

Example Paper: this paper is a good example of how to organize the paper and illustrate your points. It can be improved by using more data to support arguments

Grocery Store Supply Chain Issues

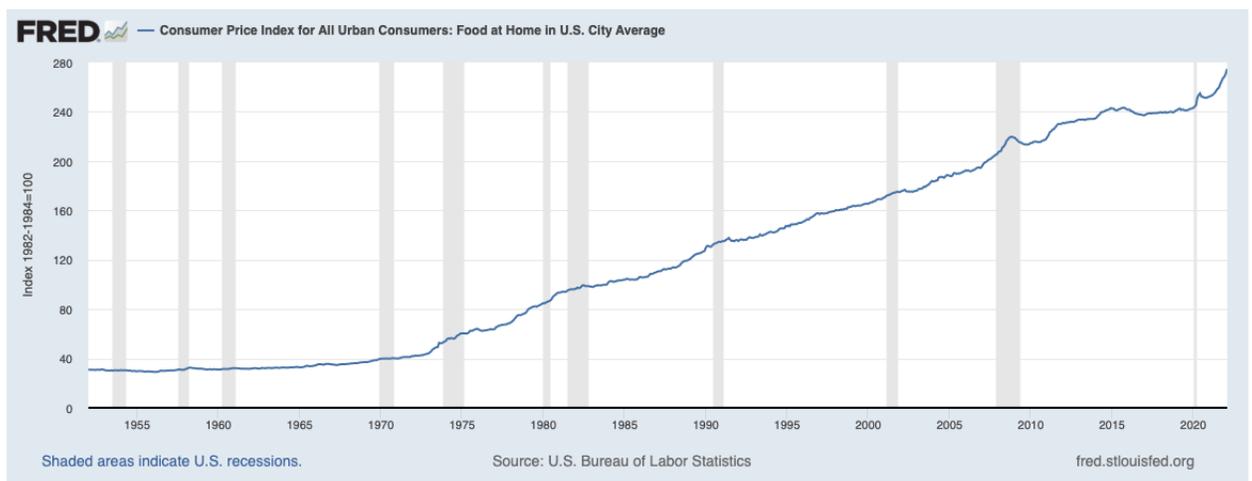
The coronavirus pandemic has impacted life and the economy in more ways than one can count. No one could have predicted the toll it would take on not only our lives but on the worldwide economy. We are over two years into the pandemic with no end in sight, and almost every industry is still struggling daily because of issues stemming from the pandemic. One of the most prominent issues is that of the supply chain. If you want to buy a car, it will take way longer than before to get your car because of a delay in parts, causing a short supply of cars in the market. If you want to buy clothing or furniture that is made overseas, odds are that you are going to have to wait longer for it to arrive because it is not in stock or it will get stuck in transport. These purchases, however, do not happen every day and therefore the supply chain issue might not sound like it affects too much of the population. There is one industry in particular that the supply chain issue continues to affect and that is the food industry, in particular grocery stores. Throughout the pandemic, grocery stores have dealt with a variety of items being completely out of stock or continuously low in stock, forcing them to sometimes limit the amount of a specific product one consumer can buy. This issue has no end in sight, so what effects have happened so far, and what is the current response to the situation?

Let's first take a look at why there are such big issues and delays in the supply chain. One of the most prominent and obvious reasons is the lack of workers (Newman and Kang, 2022). This is for a few reasons. The first is that there are fewer workers in the workforce at any given

time because they are getting sick with Covid. This has been a constant issue since the start of the pandemic and its implications are quite simple: the fewer workers there are, the less work that gets done. This issue is out of the company's hands and even when they try to fix it, the same issue arises with every new wave of infection. Employee sickness is not the only reason for the lack of workers though. Many workers are refusing to rejoin the workforce because they are getting enough money from government stimulus checks (Newman and Kang, 2022). This makes it even harder for companies because now they have to compete with stimulus checks when they are trying to hire more workers.

With worker shortage being the most prominent issue affecting the supply chain, we can now look at how the supply chain issues have affected how people approach food shopping. There are two main categories people fall under: they either are buying in bulk or buying off-brand items to save money. Looking first at the bulk buyers, their purchases have made significant shifts in numbers for companies like Costco, Walmart, and Sam's Club. Their sales rose 26.6% in dollars and 18% in volume during the fourth quarter of 2021 compared with the same quarter of 2019 (Bannon, 2022). This drastic increase in sales can be attributed to the severe shortages experienced during the beginning of the pandemic, as Bob Nolan, senior vice president of Demand Science at [Conagra Brands](#) Inc., says "Consumers who experienced the harsh reality of pandemic shortages made permanent changes" (Bannon, 2022). According to the IRI, there will be no slowing down in some people's bulk-buying as it is predicted that consumption of food will continue to be double what it was pre-pandemic (Bannon, 2022). In Bannon's article, she mentions an American mother, Jenn Gerlach, who says that she has been stocking up food in her house since the beginning of the pandemic. Scared that the stores won't have what she needs, she always buys more. This fear was instilled in her at the beginning of the

pandemic when supply chain issues were so bad that store shelves were empty and people could sometimes not even get necessities. The graph below shows the increase in food-at-home in American cities since 1952. We can see that it spiked in June 2020, and has been increasing significantly more since then than it did pre-pandemic.



This initial rise in demand and fall in supply that economists saw at the beginning of the pandemic was expected to flatten out. Bob Nolan even said, “We thought we’d have a lull in demand because people bought so much initially. But the reality is [consumers] have established a new inventory level,” (Bannon, 2022). Now that some people have become accustomed to shopping at these high-volume levels, this is their new norm. And because this is their new norm, that means there will continue to be pressure on the supply chain because demand has shifted to a higher level. In 2021, the sales of freezers in the U.S. went from 768,600 in 2019 to 1.714 million and for refrigerators, sales rose from 11.1 million in 2019 to 12.8 million in 2021 (Bannon, 2022). These increases in these specific goods are because of the number of people that are buying too much food for what they can store, forcing them to buy more fridges and freezers to store all their food. Manufacturers are still trying to catch up with the increase in demand, and of course, that is harder to do because of the supply chain issues for all goods.

On the other side of the scale, some consumers are changing what food brands they are buying to save more money because of the sharp rise in inflation (Kang, 2022). According to Kang's article in *The Washington Post*, inflation rates are the highest they've been in four decades, forcing consumers to look harder for ways to save money on necessities such as food. Large, name-brand corporations are charging more for their products, "citing higher wage, transportation and material costs." (Kang, 2022). Stemming off of the issues with finding workers, companies were forced to raise salaries as incentives for more people to work. That, paired with the increased prices of basic materials due to supply chain shortages, has drastically driven the prices of food brands to new highs. So with the rise in prices, consumers are trying harder to look for alternatives.

People are also bulk buying, as previously stated because that is sometimes cheaper than buying the amount of food needed. According to Kang's article, the food-at-home index rose 6.5% in 2021, which is the largest increase in a single year since 2008. This number shows that regardless of whether people are buying more food out of fear of shortages or are looking for the cheapest options, sometimes culminating in bulk buying, the amount of food stored in the average household has significantly increased due to the pandemic. This does not help the supply shortages because the supply chain is still struggling to recover from the initial surge in demand, and it cannot reach equilibrium with demand yet because of fallbacks in the chain. Consumers are growing more accustomed to higher prices, but that makes it harder for firms to predict the future demand because they don't know how consumers are going to choose to buy products as their prices continue to rise (Kang, 2022). With this uncertainty, there is another level of stress and difficulties in the supply chain because firms don't want to overproduce something that will

have a decrease in demand, and on the other hand, they keep playing catch-up because they can't accurately predict when there will be a rise in demand for a certain product.

Even though the supply of goods has increased recently to match the new demand, the supply chain still struggles with the physical transportation of the goods (Varadarajan, 2021). We saw earlier this year with the blocking of the Suez Canal and how much that backed up supply. It took weeks for some necessities to be in stock again because of that backup, and that was a backup inflicted on an already slow supply chain. Not only does this add to the ongoing supply chain issues, but it also now costs more money to ship products (Varadarajan, 2021). Big, industrial ships that travel the world delivering supplies now take way longer and cost way more to do so than before the pandemic. Pre-pandemic, it took a ship to go from Shanghai to Los Angeles back to Shanghai 71 days, now that same route takes 117 days (Varadarajan, 2021). This significantly affects the supply chain because the same amount of supplies we used to get in 71 days now takes 117 days, causing there to be more shortages resulting in higher demand, further pushing back the recovery of the supply chain and the economy's return to equilibrium with certain goods.

The cost of transporting goods on these ships has also increased tremendously due to producers wanting to ship their products, but there are not enough ships to hold all of the goods (Varadarajan, 2021). We have seen the demand for these ships increase, but the supply stays the same, therefore causing a change in equilibrium. One might ask, why can't they just build more ships? And while that could be a possibility, these ships are not only massive, but they require a lot of materials and they cost a lot of money. Just as the goods they transport are being affected by the supply chain issues, the materials they are made of are also affected as well so it does not make sense financially for the ship companies to produce more at the moment.

While these ships and the countless people and companies that work hard to rapidly fix the supply chain still struggle to do so, the consumer demand has not and most likely will not stop rising. This is something economists have accepted and are now trying to find ways to remedy. Before the pandemic, the graph that showed the percentage of goods that people bought for their consumption remained fairly linear or it “might move up or down by 0.2%”, but due to the pandemic, we are “seeing moves that were 10, 15 times that.” (Varadarajan, 2021). These changes show just how much more people are buying, especially when it comes to food and groceries.

The supply chain has severely suffered due to many factors stemming from the pandemic, and arguably the most notable industry to suffer is the food industry. While most grocery stores no longer struggle as much as they did at the height of the pandemic, their ability to serve and provide for their customers is not what it used to be, or it comes at a higher price. Some customers, in turn, are bulk buying or opting for non-name-brand items, increasing the supply chain issues because it is now harder for stores to accurately predict what products they'll need and in what quantities. This is an issue that will prolong, so now all industries, not just that of food, have to work harder and start to notice new trends so that they can offer what their customers need. The supply chain will not be fixed overnight, but in trying to adjust to new trends and become used to new normals, the supply chain itself will also follow and find new ways to be efficient and profitable.

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