

THE NEVER NORMAL: SUPPLY CHAIN MANAGEMENT IN A PANDEMIC

Will Heywood (00:10):

Welcome to All business. No Boundaries. a collection of supply chain stories by DHL Supply Chain, the North American leader in contract logistics. This is a place for in-depth discussions on the supply chain challenges keeping you up at night. We're breaking beyond the boundaries that are limiting your supply chain. In this special episode, we will be listening in on a conversation between DHL supply chain colleagues, Val Hoge, Chief Operating Officer and Scott Cubbler, President of Life Sciences and Healthcare, as they discuss how DHL Supply Chain responded to the COVID-19 pandemic in order to protect communities and maintain our operating service levels. Let's dive in.

Val Hoge (00:48):

I'm Val Hoge. I'm the Chief Operations Officer for DHL Supply Chain. And with me today is Scott Cubbler, President Life Sciences and Healthcare. Hi Scott.

Scott Cubbler (00:58):

Hey Val, how you doing?

Val Hoge (00:59):

Good. How about yourself?

Scott Cubbler (01:01):

Thanks for joining us today. I had a couple of questions for you with COVID-19 first started, you were asked to lead DHL supply chains, pandemic steering committee. Since then we've received a lot of very positive feedback from our customers regarding our response and handling of the challenges. How did you approach tackling DHL's response to the COVID pandemic?

Val Hoge (01:28):

Great questions. God, luckily we are part of a global organization and once the pandemic started, we were able to form what we called a global situation steering team. We met on a daily basis and it was just fantastic because I was able to meet with all of my regional counterparts. We were able to share what we had learned what's happening, what actions we're putting into place, and really be able to talk about some best practices that were coming out of each one of the regions from a North American perspective.

Val Hoge (01:59):

It was really good because we were about anywhere from four to six weeks behind Europe. So as Europe was learning and seeing how things were coming out, we were able to be as proactive as possible. That was great for us in North America. Also as part of our preparation, we have business continuity plans for each one of our sites and ensured that as we started going through and start to see some of the impact of the pandemic, ensuring that our BCMs were in place. And we also expanded it to some of the functional groups. So we actually created a North America situational steering team, which allowed us to on a daily basis, get together, talk about what's going on in our operations, find out what's going on in our government sources and what kind of protocols we needed to put into place and be able to just make sure that we were managing on a daily basis.

Val Hoge (02:49):

We also started our board meeting, as you remember where all of the executives came together, daily basis, again, talking about where we were at and really ensuring that went throughout our organization to all of our associates, as well as externally to our customers. So that helped out a great deal. That's also where we ended up doing our worst case scenario planning. As you know, you helped me lead through that, which I think was a phenomenal exercise. It truly allowed us to be able to take a look at a single node business, looking at all a hotspot for the pandemic, not, you know, being able to ensure that we could keep business continuity in place for that customer, meaning all their requirements as well as ensuring that we could do whatever we needed to, even if it was the life sciences business and needed some special licensing, just a phenomenal exercise, which I think really we learned a great deal from that.

Val Hoge (03:41):

And it made sure that we had the proper reporting available so that we could proactively manage the business throughout North America. So I think that was some of the key things that we did, but of course, we also stayed extremely focused on our customers. We saw that early on, we needed to make sure that we had open communication with them and that we partnered with them. We needed to understand what was happening in their supply chain. So we could provide those services and ensure that we were able to keep the essential goods moving throughout North America, being able to manage those service levels and helping our customers during an unpredictable time was very important for us. And we did a number of things to be able to do that. First of all, we partnered with them to understand the forecast, what they were seeing in their supply chain, so that we could effectively manage our labor throughout the supply chain.

Val Hoge (04:30):

As you know, we had some sites in life sciences where elective surgeries weren't taking place. So we had labor available to us. Whereas next door, we had an e-commerce business that was booming and we need to make sure, so we were quickly able to divert that labor over to those different solutions where we needed them to be applied. So I think that worked out really well. We also have a lot of solutions available to us where we can, again, move people through and be able to customize what a customer might need. We had scenarios where we were providing transport, where we normally didn't, but being able to make sure that we kept product moving and that we were able to support what a customer needed. And then on the internal side, we had to find a way of being able to continue to support our start-up activity, our site support activity, and really trying to do things as virtually as possible.

Val Hoge (05:21):

We move teams around. Luckily we have, as, you know, our people aligned throughout different regions in North America. So being able to deploy them with our standard operations procedures and startup procedures, it was very, very helpful. Actually this year we'll have successfully completed 74 startups across North America. And most of that virtual, we also picked up on virtual tools like I'm sure everybody else did and making sure that we could conduct workshops and meet with our customers through virtual means. And I think all of that helped us successfully do it, but overall feel extremely proud as to how well we handle it in North America. It was definitely a team effort. We responded to the challenge quite well out of all of our 485 operations. We had only two sites that literally closed all of the other ones. We kept open, whether it be just doing continuous improvement activity or truly making sure that we modified our solution to be able to meet with the customer was looking for.

Val Hoge (06:21):

So I think we were very creative around that. We've kept our infection rate relatively low in compared to national averages. We're about 1.2% of our total workforce, where we had infection and, you know, obviously managing that very, very closely protocols in place, ensuring that the sites are managing them every day, which has been extremely successful and really being able to retain customers by helping our customers through their operations and trying to mitigate economic impact to them and really supporting them on their essential services, whether it be volume surges or volume reduction, we're still remaining diligent because there's still work to do around it, but overall feel that we've managed it quite successfully.

Scott Cubbler (07:05):

Well, I know from life sciences standpoint, you know, we, we kept our customer's orders moving. We kept, uh, medicines flowing to our patients and, and frankly, we kept our employees safe. And I think we've made a lot of the right calls on making sure that we were taking care of our associates. And so I certainly appreciate your leadership on that. I think it really was a

great effort by quite a few people. So, but COVID 19 has completely changed consumer behavior and their expectations with respect to delivery, delivery speed and product availability and e-commerce and what does this mean for DHL and its customers? Especially as we get closer here to peak season.

Val Hoge (07:49):

I mean, our ability to be able to respond to some of the supply chains needs as we did well, maintaining the safety of our associates, I think really demonstrates the focus and the teamwork we have across North America for the retail and e-commerce sectors. Obviously we're in the beginnings of a very important time period for them high volumes. And we need to be scalable. I think that's going to be critical to meet their demands as we go through this peak period. I also think that with the pandemic, we've got some additional challenges ahead of us. We increase our workforce by about 200 to 300% during the peak period, bringing in some seasonal workers with us, having to maintain all of the protocols around the pandemic, like temperature taking mask, wearing, ensuring that we keep the social distancing. This is all being a challenge for us, but quite honestly, the way that we've been able to put things into place as we're starting to work through the peak period, I truly believe that from what we've demonstrated in the last eight months, I'm confident that we're going to be able to handle the complexity that's going to be coming up during this time.

Val Hoge (08:55):

Also we're as you know, we're looking at some of the robotics looking at our accelerated digitalization agenda and really just trying to make sure that we have that in place to help our labor at our sites and to make sure that we do maintain the appropriate protocols and keep people safe as well as meeting the needs of our customer. So I think we're well positioned and as we talk about the different needs and things that we have in the business, it's not just the e-commerce side. I do think, you know, the life sciences has obviously seen some impact during the pandemic. And of course, with vaccines coming, who knows what that's going to bring or how your customers in the life sciences sector, reacting to the pandemic. And do you see any structural changes to the industry happening in North America?

Scott Cubbler (09:39):

Good question. Well, I do think now more than ever, the pandemic has really highlighted the need for a much closer relationship between manufacturers and their three PL partners. And, you know, we're working with our customers more closely now than ever we're sharing information. We are developing collaborative approaches to these new longer term challenges. We're cooperating on some key new priorities. You mentioned business continuity. There's a certainly a new emphasis on that and ensuring product availability is absolutely critical. Making sure medicine is available to patients when they need it. So, you know, we're working with a lot of customers on ensuring that inventory is available for our customers, for their patients. We're looking at a lot of new strategies about making sure that inventory is available. So for a lot of our customers, they're looking at opening up new facilities and being less reliant on a single site, getting their products closer to customers is, is increasingly critical.

Scott Cubbler (10:46):

So, but in general, I think our customers really want to be less reliant on global inventories and making sure that inventory is available here in the local market whenever possible. And I also think about kind of the ongoing changes. There's certainly a greater need now for product and shipment, visibility tools, information is even more critical. Now, if we're going to make good decisions about things like where to place inventory and how to get product to patients as quickly and efficiently as possible, we need that information available now more than ever. If we're going to make sure that patients are getting the medicines they need when they need it. So those have been a couple of the structural changes that I've seen. And obviously during this time, communication is critical, right? So getting information and decisions from your steering committee out to the field, out to associates and even out to our customers is really critical. How did DHL tackle that during the pandemic specifically communicating with customers?

Val Hoge (11:56):

It's a great question, Scott. And it is one of the most important things is to make sure that everybody's aware of the situation knows what we're doing and is confident in what actions that we're putting into place. Something that we learned right from the beginning is our customers had ideas. We had ideas and I talked about partnering with our customers. Well, we wouldn't even a little bit further. There was no proprietary Venus over any of the information. When we were learning around the pandemic, this was let's all share, learn, and make sure that we keep each other safe and to make sure that we, uh, we keep

the supply chain going right up front, starting open communication with our customers, sharing with them, the protocols that we were putting into place. We even opened it up for them to share it with any other third party provider that they're dealing with. Just trying to keep open communication and again, learning from one another. So I thought we did really well there and being as transparent as possible,

Scott Cubbler (12:52):

Our customers in life sciences really appreciated the communication, the proactive communication. There was a period of time there where everybody just froze and we needed to figure out how to work together to solve some of these problems. And I know we took some examples of what our customers were doing and incorporated it into our plans and vice versa. It was really a very collaborative feeling at the time. And as long as we were moving forward and we were answering questions as we went along and we were open and honest and collaborative with our customers, I think they very much appreciated what we were doing and had a sense of what we were fighting against.

Val Hoge (13:31):

Exactly. And you were spot on, it was true collaboration and we did learn a lot from each other. So I think that was fantastic. The other thing that we ended up doing was a weekly communication going out to our customers as well. So we kept them in the loop of any communication that was going out to our sites, what protocols we were putting into place. We also opened up some of our tools. You talked about my supply chain. We opened that up so that all of our customers could get access to information and the impact that the pandemic was making across the globe. So great collaboration. And I really do believe that we kept our associates safe. They kept people working, which I think was also of importance. And we made sure that we kept essential goods moving. And I think it helps strengthen our relationships in the long run.

Scott Cubbler (14:17):

That's right. It's hard of a time as it was. I remember being in it. I also look back and fondly, remember just how everybody pitched in and helped solve the problems. And we didn't miss shipments. And we took care of our associates. We took care of our customers and at the end of the day, that's what matters.

Val Hoge (14:35):

And we even took an opportunity to participate in some volunteer services as well. We actually had associate too, if they didn't have work, we let them volunteer. I mean, obviously food banks become extremely important. They're always important, but even more so during the pandemic. So we were able to have some of our labor be involved in that and engaged. We helped some of the manufacturers when they started making PPE, bringing raw materials in shipping goods, out helping food banks and the shipping of PPE equipment as well. So overall a very collaborative and positive experience through a very difficult fluid situation. So can you explain a little bit as to how DHL supply chain is reacting to these changes?

Scott Cubbler (15:17):

Yeah. So, uh, luckily we've started this process over the last two years. We've invested over \$200 million in new life sciences facilities, new technologies, new tools, all designed to provide our customers with greater flexibility and to be able to respond more quickly to patient's needs. So our North America network now includes over 50 dedicated life sciences, pharmaceutical medical device facilities. We can get our customers closer to their patients than ever before. And we've really kind of shortened lead times for them, which is fantastic. So we've also invested very heavily in technology. You talked about this a little bit, but some collaborative picking robots of vehicles that are unmanned that are loading trailers and unloading trailers, we're even looking at automated pallet, put away robots. All this new technology is really designed to improve efficiencies, reduce costs and make our orders more accurate. But that investment in technology has had all kinds of benefits and is really pushing us to new performance levels, which is fantastic.

Scott Cubbler (16:31):

So all of our sites now are also utilizing DHL's fully integrated my supply chain tool, which provides real time visibility to our customers at any time. So information about inventory availability, shipment, status, you know, really any information our customers need to run their businesses available to them at the push of a button at any time. And it really improves decision-making. It improves our ability to know where inventory, where shipments are at any point of the day. And it really helps us serve patients. And so I think in short, we looked at COVID pandemic really as an opportunity to get closer to our customers, to roll out improve tools and improve the flow of information. And the result is that patients are getting medicines more reliably and more efficiently than ever before. As we respond to this pandemic, I think we're just getting better and better.

Val Hoge (17:34):

I agree. I mean, I think it's heightened the awareness of everything. And I think with the life sciences supply chain is just more critical than ever before. Well, thank you.

Will Heywood (17:43):

If you enjoyed the conversation today, please share it with a friend and rate us on Apple podcasts. You can find us online at dhl.com/allbusinessnoboundaries and follow us on LinkedIn and Twitter at, @DHLSupplyChain. We'll see you next time.

