

SUPPLY CHAIN BEST PRACTICES

(/web/20210412121944/https://retailandhospitalityhub.com/supply-

chain/)



RETAIL INDUSTRY UPDATES

(HTTPS://WEB.ARCHIVE.ORG/WEB/20210412121944/HTTPS://RETAILANDHOSPITALITYHUB.COM/CATEGORY/RETAIL/RETAIL-INDUSTRY-UPDATES/)

SUPPLY CHAIN INDUSTRY UPDATES

(HTTPS://WEB.ARCHIVE.ORG/WEB/20210412121944/HTTPS://RETAILANDHOSPITALITYHUB.COM/CATEGORY/SUPPLY-CHAIN/SUPPLY-CHAIN-INDUSTRY-UPDATES/)

Supply Chain Reimagined in the Era of E-Commerce

Zain Jaffer, Zain Ventures () • October 6, 2020

SHARE



(https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/supply-chain/supply-chain/supply-chain- chain- chain- industry- industry- updates/supply-chain- chain- chain- reimagined- in- in- in- the- the- the- era- era- era- of- of- of- e- e- e- commerce) (https://web.archive.org/web/20210412121944/https://pinterest.com/purl=&media=https://retailandhospitalityhub.com/wp-content/uploads/2020/10/iStock-1213503348.jpg&description=Supply+Chain+Reimagined+in+the+Era+of+e-commerce)



Story highlights:

- *E-commerce is driving the need for more warehouse space and demand for safety inventory.*
- *Retail and other organizations might diversify their supply chains to protect themselves.*
- *Big-box retailers are likely to dominate in the search for new last-mile spaces.*

COVID-19 has paid a wrathful visit to every business sector, and it further complicated fulfillment practices in the supply chain. Already disrupted by the U.S.- imposed trade tariffs, China-dependent supply chains were thwarted as travel restrictions became long-term realities. Furthermore, the pandemic seemed to disrupt company revenue, diminish consumer spending, and hence reduce the need for supply. There was cause for concern in the logistics sector.

But demand has resurfaced in the mid-COVID-19 industry, and the supply chain industry is undergoing changes that are both strengthening fulfillment processes and increasing demand for warehouses and distribution centers. An opportunity exists for simultaneous improvements — better efficiency and dependency for retailers, and better returns for investors and building owners in the industrial and logistics sector.

Demand in the Market

It is the era of the e-commerce sale. The transition toward online shopping was a trend before the pandemic, and quickly became a boom as corporations in all goods and services sectors pivoted to enable sales without in-person activity. A mid-year review conducted by **CBRE** (<https://web.archive.org/web/20210412121944/https://www.cbre.com/research-and-reports/Global-Real-Estate-Market-Outlook-Midyear-Review-July-2020>) examined e-commerce sales as a percentage of total retail sales in the 10 countries with the highest retail output. E-commerce made up 17% of total sales in 2019, and experts are predicting a rise to 21% by next year.

Grocery retailers will further invest in their last-mile locations, and require more space to distribute their goods as the grocery store experience expands.

It's worth noting that e-commerce has a two-fold impact on the need for distribution centers. The first wave of demand is coming from the introduction of new industries to the distribution model.

For example, a significant amount of new e-commerce activity is coming from the grocery sector. People are becoming accustomed to ordering their food and beverage goods online. It can be expected that to adapt to the change in operations, grocery retailers will further invest in their last-mile locations, and require more space to distribute their goods as the grocery store experience expands. Globally, delivery requirements for companies selling fresh food have already spiked demand for short-term lease spaces in Australia and greater Tokyo, as owners see an increased need to house inventory for online deliveries.

The second driver of demand is the new need for "safety inventory." Through erratic consumer behavior, and unpredictable, often backlogged demand, many business owners have found it necessary to increase their stock in storage for quick replenishment of their fulfillment centers. Safety inventory helps retailers respond appropriately to those spikes in demand, and is especially helpful when buyer behavior can't be observed in-store. It's a strategy that will generate more need for warehouse space as retailers across industries continue to have growing needs for storage.

Era of Independence/End of Inefficiency

There are a few key changes to the distribution process on the horizon that will impact demand in the market by region and type of operation. The pitfalls of the multi-tiered set up were exposed by the pandemic. Since most supply chains today consist of many fulfillment steps, where one warehouse feeds to another, disruptions in supplies and transportation caused show-stopping bottleneck effects. A shift in strategy is to be expected, as retailers find more dependency in an omnichannel approach.

During this procedural reconsideration, supply chains will diversify. The bottleneck effect of mainland China, combined with other factors like rising labor costs and the trade tariffs previously mentioned, will drive companies into new markets in Asia, Europe and back to the United States.

CBRE predicted that established markets near large population sectors will be largely protected through the recession, where smaller suburban markets that are dictated by local economics might see some immediate decline. However, secondary and tertiary markets are expected to fully recover, offering owners and investors long-term opportunities should they be able to weather the short-term storm.

Companies might be interested in paying for advantaged spaces, creating an increase in redevelopment projects and a market-wide reward for more modernized distribution centers.

Lastly, the omnichannel approach foreshadows an increase in demand for larger-size space blocks. CBRE's report predicted that first-generation, big-box space will capture most of the upcoming market demand. Furthermore, as more retailers have more need for last-mile locations, where goods can be stored until they're delivered directly to the customer, more occupiers might be interested in paying for advantaged spaces, creating an increase in redevelopment projects and a market-wide reward for more modernized distribution centers.

As the supply chain process continues to adapt, the industrial and logistics sector is growing more and more resilient. The surge in e-commerce and the diversification of the market is creating a foundation of strength in the industry that will prove largely unshakeable throughout the recession. Although many changes can be expected, it seems a safe prediction that the need for distribution centers and warehouse space is only on the rise.

*Zain Jaffer is the founder and CEO of **Zain Ventures***

([https://web.archive.org/web/20210412121944/https://u7061146.ct.sendgrid.net/ls/click?](https://web.archive.org/web/20210412121944/https://u7061146.ct.sendgrid.net/ls/click?upn=4tNED-2FM8iDZJQyQ53jATUTE-2FICByEwbcJt9TJQTwt-2BCagrEMPZR5F2nEgQNzqwRI2BB__6IFJcu0LeTx-2FD-2FSST5clGewi2Z3TJOILewr3nMt8kUFOKFmDJVc0NebSlzdHQDxaV7ADpa5pyErWe54-2BGETPvy4wpFI9w7Srunojzl8SVbIKlyfw8VP3f-)

upn=4tNED-2FM8iDZJQyQ53jATUTE-2FICByEwbcJt9TJQTwt-

2BCagrEMPZR5F2nEgQNzqwRI2BB__6IFJcu0LeTx-2FD-

2FSST5clGewi2Z3TJOILewr3nMt8kUFOKFmDJVc0NebSlzdHQDxaV7ADpa5pyErWe54-

2BGETPvy4wpFI9w7Srunojzl8SVbIKlyfw8VP3f-

2BOahn06PQPjwXXOtnwP8Z986wOPSLy58bU3aTOIQlrqa5XA1h6F049cqmmboIIMx9H3zwr59nAvls
2FhdoNHvfnGslxOJdIFpIGkpibK2ehjnf9befNqsqnb6IO-
2Fz1Ax8USMa46TITbm9b6EoCQ7CpnebmcrRXgSESxYJMfj-2Fz1TiB7Qm6o9-
2FfhhbqSd7i9axlz51FH3G-2FU0s-2FBg-3D), an investment firm with more than \$100 million in
assets under management. Zain Ventures is active in a variety of commercial real estate
initiatives across the United States with a current portfolio of 17 projects across 11 states.

Tags:

grocery stores

(<https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/tag/grocery-stores/>)

guest blog (<https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/tag/guest-blog/>)

Industry Updates

(<https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/tag/industry-updates/>)

Resilience

(<https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/tag/resilience/>)

Retail (<https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/tag/retail/>)

Supply Chain Best Practices

(<https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/tag/supply-chain-best-practices/>)

PREVIOUS ARTICLE

Digital Savviness in Grocery is a Big Differentiator

(<https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/retail/retail-industry-updates/digital-savviness-in-grocery-is-a-big-differentiator/>)

NEXT ARTICLE

Industrious Helps Proper Hospitality 'Get More Creative' in Repurposing Its Spaces

(<https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/hotel/hotel-industry-updates/industrious-helps-proper-hospitality-get-more-creative-in-repurposing-its-spaces/>)

Get the latest innovations directly to your inbox

Full Name *

First Name

Last Name

Company *

Title *

CEO, Owner, President, Partner, Principal, Managing Director

EVP,SVP,VP, General Manager Director, Manager

Buyer, Purchasing Associate, Staff Other

E-mail *

Select Your Interested Categories (Check all that apply) *

Food Service Best Practices Hotel Best Practices

Franchising Best Practices Retail Best Practices

Manufacturing Best Practices

Supply Chain Best Practices

SIGN UP NOW

You May Also Like



U.S. Retail Sales Make Huge Year-Over-Year Gains in March

(<https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/industry-updates/u-s-retail-sales-make-huge-year-over-year-gains-in-march/>)



'I Love Mondays!': Would You Rather Go to Work as a Manager or a Human Being?

(<https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/video/i-love-mondays-would-you-rather-go-to-work-as-a-leader-or-a-human-being/>)



'The Lempert Report': How TikTok can Offer Foodies a New Career

(<https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/industry-updates/how-tiktok-can-offer-foodies-a-new-career/>)



Manufacturers and Retailers Both Stand to Benefit from On-Demand Production

(<https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/supply-chain-industry-updates/manufacturers-and-retailers-both-stand-to-benefit-from-on-demand-production/>)

QUICK LINKS

[Home \(/web/20210412121944/https://retailandhospitalityhub.com/\)](https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/)

Channels

[Retail \(https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/retail/\)](https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/retail/)

[Foodservice \(https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/food-service/\)](https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/food-service/)

[Supply Chain \(https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/supply-chain/\)](https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/supply-chain/)

[Manufacturing](https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/manufacturing/)

(<https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/manufacturing/>)

Franchising

(<https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/franchising/>)

Hotel (<https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/hotel/>)

About Us (<https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/about-us/>)

Work With Us (<https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/work-with-us/>)

Contact Us (<https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/contact/>)

Newsletter Subscription

(<https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/newsletter-sign-up/>)

Resources

(<https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/ebook-archives/>)

(<https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/category/food-service/food-service-newsletter-archives/>)

(<https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/category/franchising/newsletter-archives/>)

(<https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/category/hotel/hotel-newsletter-archives/>)

(<https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/category/manufacturing/newsletter-archives/>)

(<https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/category/retail/retail-newsletter-archives/>)

(<https://web.archive.org/web/20210412121944/https://retailandhospitalityhub.com/category/supply-chain/supply-chain-newsletter-archives/>)

CONTACT US




Knighthouse Media Inc.

830 W. Route 22, #104

Lake Zurich, IL 60047

Phone: (312) 285-0264

SOCIAL LINKS

 (https://web.archive.org/web/20210412121944/https://twitter.com/Supplychain_BP) 
(<https://web.archive.org/web/20210412121944/https://business.facebook.com/SupplyChainBestPractices>)

(<https://web.archive.org/web/20210412121944/https://www.linkedin.com/company/scbestpractices>)

LATEST EBOOK



(<https://web.archive.org/web/20210412121944/https://indd.adobe.com/view/af21e775-dcf6-48a7-98cd-99475b495f14>)

RETAIL & HOSPITALITY HUB

([/web/20210412121944/https://retailandhospitalityhub.com/](https://web/20210412121944/https://retailandhospitalityhub.com/))

© 2021, Knighthouse Media. All Rights Reserved. Privacy Policy ([/web/20210412121944/https://retailandhospitalityhub.com/privacy-policy/](https://web/20210412121944/https://retailandhospitalityhub.com/privacy-policy/))

Website Development - Joyce Inc (<https://web.archive.org/web/20210412121944/https://www.joyceinc.com/>)