

# Open Letter to Supply Chain Leaders Regarding Investing in the Future

Antwerp, Belgium, 8 November 2021

I firmly believe we need to invest in the future, however, challenging that may be for a logistics service provider. When I say, "invest in the future", the first thing you would think of might be the environment and the future of our planet. I already wrote about that in an earlier article on how [sustainability and profitability](#) go hand in hand. Rather than talking about the Planet, today I will speak of People and Profit.

## **No People, No Profit. No Building, No Profit Either.**

For years the logistics industry has been struggling with a shortage of labor. With the rise in e-commerce, the demand for logistics workers has become even stronger and the end is not yet in sight. The same goes for truck drivers. The shortage is impacting logistics service providers and transportation companies alike. What adds to the problem in Russia is that many immigrant workers have gone back home during the pandemic and now cannot or do not want to return.



The same rise in e-commerce has increased the demand for warehousing space, making it currently difficult to find vacant warehousing space.

## **Why Ruin the Labor Market?**

The law of supply and demand is simple. When demand is high and supply is low, prices go up. As a result of the labor shortage, we have recently raised the salary of our warehouse workers by 10% and increased the rates we are paying to agency workers as well. This raise is both substantial and sustainable.

However, I see a trend in Russia that worries me (and even makes me angry). Large e-tailers are ruining the labor market by offering salaries so high that logistics providers cannot keep up. Operating with completely different margins, they can bear this extra cost. To make working in the logistics industry more appealing, the wages of logistics workers need to be increased in a sustainable way for everybody.

I also have an issue with the fact that logistics providers are often left to their own when trying to solve capacity issues, although we cannot solve the problem on our own. Our margins are low compared to companies further up the chain, but still, some shippers expect us to carry the full load of the additional labor costs.

## **We Are in This Together**

My message to both the companies paying their workers almost twice as much as logistics providers and to shippers refusing to chip in for the increasing costs of labor: we are in this together. The logistics market should stay healthy in the long run, which is only possible if we work together.

## **Rise of the Robots**

In the future, the truck driver shortage will be solved by self-driving trucks and vans. It is only a matter of time. The same goes for many warehousing processes that are currently conducted physically. Robots continue to improve and will be able to take over and perform tasks until now reserved for humans. Automation will reduce the demand for labor, solving the problem of workforce shortage. But here is the snag: warehouse automation requires an investment in whatever form you choose.

In many cases, automated solutions are developed for specific logistics operations, for a specific customer served in that warehouse with well-defined pallet/box and other parameters. Besides the fact that these parameters can change anytime, the problem is the duration of most contracts between shippers and logistics service providers. The average duration of contracts ranges from one to three years, sometimes five, which is not long enough to earn back an investment. Most shippers refuse to extend running contracts beyond that term, even when they often stay for many more years.

## **We Are in This Together. Again.**

Let me repeat what I wrote earlier: the logistics market should stay healthy in the long run which is only possible if we work together. In this case, I call upon the shippers. If you are willing to enter more extended running contracts with us, we can invest in automated solutions to serve you better, avoiding labor shortages. Longer-term contracts, seven years or more, would solve the construction problem as well because they allow logistics service providers to invest in warehouses built for growth.

## **Invest in the future. Let's grow together.**



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