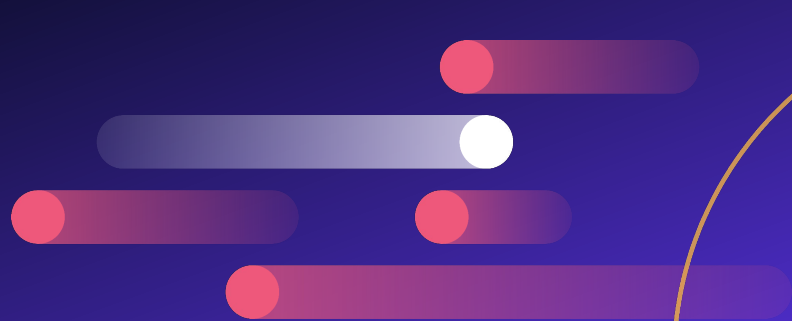
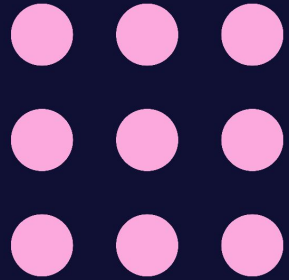
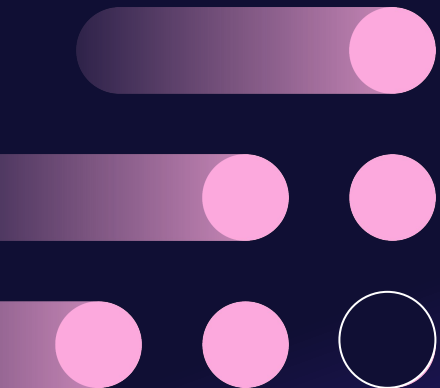


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Logistics Trends Report 2023



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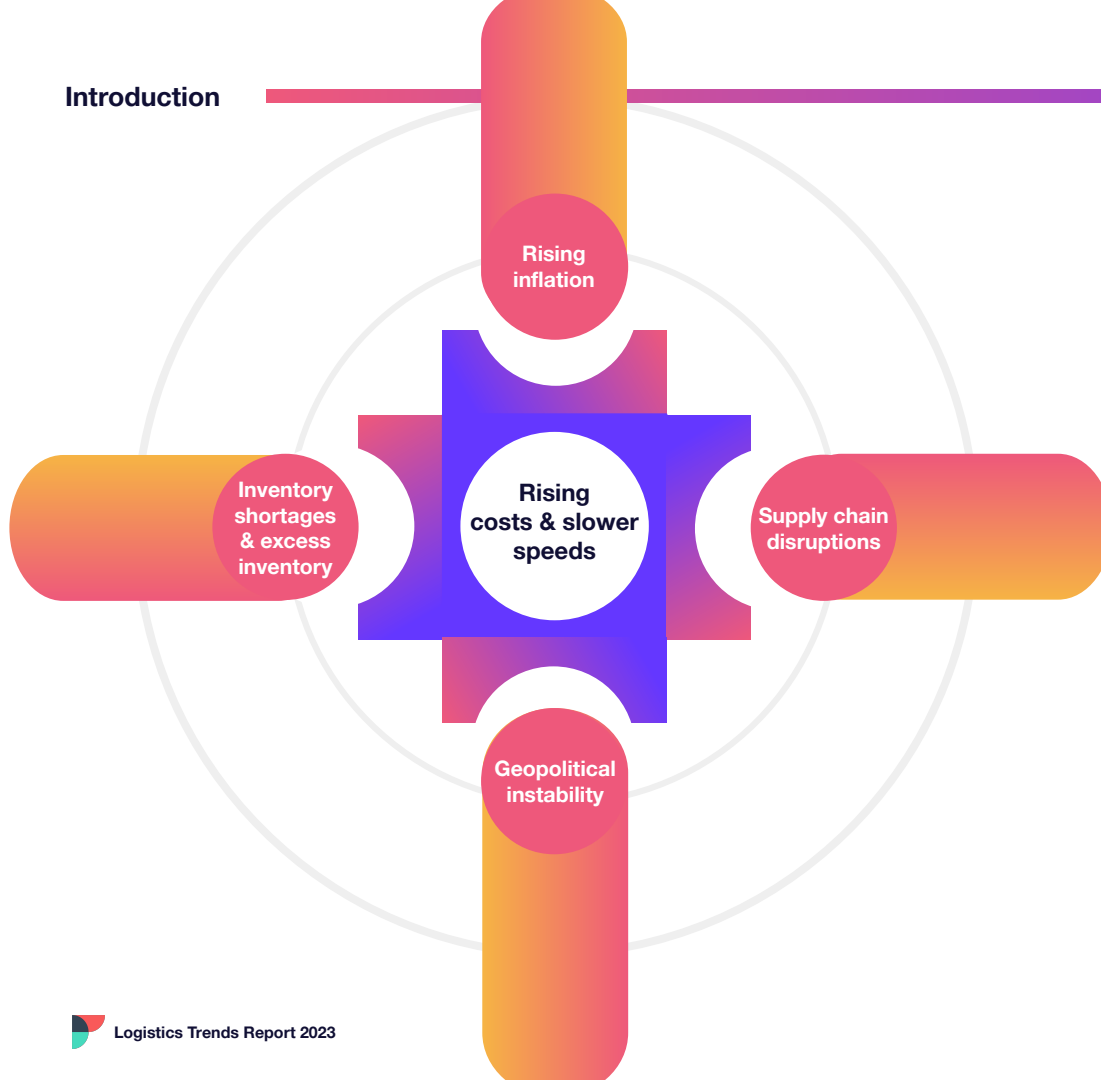
Turn your logistics cost center into a revenue driver for your business

66% of experts expect supply chain issues to worsen

Two years ago, industry experts predicted supply chains would return to their normal state by 2023¹. Despite this, 66%*² expect supply chain issues to worsen in 2023 (according to Shopify's 2023 Commerce Trends Report). This, combined with an ongoing effort to recover from the impacts of the last two years, is driving the best businesses to focus on preparing for a future of supply chain uncertainty.

Historical supply chain disruptions such as slower shipping speeds, inventory and labor shortages, rising raw material costs, and transportation obstacles provoked long-term effects on ecommerce businesses; 65% of those we surveyed selling on Shopify say their profit margins have decreased and 55% stated they had to increase customer prices.

Introduction



Going forward, reacting and adapting to supply chain challenges as they happen are simply not enough. Businesses must prepare proactively for future unknown supply chain challenges by expanding to new sales channels, focusing on improving the delivery experience, and finding operational efficiencies that are always ready for changes in the supply chain, customer demand, and sales volumes. Those that can rapidly ramp up or down, shift to a new business model, and expand quickly to a new geography will be best positioned to survive a future of volatility.

This report outlines the top five trends for businesses to watch in order to future-proof their logistics operations against the unexpected:

- 1 Multi-channel fulfillment is now a 'make-it-or-break-it' logistics strategy
- 2 Delivery experience tactics shift as customer expectations continue to rise
- 3 Increased automation, artificial intelligence, and data insights are revolutionizing logistics
- 4 Inventory management and diverse transportation methods drive supply chain resilience
- 5 Post-delivery experiences take precedence to drive customer satisfaction


Methodology



In December 2022, we collaborated with market research firm Dig Insights to conduct a study on the current and future state of the logistics landscape. We collected responses from 400 Shopify merchants and more than 1,000 business owners and key decision makers in the Apparel & Accessories, CPG, Home & Garden, and Electronics industries across the United States, Canada, United Kingdom, Australia, and New Zealand.

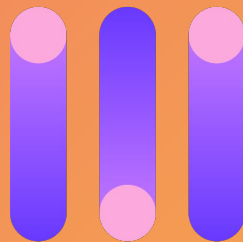
Additionally, we analyzed data from multiple third-party sources to gain comprehensive insights into the industry.

The combined data informed the trends presented in this report. Each chapter covers a specific topic and includes insights gained from our research, analysis of key data points, and how they support the industry trends shaping 2023.



Trend 01

Multi-channel fulfillment is now a 'make-it-or-break-it' logistics strategy



Trend 01

The major push to ecommerce in 2020 caused U.S. commerce sales to reach more than \$1 trillion³ by 2022 for the first time in history. It also had considerable implications on businesses' logistics strategies, such as an increased focus on direct-to-consumer (DTC) fulfillment.

Although DTC fulfillment still maintains its position as the top logistics service among all businesses, multi-channel fulfillment is quickly catching up; 72% of businesses from our survey now fulfill orders through multiple channels.

This comes as businesses continue to face challenges with increased customer prices, lost customers, and decreased sales volume and are seeking new means to diversify their sales and win new customers.

Fulfillment through multiple channels in 2023 (%)

non-Shopify merchants

63

Shopify merchants

72

Key takeaways

Online marketplaces help rebuild sales volume

Wholesale partnerships become top of mind

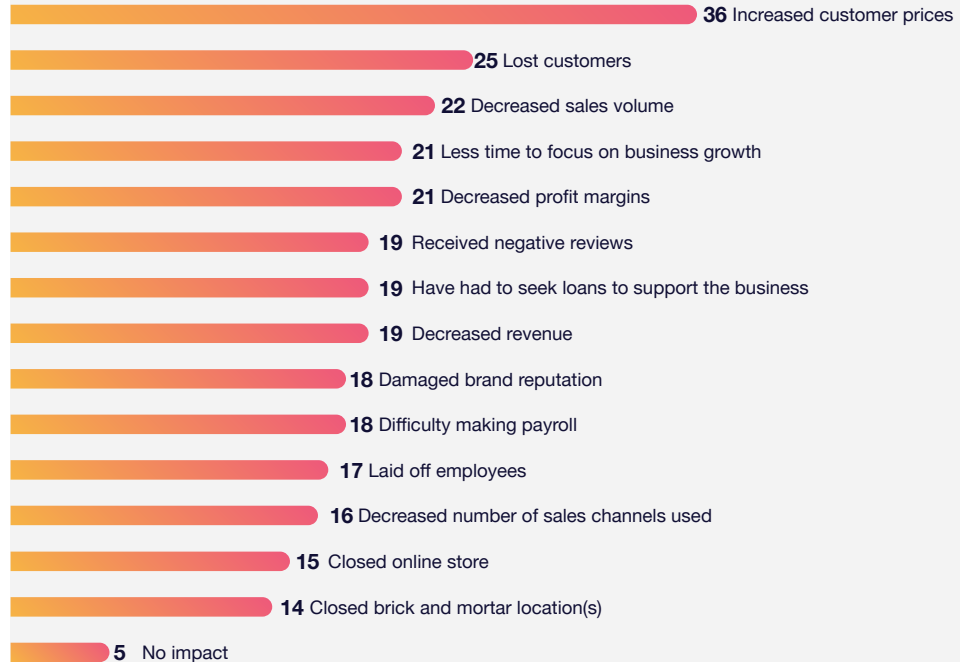
Social media continues to be a big opportunity for new customer acquisition

Trend 01

With omnichannel shopping becoming the norm (75%⁴ of U.S. consumers now researching and purchasing both in-store and online), it's crucial businesses have the right combination of sales channels and fulfillment systems in place to deliver orders no matter the purchase channel.

In 2023, successful businesses will meet omnichannel shopping with multi-channel fulfillment across wholesale, social media, and online marketplaces to build a more flexible and resilient supply chain, regain sales volume, and facilitate new customer growth.

Impact of supply chain challenges to businesses (%)



Total Sample size = 945

Key Takeaway 1

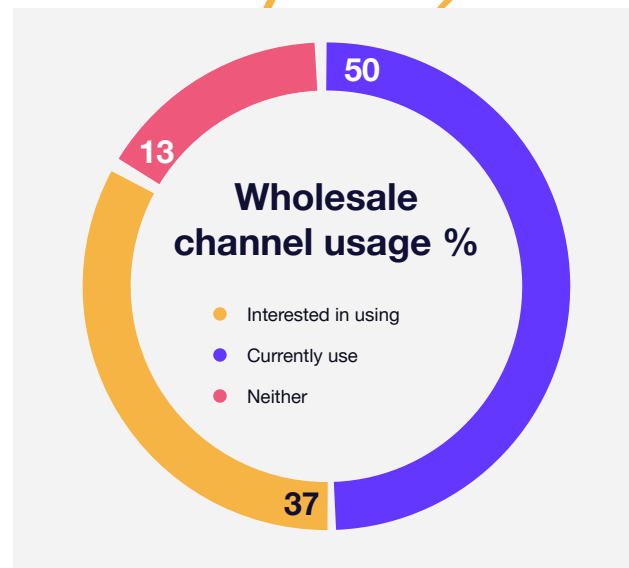
Online marketplaces help rebuild sales volume

Online marketplaces continue to outpace retail. 60% of the businesses we surveyed currently use an online marketplace as part of their sales strategy, and 29% expressed interest in using one in 2023.

Ecommerce growth also continues to take an increasingly large slice of the total global retail pie. By the end of 2023, ecommerce will account for nearly 21%⁵ of total retail sales worldwide. More people buying online means increased competition in an already over saturated direct-to-consumer (DTC) market. As the competition continues to widen and consumers switch up how they discover new

brands, all businesses looking to level the playing field will need to extend their DTC strategy to include online marketplaces.

According to McKinsey, more than half of consumers engage with 3 to 5 channels⁶ (including marketplaces) before making a purchase. Moreover, consumers are more likely to buy from new brands they've never heard of when found on a marketplace they can trust⁷. Businesses are joining online marketplaces like Shopify, eBay, and Walmart to open up new lanes for additional sales outside their direct-to-consumer websites.



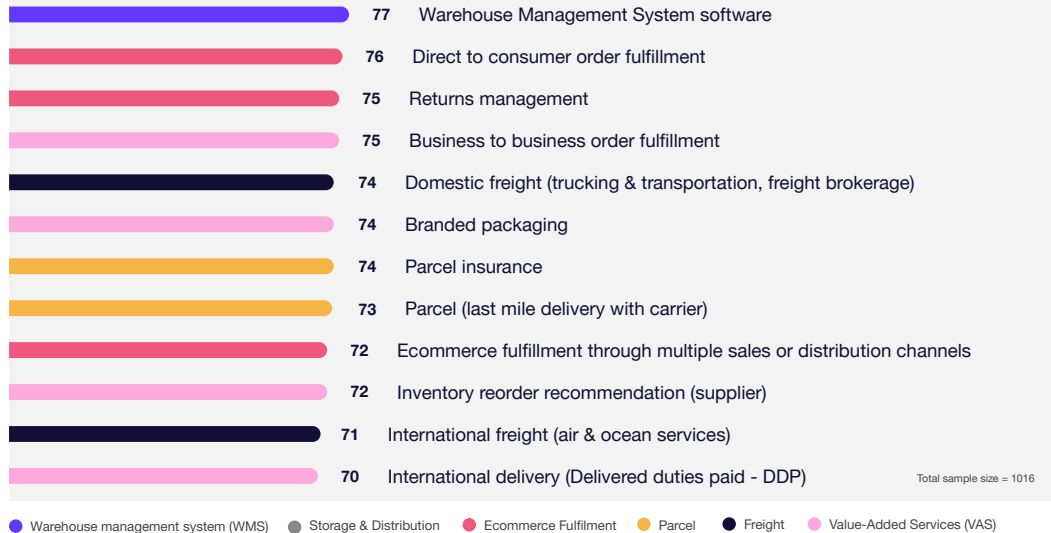
Key Takeaway 2

Wholesale partnerships become top of mind

Competition in the global ecommerce market is growing more intense as businesses navigate the harsh impacts of supply chain disruptions. Many are finding it difficult to maintain steady growth solely through DTC channels as marketplace giants continue to dominate on convenience, speed, and low prices. As a result, they're turning to wholesalers to expand their audience, reduce costs, and increase sales.

Of the businesses we surveyed, wholesale fulfillment is the top channel they're interested in using, while 50% already use this as part of their fulfillment strategy.

Supply chain & logistics operations ranked by importance (%)



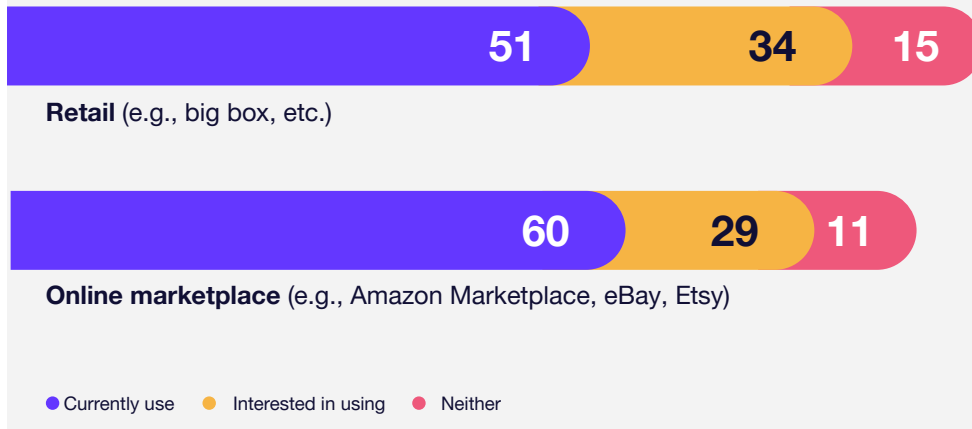
Key Takeaway 2 (cont.)

Wholesale partnerships become top of mind

Moreover, 75% consider business-to-business order fulfillment an important service to have in their logistics operations among other factors.

Overall, the trend of shifting to wholesale for audience expansion reflects a growing recognition of the importance of diversifying sales channels during unpredictable direct-to-consumer seasons. By exploring new partnerships and distribution channels with retailers, businesses will be able to increase their reach and revenue. Moreover, they'll be prepared to mitigate the risks associated with relying too heavily on a single sales channel or holding slow-moving inventory.

Sales channel usage (%)



Total sample size = 1016

Key Takeaway 3

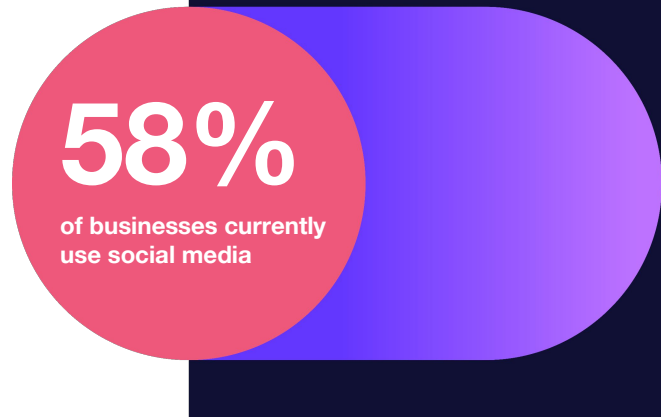
Social media continues to be a big opportunity for new customer acquisition

Social media channels are now an integral part of businesses' customer acquisition and retention strategies. 58% of businesses we surveyed currently use social media as part of their sales channels while 31% express interest in using it in 2023.

This jump in social media usage among businesses is partially attributed to the fact that 78%⁸ of consumers are more willing to buy from a brand they have a positive experience with on these channels. But it's mainly because younger generations are increasingly turning to apps like Instagram and TikTok to discover new brands and purchase products. With social commerce sales projected to reach \$2.2 billion⁹ and make up 29% of total ecommerce sales¹⁰ by 2025,

Social platforms have the potential to surpass more traditional means of online shopping in the coming years.

When expanding sales strategies to social channels, many businesses are collaborating with other brands and creators, and are leaning into user-generated content. Products like **Shopify Collabs** are helping businesses take their social selling strategy to the next level. In fact, 85% of Shopify merchants surveyed are already leveraging social media as part of their sales strategy. This all-in-one creator marketing app enables merchants of all sizes to recruit, collaborate with, and manage creators more easily for a seamless collaborative experience.



Trend 02


Delivery experience tactics shift as customer expectations continue to rise

Trend 02

Supply chain issues, fulfillment woes, and shipping delays continue to shift; so have customer expectations and behaviors. Our survey findings reveal that one third of businesses still struggle to meet customer delivery demands. Further, these groups don't expect this challenge to resolve anytime soon.

Consumers are inundated with options now more than ever. What started as freedom of choice and a battle between who offered the fastest shipping are turning into cost comparisons and product availability. According to eMarketer, 71%¹¹ of consumers worldwide purchased from a brand they hadn't shopped with before at least once over the past year.

The reasoning extends beyond essentials and into desired brand items in CPG, Apparel, and Home Goods categories. Of these consumers that switched brands, the top three reasons were attributed to better deals (66%), better product quality (58%), and better customer service (48%).



**One third
of businesses
still struggle
to meet customer
delivery demands.**

It's apparent that the businesses that add value to their delivery experiences will be able to build customer trust and loyalty. And those that drop the ball will be struggling to take the lead against the competition for years to come.

Key takeaways

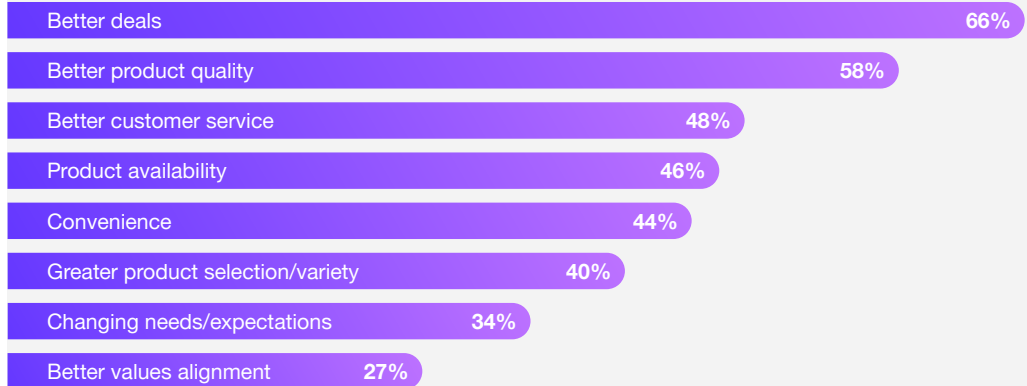
Delivery guarantees become key drivers of checkout conversion

Value-added services help drive positive customer relationships

Strategically positioned inventory leads to faster and more affordable delivery

Reasons why consumers worldwide switched brands in the past year, Feb 2022

(% of respondents)

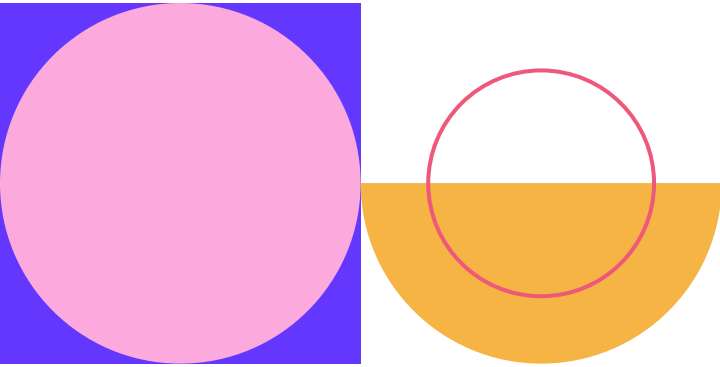


Note: ages 10-58; among those who switched brands in the past year Source: Salesforce, "Fifth Edition State of the Connected Customer," May 13 2022

Chart source: eMarketer

Key Takeaway 1

Delivery guarantees become key drivers of checkout conversion



Customer demands are entering a new era. Even beyond speed and cost, customers now expect shipping reliability and transparent delivery timelines when they shop online. Fast and free shipping have been the standard for years, but delivery guarantees are also becoming key drivers of checkout conversion and customer retention. We've seen this to be especially true among Shopify merchants that display accurate and reliable delivery dates on product details pages *and* at checkout; earning them a 25%¹² lift in conversion.

In 2022, more than 60%¹³ of shoppers expected their orders to ship free and arrive within three business days. When fulfillment centers were understaffed or transportation carriers reached peak congestion, the ripple effect on delivery timelines caused consumers' trust batteries to diminish.

At the same time, consumer purchase power is down while cart abandonment rates are up. According to the U.S. Bureau of Labor Statistics,

the purchasing power of the dollar declined roughly 7.5%¹⁴ between 2021 and 2022 due to inflation while shopping cart abandonment rates simultaneously reached a record high of 81%¹⁵.

From here on out, consumers will be choosing wisely who to purchase from based on a businesses' ability to seamlessly build their trust back up. Delivery guarantees will become increasingly important as 45%¹⁶ of shoppers are now actively looking to purchase from businesses that clearly display anticipated delivery timelines, especially before reaching the checkout page.

This expectation will be more than just communicating how many days a package will take to arrive on a customers' doorstep. Businesses that take their communication one step further to accurately display delivery timelines will be able to win the 68% of customers¹⁷ who say their purchase decisions are influenced by estimated time of delivery.

Key Takeaway 2

Value-added services help drive positive customer relationships

There are many ways businesses remain competitive and provide additional incentive for customers to purchase from their brand. From personalization to empathetic marketing tactics to loyalty programs, more traditional sales methods are being put on the backburner to truly connect with customers and bring them value beyond physical products.

As the digital space grows more populous, however, maintaining these positive customer relationships becomes more complicated. The level of attention to detail in customers' virtual experiences now must be met with exceptional delivery experiences if businesses want to drive repeat purchases, improve efficiencies, and stay competitive in 2023.

This year, businesses will tack value-added services onto their logistics operations to further connect with

customers, increase quality of order delivery, and expand audience reach. Our research findings place value-added services in the top six most important logistics strategies for businesses, with 62% of respondents stating value-added services will be beneficial to their business in 2023.

Among these value-added services, businesses' supply chains will reap long-term benefits from branded packaging, inventory reorder recommendations, and international delivery.

Branded packaging

enables businesses to more easily control their customer experience by guaranteeing consistency of what they ship out.

Inventory reorder recommendations

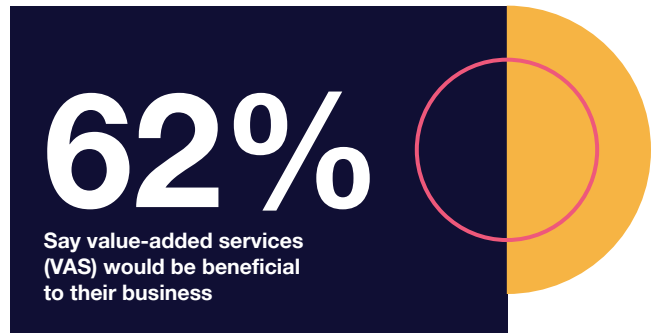
help provide enough lead time to get popular products restocked before peak seasons and account for any manufacturer shipping delays.

International delivery

enables businesses to remove friction and increase cost transparency from cross-border orders.

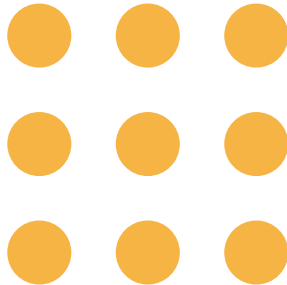
Additionally, as the types of products customers buy online continue to evolve to include beverages, food, and electronics, businesses will lean more into value-added services that can lessen the chance of damage and spoiling. 70% of businesses will use inventory prep, 69% will implement temperature control capabilities, and 68% will use lot tracking.

No matter what combination of value-added services a business chooses to add to their logistics strategy, each of them will play a crucial role in ensuring a positive customer experience, increasing efficiency, and reducing risks.



Key Takeaway 3

Strategically positioned inventory leads to faster and more affordable delivery



On average, 37% of businesses we surveyed lack confidence in carriers' ability to meet customer demands. One of the most effective ways businesses can tackle this unreliability is with strategic inventory placement. According to our survey findings, an average of 45% of businesses are using strategic tactics to position inventory across multiple fulfillment centers, including the use of a local delivery service.

In 2023, unreliable carriers won't be the only reason businesses struggle to meet customer demands. Outside factors such as inflation, layoffs, and a potential recession are expected to impact what consumers buy, how much they buy, and how often they buy it. At the same time, businesses are inundated with a lack of truck drivers and rising operational costs (tied to rising fuel costs), causing growing concern to move freight in time. Businesses must prepare for all-case scenarios with a centralized distribution center to help reduce transportation costs and

improve order fulfillment times for loyal customers. Moreover, leaning into on-demand logistics services such as time-guaranteed freight services and a flexible carrier network will allow for efficiencies during all seasons.

Those that focus on understanding where they should hold inventory and how much of it they need on-hand at any given time will be more consistent in offering and driving revenue through fast, affordable delivery. It makes sense: if the product is physically closer to the buyer, it's faster to deliver and more likely to arrive on time.

Overall, strategically positioning inventory will help ensure better management of current supply chain woes and mitigate the impact of any additional disruptions and demand shifts. Supply chains will continue to face challenges; businesses that adopt these approaches will be better equipped to meet customer demand and maintain their competitive edge in the long-run.

Trend 03

Increased automation,
artificial intelligence,
and data insights are
revolutionizing logistics

Trend 03

The supply chain industry has seen dramatic investment over the last five years. Prior to that, businesses were investing most of their time and money building great ecommerce experiences and tools for their customers while backend technologies were largely ignored. As ecommerce has grown, so have the costs associated with fulfilling those orders, and more focus has shifted to providing great customer fulfillment experiences while also controlling labor costs and increasing efficiency. In 2023, 74%*¹⁸ of global supply chain leaders expect to increase their investment in supply chain innovation and technology.

Over the past few years and going forward, automation, artificial intelligence (AI), and data insights will play major roles in driving supply chain efficiencies. As these technologies become

more mainstream and their costs decrease, we can expect to see significant changes in how companies manage their supply chains. Advances in robotics and automation will enable businesses to improve the throughput, accuracy, and efficiency of their fulfillment operations while decreasing their dependence on labor. Inventory data in the form of RFID tags, real-time data, and data insights from this data will improve workflows, inventory accuracy, and efficiencies.

Overall, the impact of automation, AI, and data insights on supply chain efficiency cannot be underestimated. Companies that have not embraced these technologies are likely to lag behind their competitors who have, leaving them struggling to lower costs and meet customer fulfillment expectations.

Key takeaways

Warehouse automation and robots become more widely accepted

Artificial intelligence (AI) and data help strengthen logistics operations and decisions

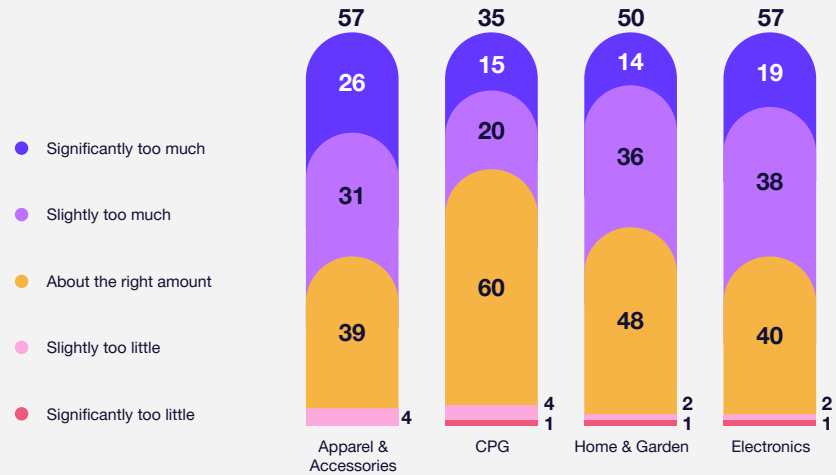
Key Takeaway 1

Warehouse automation and robots become more widely accepted

Businesses face heightened pressure to meet customer expectations for fast and reliable order fulfillment. U.S. ecommerce sales are growing at 9.4% annually and crossed the \$1 trillion mark for the first time in 2022¹⁹.

At the same time, transportation and warehouse costs are climbing and the labor shortage continues to get worse. The National Association of Manufacturers says 800,000 more workers are needed as COVID supply chain issues and U.S. government incentives have led to more on-shoring of manufacturing²⁰. Across the industries we surveyed, at least 1-in-2 businesses already perceive their logistics costs as too high and 2.2 million²¹ employees have left warehousing jobs since 2020.

Perceptions of amount spent on supply chain logistics operations by vertical (%)



Apparel & Accessories (n=202), CPG (n=207), Home & Garden (n=180), Electronics (n=375).

Key Takeaway 1 (cont.)

Warehouse automation and robots become more widely accepted (cont.)

Businesses are turning to automation and robotics for help managing their warehousing and fulfillment challenges, providing omnichannel offerings to customers and driving down costs in core operational areas. In the next 2-5 years, 54%²² will consider robotic picking systems.

Warehouse operators are looking at goods-to-person (GTP) systems and autonomous mobile robots (AMRs) to improve efficiency and meet throughput requirements with a smaller labor pool. GTP systems are large automation projects that can take more than a year to complete, leaving a warehouse with limited capacity during the arduous implementation phase. Conversely, AMR systems can be installed in weeks

and provide 60-80% of the throughput at 20% of the cost of GTP systems. AMR systems can also scale as your volume grows while GTP systems need to be sized for peak seasons up to ten years in the future, which requires excess capacity and cost for a large percentage of that time.

Given the uncertain economic conditions in 2023, many companies are turning to flexible, scalable AMR solutions to meet their automation needs. AMRs can be up and running quickly, allowing hiring managers to pull from a wider labor pool. Not only can you attract people with a fulfillment background, but you can also hire people with zero experience because they can be trained in a very short period of time.

An operation will see a cost savings in reduced training hours as well as the potential for lower labor wages, depending on the new hires' level of experience.

Industry experts expect the warehouse automation market to reach \$41 billion by 2027, at a CAGR of 15% between 2022 and 2027²³. Businesses that don't start adopting warehouse automation soon will find themselves with increasing costs and labor shortages in the near future and beyond.

Key Takeaway 2

Artificial Intelligence (AI) and data help strengthen logistics operations and decisions

As supply chains grow more complex, businesses are transitioning from traditional to advanced logistics operations and systems. Our survey results show that 22% of businesses plan to incorporate more artificial intelligence (AI) into their supply chain in 2023.

AI is being used to make demand predictions, modify orders, and reroute products in transit. This smart technology not only helps businesses adapt to unexpected changes in their supply chain, but it can also proactively predict future demand with greater accuracy. 15% of the businesses we surveyed currently use AI-driven supply chain management in their logistics operations, making this logistics approach a major growth opportunity in 2023 and beyond.

In addition to AI, leveraging first-party data, such as historical sales data and customer preferences, will be crucial for businesses to keep pace with demand. The pandemic accelerated the ecommerce industry by nearly half a decade. A \$900 billion USD²⁴ boost in online sales since 2020 and increasing consumer expectations for faster and more efficient delivery options are driving a dire need for data-informed supply chain optimizations.

Businesses have seen first-hand how first-party data creates more purposeful marketing and personalized customer experiences. But they've been slower to adopt this same practice in their supply chain operations. 33.5% of respondents from our survey

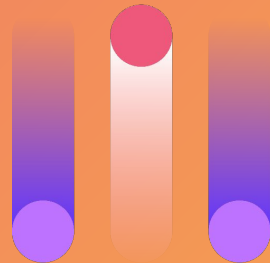
have trouble finding solutions with robust analytic capabilities which may be in part to blame.

With ecommerce growth projected to be 5%²⁵ higher in 2023 than 2019, it's becoming more important than ever for businesses to find a partner with robust data integration and analytical capabilities. Those that do will be able to make more informed logistics decisions, such as improving shipping routes, monitoring inventory levels to avoid stock outs, using personalized delivery options, and optimizing their own warehouse fulfillment operations.



Trend 04

Inventory management and diverse transportation methods drive supply chain resilience



Trend 04

Years of supply chain volatility proved the need for a resilient and agile logistics strategy that can withstand and respond to major shocks. According to our survey findings, 60% of businesses view inventory management as a must-have to build a strong supply chain that can resist the uncertainties of the future. Global supply chain disruptions more than tripled from 2019 to 2021²⁶, leaving businesses using half-century old principles without a means of inventory to fulfill customer demand.

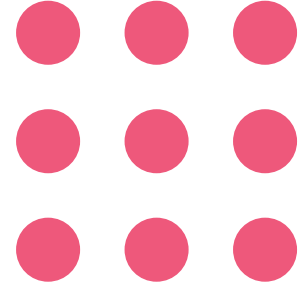
With omnichannel shopping becoming the norm (75% of U.S. consumers now research and purchase both in-store and online), it's crucial businesses have the right combination of sales channels and fulfillment systems in place to deliver orders no matter the purchase channel.

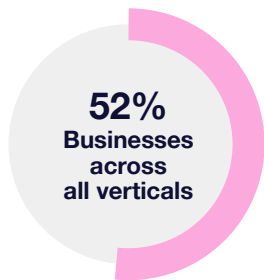
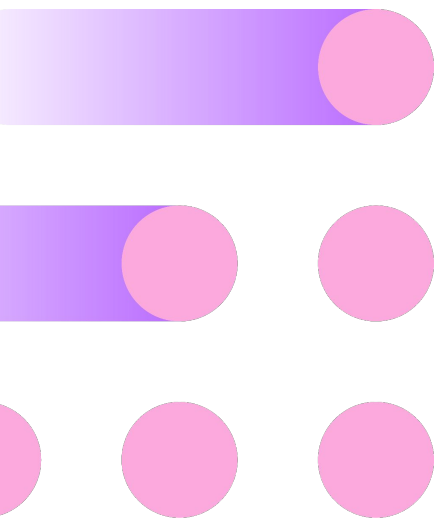
In 2023, successful businesses will meet omnichannel shopping with multi-channel fulfillment across wholesale, social media, and online marketplaces to build a more flexible and resilient supply chain, regain sales volume, and facilitate new customer growth.

Key takeaways

Modern replenishment services help decrease stockouts

Businesses explore freight to streamline inventory flow





Use in-house upstream storage facilities to hold inventory in bulk for on-demand distribution



Key Takeaway 1

Modern replenishment services help decrease stockouts

For years, businesses relied on manufacturers or suppliers to replenish their inventory as levels became low or out of stock. Manually balancing inventory and forecasting demand far enough in advance were necessary for this relationship to run smoothly, which left room for human error. It also didn't take into account unexpected events with the potential to massively disrupt the supply chain.

The challenges of the last few years certainly placed a chokehold on businesses' logistics networks. Nearly 6 out of 10 businesses lost sales from products being out of stock, according to a survey of global Shopify Plus merchants²⁷. Today, businesses must use this experience as a driving force to take back control of their inventory and overall supply chain. In an effort to do so, 70% of Shopify

merchants and 52% of businesses across all verticals are using in-house upstream storage facilities to hold inventory in bulk for on-demand distribution. Increasing inventory reserves act as a rainy day fund, offering businesses flexibility for the unexpected.

Businesses that choose to merge a combination of historical data insights with cushioned reserves will be best set up to tackle any future supply chain disruptions before they happen. Moreover, those that outsource replenishment to a strategic partner will benefit from a proactive versus reactive approach to inventory replenishment. The right technology can help businesses better manage inventory levels and trigger auto replenishments from a nearby inventory reserve when stock is running low.

Key Takeaway 2

Businesses explore freight to streamline inventory flow

An ongoing wave of disruptions and cost pressures are changing the global supply chain and transportation sector indefinitely. Ocean freight, for example, has been hit especially hard. Port closures. Ship congestion. Labor shortages and strikes. Faltering schedule reliability of major container ship operators. The list goes on. The frustrations businesses are experiencing are inevitably passed on to those purchasing from them. An inability to break even with supply and demand will continue to produce lost sales and ultimately lost customers.

With freight solutions being a must-have for 53% of the businesses we surveyed, businesses are seeking out more reliable domestic freight partners to deliver goods *after* they arrive at the port.

Investing in additional transportation methods like road freight will become a key component of inventory management systems to streamline the flow of goods and reduce costs. Our research findings show that more than 70% of all freight within the U.S. is now transported by truck and the road freight transport market is expected to grow at a compound annual growth rate of 6.03%²⁸ due to the rapid growth of the ecommerce industry.

Road freight is a fast, safe, and extremely reliable way to transport goods. But more importantly, it's cost effective. Businesses no longer have to face the difficult dichotomy of choosing between efficiency and cost. Those that choose to invest in transportation adaptations now are guaranteeing cost savings in the future by increasing their resiliency against the unknown.

Post-delivery experiences take precedence to drive customer satisfaction

Trend 05

In addition to automation, reverse logistics has become increasingly important to run efficient operations and meet growing customer expectations. 75% of businesses from our survey cite returns management as one of their top five most important logistics services. Although seen as a critical business function, 36% of those same businesses struggle to effectively manage returns and replacements on their own. This comes as consumers now seek out businesses with easy and free returns in addition to fast and free shipping.

It's believed that customers now return an average of 20-30%²⁹ of online purchases (compared to only 8-10% of in-store purchases). This can be attributed to current heightened levels of inflation on products such as food and clothing which is causing consumers to rethink unnecessary purchases.

But it's also likely due to a phenomenon called bracketing; when a customer buys multiple versions of a product (i.e., two different sizes of pants). Not only does this complicate businesses' already stressful logistics operations, but it also significantly increases their costs – particularly those that offer free returns.

As return rates for retail and ecommerce are expected to increase more than 5% in 2023³¹, businesses will need to quickly implement advanced systems and strategies that are built to simplify and streamline every stage of the returns process.

Without proper systems in place to meet these expectations, businesses will be left with a gap in their customer base and a hole in their wallet. So they're turning towards advanced technology and re-sale tactics to tackle the returns epidemic.

75%

say returns management is one of the top five most important logistics services

Key takeaways

Returns management tools streamline returns processes

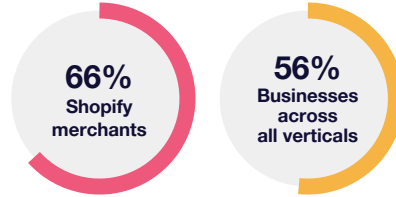
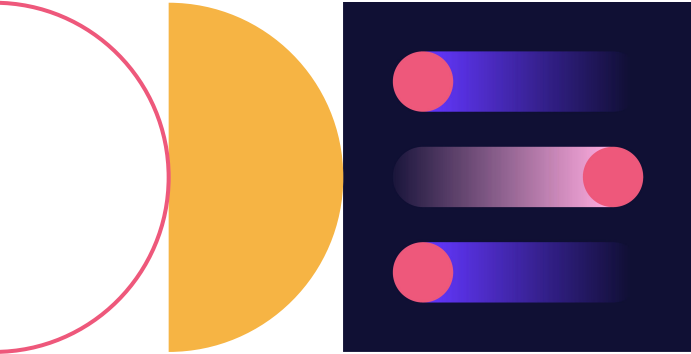
The circular economy and re-commerce change what businesses do with returned merchandise

5.4%

Return rates expected to increase in 2023.

Key Takeaway 1

Returns management tools streamline returns processes



Returns management software integrations is a must-have in logistics operations.

As investments are made on the front end to make returns seamless, a similar amount of effort must be deployed in warehouses where the product is received, processed, and marked available for resale or disposal.

Businesses are exploring partnerships with third-party logistics (3PL) providers that integrate with returns management tools to more effectively manage their reverse logistics processes. 66% of Shopify merchants and 56% of businesses across all verticals listed returns management software integrations as a must-have in their logistics operations.

While a returns management solution enables businesses to *initiate* returns, a 3PL ensures the inventory is processed, restocked, and back in the hands of customers without hassle.

Online businesses that invest in a solid returns process see a 12%³² increase in customer satisfaction. Businesses that choose to partner with a 3PL and implement a returns management tool such as **Returnly**, **ReturnGO**, or **Loop**, will be able to simplify their end-to-end reverse logistics operations for long-term growth.

Key Takeaway 2

The circular economy and re-commerce change what businesses do with returned merchandise

According to Shopify's 2023 Commerce Trends Report³³, social, governance, and environmental concerns influence about half of global consumers. This comes at a time when consumers are increasingly looking to buy from brands that reflect their same values. In fact, a recent survey of 2,000 adults in the U.S. conducted by the New York Post³⁴ revealed 48% of all respondents stopped supporting or using a brand because their values didn't align with something they've said or done. That amounts to the average person leaving behind five brands.

Beyond a brand's product materials and packaging, consumers now expect businesses to incorporate sustainable practices into their returns services. Businesses must respond by closing the loop between waste elimination and maximum resource efficiency with sustainable reverse logistics approaches like the circular economy and re-commerce.

Use of the circular economy approach will continue to manifest itself this year as businesses use and reuse products to create more sustainable and long-lasting supply chains. Businesses in the apparel category, for example, will commit to closed-loop programs such as upcycling returned clothing to be used in future product developments. Re-commerce will also reach new heights in reverse logistics. In 2021, 50%³⁵ of Gen Z shoppers purchased a resale item (compared to 37% in 2020). Buying second hand is quickly becoming a global phenomenon among younger generations, with growth projections of 127% (\$218 billion) by 2026³⁶.

All in all, sustainable retail and returns will be necessary to not only drive engagement and sales, but also to build loyalty and lessen long-term environmental strain.

How to future-proof your logistics

Turn your logistics cost center into a revenue driver for your business

Your business may not be able to predict the exact contingencies your supply chain will experience, but you *can* future-proof your logistics operations by taking precautionary measures that will withstand the test of time.

1 Diversify your sales channels

For those looking to grow their digital footprint, social media and online marketplaces are a great place to start. Look for a fulfillment partner that can integrate with all the sales channels you use today and may want to explore in the next 6-9 months, including Shopify, Amazon, eBay, and more. Compare core capabilities across scalability, reliability, and technology to ensure seamless processing and fulfillment of orders, and to drive customer satisfaction that will grow your revenue.

Brands with a well-established footprint in their respective industry should also consider if and when wholesale is right for them. The wholesale market is estimated to be worth \$12.3 trillion³⁷ in the U.S. this year, making it a major opportunity for you to expand your brand presence, appeal to new audiences, and gain efficiencies and economics in the supply chain.

2 Fulfill orders closer to your customers for faster delivery

On-time delivery starts with smart inventory placement. Analyzing how and where your business can place inventory close to your customer base is crucial to reduce delivery costs and increase on-time delivery accuracy. If you aren't managing fulfillment operations in-house, partners with a large network of cross-docks and fulfillment centers are able to place your inventory closest to your customers based on real-time demand and keep it available for sales at a high caliber. This, combined with fast and reliable delivery dates on your storefront and integrated channels, marketplaces, and listing tools can drive significant conversions.

Turn your logistics cost center into a revenue driver for your business (cont.)

3 Digitize your supply chain

Digitizing supply chains through the use of automation, AI, and first-party data is critical if you want to drive efficiencies within your logistics operations. Leveraging AI-powered analytics and automated processes will give you real-time insights into inventory, demand, and supply chains. It will also allow your business to iterate faster and stay agile by identifying supply chain inefficiencies earlier. Not only will this enable more streamlined warehouse operations with increased transparency, but it can ultimately lead to cost savings and better customer experiences.

4 Proactively reserve and replenish inventory just in time

Consumers saw 60 billion³⁸ out-of-stock messages between March 2020 and February 2022 in the face of supply chain constraints. To reduce stockouts and inventory holding costs, balance just-in-time replenishment of goods with “just-in-case” inventory reserves. Automating inventory replenishment processes and having extra inventory on hand in a downstream facility gives you more buffer to sell when you have spikes in customer demand or keep you agile as new wholesale opportunities are being explored.

5 Lean into autonomous robots

Whether you own your warehouse or fulfill orders using a 3PL partner, consider using robotics across your distribution centers to pick and pack orders, and process returns inspections and put aways more swiftly. This includes autonomous mobile robots (AMRs), automatic guided vehicles (AGVs), and automated storage and retrieval systems (ASRS). Using these advanced technologies across your entire logistics operations can increase productivity and reduce picking errors between 2–3X³⁹ and reduce returns processing times by 90%⁴⁰.

About flexport.

Flexport is the platform for global logistics—empowering buyers, sellers and their logistics partners with the technology and services to grow and innovate.

To learn more, visit:

flexport.com

With logistics partners in more than 80 countries, companies of any size can transport goods to and from more places with greater ease and agility.

Track Effortlessly

Get milestone updates, exception alerts, and inventory impacts at a glance for ocean, air, and land.

Instant Collaboration

Collaborate in real time. Message suppliers, your warehouse, and other supply chain partners.

Data-Backed Decisions

Transit time, landed costs, and container utilization are now metrics within your reach.

One Source of Truth

End-to-end visibility and communications mean shipment details are just a click away.

Endnotes

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