



Keeping Up With the Warehouse Boom: Five Retail Supply Chain Challenges For 2021



How warehousing became a strategic priority

If you were designing the perfect weapon to attack modern supply chains, a global pandemic would be a strong starting point. Throughout 2020, the logistics sector experienced profound disruption, with consumer behaviour shifting wildly and 'just in time' delivery practises rendered untenable. But among the most striking effects of COVID-19 has been a surprising boom in warehousing.

With stores shut, shoppers migrated online.



36.6%

Rate UK eCommerce grew by year-on-year¹.



36%

of total retail sales in November² UK eCommerce.



3x

the warehouse space required by businesses selling online compared to those selling in physical locations³.



£4.7bn⁵

total investment in Warehouse as demand doubled⁴.

The boom isn't only driven by eCommerce growth, however. Businesses are also looking to establish bases closer to their end users, which can reduce the last mile and improve service quality, but also increases the amount of storage a company needs. Others are rethinking the 'lean' supply chain model, opting for an approach which can ensure future stability.

Ultimately, warehousing has proven invaluable for businesses in a year of uncertainty.

But leaders can't assume the boom will last indefinitely. As Brexit threatens major labour shortages and consumers adapt to a post-pandemic economy, businesses must be proactive in adapting their supply chains to achieve maximum flexibility and efficiency.

In this eBook, we will look at five of the key challenges affecting supply chains in 2021.

¹<https://econsultancy.com/stats-roundup-the-impact-of-covid-19-on-e-commerce/>

²<https://www.ons.gov.uk/businessindustryandtrade/retailindustry/timeseries/j4mc/drsi>

³<https://www.economist.com/briefing/2020/05/16/businesses-are-proving-quite-resilient-to-the-pandemic>

⁴<https://www.bloomberg.com/news/articles/2020-10-02/warehouse-demand-doubles-in-a-year-as-covid-transforms-shopping>

⁵https://en.savills.de/research_articles/259694/309580-0



1 The visibility problem

Achieving real time supply chain visibility

As the events of 2020 demonstrated, supply chain visibility is vital for businesses to respond effectively to disruption. In early February, 70% of supply chain managers said they were still trying to manually identify which of their suppliers had a site in the specific locked-down regions of China⁶. This lack of clarity significantly hindered their ability to pivot or restructure procurement as COVID-19 spread across the globe.

Visibility is vital not only in times of crisis though. In warehouses, for example, real time visibility is also essential for high-speed fulfilment, enabling managers to coordinate more effectively, reduce errors and hold workers accountable. This leads to greater inventory control, shorter cycle times, reduced costs and better customer experience.

As businesses look to restructure their supply chains to adapt to a post-pandemic economy, they will must emphasise tracking and monitoring. This will surely involve investment in technology, as numerous innovative startups vie for dominance of the category. But perhaps more importantly, it requires a change of mindset.

Leaders must see visibility as an inherent part of the development of systems, rather than an additional extra to be tagged on with software integrations. As supply chains are redesigned, visibility should be built in to enhance the control and agility supply chain managers can exert in the future.



40% of leaders plan to increase investment in real time supply chain visibility⁷

⁶<https://hbr.org/2020/03/coronavirus-is-a-wake-up-call-for-supply-chain-management>

⁷<https://www.supplychaindive.com/news/real-time-supply-chain-visibility-greater-adoption-omnichannel-inventory-demand-forecasting/587772/>

2

The post-pandemic city

Adapting to changes in urban populations

Major cities are undergoing radical transformations in the wake of COVID-19, as remote working and exorbitant rent drives many to relocate. Paris, for example, is currently championing a '15 minute city model', which promises to reimagine the city as a collection of smaller, self-sufficient communities.⁸ This has clear implications for supply chain management.

As urban geography is reimagined, stable assumptions about where consumers cluster will be upended. Fulfilment will need to be far more flexible and agile to keep up, with possibilities like micro-fulfilment becoming increasingly appealing to ensure goods can be delivered at the necessary speed.

With cities changing, businesses will also need to consider how this impacts their staffing: will it be possible to fill warehouses and other supply chain roles as workers are redistributed across the country? And how will businesses stay agile with less access to workers?



London's population is expected to decline for the first time in the 21st Century in 2021⁹



⁸<https://www.bloomberg.com/news/features/2020-11-12/paris-s-15-minute-city-could-be-coming-to-an-urban-area-near-you>

⁹<https://image.uk.info.pwc.com/lib/fe31117075640475701c74/m/3/ab9cf413-ac81-40eb-a803-84542c05e42c.pdf>



3

The 'on-demand' era

Maintaining quality while scaling high-speed fulfilment

As consumers become accustomed to buying online, they also become more discerning about delivery quality and customer care. This involves everything from the cost and speed of delivery to the level of customer support offered and the ease of returns.

For warehouse managers, this presents a twofold challenge: they must simultaneously increase capacity to match demand and improve the speed, efficiency and consistency of fulfilment.

Tougher still, they must find ways to do this without increasing costs. Online retail margins are already generally lower online than in-store, as businesses shoulder a variety of additional costs. So a truly agile approach is required to ensure businesses actually profit from the eCommerce explosion.



Half of all British consumers experienced some form of parcel delivery issue in 2020, with 18% incurring financial losses as a result¹⁰

¹⁰<https://www.citizensadvice.org.uk/about-us/about-us1/media/press-releases/half-of-british-consumers-have-had-a-parcel-delivery-issue-since-first-march-lockdown/>

4

The machine learning curve

Integrating data-driven technology to increase efficiency

Supply chain technology is a fast growing industry, with everything AI and predictive analytics to full-scale automation on offer. For many businesses, the challenge is not finding useful solutions but determining which solutions to choose and how to implement them.

Data can be profoundly valuable, but it is often difficult to distinguish its quality, especially in large legacy companies with multiple disparate sources of information. Becoming truly 'data-driven' therefore requires not just new technology but new strategies to ensure the technology is used correctly and able to reach its full potential.

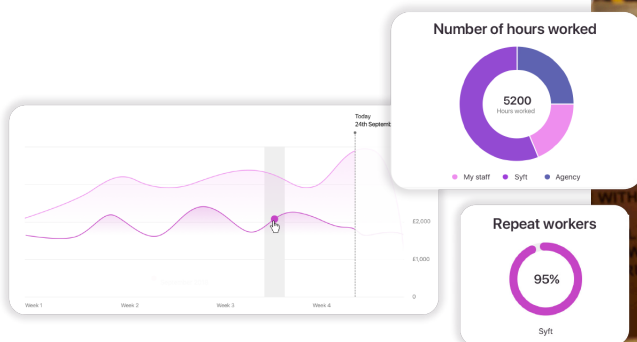
In warehouses, a major challenge is ensuring machines and human workers can co-exist productively and safely, so that technology actually augments human labour. Smart tech like nimble forklifts certainly has the potential to increase flexibility and efficiency, but it will also prove disruptive if not managed effectively or properly maintained.



Automation is estimated to improve productivity in eCommerce warehouses by up to 20%¹¹



¹¹<https://www.supplychaindive.com/news/e-commerce-warehouse-productivity-prologis-robot-automation-prologis/594728/>



5 The staffing crunch

Overcoming staffing shortages and establishing a more dynamic workforce

According to Logistics UK's Skills and Employment Report 2020, demand for warehousing roles is very high, especially as the sector has historically relied on labour from EU countries which is no longer so easily accessible¹². This presents a serious challenge for businesses looking to use warehouses to scale their eCommerce efforts.

While some claim automation will solve this problem, the reality is fully automated warehouses are a long way off for the vast majority of businesses. Instead, businesses need to look at restructuring their warehousing workforce in order to enable maximum agility.

One popular solution is a 'blended' workforce, which combines full-time workers with a strong supply of temporary workers who can be drafted in at short notice to manage increases in demand. While some pursuing this model find it difficult to ensure temporary staff are properly vetted and reliable, the gains in efficiency and productivity it offers will be hard for most to pass up.



Online job adverts for warehouse roles are currently 75% higher than their average¹³

¹²<https://logistics.org.uk/CMSPages/GetFile.aspx?guid=86764e99-6b36-4517-a93d-f567ebfa0ada&lang=en-GB>

¹³<https://logistics.org.uk/CMSPages/GetFile.aspx?guid=86764e99-6b36-4517-a93d-f567ebfa0ada&lang=en-GB>



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