase and we will need to order more inventory than during the pandemic."

"My business needs to be less at the mercy of suppliers."

Employees have had to flex/shift their work for many SMBs

To adhere to safety protocol, reduce budget, and stay afloat, SMBs have had to make hard decisions regarding their staff

OVER 1/2 have implemented changes to general operations



■ General operations changes

CHANGES MADE

General operations changes center around impacts on employees/personnel

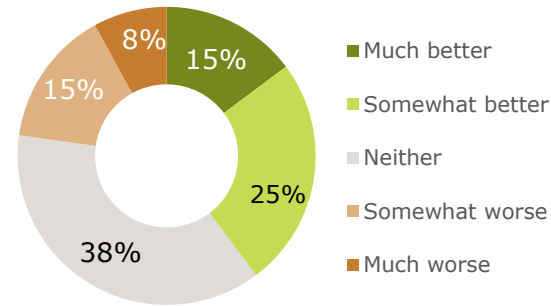
- Remote work
- Reduced/eliminated business travel
- Reduced/eliminated staff
- Reduced hours
- Reduced salaries
- Allow for more flexible schedules
- Implementing safety/sanitation protocols for in-person work
- Temporary or permanent shut down of physical location

"Had to furlough some employees and working more from home."

"More flexible work schedules and more allowance for remote work now."

"We have reduced our store hours and have limited our cash flow in BOTH floor plan, inventory and employees wages and salaries."

PERFORMANCE DUE TO CHANGES



Some SMBs are proud to have employees feeling safe/comfortable, and to have kept costs down

"I think we all feel better & more confident about working in a very clean environment where all protocols are followed."

"It has allowed people to work from home, and in majority of the cases be more productive, and take care of family."

Others are simply trying to make the best of the situation - leaner staff and increased demand in some cases

"Shorter staff and increasing demand due to web traffic and orders."

LIKELIHOOD FOR CHANGES TO STICK

HALF are likely to keep changes made because

- They realized adapting/pivoting works, even if short-term
- Total recovery from the pandemic still seems several years out

"Recovery is going to take two to five years, and we will need to operate a hybrid model for a while."

"The changes are helping overall and giving people a way to make things better and keeping themselves safe and other people safe too."

SOME want things to go back to how they were:

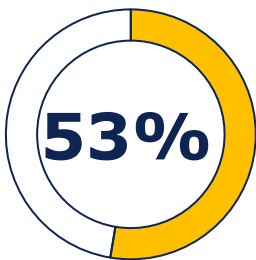
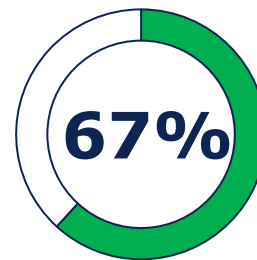
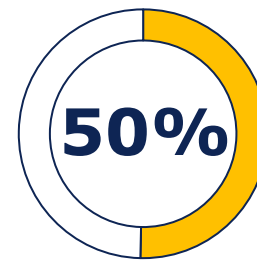
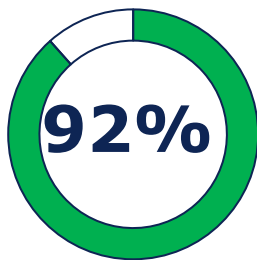
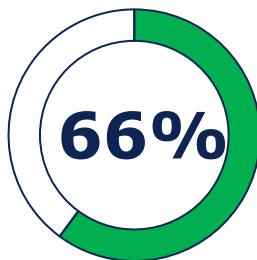
- There are efficiencies being in-person
- Operation was smoother before
- The more staff who can get hired back, the more sales bounce back

"Remote work doesn't seem to be working in some areas."

"We can't rehire those people if we can't afford it."

Those who are making changes are likely to keep them

Notably, nearly (92%) all of the SMBs who implemented changes to their eCommerce strategy plan to keep those changes—87% attribute better performance to the changes made

55% implemented changes to GENERAL OPERATIONS	32% implemented changes to LOGISTICS	31% implemented changes to SUPPLY CHAIN	28% implemented changes to ECOMMERCE	27% implemented changes to MARKETING & COMMS
<p>Center around impacts on personnel flexibility and safety/hygiene</p> 	<p>Balance cost savings and meeting customer expectations (consolidated shipment days, slowed shipping due to reduction of staff on-site, direct-to-consumer option)</p> 	<p>Try and avoid disruption to supply chain (adding new/changing suppliers, reduced inventory, increased raw materials, earlier ordering schedule)</p> 	<p>Investments to improve the customer experience and reach new customers (Website development optimization, implementation of online ordering, usage of marketplaces, integration with 3P party services)</p> 	<p>More digital marketing</p> <ul style="list-style-type: none">• Social media engagement• Email marketing <p>Less traditional marketing</p> <ul style="list-style-type: none">• Limited opportunities for in-person customer meetings <p>New messaging</p> <ul style="list-style-type: none">• Sharing COVID protocols in messaging with customers 
½ likely to keep	A MAJORITY likely to keep	½ likely to keep	NEARLY ALL likely to keep	A MAJORITY likely to keep

Note: Nearly half (48%) of SMBs already had an established eCommerce presence prior to the pandemic

SMBs share lessons learned as they've shifted operations

Being agile with an open-mindset toward change are two keys to success according to SMBs

BE FLEXIBLE



Keep organization agile and able to easily adapt to changes

"Be **flexible and open to new ways of working** and stay motivated on your own from home!"

"Everyone in our team has the **ability to adapt and roll with the punches**, while still being efficient with their work."

PREPARE



Be more mindful about inventory and pad for 'just in case.'

"One major learning experience... **always have surplus inventory.**"

"**Order heavy**, always."

"**Stock up** on products."

MAKE ENHANCEMENTS



Be willing to implement new tech and new workflow/ways of working

"**Take advantage of any technological advancements** available that can assist and protect the company because they are worth the investment in the long term."

"We can **work more effectively** even remotely than we initially thought we could."

They are proud of their shifts to connect and serve customers and employees in the face of uncertainty

Their level of innovation ranges – from investments in digital tools for efficiencies to investments in people

MOST INNOVATIVE SOLUTIONS IMPLEMENTED DUE PANDEMIC



DIGITAL ENHANCEMENTS:

From inventory management to social media presence, to easier online ordering system for customers

"Enhanced our online strategy, acquired new domain names, expanded social media presence."

"Inventory management to increase online sales."

"My new inventory system. I have not got it in place yet but, I am going next week to learn a lot more and hopefully implement it quickly."

"We have updated our tracking system for a better customer experience."

"We have added a digital document storage solution so we can access files from home. We added direct to home shipping for our products along with online ordering."



VIRTUAL CONNECTIONS:

New platforms and technology have been adopted to connect internally seamlessly, and with customers.

"Using new ways to communicate with our employees, Slack, Zoom, Facetime."

"Using tele-video for some meetings and virtual appointments."

"We are all working from home and doing business over the phone and on the internet."

"Zoom has become a great welcome to overall operations and staying in contact on a national level."



PERSONNEL WELLNESS:

Accountability and employee well-being have been elevated as more people are remote.

"Most staff can successfully work remotely and do not need constant supervision to get the job done."

"Nothing innovative but increasing emphasis on employee mental health has been a great benefit to our workplace environment during this tough time."

"We implemented a few social-emotional programs for employee mental health and well being."



Note: Not all SMBs reflect positivity. They felt like they couldn't innovate, but rather have struggled to survive.

"Nothing innovative. Our hands were tied. It's a pandemic."

"Nothing innovative. We've cut services."

"We really have been floundering and not implemented any great solutions."

Post-COVID Supply Chain – Key Areas

Supply chain leaders seeking to prepare their organizations' supply chain processes for thriving postpandemic can focus on three key areas:

Recognize shifts in your customers, business operations and technologies, ecosystems, and workforce: Four fundamental realities have shifted rapidly due to COVID-19. Each of these shifts can have direct and indirect implications for supply chains.

Assess your organization's ability to thrive amid these shifts: Supply chain leaders can consider a series of questions to evaluate their organization's readiness to deliver amid these shifts.

Position the organization to thrive: As they assess their readiness across these four shifts, leaders can take three overarching tactical steps today to prepare their organizations to thrive.

Post-COVID Supply Chain – Key Areas

While the pandemic is still unfolding and its long-term effects are still unknown, what is clear is that the crisis seems to have helped accelerate fundamental shifts in what customers value, how customers buy, and how businesses need to operate differently to meet customer requirements and earn their trust and loyalty.

Recognize shifts in your customers, business operations and technologies, ecosystems, and workforce:



Meeting evolving customer values and product and service requirements



Building trusted, connected supply networks



Designing supply chains that are optimized for cost, service, and resilience



Enabling the future of work in supply chain management and operations

Post-COVID Supply Chain – Next Steps

Next steps: Positioning the organization to thrive

Three steps for supply chain transition and growth in the postpandemic world

