The Demands of 2022 & What They Mean for Supply: A Short-Term Outlook

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Much of the progress and promises emerging as the crisis-era becomes the recovery-era seem to be a double edged sword. Such is the nature, presumably, of a real recovery. But across the supply chain sector in particular, that effect seems to be in full form.

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In early November, the Conference Board released their global outlook for economic growth in the coming year. Their numbers, traditionally very well trusted, put the next year of progress at a higher rate than average; they're forecasting a global growth rate of 3.9%. The US, specifically, is forecasted to grow at 3.8%. This is music to almost anyone's ears after the existential threats that characterized the pandemic-era economy. But almost all growth depends heavily on logistics—the affordable manufacturing, supply, and delivery of goods in demand. And the strength of the forecast was reason enough to shift the focus to the state of post-pandemic supply.

Two compounding forces have posed an incredible threat to supply chain processes through COVID-19. The first pandemic wave caused a reduction in business activity that shut down traditional supply channels and increased the urgency of e-commerce solutions without predictable demand. The second wave, more recent, has brought the problems of inflation, increased costs of goods and materials, talent shortages, and industry-wide disorientation. Many experts have lent a voice to the general prospect that hopes should be kept in check, and that the kinks incurred to the supply chain might not be fully resolved until 2023.

What does higher-than-average growth look like when it comes through a supply-chain funnel that's yet to be resolved? Below are ongoing areas of concern, along with new signs of real opportunity, that will characterize the supply chain in 2022, including some thoughts on what companies can do, how investors can help, and what might be their most lucrative positioning as the recovery takes shape.

Drivers Take (Or Leave) The Wheel

The Great Resignation is creating barriers to activity across all industries, but the mass-exodus of drivers comes at a particularly challenging time. Purchasing managers across the supply chain have calculated a global delivery time index that was sinking down to 34.8 this October. A number below 50 indicates longer-than average delivery times.

The mass-migration of driving talent, if unaddressed, will only bring that number down. In response, forward-thinking companies are pairing with supply chain leaders and logistics companies who are focusing the bulk of their after-COVID investments on retention. Lowering turnover and incentivizing applicant pools will be crucial priorities for maintaining consistency, reducing wait times, and offering a predictable service. More importantly, the workers have spoken, and a change is in order—logistics professionals who are able to make that change are the ones with whom investors and retailers should make their partnerships.

New Pressures of E-Commerce

For all supply chain considerations, e-commerce can be more or less synonymous with 'last mile.' The demand for at-home ordering and the proliferation of online sales has skyrocketed the need for final mile logistics. Competition among e-commerce companies is placing new demand for increased volume, faster turnarounds, and lower shipping costs. But some of the industry standards set during the COVID-chaos are unraveling as expected. In September, Whole Foods moved to end their 'free' delivery offerings. There's reason to believe that other e-commerce companies who gained an unrealistic upper hand on final mile solutions will have to do the same. Logistics services that can balance fast last mile turnarounds with strong employee offerings and sustainable practices will be the providers that prevail, and the ones that investors should trust with their dollar, while those companies that were willing to sacrifice ESG goals or employee priorities will quickly lose ground.

To cope with the above problem areas, which are proving to be long-term pain points, logistics professionals are increasingly seeing convincing returns on tech-first strategies. Machine learning (ML) in particular is becoming a hallmark of proper post-pandemic operations. Leveraging machine learning technologies for smarter supply prediction, more accurate delivery route planning, and properly correlated time estimates are addressing some of the most urgent problems industry wide. And far from replacing jobs or displacing existing technology, integrated machine learning solutions are preparing logistics professionals to make better and simpler use of analytic insights.

As ML technologies continue to see rapid and targeted uptake, artificial intelligence (AI) solutions are seeing a correlated rise. AI technologies make the most of the data leveraged and organized from ML solutions. AI can also automate some of the less safe, labor-intensive aspects of manufacturing roles. Logistics leaders and teams can leverage AI for better training and better on-floor visibility, answering to some of the growing safety concerns among manufacturing workers. Solutions in the realm of AI have also improved the safety and efficiency for drivers, and reduced the costs associated with material waste by better predicting the still-changing demand. Companies with AI and ML solutions in place are seeing quick returns on investment through better net operating incomes and improved retention; rapid uptake and integration of ML and AI technology should be an investor’s green light.

That economic experts have bullish predictions around worldwide economic growth is some of the best news we could have hoped for. But the enduring constraints on supply chain activity can’t be overlooked. Problems unaddressed will impact the economy as a whole, and result in reduced yield for investors across multiple sectors. Logistics professionals that are leveraging smart technology, focusing on talent retention, and finding creative solutions to the new pressures of e-commerce are in the best position; retailer partners and investors should partner with leaders who have taken those cues. With the right strategies in place, there’s every reason to believe that higher-than-average growth can be supported, and that the industry as a whole will be in an even better position for 2023.

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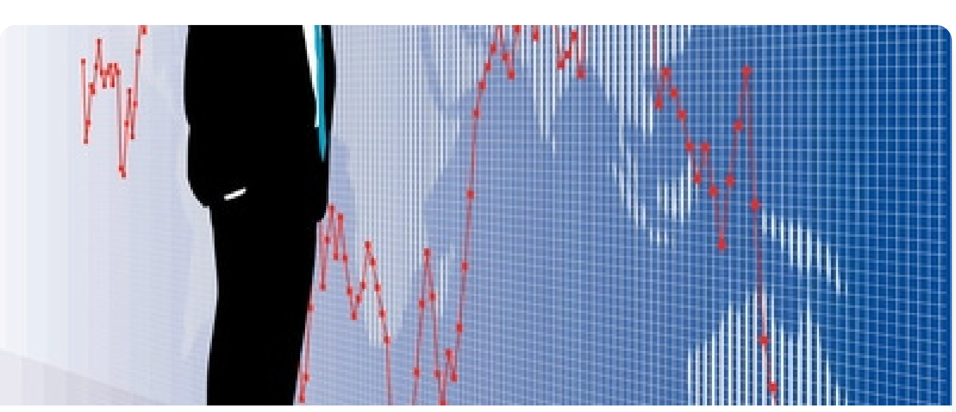

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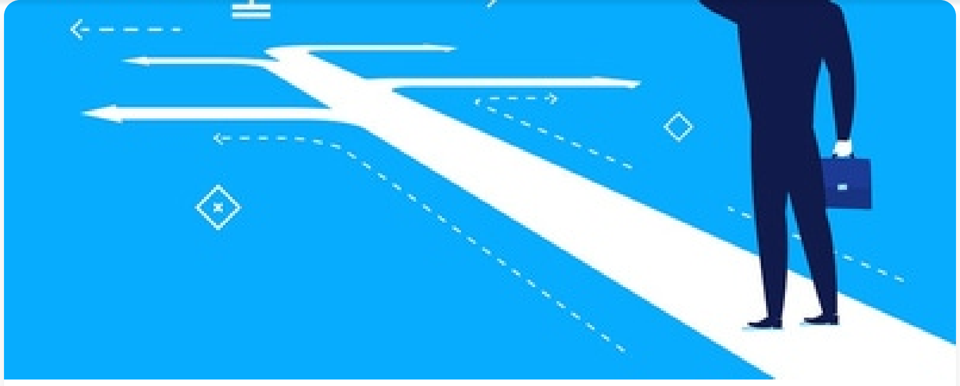

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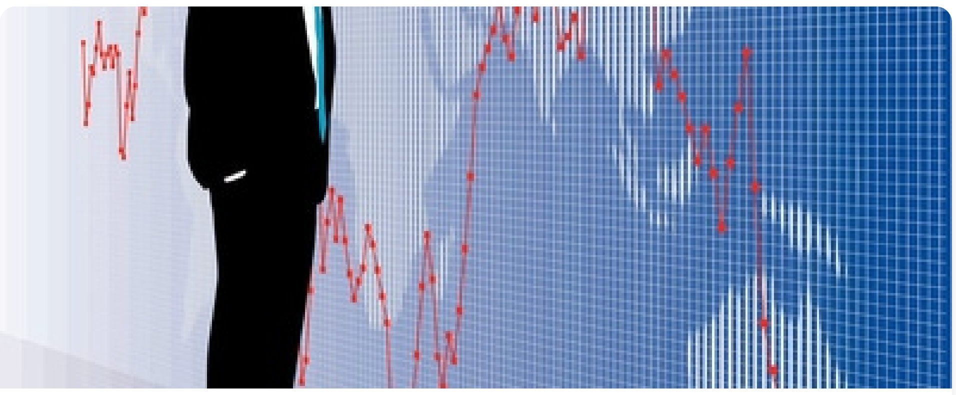

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