



# Top 10 Supply Chain Predictions for 2022 (And Beyond)

By Guy Courtin



It's that time of the year again ... wait, what year is it? These past two years have been bizarre, which might be the understatement of my lifetime. It does feel as though we are starting to see the pin prick of a light at the end of the COVID tunnel. I was fortunate enough to have access to my booster jab, hoping others follow suit. And since Christmas carols were blaring as I was walking through the Detroit airport the other day, I guess we are getting close to putting a bow on 2021.

**Let's look forward and explore some trends likely to frame the supply chain landscape in 2022 and beyond.**



# 1.

## Supply chain bottlenecks, and their underlying drivers, aren't going away

We can mandate that the West Coast ports stay open for 24 hours a day. Consumers can be encouraged to buy their holiday gifts early. These might offer some respite, but this might be just rearranging the deck chairs on the Titanic. Granted, our supply chains are not destined for a frigid water grave, but COVID has magnified our underlying supply chain issues. Infrastructure, overdependence on just-in-time, elimination of safety stock and training the consumer to expect 'next day' everything are some of the challenges supply chains have raced to keep up with. Now, fold in a world devastated by a global pandemic, and you have a volatile mix. Don't expect these issues to go away any time soon. Look for 2022 to be a year of reconning. Supply chain bottlenecks will last well into the calendar year and the fundamental issues with regards to infrastructure – roads, ports and labor – must be addressed by governments and NGOs alike.

# 2.

## Supply chains focus on a new '3 Rs'

The circular economy is not just for consumer-facing businesses. Three new "Rs," returns, recommercing and recycling, will become vital for supply chains, starting with retailers. A decade ago, the importance of being sustainable felt like more of a marketing exercise. Today, being sustainable translates into real dollars for the business. We see this in brands like Levi Strauss & Co looking to reduce water usage in its production of jeans, which is environmentally sound, but also reduces overhead,<sup>1</sup> or Madewell that encourages its consumers to recycle their denim through its stores.<sup>2</sup> We have also seen a rise in secondhand marketplaces such as Poshmark and the RealReal that offer consumers access to secondhand items. Retailers and brands like IKEA and Crocs are also investing in recommercing assets.<sup>3</sup> I predict 2022 will be a tipping point for the 3Rs; brands, retailers, and most importantly consumers, will rally for supply chains to be smarter about how they handle the 3Rs of sustainability.

RETURNS

RECOMMERCING

RECYCLING

<sup>1</sup> <https://www.theguardian.com/sustainable-business/levis-water-less-jeans>

<sup>2</sup> <https://www.madewell.com/inspo-do-well-denim-recycling-landing.html>

<sup>3</sup> <https://www.retailtouchpoints.com/topics/sustainability/sustainability-in-action-ikea-crocs-ugg-expand-reuse-and-resale-offerings>



## 3.

### The cats and dogs cooperating

Kohl's taking in Amazon returns. Walmart and Home Depot partnering on fulfillment. Bed Bath and Beyond selling private label goods at Kroger. The list will continue to grow when it comes to apparent rivals playing nice in the sandbox. Is this another Amazon effect? No. It is because of the digitally-empowered consumer. The expectations we place on brands and retailers continue to force these players to figure out new and creative ways to meet our demands while not going in the red. I anticipate 2022 will continue to see several partnerships that were once seen as impossible. I wouldn't be surprised if we see a large fast fashion retailer partner with local recycle centers to allow consumers to directly dispose of returns.

## 4.

### Your wellbeing is the new experiential retail

Speaking of partnerships, one to keep an eye on would be partnerships between health providers and consumer electronics' brands. Why? Consumer electronics provide an "always on / always on us" access to personal data. This wealth of data offers a wide swathe of products and services — and our health and wellbeing can be large in-person service catalysts. Best Buy has already announced an expansion in its personal health services through its acquisition of Current Health.<sup>4</sup> Look for Apple to accelerate its moves into the personal health space as well. Its most recent watch is just a glorified personal health monitor. Experiential retail is traditionally regarded as what Dick's Sporting Goods has done with their new store format, with its climbing walls, outdoor track and other spaces encouraging consumers to try before buying.<sup>5</sup> In 2022, health and wellbeing will become a new experience driving traffic into stores.



<sup>4</sup> <https://www.pymnts.com/healthcare/2021/best-buy-acquire-current-health-advance-tech-focused-patient-care/>

<sup>5</sup> <https://www.cnbc.com/2021/04/09/dicks-sporting-goods-new-store-has-a-driving-range-and-outdoor-track.html>

# 5.

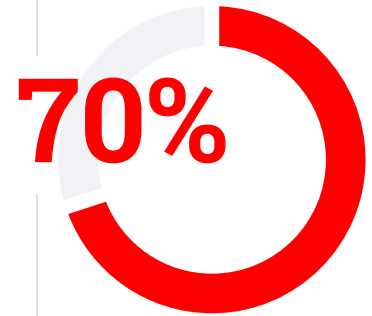
## Retailers will apply the brakes to the runaway fulfillment train

Two day, next day, two hours! We are being conditioned that we must get our goods faster and faster. But do you really need that crock pot from Amazon in two hours? Does Walmart have to deliver you the extra-large bag of dog food immediately? My guess is probably not. A recent study shows that over 70% of consumers are willing to wait more than 4 days for items.<sup>6</sup> I will freely admit – and yes, I realize I am a data point of 1 – that when I get some deliveries, they sit in their brown box for a day or two before I open them. The challenge is retailers and brands have been led to believe they must deliver in these tight windows. Rather than thinking it is all about speed, fulfillment will start to pivot to right-size rather than simply faster. We are starting to see retailers offer more options when it comes to how items are being delivered with prompts allowing you to wait a few days so you can consolidate your orders, or provide fulfillment options with regards to when, where and how orders are filled. We experienced the explosion of BOPAC and BOPIS over the past 18 months. Look for more creative thinking when it comes to how we fulfill orders over and above orders being blindly hurtled down the tracks towards the two-hour delivery window.

2 DAYS

NEXT DAY

2 HOURS



**70%**  
of consumers are willing to wait more than 4 days for items.

# 6.

## Brick and mortar is dead ... let's open some new stores

As Mark Twain once quipped, “the reports of my death are greatly exaggerated,” and the same holds true for stores. If you walk to your local mall, will you see stores shuttered, absolutely; especially in the United States. But similar to my first point, the underlying issues with malls have been around for a long time. Certainly, we have experienced an explosion of e-commerce courtesy of COVID lockdowns and the widespread availability of internet access, but this served merely to highlight and accelerate the issue. The United States has been “over real estated” when it comes to retail; some studies suggest there is 6x the square footage of retail real estate in the United States compared to similar nations.<sup>7</sup> The closing of some physical space is a natural culling of that excess. It would be easy to continue the narrative of the death of the store. However, there is another narrative that has begun to pick up steam: Physical stores being opened by digitally native brands. Ranging from mattresses (Casper) to eyewear (Warby Parker) to men’s clothing (Bonobos) and footwear (Allbirds), we are seeing brands whose success was driven by an online-only commerce now opening stores. And the grandfather of all e-commerce, Amazon, has opened stores and is announcing the plan to open department stores.<sup>8</sup> What in the dot-com is happening? This trend will truly take off in 2022 and beyond. The harsh reality facing digitally native brands is that they limit themselves by only being online; they cannot leverage physical stores for branding, services and selling goods. Traditional retailers will also continue to look at how their stores can adapt to start offering more services to draw in customers. I foresee 2022 will mark a pivotal year in which the endless clickbait about the death of physical retail will be outpaced by stories of retailers finding new ways for their stores to evolve and nontraditional parties opening a new era of stores.

<sup>6</sup> <https://www.statista.com/statistics/1229506/consumers-willingness-to-wait-for-a-purchased-item-with-free-delivery/>

<sup>7</sup> <https://seekingalpha.com/article/3992081-america-retail-footage-crisis>

<sup>8</sup> <https://www.cnbc.com/2021/08/19/amazon-is-reportedly-planning-to-open-department-stores.html>

# 7.

## Meet the new DC (distribution center) not the same as the old DC

Let's go back in the time machine for a moment before we look ahead. Rewind to 1999 when Y2K was the closest thing we had to a global issue and we didn't even have iPhones! Our warehouses were a passthrough for inventory before they arrived at their final point of acquisition; a center to receive and store our bulk SKUs before we had to break them down to more consumable packages. Fast forward a few decades and the warehouse is playing its traditional role of storing inventory, but is now being asked to do so much more. Much like stores will continue to redefine their roles with the retail supply chain, so will the distribution center. With e-commerce accounting for 20% of all retail sales, many of these orders are being fulfilled directly from the DC. That means that the warehouse — the labor, infrastructure and material handling equipment (more on this in the next prediction) — are being asked to do more; specifically, pick and pack single orders. In 2022 we will see the continuing evolution of distribution centers, from handling "eaches" orders to processing returns to handling custom kitting needs, just to name a few, and this will become an expectation of the warehouse.

# 8.

## These aren't the droids you are looking for

Or are they? Automation and robotics are hot topics, especially when it comes to the warehouse and last mile segment of fulfillment. COVID was lighter fluid for the e-commerce barbeque. While e-commerce has started to regress to pre-pandemic growth levels, the need for faster fulfillment remains a driver. Like the last prediction of the evolution of the DC, automation will play a large role in this change and continue to evolve in the retail supply chain. A large part of this evolution will be the continued usage of automation within the warehouse, as well as in other parts of the fulfillment network. The challenge for potential customers of automation in 2022 and beyond is the array of choices and workflows that automation can offer. I predict 2022 will mark an inflection point for automation solution providers. While there will be a healthy flow of investment capital for automation players, those shopping for these automation solutions will continue to mature and become savvier when it comes to identifying the use cases, what they want automation to address as well as the silos of automation necessary. Expect to see the growth of automation for supply chain fulfillment in 2022, but look for the start of consolidation of players within the space.





# 9.

## Metaverse! Get your avatar ready for the digital supply chain

When Facebook decided to rebrand itself as Meta, plenty of snark could be consumed on social platforms.<sup>9</sup> Justifiably so. However, the rise of the metaverse seems to be gaining steam. So, what is this? A simple definition from NPR, "The internet brought to life, in 3D."<sup>10</sup> If you were to simply read some of the headlines, one would conjure images of a metaverse hyperdrive version of how we had to live our lives during the pandemic: E-medicine, virtual classrooms, Zoom customer meetings, working from home, attending virtual trade shows, and the list goes on. So, should we get our supply chains ready to be created in virtual world? Maybe not. But there will be some impacts from the metaverse when it comes to immersive experiences, customer service, remote maintenance and supply chain modeling. Using the metaverse to model and run simulations in a 3D environment will hold some opportunities for supply chains in 2022 and beyond. That said, I am not sure we should run out and purchase \$300 Meta 3D goggles and live our lives 100% virtually ... anyone remember Second Life?

# 10.

## Supply chain becomes cool

Was it ever not cool? Sure, it was doing its thing in the background for many years, but COVID has thrust the term 'supply chain' into the forefront of everyone's thinking. Indeed, there have been countless stories about how COVID has caused stress fractures along the supply chain, from the toilet paper shortage and computer chips to glass bottles and yeast, and the downstream impact of upstream issues has earned mainstream bandwidth. They say no press is bad press, right? Look for supply chain topics to dominate headlines well into 2022 and beyond. The silver lining of these current events is that education, jobs and general awareness related to supply chains will continue gain momentum. This sustained interest in supply chain will stretch into academia, from high schools to graduate schools, and may even be featured curricula. Employers will seek, hire and train employees to be savvier and more focused on all aspects of the supply chain. In 2022 and beyond, if you mention supply chains at your next cocktail party, you will no longer be met with a strange look, but instead seen as the most interesting person in the room.

EDUCATION

JOB

AWARENESS

Supply chain areas that will gain momentum.

<sup>9</sup> <https://www.statista.com/statistics/1229506/consumers-willingness-to-wait-for-a-purchased-item-with-free-delivery/>

<sup>10</sup> <https://seekingalpha.com/article/3992081-americas-retail-footage-crisis>



As 2021 winds down, despite another year of supply chain jams and distresses, I continue to feel privileged to work in this space. As professionals in this field, we are creative thinkers and relentless problem solvers, so I look forward to working with supply chain organizations around the world in tackling the challenges, exploiting the opportunities and helping to benchmark the future of our industry.

**Looking forward to a happy, and most importantly, healthy 2022. What are some of the trends you see taking hold in the year to come?**

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**Speak to a WMS and retail expert at Tecsys**

