

IMPACTS OF THE PANDEMIC FROM A 3PL COLD STORAGE COMPANY'S VANTAGE POINT

As we are now in the third year of the global pandemic, many industries from restaurants to retail shops are struggling with labor and product shortages. Cold storage is no different. Even before the pandemic, several forecasts predicted both labor and driver issues as well as storage space shortages. This report discusses the impact of the pandemic from a 3PL cold storage company's vantage point.

Cold Storage Industry Overview

Available Cold Storage Space

Available cold storage space had already been a threat pre-pandemic. Several industry leaders and data scientists had predicted a shortage of cold storage space that was set to reach critical mass in late 2020 to 2022 by several models. Cold Storage was (and remains) a hot industry for venture capitalists. The number of greenfield projects, while increasing, was still short of the frozen segment's growth patterns. Predictions abounded of increased rates due to a shortage of space. The pandemic, however, reduced the production capacity for several food companies. Across the board, demand for cold food outpaced production and many food companies saw "on-hand" inventories reduce to keep up with demand. In a good way, this affected available cold storage space. More companies were able to find cold storage within their service lanes in 2020 and 2021. However, there is a common goal for domestic food manufacturers to get their inventory level and fill rates back to pre-covid levels. Therefore, the market is now beginning to forecast as tight again.



Driver Shortages

The ongoing shortage of available drivers coupled with the lack of warehousing /manufacturing labor has created a real challenge for those who miss their appointments and/or have shifted loads. Prior to the pandemic, there were more choices to “rework a load” and find “temporary storage” near the destination for a second delivery attempt. More facilities are working with limited labor and have diminished support for these “short-term storage” needs.

Labor Shortages

Some facilities have reduced hours to consolidate labor. Finding 3rd shift labor has been very challenging since the pandemic. It cannot be overstated that the reduced labor resources negatively impact the cost of finding temporary solutions for both missed appointments and shifted loads. Carriers must travel greater distances to find unscheduled services and are paying higher prices for unscheduled labor, often at overtime rates.

The Effect of Labor Shortages on 3PL Cold Storage Industry

Cold Storage Capacity

The labor shortage has been profound in 3PL cold storage. Several facilities declined to bid new customers requiring a high amount of labor, despite having space. While this has been common in many industries, it has been especially prevalent in cold storage.



Handling Charges

With direct tieback to labor, handling charges will most likely surge in the coming year if not already surged in your area. The average dock worker pay has increased 20-25% over a two-year period. On your annual price agreements, it would be wise to forecast your inventory and turns so that your 3PL cold storage partner can 1) staff accordingly and 2) provide any efficiencies to help offset handling cost/pricing resulting from your forecast.

Services Offered

Cold storages offer a wide variety of services. Some services overlap with what manufacturers may normally provide at their plants. This is by design, as they are often requested as a troubleshooting option: blast (or quick) freeze, relabeling, repacking, strapping, stamping, restacking, cross-docking, and other services are often heavily dependent on labor. Several cold storages are reducing these services and focusing the available labor on the basic core functions of receiving and shipping full pallets.

Further, a reduction in applicants means that any attrition of existing staff will reduce “extra” services capabilities. Until the labor market turns around, expect further erosion of labor-intensive services. In addition to these miscellaneous extra services, one core service that is becoming hard to find is case picking. Long considered a standard offering, it's a very labor-intensive service that not only increases the outbound labor by up to 300%-500% depending on the density of picks/outbound. It also exposes the employees to the environment, who must exit their equipment to provide this service. Employee morale is more important than ever, and case picking is a challenge. Overtime labor is also affected in the same way. There are less employees seeking overtime hours than in the pre-pandemic work climate.

Safety Changes in the 3PL Cold Storage Industry

Employee Safety

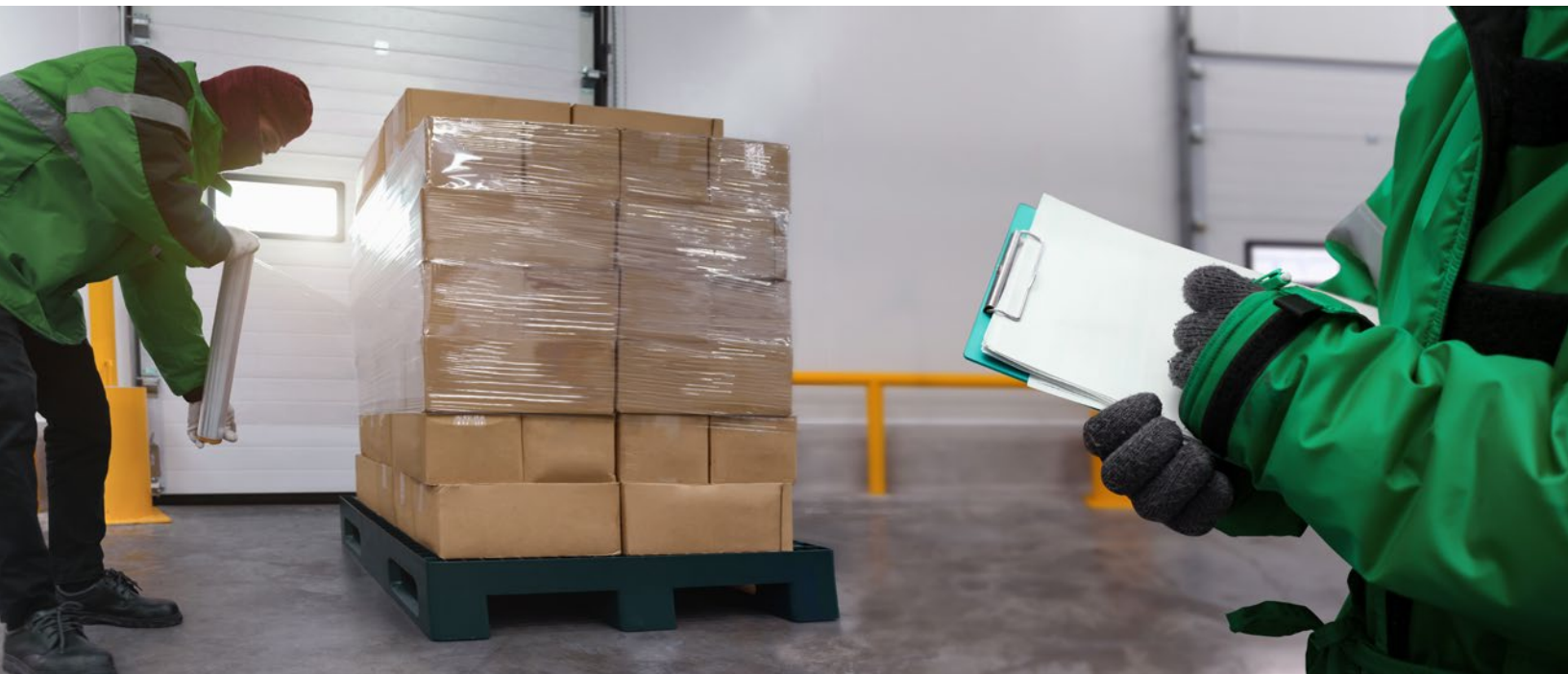
Safety has been at the forefront of all 3PL cold storage facilities. Typically, workers have worked in close proximity and there could be several users of MHE (material handling equipment), Scanners, keyboards, and work areas. Cold Storage has several employees who have changing work areas and environments.

Increased Sanitation

Social distancing, sanitizing work areas, and sanitizing material handling equipment has become a must to protect the work environment. This has negatively impacted the productivity as workers spend time managing their work areas three to four times per shift (an average of 20 minutes per shift).

Sickness Policy Challenges for 3PL Cold Storage

As in most industries, call-outs have increased due to the close working conditions of staff in a 3PL cold storage. Many of the penalties for “calling out” and “unexcused” absences were lifted as a matter of safety. Overwhelmingly, on-site management has developed a cautionary stance on allowing a higher incidence of callouts. This has exacerbated labor challenges in the 3PL cold storage industry.



ABOUT INTERSTATE COLD STORAGE

Established in 1973, Interstate Cold Storage is a leader in cold storage facilities, shipping and distribution, with a network of facilities strategically located across the Midwest. Headquartered in Fort Wayne, Indiana, ICS is a family-owned company with five locations and nearly 22 million cubic feet of refrigerated space. ICS is a top 20 North American refrigerated warehousing company, according to the International Association of Refrigerated Warehouses. The facility network currently supports temperature ranges from -15°F to 35°F with multi-room, multi-temp offerings. Interstate Cold Storage is a subsidiary of the Tippmann Affiliated Group and has two facilities in Columbus, OH; one in Napoleon, OH; and two in Fort Wayne, IN.

For more information, call 260-428-2505 or visit interstatecoldstorage.com.