

Thought Leadership Series

# 5 Trends Supply Chain Professionals Will Continue to Monitor



# 5 Trends Supply Chain Professionals Will Continue to Monitor

The pandemic has had a sweeping effect on eCommerce, supply chains and warehouse operations over the past few years. Rising customer demand and changes in consumer behavior have affected how customers buy, why they buy and what they buy. The following trends show that demand will continue to grow, and customer behaviors and attitudes will continue to change.

Monitoring these trends, as well as including them as part of an overall operational strategy, will be critical to ensure that operations are equipped to meet consumer demands as well as flexible enough to adapt to market and other challenges.



## Trends

### 1. eCommerce Continues to Grow

eCommerce has seen a dramatic increase throughout the pandemic and many retailers still struggle to keep up with growth and satisfying consumer demands. Consumers who purchased products, normally bought in-person, will continue buying online after the pandemic has ended. A recent McKinsey & Company consumer survey<sup>1</sup> identified a 15–30% growth in consumer online purchasing after COVID-19 for most categories.

For comparison, some US eCommerce growth statistics<sup>2</sup>:

- eCommerce sales were \$870 billion in 2021
- eCommerce sales increased 14.2% over 2020
- eCommerce sales increased 50.5% over 2019
- eCommerce represented 13.2% of all retail sales in 2021

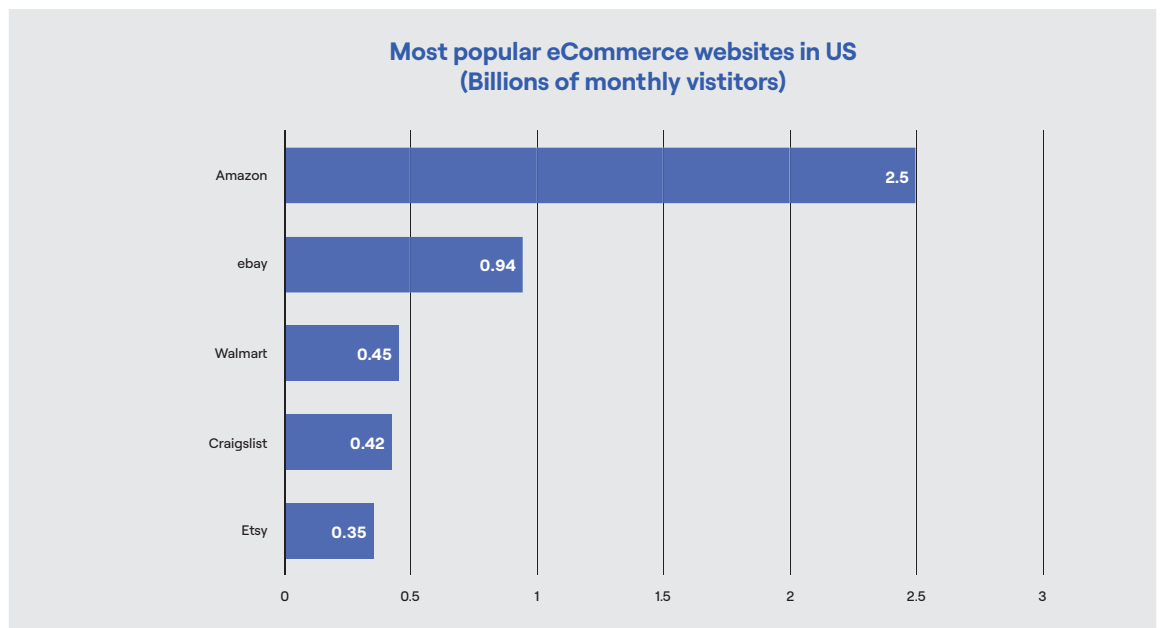
Most indicators point that eCommerce will continue to grow and by 2025 could be as much as 25% of retail sales overall and could be greater depending on category.

## 2. Brick and Mortar is Growing Again

In a recent story in the Wall Street Journal<sup>3</sup>, for the first time since 2017, US retailers are on track to open more stores than they close in 2021. While some major retailers have contracted or consolidated store locations, new brands and companies that were born and grown online have found physical locations produced greater sales and an expanded customer experience. Allbirds, which recently went public, is on track to open hundreds of stores in the near future. Also, Untuck it, another online store, had originally no intention of opening physical locations; however customers requested sites that allowed them to try their unique shirts. They noticed after opening a store, online sales grew significantly in the surrounding area.

Other trends in storefront growth:

- Closed spaces transformed into fulfillment centers and customer pick-up sites – Buy online, pick up in store (BOPIS)
- Storefront inventory availability
- Short-term lease offerings



<sup>3</sup> [https://www.wsj.com/podcasts/google-news-update/retailers-rely-on-physical-stores-for-growth/044109b7-1bc4-442f-b55b-fef2b390aeae?mod=Searchresults\\_pos20&page=1](https://www.wsj.com/podcasts/google-news-update/retailers-rely-on-physical-stores-for-growth/044109b7-1bc4-442f-b55b-fef2b390aeae?mod=Searchresults_pos20&page=1)

### 3. SKU Proliferation will Continue with the Growth of Personalization

As the consumer experience becomes more digital and personalized, SKUs will continue to grow. A recent Deloitte consumer survey<sup>4</sup> found:

- 1 in 5 consumers are willing to pay a 20% premium for personalized products
- 22% of consumers are willing to share some data in return for more personalized services or products
- 48% of consumers responded they were willing to wait longer for personalized products or services

Personalization means more products in inventory and continued growth in SKU counts. Companies will need to implement inventory management systems with transparent data, and a dynamic capacity strategy to manage the growing demand for personalized products.

### 4. Environmental, Social and Governance (ESG) Becoming More Important to Consumers

In a 2021 ESG Consumer Intelligence Survey<sup>5</sup> from PWC, the survey found that an overwhelmingly majority of consumers are more likely to buy from a company that shares their values across the various elements of ESG. The survey found:

- 57% of consumers feel companies should be doing more to advance environmental causes
- 48% want companies to show more progress on social issues
- 54% expect more from companies on governance issues



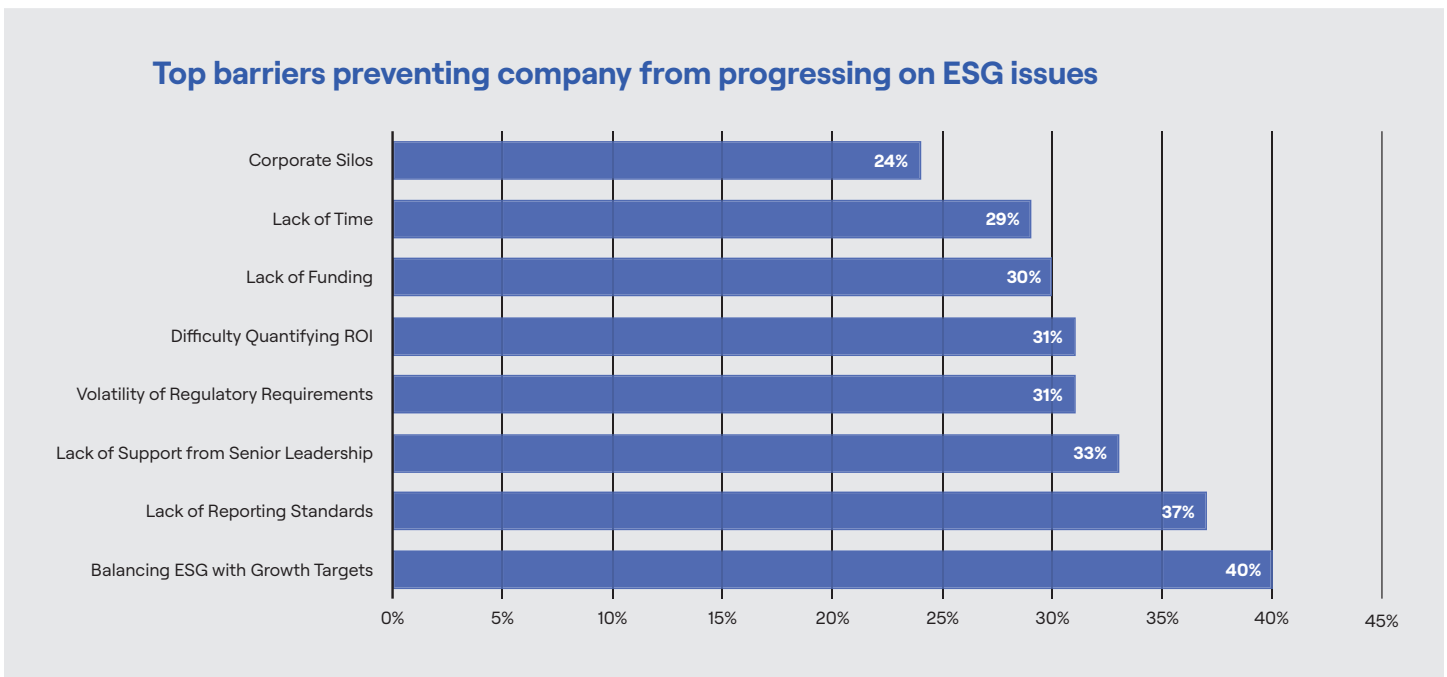
4 <https://www2.deloitte.com/content/dam/Deloitte/ch/Documents/consumer-business/ch-en-consumer-business-made-to-order-consumer-review.pdf>

5 <https://www.pwc.com/us/en/services/consulting/library/consumer-intelligence-series/consumer-and-employee-esg-expectations.html>

Consumers have shown that they are willing to turn away from brands that do not meet their standards for sustainability or ESG. In a recent sustainability survey<sup>6</sup> from LEK consulting, they found that over the past 3 years there has been a noticeable increase in the number of people who care about sustainability.

- 54% of consumers report having switched away from certain brands or products due to sustainability or ethical reasons
- 51% of consumers state they are willing to pay more for sustainable products
- Consumers accept 24-40% more in pricing for sustainable products over regular products

As the Securities and Exchange Commission begins to propose and enact stronger disclosures and reporting on ESG<sup>7</sup>, companies must start to prepare to track and record their efforts and document them in their public reporting process.



Source: PWC 2021 Consumer Intelligence Survey

<sup>6</sup> <https://info.lek.com/consumer-survey>

<sup>7</sup> <https://www.sec.gov/news/press-release/2022-92>

## 5. Acceptance of New Brands and Products

The pandemic has affected eCommerce and the supply chain in numerous ways, but perhaps one outcome less thought about is the effect on brand loyalty. During COVID-19, consumers tried new shopping behaviors (buying online; including mobile devices such as phones and tablets) and those behaviors are likely to continue. These new buying practices will fuel online competition for customers between legacy and new brands. A recent survey on US buying behavior from McKinsey & Company<sup>8</sup> found that 36% of consumers have tried a new brand AND 25% have purchased from a new private-label brand.



The survey also identified the main drivers for trying a new brand:

- Availability of products
- Convenience
- Value
- Quality/Organic
- Purpose Driven (ESG)

Gen Z and Millennials are the main segment showing a willingness to experiment with a new or unknown brand. These emerging brands are beginning to push established brands to update their customer experience and satisfaction for growing demographics or face losing market share.

<sup>8</sup> <https://www.mckinsey.com/business-functions/growth-marketing-and-sales/our-insights/the-great-consumer-shift-ten-charts-that-show-how-us-shopping-behavior-is-changing>

## What Do These Trends Mean for Warehouse and Supply Chain Operators?

- Distribution Centers (DC) must continue to innovate, automate, and expand as eCommerce sales grow and customer demands change.
- Managing DC costs, complexity, SKU proliferation and effectiveness will become a strategic advantage over competitors.
- Brand reputation and ESG efforts will begin to matter more and for many companies begin to be measured by the SEC.
- Business intelligence, data analytics and technology will be vital in order to enable partners, employees and managers.

---

# FORTNA

## FORTNA CAN HELP

By partnering with our team of experienced experts, we work with you to leverage the FORTNA Framework and our proprietary software and tools to help guide your warehouse operations through these trends and other disruptions. FORTNA experts will begin with an initial assessment to measure your current operation, work with your team to develop an operational design to maximize capacity and throughput, conduct the project implementation and provide Lifecycle Services to maximize daily operations.

Contact us today at [www.FORTNA.com](http://www.FORTNA.com)