WHITE PAPER

5 Parcel Trends in 2022 and Tips to Adapt

Increasing customer demands, unprecedented cargo logjams, workforce shortages, carrier capacity constraints, and the lasting effects of the pandemic have made supply chains more volatile than ever.

As a result, retailers and manufacturers must reimagine their logistics operations and adjust inventory and transportation strategies to successfully navigate a new shipping landscape and provide a satisfactory customer experience.

Rather than leaning into what's worked well in the past, industry leaders are investing in innovation and resiliency. Manufacturing companies are shifting their primary focus from predictability and efficiency to flexibility and sustainability, all in service to their customers and network partners. Likewise, retailers have turned their stores into warehouses and distribution centers and employed non-traditional carriers to get their products to their customers within a faster time frame.

Ready to learn more about how shippers are deploying creative strategies to build agility into their order fulfillment workflows and minimize the impact of supply chain disruptions? This white paper reveals five logistics trends reshaping the industry in 2022 and provides recommendations on how organizations should respond to these trends.

Trend #1: Cross-Border eCommerce is Rising

Not only has the pandemic accelerated the growth in domestic online shopping, but it's also increased consumers' willingness to make online purchases from abroad.

In fact, 57% of online shoppers purchased cross-border during the pandemic, with clothing and footwear the most popular categories for future purchases according to a survey across the UK, US, Germany, and Australia.

This boom in international e-commerce will continue, creating demand for international parcel shipping services. Leading e-commerce platform Shopify certainly agrees—it recently launched new features to help merchants tackle the barriers to opening international storefronts, including taking care of currency conversion, localization, and regional SEO.

Unfortunately, research also suggests retailers will need to improve their parcel shipping and fulfillment performance, as many online shoppers have a poor view of the delivery experience when ordering from abroad. Sixty-six percent (66%) of those questioned believe international purchases will arrive later than promised; 47% that they are more likely to be damaged in transit; and 73% expect they will be more difficult to return.

This scenario means e-commerce brands must rethink their outbound and inbound logistics processes to retain international customers in 2022 and beyond.

Tip #1: Customer experience is key

So, what can retailers and e-commerce brands who are looking to grow their business do to encourage continued cross-border sales? A key challenge is getting the customer experience right — especially the shipping and delivery strategy.

Eliminating friction, delays, and doubt is crucial.

Make product returns easy

Product returns are one of the biggest concerns related to cross-border purchases, with many consumers believing that making a return will be more difficult if they purchase from abroad. Offering a free returns service is the holy grail for consumers: 72% of survey respondents say this would encourage them to buy from a country other than their own.

While making returns free may not always be feasible given the cost and complexity of international shipping, making the process as easy and hassle-free as possible is important. Be clear about returns policies, provide returns packaging and labels with the original parcel, make booking a return quick and painless, and ensure the refund is initiated as soon as the return is collected from the customer.

Trend #2: 'Just in Time' Supply Chains Have Fallen Out of Favor

It's no secret that many organizations suffered from various supply chain difficulties and shortages throughout the pandemic.

Previously reliable suppliers couldn't meet demands, and warehouses across the globe decreased or even halted operations due to labor shortages, temporary pandemic mandates, or uncertainty about their economic futures.

For companies that operate a lean, Just in Time (JIT) supply chain, even seemingly minor shifts in the market can lead to backorders and stock issues. When the pandemic disrupted nearly every industry in the world, many JIT supply chains screeched to a halt, leaving partners, employees, and consumers in a tough spot.

Due to the ripple effects of Covid-19 in concert with growing competition and customer demands for near-instant order fulfillment, the once-popular model of a streamlined JIT supply chain is becoming less attractive.

'Just In Case' Supply Chains are Gaining Popularity

Brands are now keen to hold a larger buffer stock and plan for longer fulfillment lifecycles. Many are investing in more extensive storage and distribution centers to create self-mandated insurance policies that will help protect their operations and customers against supply chain delays or unexpected lapses in product availability.

Rather than keeping their inventory as lean as possible to minimize extra costs, manufacturers and retailers are planning for the unexpected and making upfront investments in more stock to secure their operations in the long term.

This strategy reduces the probability of products selling out and simultaneously accounts for surges in demand and lapses in supply. However, transitioning to a Just in Case (JIC) supply chain strategy doesn't mean companies should take their best guess at inventory needs or buy out suppliers at every opportunity.

On the contrary, companies should lean heavily on their data, including e-commerce data, logistics data, and inventory performance data.

This data can help companies adjust their inventory management processes to optimize lead times without putting themselves at risk for backorders or supply shortages. For example, using e-commerce and logistics data, once an order is received, it can be automatically assigned to the warehouse with the fastest time-to-service. This may or may not be the one closest to its destination, thereby improving delivery speed, potentially reducing shipping costs and increasing customer satisfaction.

Increased data visibility will enable brands to make informed decisions and deliver optimal results for their end consumers and their bottom line while accounting for potential disruptions in the months or years ahead.

The once-popular model of a streamlined, 'Just in Time' supply chain is becoming less attractive as companies aim to hold a larger buffer stock and plan for longer fulfillment lifecycles.

Tip#2: Give shoppers the ability to track their orders online

Consumers are increasingly used to seeing exactly where their order is when making purchases domestically, and they want the same level of visibility when ordering from other countries. Transparency is crucial, which means retailers need visibility into carrier data to provide buyers with real-time access to their shipment status. They should also strive to deliver preemptive alerts when anything changes.

For example, implementing multi-carrier shipping technology and integrating it with a robust e-commerce solution can enable the retailer to give buyers more visibility into their order status, estimated ship date, and real-time delivery updates to mitigate the uncertainty associated with international purchases.

Additionally, brands should consider expanding their transportation network to include international carriers and couriers so they can streamline last-mile delivery and put products in their customers' hands more quickly than standard shipping and delivery services.

Trend #3: The Market Is Becoming Carrier-Led

With the increased demand for e-commerce deliveries in 2021, parcel shippers learned that even the biggest carriers, including FedEx, UPS, and DHL, can reach capacity thresholds and turn away business.

These capacity issues are not only set to persist but will also be compounded by new reasons for driver shortages.

Brands with relatively low order volumes will likely suffer as carriers prioritize larger, more profitable partnerships. Even so, large enterprises could suffer as well if deliveries are delayed due to a lack of delivery drivers and supporting staff.

Carrier Partnerships Matter More Than Ever

Companies that have opted to tender for new carriers have been hit with staggeringly high price tags. Therefore, we expect manufacturers and retailers to stay with their existing carrier partners instead of on-boarding new supplemental carriers and structure multi-carrier shipping strategies to achieve greater flexibility, reduce risk, and optimize costs without compromising their customers' experiences.

Proactive shippers have used multi-carrier parcel shipping technologies with sophisticated business rules to quickly execute these strategies at scale and handle decisions related to capacity limitations, volume-related costs, and volume-related rate increases - continuously balancing delivery performance and price tags across multiple carriers for both inbound and outbound shipping.

Tip #3: Ensure that your carrier integrations are stable, and you have vendor flexibility in how you can fulfill your orders.

Get strategic with your most important carriers. Shipping effectively, even before the current supply chain challenges overwhelmed the system, is a competitive advantage. Think of your most important carriers as more than vendors; They are strategic partners working with you to enhance your overall customer experience.

Work with a technology vendor that takes carrier compliance and certification seriously. Shipping solution providers that work closely with the major carrier to ensure labels, manifesting and the communication protocols are certified and up-to-date are the best long-term choice.

When planning for peak periods, prioritize what is being shipped. Work with customers and suppliers to obtain additional flexibility on orders, consolidate shipments, adjust packaging, etc. These things could trickle down to require incrementally less capacity from carriers.

If major carriers with capacity issues during peak times limiting your ability to fill customer orders? Look to regional carriers to fill the gap. Expanding your carrier network to include relationships with local, regional or specialty carriers gives you flexibility when your primary relationships are stressing your ability to deliver.

Tip #4: Utilize benchmarks and indices to plan your shipments, to understand trends, disruptions.

As a supply chain leader, you are responsible for realizing your company's full potential. Driven by data from e2open®'s business network, these unique indices, benchmarks and reports support your decision-making process. Improving margins, inventory levels, risk reduction, speed-to-market and customer satisfaction is critical.

Based on our industry expertise and decision-grade data, these reports provide valuable insight to help you understand current trends and make smart decisions.

E2open reports provide intelligence that helps supply chain experts understand how their organizational performance compares to industry standards across an elaborate set of key performance indicators. As a result, leaders gain visibility into new opportunities and a better awareness of the tradeoffs between cost and service.

Learn more by accessing e2open supply chain reports and indices.

Trend #4: Last Mile Gig Economy Couriers Will Stay In The Spotlight (except maybe in California)

By this time, the gig economy is a familiar transportation staple, with on-demand drivers delivering meals, groceries, and even people.

During the pandemic, these courier services flourished as retailers joined restaurants, cafes, supermarkets, and grocery stores and embraced on-demand courier and messenger services such as InstaCart, DoorDash, and UberEats to meet customer demand for home delivery.

Gig economy couriers maximize flexibility, helping retailers increase order fulfillment options to meet peaks in demand without requiring them to invest in full-time staff.

In the first half of 2022, we've seen this trend increase further as more retailers strive to deliver products directly from the store to the consumer, often within just a couple of hours after the order is made online.

As the gig economy grew, couriers and delivery drivers began servicing new markets. The opportunity is certainly there. Consumers expect near-instant access to products, whether they desire a new set of mixing bowls from a department store or clothing from a local boutique. These services provide access to their favorite local stores and marketplaces without needing to leave home.

Target, Walgreens, CVS and other large retailers have set the stage with same-day and two-hour delivery options, leveraging services like Deliv and Postmates. In urban areas, taxis and bike messengers have become a new army of couriers helping retailers lighten their demand for more traditional carrier services by reducing the number of parcels in those carriers' queues. Fortunately, these services are growing to meet the new demand, with more of the gig economy racing to implement the right technology to accommodate heightened requirements for security, proof of delivery, signature capture, and more.

While slightly different than last-mile gig couriers, new legislation driven by the labor unions is cramping carrier pick-up at three major California seaports. The US Supreme Court's new decision permitting California's Assembly Bill 5 (AB5) worker classification law to take effect after three years of appeals might pose problems for owner-operators. Now, trucking companies must comply with the regulation that ends the independent contractor (owner-operator) model that dominates harbor trucking at Los Angeles, Long Beach, and Oakland ports. Workarounds are already taking place, but this action makes one wonder if similar laws are on the horizon for couriers.

Trend #5: Last-Mile Delivery Is Going Green

With climate change hitting the top of the news agenda at COP26, manufacturers, retailers, and logistics providers are continually exploring ways to reduce their carbon footprint and adopt sustainable practices.

Moreover, consumers are increasingly drawn toward brands with eco-friendly business models, and these priorities directly impact their purchasing decisions. 66% of consumers consider sustainability when making a purchase, and 34% are willing to pay more for environmentally friendly products.

This expectation spans every stage of the product lifestyle, including sourcing raw materials, manufacturing processes, in-house recycling policies, shipping protocols, and company-led sustainability initiatives.

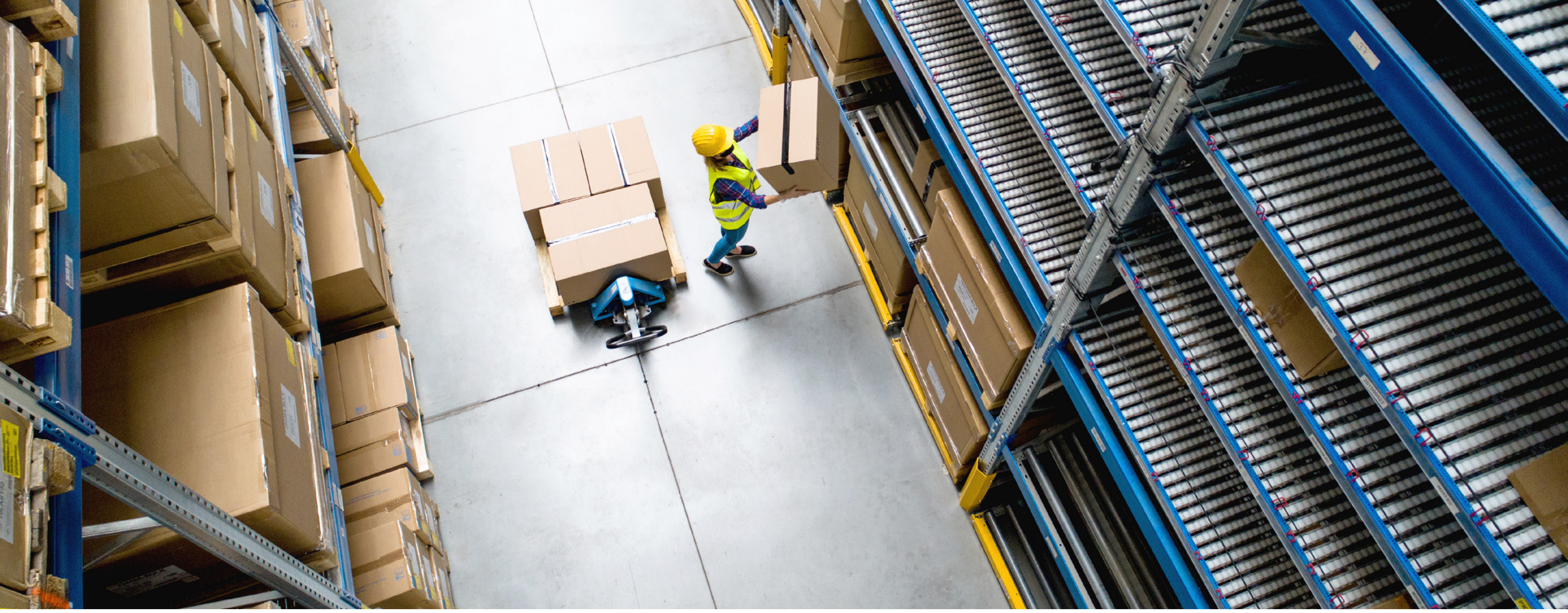
Sustainability is More than a Mission Statement

For manufacturers to win consumers, especially millennials, 'going green' means more than adding a leaf icon to their packaging. It starts with greener packaging—including the materials, the amount of 'air' in each shipment, and extends to last-mile delivery methods.

However, while consumers may value sustainability and expect brands to consider environmental factors, most aren't willing to sacrifice the everyday luxuries of same-day or next-day parcel delivery. And every order placed online that isn't picked up in-store or curbside exponentially expands our carbon footprint.

Shipping stakeholders worldwide are discussing how to remedy the problem while still meeting consumer expectations and are likely to continue this discussion into the coming year. For example, DHL Parcel UK recently invested nearly $4 million in electric delivery vans, with plans to significantly expand their eco-friendly fleet by 2030.

E2open's ESG initiatives start internally but expand to support our clients' environment, sustainability and governance goals with technology. Learn more by accessing the 2021 e2open ESG Report.



Conclusion

Unsteady international relations, the aftershocks of the Covid-19 pandemic, and climate change are shaking the foundations of many efficient but rigid supply chains.

As organizations strive to future-proof their supply chains in the future, managers must shift their focus to building flexible, resilient order fulfillment workflows to continue delighting their customers and surpass the competition.

Companies looking to succeed will adjust their once-rigid processes to accommodate shifts in consumer demand and embrace new opportunities and innovations.

Don't fall behind: start building a more flexible, more resilient supply chain today to fuel the future of your operations.

About e2open

E2open is the connected supply chain software platform that enables the world's largest companies to transform the way they make, move, and sell goods and services. With the broadest cloud-native global platform purpose-built for modern supply chains, e2open connects more than 400,000 manufacturing, logistics, channel, and distribution partners as one multi-enterprise network tracking over 12 billion transactions annually. Our SaaS platform anticipates disruptions and opportunities to help companies improve efficiency, reduce waste, and operate sustainably.

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