

NEWS

Continued supply-chain issues may impact back-to-school shopping

Claire Kowalick Wichita Falls Times Record News

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What started out as a rush on cleaning supplies, canned goods and toilet paper in preparation for the unknowns of the COVID-19 pandemic has endured as a long-standing problem with the global supply chain.

From the lumber yard to the drive-thru lane, individuals and businesses alike continue to have difficulty getting their hands on products they want and need.

The latest concern is if there will be enough school supplies to go around as a majority of children will be returning to the classroom this fall.

Education: Project Back to School Aug. 7 for Burkburnett students

Both online and in-store retailers are expecting to see an increase in demand for all things back-to-school from clothing to pencils, erasers and lunchbox items.

A recent survey of shopping trends from Influence Central shows about half of respondents spent less on back-to-school shopping in 2020 than in previous years.

Nearly 60 percent of consumers expected to spend more, both online and in-store, for this coming school year.

Anna Nagurney, with the University of Massachusetts Amherst, Isenberg School of Management, Department of Operations and Information Management, said the COVID pandemic highlighted problems with supply chains around the globe.

It started with COVID, but didn't end there

“Already early on in the pandemic, issues with supply chains became problematic and highly visible, with the coronavirus originating in China where, to start, about half of the world’s PPE (personal protection equipment) is produced,” Nagurney said.

With more and more people becoming ill, factories closed which caused various product shortages.

The issue, Nagurney said, revealed the global nature of supply chains and how much production is outsourced to other countries where costs are significantly lower.

Supply issues come to America

As COVID spread around the world, United States workers became ill, some died, and companies scrambled to install social distancing, enhanced sanitation and other health-safety protocols.

Nagurney said the situation caused both supply and demand “shocks,” especially for the food industry as restaurants and schools shut down and more people worked from home.

Some early supply issues were not due to lack of items but rather distribution problems, she says.

For instance, toilet paper usage did not significantly change during the pandemic, however, with the closing of businesses and schools, packaging had to adjust from providing several hundred-roll packages to household-size packs. Similarly, when restaurants and schools were closed, food suppliers had to reallocate supplies to distribute for home, rather than industrial use.

The meat-processing industry was especially affected along with farmers, who had a lack of migrant workers to pick produce.

Labor shortages caused kinks in various supply routes. For instance, fewer workers unloading freight meant products were not unloaded at ports in a timely manner. A shortage of truckers caused delays for many deliveries. The Ever Given container ship that was stuck in the Suez Canal for days jammed up deliveries worldwide and showed just how interconnected global trade is, Nagurney said.

Amazon, e-commerce thrived during pandemic

The pandemic was a mighty catalyst for steering companies toward electronic commerce. Grocery stores and retailers alike added online shopping, home delivery and curbside pickup to encourage customers to continue buying while many were leery of going into brick-and-mortar stores.

Online shopping giant Amazon thrived during this time with profits increasing more than 200 percent during 2020, according to a New York Times study.

Numbers from USA Today show Amazon founder Jeff Bezos’ net worth went from \$113 billion in March 2020 to \$203 billion by November of the same year.

Walmart remained America’s top retailer in 2020 with profits of \$550 billion – up more than 8 percent from the previous year.

Demand for certain products grew during the pandemic as children attended school virtually and many adults shifted to home offices.

Nagurney said computers of all kinds were in high demand, which led to a computer-chip shortage that is now affecting the automotive industry.

Home-office supplies and exercise equipment were wiped off shelves as people worked, and worked out, at their residences.

A run on cleaning supplies early in the pandemic led to stores rationing items like cleaning wipes and hand sanitizer.

Production improves but some supplies still scare

Production of cleaning and sanitation supplies has increased, however, a better understanding of the COVID virus shows “ultra-cleaning” is not necessary in most cases to avoid the virus, Nagurney said, leading demand to return to near pre-COVID levels.

Construction supplies, especially lumber, continue to have supply shortages and dramatically increased prices.

“Spot shortages” for other supplies, Nagurney said, will continue even to the distant future.

Consumers have adjusted to the new-normal, accepting similar substitutes when their preferred brand is unavailable. Many companies are reducing their portfolio of products, she said, to ensure adequate raw materials to meet demand.

While many states have lifted COVID restrictions and many people are returning to work and school, supply shortages are expected to continue and will have an impact on the nation’s economy.

Nagurney said as American students are just weeks from returning to school, there are concerns about possible school supply shortages due to the previously noted manufacturing issues like freight challenges and transport.

The President Joe Biden Administration, she said, understands the importance of a robust supply chain and is working toward making the U.S. more resilient in terms of critical raw materials and bringing more manufacturing of important products back to the country.

Nagurney said a sign of some relief for consumers is the return of advertising and sales of items at major chain stores. During the height of the pandemic, she said, these stores were not doing significant advertising or aggressive pricing.

Why doesn’t my coffee shop have my favorite flavor?

Companies are now attempting to prioritize production while still experiencing shortages of raw materials and components, Nagurney said.

“Different parts of the globe have not had as much access to the vaccines as we (in the U.S) have and, hence, COVID cases have been escalating in India, Brazil, and now east Asia, where many raw materials and products are produced,” she said.

Supply shortages not just a U.S. issue

Most countries are experiencing the pains of supply-chain problems, just like in the U.S. Some countries banned the export of PPE to ensure adequate supplies for their own people, leading to PPE shortages in other countries. Trade restrictions were imposed on other countries to protect their own citizens, meaning a lack of certain supplies. Travel bans caused some workers to not be able to get to their places of employment causing delays in production and delivery.

How do we fix it?

Nagurney said to stem supply-chain issues in the future it is imperative that redundancy be built into the system - from the suppliers themselves to the freight service.

“Firms need to work with multiple suppliers and have good relationships with them. Companies also need to take care of their workers, since without people, no goods can be produced or delivered,” she said.

Along with the COVID pandemic, the past year showed that even dramatic weather events – such as the February freeze in Texas and the subsequent power outages – can affect production.

Currently, wildfires, droughts and flooding in important agricultural areas shows the critical need for a systemwide change.

“Resiliency is not just a buzzword anymore - it is essential. Supply chains are critical infrastructure from food to pharmaceuticals and high technology and they need to be secured and protected,” Nagurney said.

Claire Kowalick, a senior journalist for the Times Record News, covers local government, military and MSU Texas. If you have a news tip, contact Claire at ckowalick@gannett.com.

Twitter: @KowalickNews