How-to Guide

Warehousing Outlook 2023

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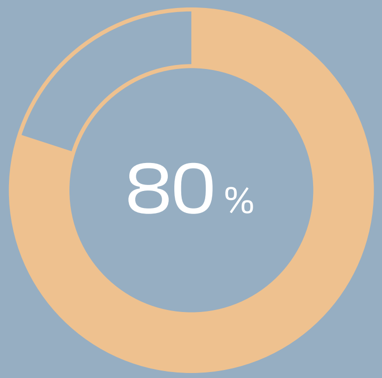
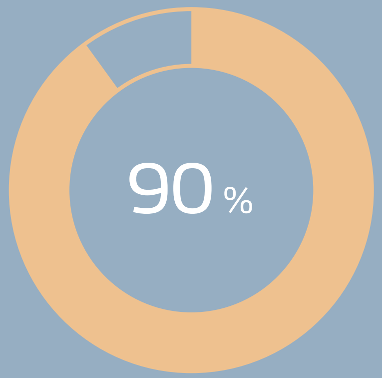
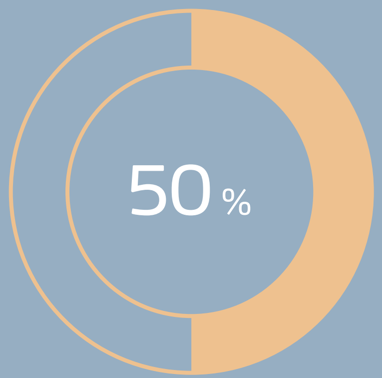


80% of surveyed executives experienced a heavy or very heavy impact on their supply chain by at least one disruption over the last 12–18 months



90% of surveyed executives have agreed that the frequency of these disruptions has increased over the last decade, and the pandemic has exaggerated the impact



50% of surveyed executives agreed that these disruptions significantly affected their productivity and profits

Source: Deloitte analysis of 2022 manufacturing supply chain study data.

Disruptions are here to stay

Last year put supply chains at the center of the national conversation.

Of the 200 US-based manufacturing executives Deloitte surveyed for their most recent supply chain survey, 80% reported "heavy or very heavy impact on their supply chain by at least one disruption over the last 12–18 months," and 90% of those surveyed reported "the frequency of these disruptions has increased over the last decade." Further, 50% reported these disruptions have significantly affected their productivity and profits. This report comes off the back of their 2021 survey, in which 72% of US-based manufacturing executives "predict that disruptions similar to the ones experienced during the pandemic will continue into the future."[1]

Despite supply chain disruptions dominating the discussion, the ongoing labor crisis continued troubling warehouses around the country. While the labor outlook is uncertain, supply chain issues will likely continue. This has warehouses and DCs doubling down on automation to help.

Take a look at how you can pivot your warehousing strategy for the what's coming in 2023. This guide will:

- Discuss eight of the most important trends for warehousing in 2023
- Identify how these trends may affect your business
- Provide actionable takeaways for how to address each trend

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#1 "Just-in-case" continues, for now at least

Supply chain issues are here to stay, with experts predicting ongoing disruption well into the mid- or even late-2020's[1], – which means so are "just in case" inventory strategies. Pre-covid lean manufacturing and "just in time" inventory strategies were the best approach to stay competitive and avoid being cash-strapped with slow-moving inventory, but that's no longer the case. To combat the challenges of the past 24 months (COVID, labor shortages and supply chain disruptions) most DCs have pivoted to a just-in-case inventory strategy.

While 2023 will see DC's ease up on "buying any inventory they can get their hands on", most will not transition back to a just-in-time inventory strategy just yet. Supply chains are still too fragile – flexibility will be the key to inventory management in 2023. DCs will err on the side of caution and continue to hold a bit more inventory than they need, leaving you to figure out how to accommodate the inventory in the short term (automated storage and retrieval solutions can be a great solution!)[2]

Action: With inventory shortages and supply chain issues set to persist, continue leveraging a flexible just-in-case inventory strategy to ensure you have the inventory you need to fill orders.

#2 Labor shortages continue spurring automation boom

The labor shortage is easily the second most talked about topic in warehouses nationwide – the combination of retiring baby boomers (shrinking the labor pool), the explosion of e-commerce (putting more pressure on the DC) and the lasting impacts of COVID (less workers able/willing to work) has made labor a top challenge for DC's year over year. According to the U.S. Department of Labor's (DOL) Bureau of Labor Statistics (BLS) after the onset of COVID unemployment peaked to 15.7% in summer 2020 within the Warehousing and Storage sector. Last year this sector saw unemployment drop to just over 4% – on par with 2019 levels. Not only was labor harder to find in 2022, costs increased. The BLS reported labor rates have risen ~23% in 5 years with the mean hourly wage of $18.39 and a mean annual wage of $38,260 (neither of these numbers are fully burdened).

The outlook for labor in 2023 is uncertain. Some experts are saying unemployment might hold at just over 4% in 2023, others are predicting an increase to over 6% because of inflation.[3] Either way, DCs are doubling down on automation to reduce their reliance on manual and unpredictable labor. Shifting to automation helps warehouses insulate themselves from the fluctuating labor pool, while increasing overall increasing performance.

Action: In order to reduce reliance on manual, unpredictable labor, turn to automated solutions that directly address labor challenges.

#3 DCs carry on embracing the urban lifestyle

In this new age of e-commerce, same-day delivery is now a basic expectation for most customers. To match these heightened demands, many retailers are adapting and getting closer to the urban customers – literally – by establishing DCs in urban areas.

It's a two-part approach. On one hand, companies are building completely new DCs in densely populated urban areas. In doing so, they are able to have products delivered same-day via local delivery vehicles at a lower cost long term. On the other hand, DCs will continue the trend of utilizing existing brick and mortar store locations for fulfillment in 2023. These converted retail spaces offer many of the same benefits as brand-new DCs, often at a lower up-front cost.[4]

Action: Be creative when planning for the future and consider urban DCs to promote ongoing growth and manage rising customer expectations.

#4 Optimizing existing floorspace is a necessity

Warehouse space has never been so scarce and so expensive. Recent data shows the U.S. industrial vacancy rate fell to an all-time low (3.2%) in 2022 while industrial rent reached an all-time high of $8.36/square foot. The outlook for 2023 isn't much better as vacancy rates are expected to remain around 4% while rent continues to creep up.[5]

Rising costs, low vacancy rates and insufficient new industrial space will see DCs continue to double down on the "building up" trend that accelerated in 2022. Automated storage solutions that utilize full floor to ceiling height are allowing DCs to fit more inventory in drastically less floorspace.

Action: Build up – not out – and get away from over-priced and under-utilized floorspace using automated storage and retrieval technologies.

Learn how ASRS can optimize your space.

#5 Third-party warehousing will continue to grow

While space troubles remain at the forefront of warehouse managers' minds, third-party or on-demand warehousing will continue seeing an uptick in 2023. Third-party warehouses offer a unique opportunity for businesses to store more inventory – helping facilitate a "just in case" strategy – and manage increased growth, while avoiding the risk associated with a permanent space expansion.

Action: Explore third-party warehousing to expand inventory on-hand in specific locations while avoiding expensive property investments.[6]

#6 Return troubles set to return in 2023

By now most people have heard the stat, "at least 30% of all products ordered online are returned."[7] Returns have proven to be such an issue that major retailers have implemented some seriously dramatic return policies – some going so far as to not accept returns at all.[8] In order to remain competitive, retailers and DCs must be ready to handle returns and invest in their reverse logistics processes, else they'll continue to eat losses at further increasing rates as e-commerce continues to grow.

Action: Get ahead and establish a smooth reverse logistics program – to avoid bleeding money in the long term.

Learn more: Improving returned good management with ASRS

#7 Goods-to-person robotic integrations continue to rise

In response to labor shortages and increased customer demands, robotics adoption in warehousing rose exponentially in 2022 and is set to continue rising in 2023 and beyond.[9] By 2025, up to 50,000 robotic warehouses will potentially be developed, while 8 million robots may be shipped to users by 2030.[10] DCs will continue to explore the use of order fulfillment robotics – such as robotic cube storage and autonomous mobile robots (AMRs) – in the warehouse in 2023. Further, DCs will look to use cobots (collaborative robots that can work alongside humans) in combination with a space saving automated storage and retrieval system to maximize efficiencies.[11]

Action: Don't be intimidated by robotic solutions – they are intuitive, adaptable and scalable to a variety of DC applications and easier to cost justify than you might think!

#8 Millennials rise in the ranks of DC leaders

In 2023, expect even more millennials in leadership positions at DCs across the country as they begin to reach their peak earning years.[12] They continue to boast impressive higher education and master's degree rates, most holding these degrees at rates of roughly 60 and 30%, respectively, according to a survey by Peerless Research Group. This level of education has accelerated millennials into leadership positions faster than anticipated. Known for their adaptability and willingness to invest in new technologies, expect DCs to further embrace automation, robotics, WMS, wearable technologies, blockchain and IoT as millennials become decision-makers in the warehouse.

Action: Continue hiring within and trusting the younger talent in your organizations – their unique perspective and willingness to try new technologies are the future of warehousing.

Rise of the Millenials

DCs are finding Millenials working in the supply chain are smart, committed, reliable and enthustiac – and they're being rewarded with management roles in 2022.

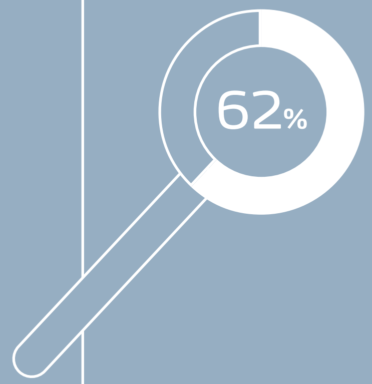
Level of education:

Number of employers

Level of Experience: 5 – 20 years

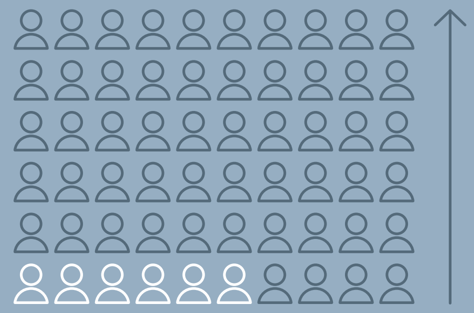
Diving into the labor shortage

As Millennials rise up into management positions, the number one challenge they face is finding, hiring and retaining labor. They must work to transform the standard distribution center into a place the next generation wants to work.



About 62% of manufacturers and distributors named hiring skilled talent as a top labor challenge.

The warehouse and transporation industry has 490,000 job openings, a number that is expected to increase in 2022.



What DC workers want

Flexible jobs with better work/life balance

Higher wages with career progression

Shoter hours & easier commutes

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