



Supply chain 2022:

uncovering the trends that will impact retail supply chains



advanced

intelligent supply chain

a Reconomy Group company

Introduction

After much disruption and uncertainty across global supply chains, there's an overwhelming appetite for supply chain stability to return in 2022. Our latest research shows there's a growing confidence amongst retailers that this will happen.

46% of retailers told us they think they'll see the end of widespread supply chain delays and disruption this year. And after the well-publicised challenges in 2021, 70% of retailers are also confident that consumers will be more understanding of any stock delays and shortages in 2022.

This strong level of confidence shows real tenacity, despite global supply chain problems causing noticeable losses for many retailers during the most recent seasonal peak. One-in-five retailers reported Christmas trading, including Black Friday sales, was between 21% - 30% down on forecasts, whilst a similar number saw pre-tax profits at 16% - 20% below expectations. 46% of businesses pinpointed out-of-stock items, caused by supply chain disruption, as the biggest contributor to missed sales opportunities across this peak.

In the face of adversity, how can retailers best equip themselves to win back control over their inventory management and navigate future challenges to improve supply chain stability? We asked over 200 senior professionals with responsibility for stock inventory management to share how supply chain challenges had impacted their operations in 2021, and the trends most likely to influence their supply chains in 2022.

Here, we uncover those key trends and identify what impact they will have on supply chains going forward, and the steps retailers should be taking to optimise performance, improve efficiencies and create greater stability for their businesses.



Claire Webb

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Managing Director - Advanced Supply Chain Group (ASCG)

46%



of retailers expect to see the end of widespread supply chain delays

70%



of retailers think consumers will be more understanding of any stock delays and shortages

Supply chain disruption: the impact

Examining the most recent seasonal peak, our research identified **five key areas** where supply chain disruption negatively impacted retailers and what this meant for their businesses.



This combination of factors meant more than **£5 million** was lost in seasonal sales for a third of retailers, whilst **13%** missed out on sales revenues worth over **£1 million**.

2022 retail trends

Retailers who are showing more optimism about supply chain stability have learned to draw on supply chain data to pinpoint solutions for reducing errors and optimising processes.



Retailers are also utilising more rich data to identify trends in consumer behaviour that are likely to have an impact on their supply chains.

The research identified the following **six key trends** that retailers think will have greatest impact in 2022.

1 Spread the cost

Increasing use of 'buy now, pay later' options causing consumers to buy greater volumes of products

2 I want it now

The rise in demand from consumers wanting same day delivery of goods

3 Eco-anxiety

The growing concern from consumers about climate change and the demands for companies to be more sustainable

4 Low and no cost

Consumers increasingly expecting deliveries to cost less or be free-of-charge

5 Try before you buy

Shoppers ordering more product options and returning higher volumes of goods

6 Pre-loving re-commerce

The growing trend of consumers reselling and buying pre-loved clothing, and expecting retailers to meet this demand

How these trends will impact returns



57% of retailers think they will face a higher volume of returned items this year compared to 2021.

The collective impact of the retail trends our research has identified, such as the increasing use of 'buy now, pay later' options, and 'try before you buy', is leading to consumers ordering and returning higher volumes of goods.

Within these trends, sustainability remains high on the agenda for consumers - both in terms of the expectations consumers have for retailers to reduce their environmental impact, and in their own habits of reselling and purchasing more pre-loved items. This 'eco-anxiety' will drive demand for companies to be more transparent in their supply chain processes, particularly during returns. Consumers will want to see how retailers deal with returns as part of a more circular approach to reducing waste and overall environmental impact.

To prepare for this expected increase in returns, retailers reported the following **three priorities** as key for their organisations in 2022.

1



REVIEW

Reviewing sales strategies to reduce the potential for returns

2



RECRUIT

Employing more staff to manage increased volumes of stock coming back into supply chains

3



OUTSOURCE

Outsourcing more to third party providers with returns capabilities and expertise

Optimising performance

While there is high confidence amongst retailers for supply chain stability in 2022, our research highlighted **three priorities** for retailers to improve the performance of their supply chains as they continue to strive to drive revenue growth.

1

MAXIMISE

operational efficiencies within organisations and third-party suppliers



2

MINIMISE

the impact of disruption by creating more robust contingency plans



3

REDUCE

carbon footprint and improve sustainability



These priorities will be achieved with clear, concise action to protect supply chains against any further disruption and future challenges.

Taking action

According to the research, here are **four key actions** that retailers will implement in 2022.

1

Preparing by ordering stock earlier than usual



2

Investing in supply chain software to enhance stock visibility and stock management



3

Improving efficiencies to boost margins and financial returns



4

Creating more supply chain contingency plans



Preparing for Peak: our research found that a third (33%) of retailers are planning to order stock earlier than usual in 2022, with the majority ordering between six to ten weeks ahead of typical schedules for seasonal peaks.

Conclusion

While preparation for seasonal peaks is a key part of balancing supply chains, simply ordering stock early is not a 'fix all' solution. 2021 saw retailers move away from lean just-in-time models, in favour of holding more stock in warehouses to mitigate delays, but they should not give up entirely on this approach as shorter supply chains are easier to manage and can contribute to successfully reducing a business' environmental impact.

As our research pinpoints, we can expect to see continued investment from retailers throughout 2022 in supply chain software to enhance stock visibility and stock management, which in turn will allow retailers to develop more robust contingency plans to navigate future challenges.

In order to keep supply chains moving, here are **three key areas** that retailers must consider to deliver the greatest impact.

1

Ensure you're making data-led decisions

Forecasting and stock control must be based on accurate and up-to-date inventory and supply chain information. Data is critical to protecting margins and timings and maximising bottom line returns.

2

Prioritise end-to-end visibility

Retailers should work closely with all supply chain partners and suppliers to achieve full visibility of supply chain performance, from source of supply right through to sales channels. This will feed knowledge and insight that makes supply chains better, faster and cheaper. This approach will also help retailers and their partners find ways of improving sustainability that deliver genuine environmental impact throughout the whole supply chain.

3

Evolve short-term thinking

Immediate-term fixes have often proved effective during the recent uncertainty but aren't sustainable in the long-term. Retailers should revert to strategies and goals that look beyond solving the 'here and now' - it will enhance supply chain agility and resilience and prove a more effective method of regaining pre-Covid levels of control over the movement of goods.

About ASCG

Founded in Yorkshire in 1997, Advanced Supply Chain Group (ASCG) has established itself as an international logistics company moving over 139million products around the globe each year for the biggest and most successful retailers and consumer brands.

In September 2021, ASCG was acquired by Reconomy and operates as part of the Reconomy Group's Product Returns division. From its Bradford-base, ASCG operates seven owned sites across the UK, Europe and Middle East. This is supported by trading partnerships that span every continent, meaning ASCG can effectively move goods anywhere in the world.



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