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**Logistics Indicator in Q2 2020**

## Reboot + update for SCM / logistics

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We will not forget March 2020 in a hurry. On March 9, Italy declared the entire country a no-go zone after being hit hard by the corona pandemic; by March 16, there was not a single control-free border crossing anywhere in Europe. From March 17, the major car manufacturers shut down their assembly lines at short notice; other industries soon followed suit. A few days later? Lockdown.

Whereas we still saw some optimism over the economic trend for 2020 in February – before corona – a more pessimistic sentiment took hold from early March. The Covid-19 restrictions came at a time when markets were already stagnating, and the key economic levers were almost totally blocked. Until then, I could never have imagined that Schengen borders would be closed and that the Logistics Indicator would plummet to levels we last saw during the 2008/9 financial and economic crisis, and then even lower, as happened in April – even if the mood in May is slightly brighter again.

So what can we expect now and in the near future? Despite the outstanding performance of our sector of the economy – a sector that is not only systemically relevant during times of crisis – the logistics year 2020 will not be a good one. The volume of logistics services is likely to shrink by around five percent, and this will lead to at least 50,000 lost jobs based on conservative estimates. The short-time working provisions are currently concealing the real impact of corona on the labour market. No one has been able to effectively counteract this impact to date. This comes as no surprise, as we were confronted with a sudden system collapse lasting several months. Despite the demand growth in specific sectors, it is the negative impacts that have been clearly dominant, with freight volumes in motion falling by between 30 and 50 percent or more within a short space of time.

What should we do now? For the last few weeks, supply chain managers and logistics specialists in trade and industry have been working with their logistics service providers on operational measures that will enable them to ramp up their systems once again – with the aim of returning to “normal service” in the medium term. For the most part, these measures are proceeding smoothly, but there have unfortunately also been some less desirable outcomes. Surplus capacity in the logistics service sector has unleashed price wars, and some providers are fighting for survival. This is an area where there is a real need for prudence and a sense of proportion.

In strategic terms, there is a chance that we can turn the crisis into an opportunity. We need to reassess the absolute priority of resource/cost efficiency. As long as we have the right framework conditions, value added chains can function in an optimum fashion. Single sourcing can be highly efficient. Multiple sourcing is more costly, but it spreads the risk and is more resilient in times of crisis. Global parts tourism is not sustainable and entails a high level of risk. The focus will now be on robust, lean supply chains.

Alongside this reboot, we also need an SCM/logistics update. This means we should question conventional structures and, where necessary, adjust our business practices. We have a lot of ground to make up in goods and services, but we cannot return to “business as usual”. This is also something we want to discuss with you at the International Supply Chain Conference in Berlin from October 21 to 23. How can we shape the coming decade and indeed the future in a sustainable way? The conference programme will soon be available, and we are currently developing an event format that is both safe and appealing. We look forward to seeing you!