THE upheaval in 2020 caused by the pandemic often makes 2021 year-over-year comparisons misleading. In general, consumer spending exhibited growth in recent quarters, both in stores and online. Many retailers reported positive sales growth, not only compared to 2020, but also versus 2019. However, there are several issues that retailers will continue to grapple with during the fourth quarter and critical holiday shopping season.

THE CHAIN IS BROKEN
Many retailers faced supply chain disruptions throughout 2021 that impacted the flow of inventory. COVID-19 outbreaks resulted in factories closing temporarily, delaying production. Even once factories manufactured the product, multiple transportation issues arose – container shortages, backups at ports that led to long delays in unloading times, and trucking shortages that resulted in delays getting product from the port to a retailer.

RETAILERS RACE AGAINST THE CLOCK
Retailers are working to offset these issues ahead of the holidays. Some companies are switching to air freight or buying ahead when possible to avoid being out-of-stock. Some are raising prices to consumers to avoid gross margin declines. In general, the retail sector is expected to see strong demand from consumers during the holiday season, with sales expected to increase anywhere between 3% and 9%. Retailers keeping adequate stock will likely be able to avoid excessive discounting as consumers are ready to spend. E-commerce is expected to remain popular, and consumers may have to expect shipping surcharges to ensure products arrive on time.