



Logistics MANAGEMENT

MAKING THE CASE FOR AN Integrated Warehousing & Distribution Solution



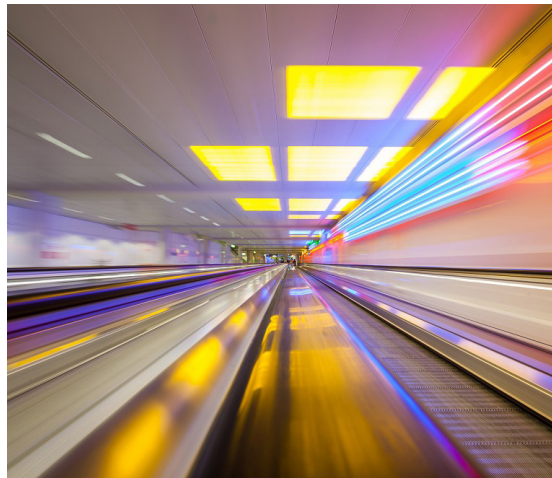
How companies can leverage a comprehensive, integrated warehouse and distribution solution that streamlines operations, improves efficiencies, and saves money.

Managing the high-velocity, demanding distribution environment

FACING PRESSURE FROM EVERY DIRECTION, companies that ship products are confronting challenges that range from higher shipment volumes to smaller orders to constantly-changing customer demands. Driven by the booming e-commerce sector and the omni-channel distribution trend, these and other obstacles are pushing companies to find the right combination of capabilities, speed, accountability and accuracy in their warehouse and distribution operations.

Knowing that this perfect combination can be hard to establish and orchestrate internally, more companies are turning to third-party experts to manage the labor, logistics and technology that make their warehouse and distribution operations tick. Doing so leaves the manufacturer, distributor, or retailer to focus on what it does best: run and grow its core business without the burden, expense, and risk associated with today's high-pressure distribution environment.

Consider this: the company that decides to operate its own warehouse, distribution, and logistics environment—and then staff it up and equip it with technology—winds up robbing its core business of resources. The time required to run a warehouse, scale up distribution operations, leverage the right technology, and manage the end-to-end supply chain operations would be much better spent running, growing, and scaling up the business.



According to Joe Tague, senior manager of business applications for Canon Business Process Services (Canon), the tight labor market is making it especially difficult for companies to scale up

their warehouse and distribution operations. “Finding the skilled warehouse worker who will stay in place, and not move jobs for 25 cents more per-hour, is getting more and more difficult,” says Tague.

That level of labor instability can impact the entire distribution operation, particularly when companies put time and effort into

recruiting, hiring, and training those individuals—only to see them walk out the door within a few weeks (or less). “It’s just a revolving door of people right now,” says Tague, “and that’s taking a toll on companies’ resources, assets, and bottom lines.”

Thinking beyond labor, Jeremy Wisdom, one of Canon’s logistics, operations, and supply chain consultants/solutions analysts, says the way supply chain, warehousing, and distribution have been historically “back-burnered” in favor of other services makes it difficult for companies to get their fulfillment operations up to speed quickly and efficiently. “It’s not, nor has it ever been, the typical manufacturer’s core service,” Wisdom points out. “They’re focused on making, marketing and selling products, and basically just figure out how to store and ship them later.”

As a result, supply chain as a whole hasn’t been given the same level of importance as, say, manufacturing or customer service. That’s changing, says Wisdom, who for the last 10 years has seen more companies investing in supply chain management and optimization tools.

But even with those tools at their avail, logistics managers have had to sharpen their pencils and come up with new ways to manage inventory (i.e., figuring out what needs to be manufactured in order to meet customer demand), optimize their physical operations,

and get products out the door faster (and in smaller quantities).

“Ensuring that you have the adequate amount of inventory and safety stock on hand that mirrors your production schedule is a huge challenge for warehouse managers right now,” says Wisdom, “along with keeping up with the sales commitment to get the product distributed after it’s manufactured—getting that product out when it needs to get out.”

Factoring in the entire supply chain cycle, Wisdom says the many different elements that come into play during the fulfillment and distribution process aren’t getting any easier to manage internally. “There are so many different key components to manage from a warehousing perspective,” says Wisdom, who points to inventory management, optimized order picking, and transportation selection—while adhering to expected service levels—as just some of the key demands. “Handling all of this in-house has become a real burden for companies across all industries.”

In this Making the Case report, we’ll explore the key issues that

companies are dealing with in this e-commerce/digital fulfillment environment; explain how companies can relieve themselves of this burden with an integrated

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warehousing and distribution solution; and spotlight how outsourcing these non-core activities pays off in many different ways for a variety of stakeholders.

Start solving your key distribution pain points today

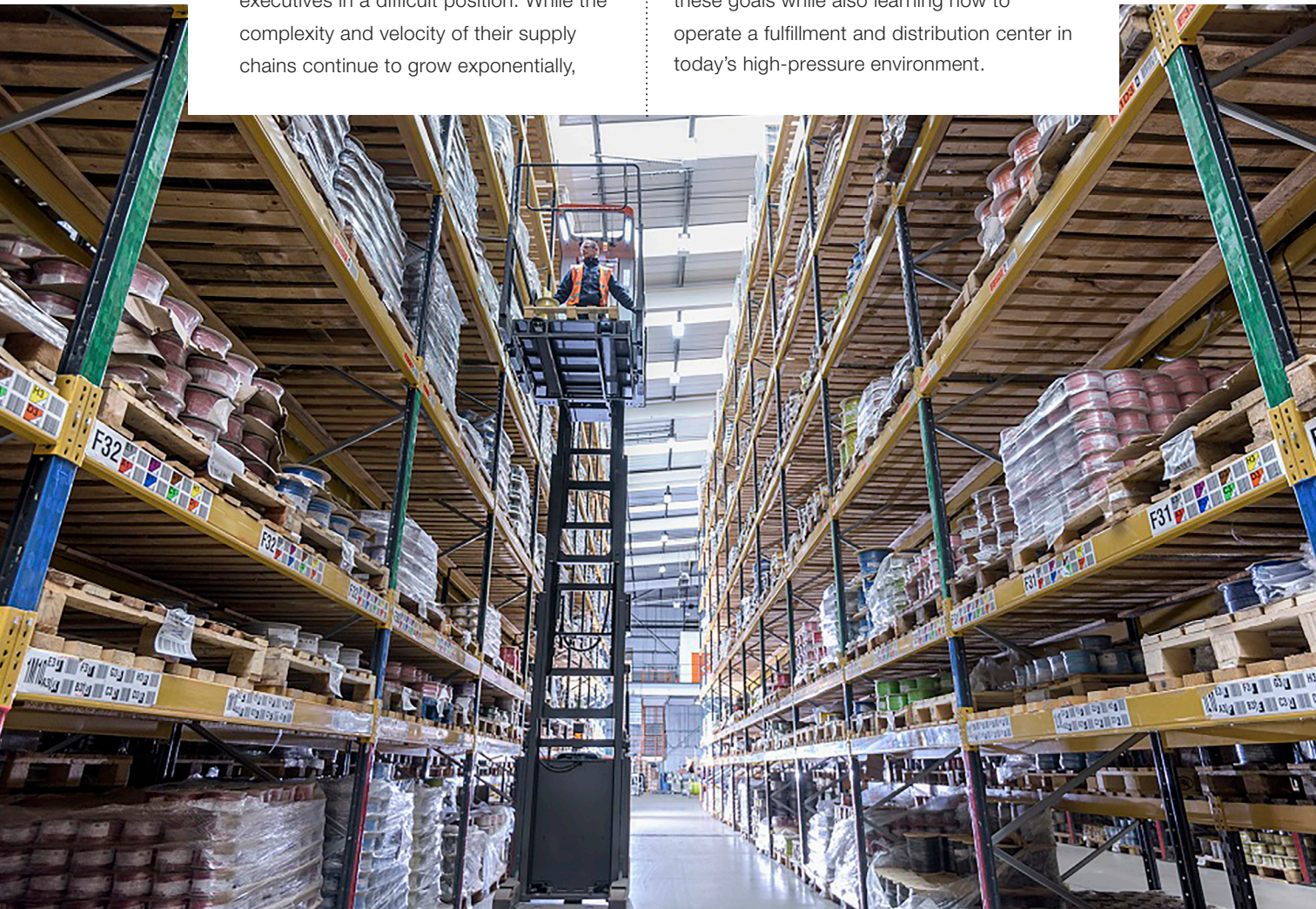
Here's how Canon Business Process Services helps companies improve service levels and increase both productivity and efficiency—all while leaving them to focus more on their core business strategies and growth goals.

THE SPEED OF DIGITAL BUSINESS

It has impacted warehouse and distribution operations across the board. At the same time, customer expectations and demands are rising exponentially, all while companies face one of the tightest labor markets in recent history. This puts logistics, warehouse, and supply chain executives in a difficult position. While the complexity and velocity of their supply chains continue to grow exponentially,

customer demand for top-quality service remains at an all-time high.

The challenges don't end there. The same supply chain executives are also being asked to cut costs and improve service levels while increasing both productivity and efficiency. The problem is that companies can't achieve their full potential if they're trying to achieve these goals while also learning how to operate a fulfillment and distribution center in today's high-pressure environment.



Created to help organizations solve these challenges, Canon Business Process Services (Canon) provides a comprehensive, integrated solution that incorporates distribution and inventory management, warehousing workforce management, and business support services. It provides the assets, human capital, technology, and processes that give companies a winning advantage in the fast-paced fulfillment environment.

In a world where time is of the essence and where customers expect

“We take a deep dive approach and really figure out what the customer’s wants and needs are. From there, we employ a long-term vision on how to grow along with that company while providing it with the best people, processes, and technology available.”

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perfection, accuracy, and expediency on every order, a partner like Canon helps companies efficiently navigate those pressure points—and more.

The perfect combination

Jeremy Wisdom, Canon’s solutions analysts for warehouse, distribution,

and technology, says that by combining people, processes, and technology, the company is helping companies better understand, orchestrate, and measure their warehouse operations.

“We take a deep dive approach and really figure out what the customer’s wants and needs are,” says Wisdom. “From there, we employ a long-term vision on how to grow along with that company while providing it with the best people, processes, and technology available.”

During that “deep dive” the Canon team goes beyond the basics and scours the company’s data for clues about its operations, potential areas of inefficiency, and opportunities for improvement.

“We look at how the facility is operated, how it’s structured, what the flow is like, and any telltale signs of an operation that’s not optimized or otherwise not living up to its potential,” says Wisdom. In some cases, the main focus of that exercise might be picking, packing, and material flow. In other instances, it’s on reverse logistics, safety, and the transactional structure.

“Being a Six Sigma professional, I like to take all of the data and processes and then just map it all out —bottlenecks, missing pieces, and all,” says Wisdom. “Then, we take those missing links like inventory optimization and labor utilization to come up with a game plan based on where the company is headed and how it will get there.”

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— *Joe Tague, senior manager of business applications, Canon*

What goes into a holistic, integrated solution?

Canon’s holistic approach to warehouse services includes focusing on three key aspects of good warehouse management: a highly-trained staff, proven processes, and best-in-class technology. This combination, which allows it to enable increased velocity, accountability, and efficiency throughout the supply chain, includes:

- **Labor management:** Recruit, train, manage and retain a highly-skilled warehouse team.
- **Process optimization:** Conduct a thorough analysis of current processes to create solutions that minimize costs and maximize efficiency.
- **Technology:** Identify today’s challenges and craft the solution that delivers meaningful results.

- **Safety and compliance:** Establish and cultivate a culture of safety by implementing safety programs, policies, and procedures that help minimize risk.
- **Facility design:** Maximize facility design and layout to enable an effective production process as well as smooth the flow of work, material, and information.
- **Materials management and inventory control:** Efficiently manage inventory and order fulfillment to ensure accurate safety-stock levels.
- **Performance management:** Provide actionable data using business intelligence tools and predetermined key performance indicators to ensure sound decision making.
- **Onsite assessment:** Position a designated subject matter expert onsite to understand and assess the company's current challenges and maximize process enhancement opportunities.

By providing safety-trained, full-time warehouse employees, Canon removes the burden of recruiting, managing, training, and developing staff. By identifying a company's key challenges, it effectively leverages its own teams (not temporary employees) in operations, human resources, safety, IT, and procurement to identify the right talent to drive performance and results.

When they outsource all or part of their warehouse and distribution operations to Canon, companies gain from:

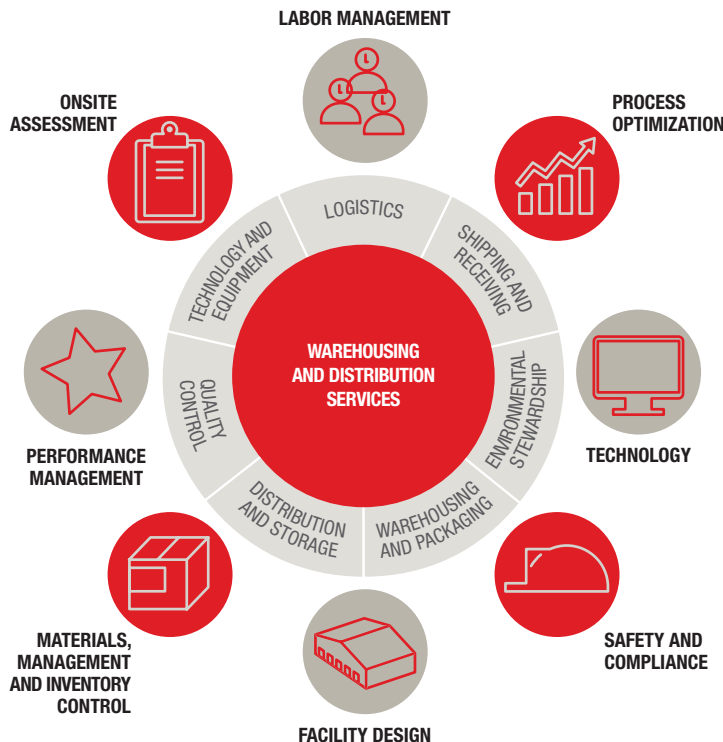
- *Enhanced flexibility to grow and adapt to a constantly changing business climate*
 - Greater ability to focus on customers and higher value supply chain needs
 - Improved performance guided by mutually-defined Service Level Agreements (SLAs)
 - Process efficiencies that drive lower operating costs

- *Peak season flexibility (to expand or contract)*
- *Supplementation of resources, capabilities, and skills not available internally*
- *Comprehensive workforce management that spans recruiting, training, retaining, and providing employees with career opportunities*
- *Access to new technologies and systems*
- *Expertise in regulatory requirements and compliance*
- *Established customized safety training programs*
- *Access to safety experts and Lean Six Sigma process improvement specialists*

Joe Tague, Canon's senior manager of business applications, says the company's integrated offering is different than any other offering that's on the market right now. For example, a third-party logistics (3PL) service helps companies orchestrate their shipping operations while a temporary employment agency offers semi-skilled workers to fill open positions. Neither of these solutions offers a holistic approach that aligns perfectly with the company's internal processes and people.

"3PLs have their own operational mindsets," explains Tague. "It's their warehouse their way, and using software that might not align with the company's own platforms. At Canon, we operate onsite at an existing client's warehouse, often optimizing

their current software and infrastructure or recommending new solutions, depending on the situation. This flexibility allows us to continually update processes and provide labor stabilization. We're an onsite service provider that comes with a high level of expertise that helps companies meet their own organizational goals."





Here's what an integrated warehousing and distribution solution looks like in action

WHEN THE LARGE MANUFACTURER APPROACHED Canon Business Process Services (Canon) for help, it was struggling under the pressures of a changing distribution environment, grappling with a lack of skilled labor, and trying to manage with inefficient processes.

“This customer was having a particularly hard time with labor management,” says Joe Tague, Canon’s senior manager of business applications. “It was working with seven different temp agencies across its manufacturing and distribution facilities.”

Managing that labor approach was an onerous task that included communicating with the temp agencies, figuring out where to best allocate those temp employees on any given day, keeping schedules straight, and finding coverage for employees who called in sick.

“When you have a compressed timeframe within which to get things picked from the warehouse environment and delivered to the production areas, any delays in that process put the production workers behind...When those delays happen on a daily basis, the costs really start to add up.”

— Joe Tague, senior manager of business applications, Canon

“It was a complete nightmare,” says Tague. “When they contacted us, our first charge was to come up with a plan to stabilize that labor environment.”

Running a large pick-and-pack parts area that was crucial to its manufacturing operations, the company needed to be able to produce a set number of new models every year. That put the firm on a very tight time schedule for getting its products approved and into the mass production process—both of which relied on the smooth running of its warehouse.

“When you have a compressed timeframe within which to get things picked from the warehouse environment and delivered to the production areas, any delays in that process put the production workers behind,” says Tague. “When those delays happen on a daily basis, the costs really start to add up.”

What also adds up is the amount of sick time that warehouse employees use during any given week—a number that can be as high as 20% for some companies that

the manufacturer reduce its production turn times while also ensuring that more final products were completed within their allotted timeframes.

“It all began in the warehouse, where we immediately started providing labor, expertise, and technology related to process efficiencies for picking.” For example, Canon integrated a warehouse management system (WMS) into the company’s existing SAP enterprise resource planning (ERP) system.

MANUFACTURER'S KEY "WINS"

- IMPROVED LABOR MANAGEMENT
- COST REDUCTION
- LESS LOST/MISPLACED INVENTORY
- BETTER PROCESS FLOWS
- MUCH LESS DOWNTIME FOR ITS PRODUCTION LINE

**“The ability to stay operational and fluid translates into REAL COST SAVINGS for this large manufacturer...
...where downtime can translate into tens of thousands of dollars per day in LOST PRODUCTIVITY.”**

Canon starts working with. “If you have a 100-person staff, that means you’re down to 80 on any given day,” says Tague. “That creates a lot of instability.”

He says Canon addressed that instability by bringing in a more reliable, skilled workforce than any temp agency could offer—and all from a single source (versus seven different providers). This helped

Along with improved labor management and better process flows, the manufacturer’s key “wins” include cost reduction, less lost/ misplaced inventory, and much less downtime for its production line. “The ability to stay operational and fluid translates into real cost savings for this large manufacturer,” say Tague, “where downtime can translate into tens of thousands of dollars per day in lost productivity.”

MAKING THE CASE FOR AN Integrated warehousing & distribution solution

When companies use an integrated warehousing and distribution solution, everyone wins.

FOR THE WAREHOUSE MANAGER: Challenged by the persistent labor shortage, higher order velocities, smaller order sizes, and customers whose needs change almost daily, today's warehouse and logistics managers literally have obstacles coming at them from all sides. On the labor front, an integrated warehousing and distribution solution provides safety-trained, full-time warehouse employees and removes the burden of recruiting, managing, training, and developing staff.

By shifting the focus from filling open positions to completing the work on time and meeting customer expectations, Canon pinpoints the warehouse manager's challenges and leverages its own operational, human resources, safety, IT, and procurement teams to select the right talent to drive performance and results. This gives warehouse managers accountability for the workforce, improved work quality, and higher productivity levels based on statements of work (SOWs) and service level agreements (SLAs).

Even more importantly, these capabilities can be quickly scaled up or down as the business requires. Using an integrated warehousing and distribution solution also helps managers meet their budget goals in a business environment where everyone is being asked to do more with less.

"Being able to rely on a partner that provides stability across all workflows and processes creates real cost savings," says Joe Tague, Canon's senior manager of business applications.

By redesigning a distribution facility to enable better flow of product from the front door to the back, for example, Canon improves the handling of those products, saves time, and supports the warehouse or DC manager's day-to-day responsibilities. "Better materials management and inventory control goes without saying," Tague adds. "Do those things well and you ensure fewer expenses when it comes to product going out the door, and fewer losses."

“We use data and business intelligence to better understand exactly what’s going on in the distribution environment, and then make improvements and solve problems in real-time.”

— Joe Tague, senior manager of business applications, Canon

FOR THE CFO: Charged with making good financial decisions across the entire enterprise, CFOs literally look like heroes when their companies outsource integrated warehousing and distribution to a reliable partner like Canon.

“Similar to corporate facilities, warehouses are also finance-driven and focused on cost decreases across the board,” says Jeremy Wisdom, Canon’s solutions analyst for warehouse, distribution, and technology. For today’s CFO, that means ferreting out holistic cost decreases that come from not having to financially support operational services like safety training, or process consulting (Canon handles both). The ability to engage a subject matter expert for your current warehouse projects can enhance opportunities to reduce costs by varying amounts for those projects.

Other key benefits for CFOs include fewer workers’ compensation claims; fewer equipment failures, and less downtime thanks to ongoing, preventative maintenance; better asset utilization; and lower shrink rates.

“When you start teaching employees how to handle everything from cold chain products to caustic chemicals to high-velocity products, you can effectively reduce your shrink rate,” says Wisdom, who points out that replacing a returned product is 10 times more costly to ship than the order that’s fulfilled correctly the first time. “Those reductions directly impact the bottom line.”

FOR THE CEO: Working with stakeholders, shareholders, and other individuals who have an interest in their companies, today’s CEOs are tasked with creating good experiences that keep people coming back for more. In the fast-paced e-commerce fulfillment world, this is pushing more CEOs to ask questions like: What are we doing in the warehouse or distribution environment that will improve the customer experience? Are we packaging our products properly? Is everything being shipped on time and to the customer’s satisfaction? Are returns being handled properly and quickly?

“These are all important issues for the CEO, because they reflect on the company as a whole,” says Tague. “It’s about being able to ship goods efficiently and under budget, and all while providing a high level of customer service.”

By outsourcing all or part of the warehouse and distribution operation to an integrated solution provider, the CEO experiences gains like enhanced flexibility to grow and adapt to a constantly-changing business climate; greater ability to focus on higher value supply chain needs and customers; improved performance guided by mutually-defined SLAs; and the ability to adapt quickly to peak season needs.

Similar to the warehouse manager, the CEO is also challenged by the lack of skilled labor—a problem that a partner like Canon can solve with a comprehensive workforce management approach that spans recruiting, training, retaining, and providing employees with new career opportunities.

Finally, CEOs get the robust technology tools that they need to be able to track performance, monitor progress, and make smart decisions. “We use data and business intelligence to better understand exactly what’s going on in the distribution environment,” says Tague, “and then make improvements and solve problems in real-time.”



Helping companies improve efficiencies and gain a competitive edge

FACING CHALLENGES THAT INCLUDE a national skilled labor shortage, a booming e-commerce market, and a customer whose needs and demands change almost daily, the operator of the modern-day warehouse or distribution center has found itself in a “perfect storm” of sorts. Saddled by physical facilities that weren’t meant to handle the rigors of e-commerce, for example, and the need to implement technology (yet little clue as to which investments will yield the best return on investment), companies are turning to partners like Canon for help.

The challenges aren't going to let up anytime soon. According to The Conference Board, the threat of labor shortages is more acute in blue-collar and low-pay services occupations than in more highly educated white-collar occupations, the exact opposite of the prevailing trends in recent decades.

"We expect that by the end of the year, the labor market will be historically tight," it reports. "Industries that employ large shares of blue-collar workers, such as agriculture, mining, utilities, construction, manufacturing, transportation, accommodation and food services, repair, maintenance, and personal care services, are strongly affected by rising wages and shrinking supply."

So while warehouses and distribution centers are being asked to scale up their operations to meet the ever-changing needs of their customers, their people, processes, and technology will all have to adapt—a level of change that's never easy to attain in the traditional fulfillment environment.

"Any distribution facility is going to have issues and pain points and need some type of efficiencies or process improvements," says Jeremy Wisdom, Canon's logistics, operations, and supply chain consultant/solutions analyst. "The fact that we can evaluate a facility, provide a 10,000-foot-view of it, and give solid, experience-based recommendations goes a long way in helping companies solve some of their most pressing fulfillment issues."

Joe Tague, Canon's senior manager of business applications, says the provider's holistic approach to warehouse and distribution center management sets Canon apart from any other offering on the market.

"Our goal is to provide solutions in their entirety plus full accountability that's supported by a national team of experts," says Tague. "We have a whole infrastructure in place to support a wide variety of companies and their individual needs."

To the company that's buckling under the strain of the current distribution, fulfillment, and labor market challenges, Tague says the first step is to have Canon conduct an onsite assessment. This will not only help ascertain the key operational challenges, but also point out areas of potential improvement and opportunity.

"A lot of companies don't really know what their challenges are, or the extent of those issues," adds Tague. "We help companies dig down into the issues that are holding their operations back—and that are making their customers unhappy—and implement real, money-saving solutions that allow them to compete more effectively."

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