

## BLOG

# Delivery Business Challenges and Opportunities Brought on by Supply Chain Disruptions

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The ripple effects of COVID-19 are still reverberating through the transportation industry. From top to bottom, the supply chain is being stretched thin by manufacturing disruptions and increased delivery demands. Production and manufacturing has slowed as factories were forced to shut down due to outbreaks, with knock-on effects that will take years to recover from. In the transportation industry, production delays in Asia-based factories making semiconductors required for cars and trucks has led to \$210 billion dollars in lost revenue. Shipping container shortages, congestion at international ports and spiked shipping rates for select routes has led to a ripple of downstream challenges, with ramifications hitting last-mile delivery.



### **Demands and Challenges**

Quarantines, stay-at-home orders and the standardization of the work-from-home lifestyle created an enormous delivery demand from customers. Items that in pre-pandemic circumstances would have been bought at a brick-and-mortar store were now being ordered online. In addition, customer expectations about quick delivery times ramped up, putting immense pressure on delivery services to meet them. The promise of two-day, and even same-day, delivery from Amazon and other industry leaders puts an immense strain on the entire supply chain, especially those in the last leg, in which Delivery Service Provider (DSP) drivers are pushed to their limits to make arrival estimates a reality.

Other challenges exacerbating this supply chain stress include:

- An extensive driver shortage in the last-mile delivery space
- The expansion of the holiday shopping crunch season, now running from October through February
- Low margins for many last-mile delivery companies and DSPs

### **The Upside for Delivery Businesses**

The delivery industry has clearly been shaken by the pandemic, but a silver lining is that business in general is doing very well. While there is a strain on the individuals who keep the machine running, the sharp, sustained increase in delivery demands indicates that the delivery business will be booming for the foreseeable future.

## Recommendations and Considerations

- *Hiring:* As business momentum continues to build, and with the holiday shopping season essentially here, last-mile delivery companies should prioritize hiring good drivers to be well prepared. DSP businesses will likely incentivize during the hiring process but be aware that hiring inexperienced drivers as a way to meet demand comes with risks and costs.
- *Insurance Coverage:* As heightened demand and supply chain problems continue, proper coverage remains vital. Comprehensive policies that include auto liability, catastrophic liability, professional liability, and management liability can help create a safety net for your business in the case of an incident.
- *Be Smart About Profitability:* Amidst growing pressure, delivery businesses may find better routes to profit. Some last-mile delivery businesses may find benefit from specialization, only delivering select goods in specific industries. It may lead others to cut down on routes in order to maintain higher margins.

The pandemic has transformed online shopping habits and home delivery demands for the foreseeable future, with no signs of slowing down. While the last-mile delivery space continues to change due to supply chain disruption and heightened expectations, Risk Strategies' Transportation Practice experts can help delivery companies navigate the change and offer smarter ways to manage the risks involved.

*Want to learn more?*

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