BRICK AND MORTAR COMEBACK POST-PANDEMIC

(AND WHAT THIS MEANS FOR E-COMMERCE AND SUPPLY CHAIN STAFFING)

INTRODUCTION

Consumers embraced online ordering with gusto during the pandemic: we spent $861.12 billon with U.S. retailers in 2020 (up from $598.02 billion in 2019), a 44% increase year-over-year (February 2021 statistics).

2021 shows a more significant increase in e-commerce sales: Q1 2021 figures showed online sales increase 39% compared to Q1 2020.

Yet let's not take this as the fading of brick and mortar retailers: they've shown they're scrappy AND resilient as they've innovated their fulfillment processes and strategies, used their stores for same-day delivery and started using stores themselves as "back of the store" fulfillment centers.

BRICK AND MORTAR WAS NEVER GOING TO DIE: IT WAS ALREADY EVOLVING

The Pandemic Just Sped Up the Process

Some retailers offered curbside delivery pre-pandemic, but they really increased this option when the pandemic started and customers were reluctant to shop indoors.

Many retailers expanded their home delivery options, but a curious thing happened: turns out people liked driving to the store and picking up their orders rather than waiting for them to be delivered at home.

RETAILERS TOOK NOTE AND TURNED INTO A COST-SAVINGS ADVANTAGE.

Many big-box retailers such as Walmart, Target and Best Buy expanded their curbside pickup options, even going so far as creating "mini" fulfillment centers at the rear of the store.

Target said the percentage of online orders filled via curbside pickup grew 734% in its fiscal Q2 2020. Home Depot also enjoyed triple-digit growth in curbside pickup during the same quarter.

Retailer cost savings of curbside pickups is phenomenal when it comes to "last-mile shipping costs." After all, semi-trucks filled with goods – whether going to a retail store for

A retailer's 'last-mile' trip to customer delivery is 53% of total shipping costs.

delivery or sorting at the store and then going out for delivery – are quite cost-effective. The "last mile" getting it to a consumer's home? Not so much: that trip from fulfillment center/store to a customer's home is always the most costly leg of a product's transportation journey.

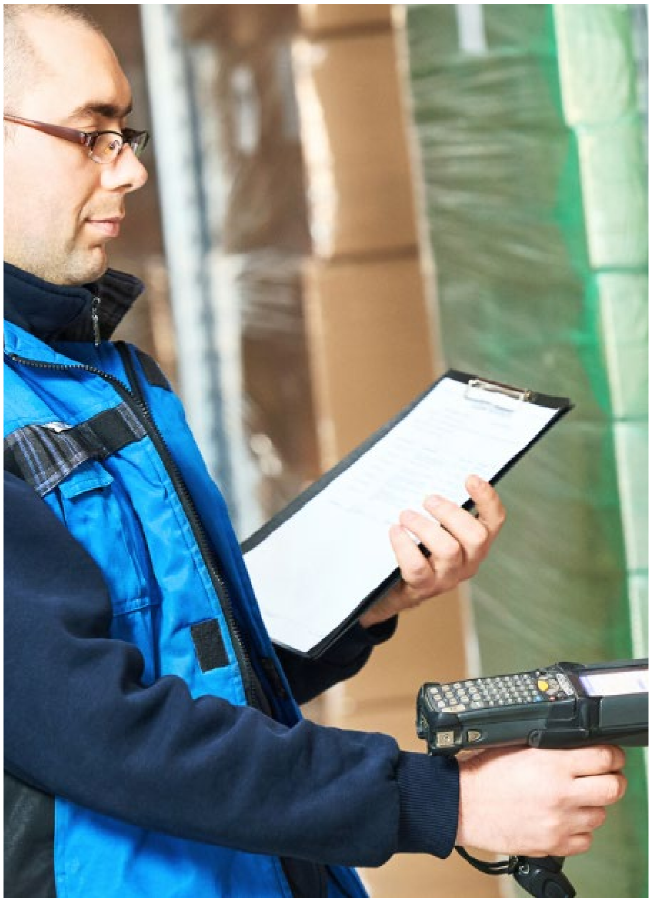
Having customers happily pick up their goods at the store allows the retailer to pass that finalsignificant – shipping cost on consumers. (Who, as noted above, really enjoy doing so.)

It also should be noted that returns costs also decline if curbside pickup customers return items to the store: they can be instantly restocked.

WHAT THIS MEANS FOR E-COMMERCE/SUPPLY CHAIN WORKFORCE ISSUES MOVING FORWARD.

Labor/Recruitment Issues

We predict that a shortage of supply chain and e-commerce talent – particularly in fulfillment – will continue through 2021, becoming particularly acute as the holiday season approaches.



Some of Hire Dynamics' clients are experiencing life as if drinking through a firehose in large fulfillment centers and in retail stores that have pivoted to curbside pickup.

This isn't as much of an issue in retail fulfillment sites with more considerable automation. Still, small to mid-size retailers are experiencing massive – and hard-to-meet – demand in finding and hiring talent to fulfill customer orders as quickly and as accurately as customers expect.

The good news: we expect that labor supply should loosen right after the January returns season: fulfillment workers will be needed to accept/handle holiday gift returns until then.

Workforce Positions/Skills/ Training Issues

The E-commerce/supply chain/ fulfillment/retail sector always will need talent. It just may need a different type.

As mentioned above, automation/AI can take some of the intensity off the need to hire people in fulfillment/distribution, even in the back of larger retail box stores that have the capacity to reconfigure their behind-the-scenes space.

But AI/robots can't restock individual stores, work with customer issues about poorly performing products at the returns desk, etc.

This means that sector employers will continue to need to hire a variety of skilled talent from customer service to fulfillment workers (who will work in the retail store and fulfillment centers) to order pullers, etc.

Employers also may want to consider training customer service employees in restocking and even fulfillment not only for broadening workforce skills and filing needs as warranted. This also provides talent with new skills that could give them a more varied workday.

Wage Issues

We believe wages are inflated right now due to labor shortages. Therefore, we expect wages to stabilize as jobs are filled and more people settle down into new positions (possibly because they quit a former employer after months of dissatisfaction or returning from pandemic furloughs and unemployment).

However, while we see pay rates inflated a bit now, we also don't expect them to decline much once the labor shortage rights itself.

Part of the issue is the recent Congressional push to raise the minimum wage to $15 an hour. Many companies and even a few states have done so on their own. Because of this, many job seekers believe $15 an hour is the minimum they should accept.

Again, we don't expect to see this going backward much: an entry-level worker in a distribution/fulfillment center won't be going back to the $11-$12 an hour level. However, we also don't expect to see the pace of wage increases to continue long-term (as we see currently), but we do expect to see a new floor around $14 or $15 an hour.

HIRE DYNAMICS IS HERE TO HELP THESE CRITICAL SECTORS WITH THEIR CRITICAL CURRENT STAFFING NEEDS NOW AND IN THE LONGTERM.

WRAPPING UP

The staffing, wages and timely customer delivery issues we're now experiencing with supply chain/e-commerce/fulfillment businesses will remain acute through year end and into 2022.

That said, the retail/fulfillment/e-commerce sector has done remarkably well in keeping revenue high and managing costs while also providing customers with the goods and services they seek.