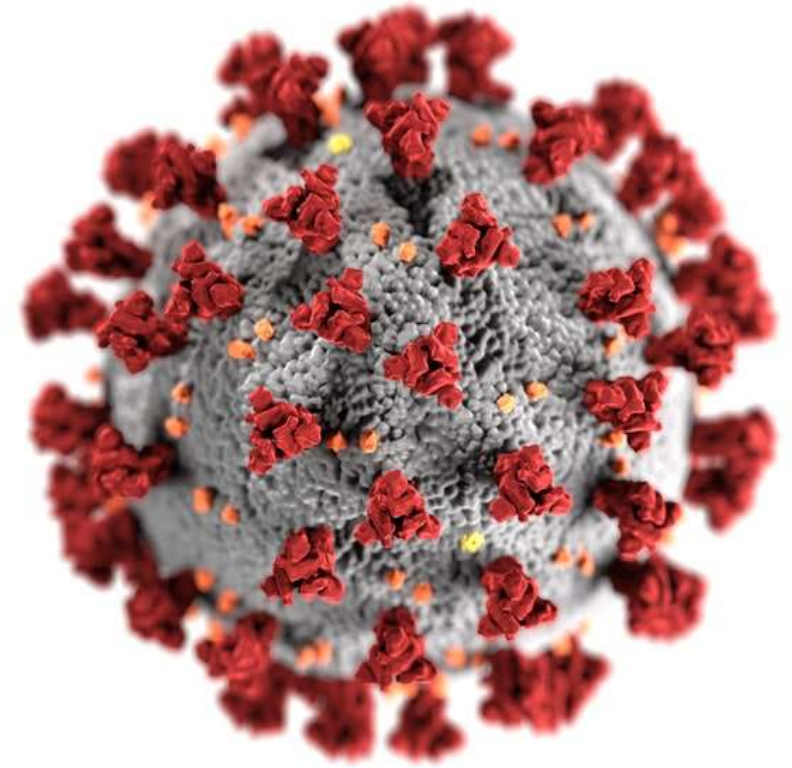


**Disclaimer: The opinions expressed in this presentation are solely those of the presenter and do not necessarily represent the official policy or position of the Illinois Chamber of Commerce.**



## **Navigating your business through COVID-19**

**May 2020**



## **A message from our CEO, David Abney:**

In the wake of the COVID-19 virus, our highest priority is to do our part to help ensure the health and safety of our employees, customers, and suppliers while taking all reasonable measures to meet our service commitments.

We share the concern of the global community and hope the virus can be contained and eradicated as quickly as possible.

It's true that the world faces many challenges, but none that we can't overcome.

**Learn more at [UPS.com](https://www.ups.com).**

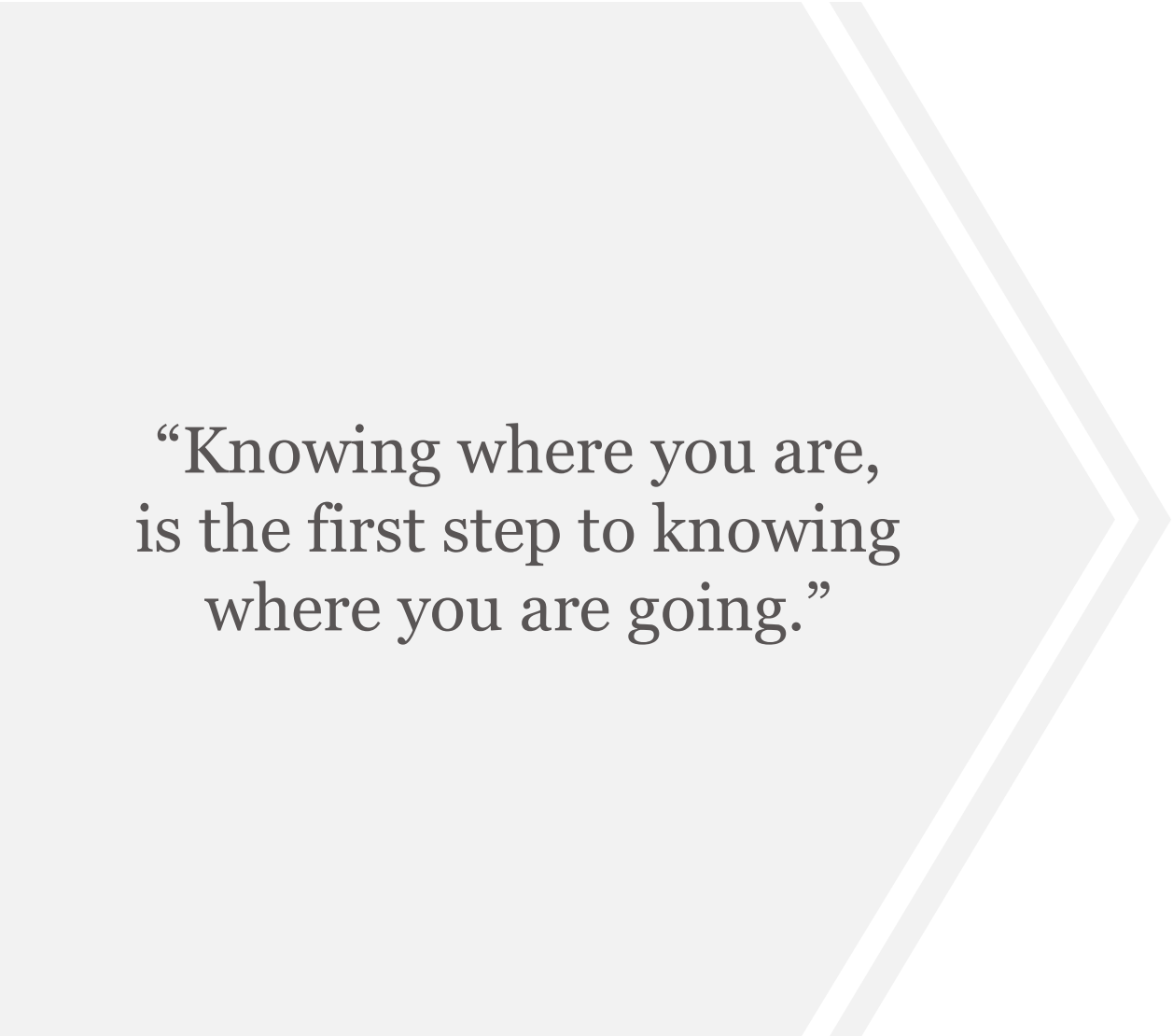
**The Health and Safety of Our Employees and Customers is Paramount**

**Serving Our Customers and Communities in a Time of Need Unlike Any We Have Seen Before**

**Adopting Safety Measures Specific to the Pandemic**

**Navigating a World of Changes to Ensure that the Global Supply Chain Continues to Function**

**Developing and Providing Solutions For Our Customers**



“Knowing where you are,  
is the first step to knowing  
where you are going.”

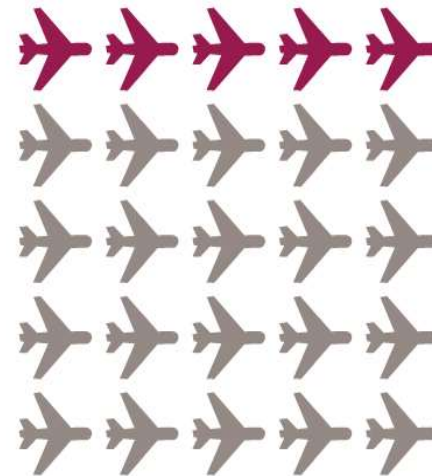
How is COVID-19 impacting  
**U.S. BUSINESSES?**

# Global air capacity is 29% lower than last year

Almost all trade lanes across the world are seeing double-digit air capacity declines compared to last year (among all carriers).\*



Passenger belly capacity is down 82% as of April 24, 2020.



More than **16,000** passenger jets are grounded worldwide, as the coronavirus heavily affects travel and puts unprecedented strain on airlines.

\*Seabury Consulting update - coronavirus effects on air cargo capacity, April 24

## Summary of what's happening as a result of COVID-19



### Inventory delays and shortages

- Limited operations in global ports
- Limited commercial air capacity
- Visibility challenges on inbound inventory



### Labor and fulfillment challenges

- Labor shortages due to quarantines and fear
- Forced labor reduction due to low cash flow
- Fulfillment disruption due to Amazon's delayed shipping of non-essential items and a general shift to reach customers through new channels



### A shift to ecommerce due to social distancing

- Greater need for a seamless ecommerce checkout
- Increased importance of digital marketing to compete against peers
- Need for alternate delivery options and clear communication regarding potential delivery delays



### An increased focus on cost savings from reduced cash flow

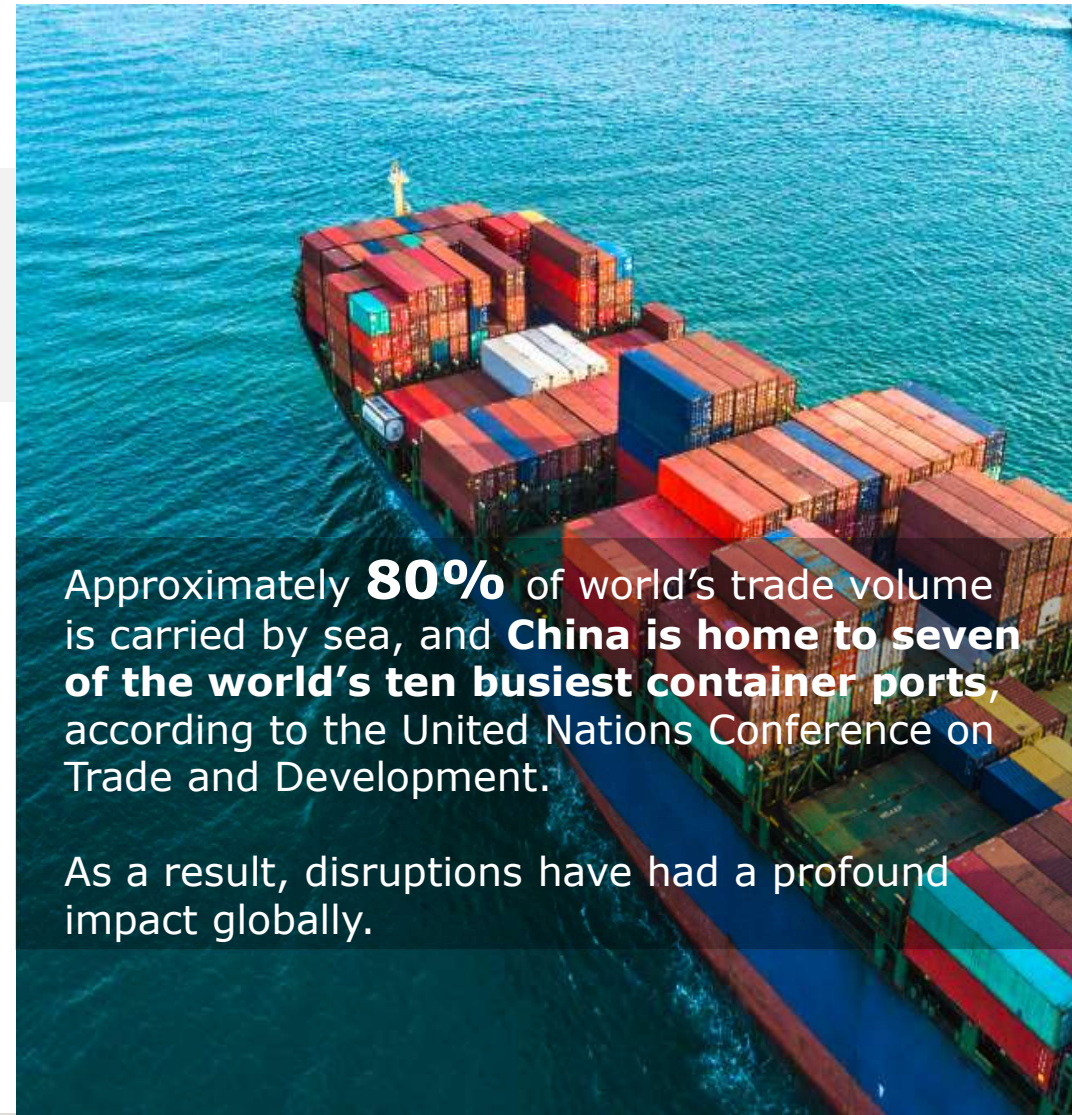
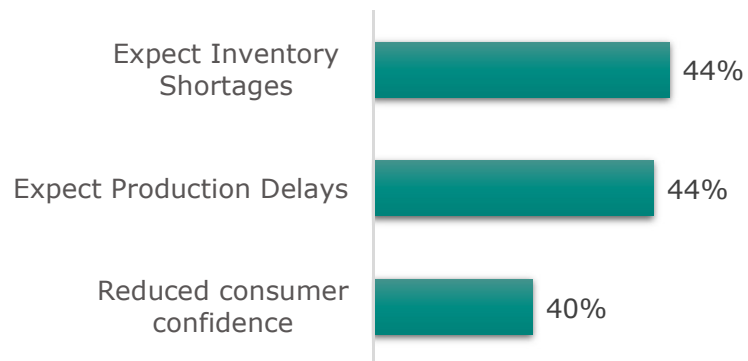
- Financial stress from increased costs of obtaining inventory, limited liquidity from delayed payments, and high monthly fixed costs

## Inventory Delays and Shortages

# 93%

of U.S. businesses expect to see impacts to their supply chain as a result of COVID-19

Which of the following impacts are you expecting as a result of COVID-19?

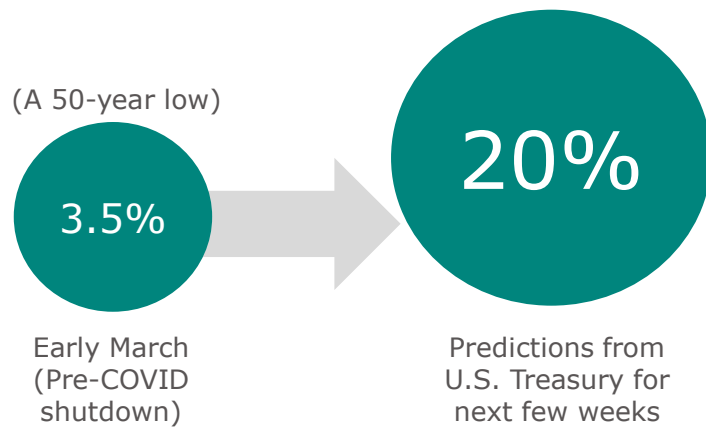


Source: [Digital Commerce 360](#), [United Nations Conference on Trade and Development](#)



# Labor and Fulfillment Challenges

The unemployment rate is rapidly rising as businesses close or run low on cash to pay workers<sup>1</sup>



Plus, many workers that are still employed are afraid to go to work due to fear of contracting the virus<sup>2</sup>



Amazon announced that they will delay restocking of non-essential items until April causing merchants to scramble to find a backup fulfillment option

**94%**  
of Amazon merchants use FBA for at least some orders<sup>2</sup>

**64%**  
of sellers exclusively rely on Amazon's FBA service<sup>2</sup>

**What are they doing?**

**22%** of businesses using Fulfillment by Amazon plan to alter their channel strategy--most will put an emphasis on **selling directly to their customers.**

In addition, businesses with no previous ecommerce capabilities are now struggling to **quickly stand up a web presence** to stay in business in what seems to be "**the new normal**"

<sup>1</sup> Bureau of Labor Statistics, <sup>2</sup> ProPublica, <sup>3</sup> 2020 Wired

## A shift to ecommerce from social distancing

75%



of American internet users say they are likely to **avoid shopping centers and malls** as COVID-19 worsens<sup>1</sup>



As a result, global ecommerce transactions **grew 23%** between March 11<sup>th</sup>-18<sup>th</sup> compared to the average weekly volume earlier in 2020

## What are you doing to capture this opportunity?

The shift to ecommerce has led to:



More businesses needing to build websites from scratch, improve their websites or find alternate channels to sell their products (e.g. marketplaces)



A greater need for digital marketing solutions to drive traffic, especially for products in high demand



Higher need for timely communication with customers regarding delivery dates

## Have you considered going beyond US Borders?

Source: [eMarketer](#), [TransUnion](#); [Online Sellers Strap In for a Wild Roller Coaster Ride with Coronavirus](#);

## An increased focus on cost savings from reduced cash flow

**50%** of small business owners said COVID-19 has already had a negative impact on their business



### Businesses are pressed for cash

**38%**

have seen a **decline in revenue**



**1/5**



of small businesses are considering layoffs

Many small businesses have tapped into **personal and retirement savings** or turned to **crowdfunding**



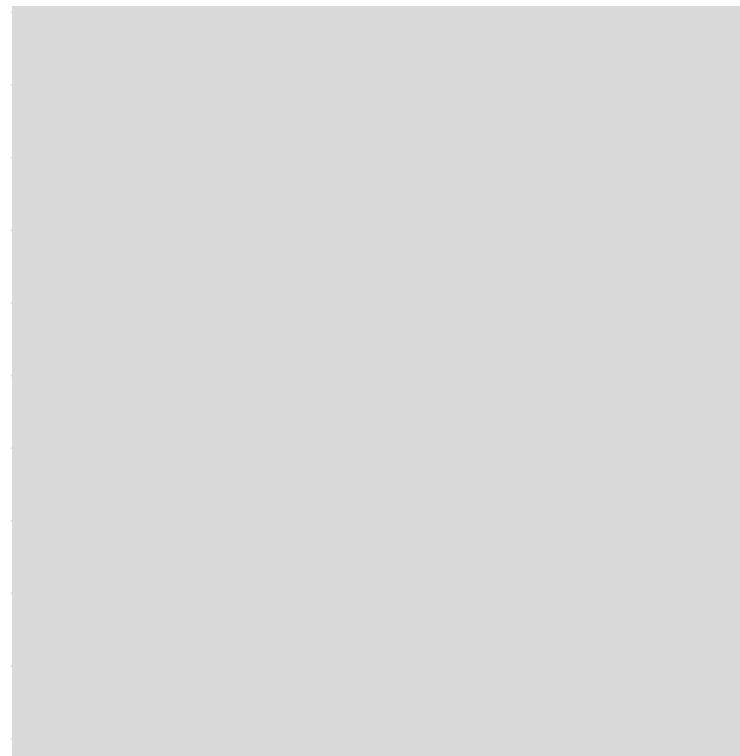
**25%**  
say they will **need a loan to survive**

Source: [Forbes](#)

# What actions are other businesses taking as a result of COVID-19?

**Which of the following actions are you taking as a result of coronavirus relative to your supply chain?**  
(Select all that apply)

- Constantly communicating with our suppliers
- Making contingency plans to ensure minimal impact to our supply chain
- Working with supply chain and transportation providers to minimize disruptions
- Making adjustments to our marketplaces
- Aggressively monitoring deliveries from China
- Revisiting our supply chain to mitigate risk
- Reduced our dependency on Chinese manufacturing
- Making alternative manufacturing plans in countries outside China
- Sought manufacturing geographic diversity
- Utilizing technology to monitor supply chain disruption



Source: [Digital Commerce 360](#)

# What actions are other businesses taking as a result of COVID-19?

**Which of the following actions are you taking as a result of coronavirus relative to your supply chain?  
(Select all that apply)**



Source: [Digital Commerce 360](#)

\*This assessment reflects various assumptions. Actual results may vary. Nothing herein is intended to or should be relied upon as a promise, guarantee or warranty. Proprietary and Confidential: This presentation may not be used or disclosed to other than employees or customers, unless expressly authorized by UPS. © 2020 United Parcel Service of America, Inc. UPS, the UPS brandmark, the color brown are trademarks of United Parcel Service of America, Inc. All rights reserved.

# How are you handling these new challenges and what are your greatest needs?



Inventory delays  
and shortages



Labor and  
fulfillment  
challenges



A shift to  
ecommerce due to  
social distancing



An increased focus  
on cost savings from  
reduced cash flow

# UPS has solutions that can help you maintain business continuity and provide new supply chain alternatives to navigate through the COVID-19 pandemic



## Inventory delays and shortages

- UPS® International Air Freight Portfolio
- UPS Worldwide Express Freight®
- UPS Preferred® LCL/Ocean Freight
- UPS Trade Direct®
- UPS My Choice® for business



## Labor and fulfillment challenges

- Warehouse Optimization
- Engineering Solutions
- Outsourcing
- UPS® eFulfillment
- Ware2Go™



## A shift to ecommerce from social distancing

- Demand Generation
  - MIVA
  - NetElixir
  - Listrak
  - Rakuten
  - Zinrelo
- UPS® Time in Transit API
- UPS My Choice® for home
- UPS Access Point® network
- Branded Visibility
- UPS® Worldwide Economy
- UPS Ready® Provider – Zonos
- International Compliance



## An increased focus on cost savings from reduced cash flow

- UPS® Customer Technology Program
- UPS Capital Solutions
  - Kabbage Payment Protection Loans
  - Kabbage Payments Gift Card Program
  - Cargo Insurance
  - Trade Credit Protection
  - C.O.D. Payment Options
- UPS® Address Validation API
- UPS Customer Solutions
  - Network Optimization
  - Mode Optimization

# Q&A



## Shifting to a New Norm.....taking action

*UPS And Michaels Launch Contactless Curbside Pickup Of Packages And Return Drop-Offs At UPS Access Point Locations*

*UPS Flight Forward, CVS To Launch Residential Drone Delivery Service In Florida Retirement Community To Assist In Coronavirus Response*

## Supporting our Communities

*The UPS Foundation Allocates \$15M To U.S. Community Organizations And Worldwide Non-Profits In Fight Against Coronavirus And To Support The Road To Recovery*

UPS Donates 100,000 N95 Masks to the State of Illinois

UPS Donates 10,000 N95 Masks to the City of Chicago Police Department

## *Keeping The American And Global Economy Moving*

Update: 200+ flights to support Project Airbridge,  
other healthcare-related missions

Effort is helping meet urgent needs



\*This assessment reflects various assumptions. Actual results may vary. Nothing herein is intended to or should be relied upon as a promise, guarantee or warranty.  
Proprietary and Confidential: This presentation may not be used or disclosed to other than employees or customers, unless expressly authorized by UPS.  
© 2020 United Parcel Service of America, Inc. UPS, the UPS brandmark, the color brown are trademarks of United Parcel Service of America, Inc. All rights reserved.



**Thank You**