

A Study on the Marketing Strategy Development of Logistics Companies under COVID-19

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Abstract: Logistics involves the process of coordinating and moving resources – people, materials, inventory, and equipment from place to place. This paper focuses on the logistics market from the outbreak of COVID-19 to the present. The purpose of this research is to show logistics companies' perception of development and innovation during the COVID-19 pandemic. All findings were based on the data from specialised data research faculties and annual reports of logistics corporations, and a comparison of the company strategy applied before and during the pandemic was made. This helps to assess the companies from different aspects, such as challenges, preventive strategies, and future development. Yet, in the face of the pandemic, there was a lack of information on how logistics companies improve their business model. The results of this research suggest that the logistics company is severely impacted especially in the aviation industry, however, due to travel restrictions, companies are mainly focusing on the cargo transportation business.

Keywords: logistics, consumer habits, collaborative logistics, cold chain

1. Introduction

Logistics companies connect firms to markets by providing various services, including multimodal transportation, freight forwarding, warehousing, and inventory management [1]. During the COVID-19 pandemic, all kinds of transportation have been negatively affected. In this research paper, the strategies logistics companies implemented from the beginning of the pandemic to the time when the market gradually adapts are discussed, and the effects on the aviation industry are focused on.

The main motive of this research is to deliberate the reasons why logistics companies made such decisions to respond to the crisis. For example, what kind of efficient supply chain has the company built up, and how the company introduces the new effective logistical processes in order to reduce the costs while still maintaining company effectiveness. Meanwhile, this research also uncovers the additional advantages brought by the pandemic to logistics companies, such as a burst of demand in cold chain transportation, and analyses the logistics company from four different aspects, namely accessibility, shortage in transportation resources, changing in the demand, and rising in cost in logistics. Therefore, the significance of this research is to understand how logistics companies boost their competitiveness and change their marketing patterns.

2. Threat and Opportunity the Logistics Company Faces under the Pandemic

2.1. Threat: Maintenance of Means of Transport

Firstly, one of the severe issues logistics companies face is the storage of means of conveyance, for example, vehicles, cargo ships, air crafts, etc.

As one of Hong Kong's flag carriers, Cathay Pacific offers passenger and cargo services to around 200 cities in Asia, Europe, North America, Africa, and Australia [2]. It has been trying to deal with the management of the rapid surge in the number of aircraft lying idle, which is caused by a decline in travel demand during the COVID-19 pandemic. As 70% of its aircraft were grounded during the outbreak of the pandemic, parking, protection, and reactivation of aircraft lying idle become the prime task.

The disbursement and costs of parking and maintenance of parked aircraft are just as much as they are for an aircraft that is flying. The loss of Cathay Pacific was US\$2.79 billion in the 2020 calendar year [3]. According to Cathay Pacific Group Chairman Patrick Healy, Cathay Pacific was trying to achieve 25% of its 2019 capacity in the first six months of 2021 in operation [4]. Due to a sudden decrease in travel demands due to travel restrictions, the company decided to use long-term storage facilities in Spain and Australia. Companies needed to consider the environmental conditions of storing as the cost of maintenance and repair was considerable.

Therefore, Cathay Pacific started to pay attention to cargo transportation. "As has been the case for most of this year, our cargo business continues to be the better performer." [5]. Figure 1 shows the traffic figures from 2020 to 2022.

CATHAY PACIFIC / CATHAY DRAGON COMBINED TRAFFIC	RPK(Revenue Passenger Kilometers)(000)	Passengers carried	Cargo and mail revenue tonne km (000)	Number of flights		RPK %Change	Passengers carried %Change	Cargo and mail revenue tonne km %Change	Number of flights %Change
Oct 2020	210,168	38,541	709,964	1,347	Vs. OCT 2019	-98.00%	-98.60%	-30.20%	-80.10%
Dec 2020	223,781	39,989	747,356	1,503	Vs. DEC 2019	-98.10%	-98.70%	-23.70%	-77.40%
Jan 2021	152,055	30,410	669,496	1,258	Vs. JAN 2020	-98.70%	-99.00%	-21.70%	-81.10%
Mar 2021	76,921	18,539	503,057	961	Vs. MAR 2020	-98.20%	-98.40%	-26.50%	-73.60%
Apr 2021	105,830	22,404	393,333	840	Vs. APR 2020	32.60%	63.20%	-31.30%	-25.00%
Jun 2021	233,940	40,651	661,906	1,352	Vs. JUN 2020	60.50%	50.00%	10.30%	21.80%
Jul 2021	297,879	54,092	753,812	1,592	Vs. JUL 2020	22.60%	25.80%	17.80%	39.70%
* AUG 2021	877,057	135,353	783,031	1,844	Vs. AUG 2020	294.10%	278.40%	20.70%	59.40%
Sep 2021	780,461	131,774	823,088	1,996	Vs. SEP 2020	158.70%	180.00%	22.30%	55.60%
Oct 2021	409,797	76,430	865,226	2,041	Vs. OCT 2020	95.00%	95.00%	21.00%	51.50%
Nov 2021	393,162	70,047	858,515	2,106	Vs. NOV 2020	87.10%	85.20%	15.50%	42.40%
Jan 2022	116,402	24,699	238,240	1,340	Vs. JAN 2021	-23.40%	-18.80%	-64.40%	6.60%
Feb 2022	99,027	31,253	240,478	993	Vs. FEB 2021	5.20%	47.90%	-53.30%	3.60%
Mar 2021	111,448	30,628	360,413	1,259	Vs. MAR 2021	44.90%	65.20%	-28.40%	31.10%

Figure 1: Cathay Pacific recovery in air travel.

*RPK (revenue passenger kilometers) measures the air traffic for airbus and aircraft using the formula: $RPK \text{ or } RPM = P * D$ where P is the total of revenue paying passengers and D is the distance traveled in kilometers.

**Cargo tonne-kilometres means the product obtained by multiplying the number of tonnes of revenue load carried on each flight stage by the stage distance flown measured in kilometres.

Figure 1 demonstrates the recovery in air travel and cargo transportation. However, when comparing the percentage change of Revenue Passenger Kilometers (RPK) with cargo revenue, it can be seen that although there was a decrease in cargo revenue, the influence due to travel restrictions on cargo was much smaller than on passengers traveling. The market was most severely impacted by the implementation of travel restrictions in the fourth quarter of 2020 and the first quarter of 2021.

2.2. Opportunity: An Increase in the Revenue from Cargo Transportation

The strict crew quarantine rules in Hong Kong limited overall cargo capacity, resulting in a 39.4% year-over-year decrease in capacity in March 2021. This happened in spite of the efforts to increase the number of cargo-only passenger flights and contracted freighter flights out of the subsidiary. Figure 2 demonstrates the changes in cargo and freight transportation.

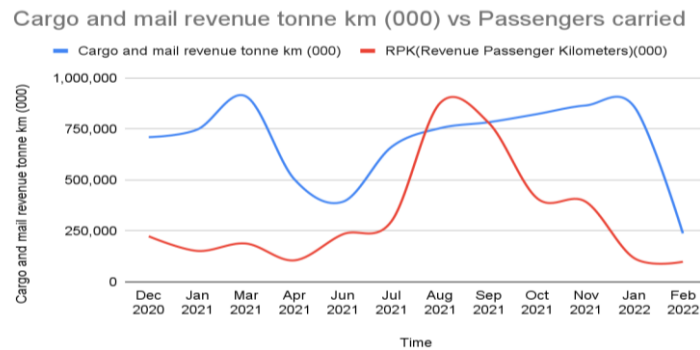


Figure 2: Cargo & mail & passenger flight.

The strategy of most logistics companies was to focus on cargo transportation due to fewer travel restrictions. In March 2021, the demand for cargo on Cathay Pacific was boosted due to the reduction in the length of the quarantine for crew members. Nevertheless, for the next few months, as shown in Figure 2, the capacity for cargo and mail remained significantly affected due to the difficulty in crew rostering lead time. The number of regularly operating cargo-only passenger flights and freighters was at the lowest level since the pandemic started. The situation started turning good after April because of increasing demand of COVID-19 vaccines. There were around 15 million vaccines being shipped by Cathay Pacific around the world. Thanks to the reduction in costs and strong cargo demand, airlines earned 79% of revenue from cargo transportation in 2021 [5].

3. Marketing Strategy Development under the Pandemic

3.1. Vaccine Transport

Since the beginning of 2021, when the promotion of vaccination started to overwhelm, the transportation of vaccines has been a challenge for logistic companies. The shipping of billions of COVID-19 vaccines around the world is being more and more difficult. Logistics companies such as DHL, FedEx, and UPS were working on distribution plans in the USA. As a consequence of observed spikes in demand for related medical and healthcare goods, companies started to focus on using all capabilities to speed up the delivery of these vital shipments.

Until December 2021, UPS, which is a logistics company offering international packages and freight transportation, surpassed one billion COVID-19 vaccine doses, since it is one of the logistic companies that are responsible for the Pfizer-BioNTech corporation's COVID-19 vaccine delivery.

The UPS network not only assisted healthcare businesses and international organizations but also participated in public-private partnerships to distribute vaccines by using the cold chain to remote areas. In order to achieve this, UPS Healthcare identified around 500 trade channels to facilitate international vaccination shipments. To accomplish this, UPS had to implement ultra-cold freeze to facilitate equitable distribution, as well as UPS Healthcare subsidiary - Marken, which UPS acquired in 2016. It played an important role since it was involved in nearly all vaccines and treatments in development today. Aviation companies, like Cathay Pacific, decided to load temperature-sensitive cargo [6]. This strategy has helped them to maintain their cargo services. Despite the fact that some of the passenger flights were grounded, this really gives them opportunities to boost and expand because passenger planes and their pilots are able to transport vaccines to regions of the world.

Along with the demand for vaccine transportation, technology innovation in each logistics company becomes the "centrepiece." Cold chain transportation became mainstream transportation during the pandemic. The cold chain refers to the transportation of temperature-sensitive products

along a supply chain through thermal and refrigerated packaging methods and the logistical planning to protect the integrity of these shipments.

3.2. Grocery and Food Delivery

With the consumption upgrade and the new retail innovation model opening up online and offline, the consumption scenarios will be more multiple.

Therefore, not only during the transportation of vaccines but also during COVID-19 lockdowns, grocery and food deliveries have become a necessity. Waitrose, one of the major grocery stores in the UK, has developed a delivery business due to a change in customer shopping behaviour. More customers are relying on online ordering instead of going to the shop by themselves. In early 2022, Waitrose collaborated with Deliveroo, which is an online food delivery company. “It is important that we continue to evolve along with shopping behaviour to give our customers more options for how and when they want to shop with us.” [7].

Being this case, logistics companies are trying to make collaborations or making acquisitions with companies that need a large amount of delivery service, which helps them in expanding their services.

3.3. Talent and Technology Management

Along with the cancellation of quarantine rules and safety measures in most countries, logistics companies no longer depend on vaccine transportation only but also on the construction of a highly synergistic and sustainable supply chain [8]. This will then lead to an increase in fitter, mechanic and technician roles, and staff gross pay in the future. However, due to the high demand in advanced technology, the use of automated and connected technology is expected to grow.

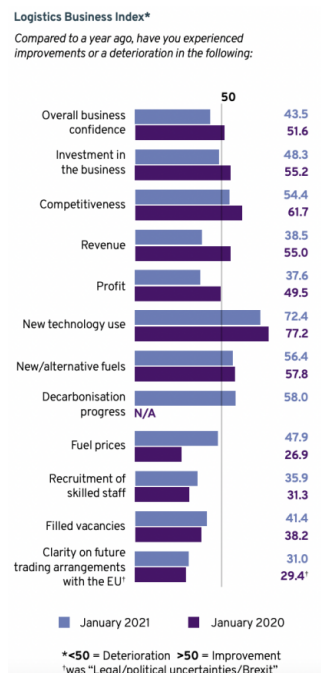


Figure 3: Change in logistics business (Source: Logistics UK Industry Survey 2020/21).

4. Conclusion

The findings in this paper show that the COVID-19 epidemic has significantly impacted the logistics industry as a result of travel restrictions, a national lockdown, and safety measures that slowed down

the shipment process. However, when vaccine production increased, logistics companies began to take steps in that direction, such as applying for medical licenses that allow them to transport vaccines and deliver other healthcare items, to help them achieve the expansion before the competitive market was saturated [9]. Along with the pandemic is the return to normal. The logistics market will still obtain many opportunities as people gradually realise the importance of logistics. Also, with the government supporting policy, leading logistics companies with strong network operation capabilities, leading digital capabilities, and good service quality are expected to benefit from policy benefits [10].

Moreover, due to the rapid development of the logistics industry, there are many small and irregular companies that may cause market disruption [11]. However, along with the development, most small companies will choose to make alliances and cooperation. Thus, more valuable competition will then occur, and the differentiated layout of products and the improvement of service quality will be the main characteristics that consumers need.

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