

УДК 656.025.4

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The Impact of COVID-19 on Logistics

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The COVID-19 pandemic, which covered the world in late 2019, has changed not only the lives of many people, but also the situation in global and local markets. A significant reduction in production capacity due to the closure of borders between countries and the introduction of a self-isolation regime has occurred all over the world. The coronavirus pandemic has disrupted the usual links between manufacturers and consumers around the world and has brought major changes to the business of logistics companies. The spread of the coronavirus has dealt a serious blow to the global logistics and supply chain of raw materials and finished products. For example, major international organizations - the International Road Transport Union (ITU) and the International Federation of Transport Workers - have published an open letter to all governments requesting support for the transport industry in the context of the spread of COVID-19. The crisis caused an imbalance in cargo flows associated with changes in demand, the suspension of production and the restrictions imposed [1]. Major global logistics trends are:

1. Reduction of cargo traffic on a global and local scale. The reasons are obvious: the closure of the borders between countries, the mass closure of retail outlets, currency exchange rate growth, the isolation of the population, the decline in demand and purchasing power, as well as the state of fear and uncertainty among consumers.

2. The lack of simple, clear rules of the game in the conditions of quarantine for representatives of the logistics market.

The pandemic has significantly affected the logistics industry: demand, sustainability, transportation and warehousing, and working conditions [1]. In China, all types of transportation were affected: air, sea, rail, and road. The usual multimodal schemes were destroyed. Logistics companies had to urgently look for an alternative to the «broken» links. Due to logistics problems, the most affected party could be the automotive industry, where the supply chain between auto parts production sites and assembly plants was threatened. However, logistics congestion was overcome [3]. The customs services of the Chinese provinces are also working effectively in the conditions of the epidemic, which have significantly reduced the time for processing priority cargo, opened "green corridors" for anti-epidemic and medical cargo, as well as for raw materials and spare parts needed to restore production. Many customs offices have switched to the «first release – then the end of customs inspections» mode. It also helped to reopen businesses and normalize foreign trade.

As for the European Union, at the moment the economy suffers from all the consequences of quarantine measures. The movement of freight transport is not completely closed, but there are certain limitations. In addition, transport companies have significantly fewer customers. In general, experts predict a drop in the European cargo transportation market by at least 40%. Russian logistics companies are also going through hard times. According to InfraONE estimates, the losses of the infrastructure industries of the Russian Federation from the epidemic by 1st of May, 2020 amounted to approximately 507 billion rubles, of which almost 50% – 230.3 billion rubles – are losses of the transport industry. It is important to note the consequences of the epidemic, which affected each type of

transportation: the greatest losses have been incurred by the direction of international air transportation; the rail transport industry is experiencing a crisis, but there are also positive trends, e.g., most of the cargo flows are transferred to rail transport; in road transport, priority or «the green corridor» for entry to all countries is given to cargo transport with food and medical goods [2]. Quick adaptation to changing conditions will help logistics companies quickly “recover” after the crisis. It is obvious that even in the post-crisis period, the following trends will continue to affect the logistics industry around the world:

1) dumping in the logistics market. Increased competition for the customer leads to the emergence of price dumping in the cargo transportation market, as the number of goods decreases;

2) withdrawal of weak players from the market. In the near future, small and some medium-sized players will be forced to leave the logistics services market;

3) development of collaborations, cooperation, integration of services. Players will start joining communities to share each other's services;

4) increased demand for fleet repair and maintenance services. 90% of logistics companies refuse to upgrade their fleet due to the rising exchange rate and the pandemic;

5) introduction of the latest IT technologies. The IT revolution has begun in logistics. It is worth noting the use of IT platforms for logistics companies to exchange tariffs and rates;

6) contactless courier delivery. The winners will be those companies that can offer the safest way to deliver goods from the point of view of health;

7) development of parcel delivery by "drones". This trend came from Asia as a continuation of the idea of contactless delivery. During the pandemic in China, most packages were delivered door to door;

8) compliance with sanitary standards, disinfection of equipment, vehicles will become the norm and a requirement on the part of receivers [3].

Thus, due to the global crisis triggered by the COVID-19 pandemic, the logistics industry is in dire need of support. Quarantine measures taken to suppress the coronavirus epidemic have led to congestion at most airports and sea terminals and, as a result, violation of the terms and conditions of cargo delivery.

Overcoming the current crisis is an unprecedented challenge for the management team of all logistics players. After the pandemic, the logistics world will not be the same as before. COVID-19 will likely affect trade more profoundly than any other recent crisis. It will have a significant and lasting impact on the global economy, but trade volumes will recover. And the companies that follow trends and quickly adapt to changing circumstances will be able to manage the situation, create popular services and strengthen their position in the business. As the saying goes, «who owns the information, he owns the world» [2].

References:

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