



## Confidence in difficult times

By Peter Ward, CEO, UKWA

It was all looking so promising. At The UKWA National Conference just a couple of weeks ago, we were discussing exciting new opportunities for the warehousing and logistics sector in a mood of considerable optimism. 81% of delegates polled that they were 'more optimistic' about the business outlook, and 78% were likely to increase their warehousing footprint within the next 12 months.

That of course was then, when Covid-19 appeared to be essentially a short-term supply-side problem. Few were predicting total lockdown in major European economies.

So should we just forget all that conference optimism? I don't think so. We are indeed still facing 'exciting new opportunities' albeit at a time of international crisis. In fact, it is our duty to play our role in getting things back on their feet.

Conference optimism was not, apart from some relief that Brexit was now a certainty, based on the short term. I quoted a new British Property Foundation report predicting, over a twenty year outlook, a doubling of online spending, a 43% increase in productivity and a requirement for 21 m sq ft of warehousing every year.

As Will Laing of Savills pointed out, every billion euro spent online generates a requirement for 775,000 sq ft of extra warehouse space. While Covid-19 may knock many economies into recession, I see no reason to doubt that the move online will continue. Indeed, if in response to the virus, homeworking really takes off, the online move may even be accelerated.

More fundamentally, Covid-19 can only encourage a rethink by manufacturers, retailers and the public sector of their sourcing and inventory policies. The globalisation-max model is already under pressure, not only from trade wars but also from a variety of ethical and environmental concerns. Single-sourcing from far-away countries on a Just-in-Time basis no longer looks quite the smartest strategy, as firms start to price in risks that they have barely had to consider in recent decades. At raw material, intermediate, and finished goods level we can expect inventories, and thus the need for warehousing, to increase across the board.

Inventory holding has costs and it will be incumbent on us to work with our customers to contain these. That may mean increased automation to alleviate labour availability issues, but also developing more flexible and creative ways of working. The Covid-19 response is likely to see some relaxation of competition laws to allow, for example, supermarkets to work together. It may be we have an opportunity to demonstrate that supply chain collaboration by making better use of assets can in many ways actually save the consumer – and the planet. Climate change is already and increasingly a driver for our sector and we should be planning responses that go beyond merely complying with regulations.

Needless to say, all this will have to be supported by some serious innovation on how we use data in all its forms.

### *The Budget*

March also saw a new Budget, which, if it is not blown completely off track, has some interesting implications. The massive increase in infrastructure spending, much of which will be targeted at 'the North', will likely create new demands for warehousing and storage. The new plastic packaging taxes may also involve us in the recovery, storage and delivery of clean, separated plastics flows.

Thinking more widely, Covid-19 is just the latest, although much the greatest, of a series of shocks and threats that have impacted logistics in the last couple of years. We have had, of course, repeated 'Brexit-related events' – and who can rule out yet another one at the end of the year – with both businesses and consumers building up and running down stockpiles. However, the industry has gained valuable experience in modelling responses to gridlocked ports and motorways, panic buying and other phenomena. Some of this will undoubtedly be proving useful in the current crisis.

I hope it is becoming clear to government at both national and local levels, if it wasn't before, that warehousing and logistics is vital, not just to the day to day economy, but to 'resilience' in national as well as just supply chain terms. In a crisis, government can readily give itself powers to requisition or co-opt assets in the national interest. That might be to stockpile drugs and medical equipment; it might be to pre-position temporary flood defences; it might be to create emergency distribution paths for communities whether they are locked down by virus or just locked in by flood. I wonder how well emergency co-ordinators and planners understand the assets and skills that we possess in their districts, and how we can help to make a difference?

Supply chains will survive the current crisis, though perhaps not unchanged. "Change", as David Lucas of Change4Growth told the conference, "is the new normal - forever". There are huge changes to corporate culture, driven by Gen Z. Digital will be at the core. New partnerships between humans and technology will be crucial, and we are going to have to factor in jobs that we don't know yet for technology we don't yet have. "Real change is not just an event, but a process".

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