

Sourcing Your Internal Logistics Operation is Easier than You Think:

Manufacturers can create new efficiencies by improving the internal flow of materials



In today's competitive business landscape, focusing on core competencies is crucial for all companies looking to grow market share and drive innovation. Sourcing logistics operations to a reliable partner frees up resources, boosts efficiency and locks in significant advantages.

When companies focus on their core competencies and sourcing the rest, they free up internal resources, lower operational costs, reduce labor expenses and have the time to focus on what they do best: running their businesses. Sourcing also helps companies access specialized skills they may not possess in-house, reach a wider pool of talent and leverage cutting-edge technologies.

The logistics and warehousing function is a prime example of a capability that can easily be delegated to a reliable, capable third party. A manufacturer or industrial distributor that's dealing with high employee turnover rates can benefit from aligning with an organization that can take on some or all of this responsibility.

Sourcing logistics and warehousing has become increasingly popular in today's distribution environment, where fluctuating freight rates, labor woes and customer demand for fast deliveries are all putting more pressure on manufacturers, distributors and retailers.

"As the business world becomes increasingly competitive, organizations have to focus in on their core competencies or risk 'spreading themselves too thin,'" says Joseph Tague, director business applications at Canon Business Process Services (Canon).

Take the heavy equipment manufacturer that's trying to cover the bases with limited staff, and also has to staff up an entire warehousing and transportation department with those limited resources. Is this company an expert in logistics? Probably not.

And, does it have the full confidence to be able to manage best-in-class warehousing standards and set up its production department for success? Maybe, but is that a chance the company is willing to take? Tague says these are all questions managers should be asking themselves right now.

"If there's any doubt about any of these questions, it's time to find a trusted partner that can help you manage your logistics component capably and efficiently," Tague adds. "That, in turn, will set the foundation for success in manufacturing, healthcare, distribution or whatever sector you're operating in."

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A smooth handoff

There are many reasons why companies don't source non-core functions, with most of the apprehensions related to the loss of control, the potential for communication challenges, hidden costs, cultural barriers and the inability to find the right partner. Others assume the handoff will be difficult or they're concerned with the potential disruption to their operations.

According to Tague, the "disruption" issues come up frequently during engagements with potential clients who incorrectly assume that sourcing will create major disruptions in their workflows and processes. Even companies that understand the value of sourcing logistics, and are eager to get that non-core activity off of their plates, don't always understand just how easy the offloading process can be.

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*— James Flora,
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"We ease their minds by talking to companies about the hundreds of successful implementations that we've completed for a wide range of organizations," says James Flora, solutions consultant, warehouse & distribution at Canon. "We have a lot of operational processes, project plans, legal contracts and financial models that we can provide. We really make it pretty easy for the clients to mutually align on terms, sign on the dotted line and move forward with the implementation."

Steps to success

To alleviate any hesitancy for the company that's sourcing logistics for the first time or that might have had a negative experience with a different provider in the past, Canon will:

- **Bring in additional resources at no charge to the client to ensure a successful implementation.** "Our years of experience enable us to ensure a smooth transition with minimal disruption to the operation while starting our client on a path to continuous improvement," said Flora.

- **Talk to companies about their goals and ensure good alignment with those objectives.** During the months before implementation—even before Canon assumes management of any processes—the Canon team completes a lot of groundwork and assessments. "When clients become clear on these and other factors that characterize our customized approach, they often feel more confident that the transition will indeed be easier than they might have thought," says Jeremy Wisdom, senior solutions consultant, warehouse & distribution at Canon.

- **Take a tactical approach to the rollout.** Rest assured, your first engagement with sourced logistics and warehousing will not be Canon's first rodeo. Over time, the company has honed its rollout approach in a way that suits the needs of its diverse customer base. It has also developed best practices that are applied to all future rollouts, thus reducing the risk associated with the process. Tague says the company takes an extremely tactical approach to these and other steps, along the way utilizing Canon's broad resources and capabilities to hit target start dates. "There's a lot that goes into it, and we have all of the bases covered for our clients," he adds.

- **Continued strategic support post-implementation.** "This isn't like turning an operation over to a third-party logistics provider (3PL) and then hoping for the best," Tague points out. "After the transition, our solutions team will be back." Canon's Six Sigma and continuous improvement experts will also deploy all the staff needed (and more) to ensure that the job gets done right. "When companies hear these words they feel much more confident that the disruption and any related risk will be minimal, if there even is any," says Tague.

- **Streamline the transition process.** Through hundreds of transitions and startups, Canon has developed the documents, systems, project plans and experience to quickly and seamlessly facilitate the steps required for a smooth handoff process. And, its teams can implement warehouse management best practices and provide companies with customized statements of work (SOWs), which eases their minds even further.

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Addressing culture concerns

Outside partners do their best work when they integrate with their clients' culture—that very important social “glue” that binds employees together and shapes their interactions with one another, stakeholders and customers. Canon is well aware of this and works to ensure good alignment with its clients' cultures, knowing that any potential “culture clashes” could inhibit the success of even the best laid-out plans.

The tight labor market raised awareness of the danger of culture clashes, and particularly when a disgruntled employee can go down the street and work at another distribution facility for a slightly higher wage. “Our teams are trained to mirror the client's culture,” says Wisdom, who recently worked with a large U.S. manufacturer that wanted to make sure Canon could align with the company's highly specialized new employee onboarding process.

Previously, the manufacturer had multiple different providers onsite, orchestrating its onboarding process. It wanted to turn over the responsibilities to a single provider and selected Canon as its logistics partner. For this particular customer, Canon had to ensure that no one was waiting around for an orientation class that was only held every other week, and that departmental approvals happened quickly and without delay.

“That project was highly focused on our aligning with the manufacturer's culture, which included some very specific regulations and required additional onboarding and orientation checkpoints,” Wisdom explains. “One early concern was how we were going to be able to take separate departments and combine them into one, all while aligning with the culture of the existing employees, and we were able to manage all of that very well for them.”



Don't wait too long to make your move

Sourcing lets enterprises focus more time and resources on their core competencies, whether that's manufacturing jet engines, developing breakthrough pharmaceutical drugs or distributing products to brick-and-mortar retail stores. Pretty much any organization that wants to optimize and automate non-core business functions like logistics to improve efficiency, reduce costs and enhance agility can benefit from a sourcing arrangement.

Unfortunately, many companies wait until it's too late to offload tasks and projects that would be better handled by a competent partner. This can put a company in peril as it struggles to cover all of the bases and winds up spreading itself too thin, particularly in an era where labor is difficult to find, business costs are rising and customers can be more demanding than ever.

Flora says consolidating all labor and warehouse management with a single logistics services provider eliminates several time-intensive micromanagement issues. These include using a recruiting agency for hiring, a 3PL for internal logistics, a temp service agency to fill in the labor gaps, and consultants to ensure seamless execution. "We can consolidate all of that—and then some—to ensure seamless execution. That makes a lot of sense for our clients, most of which want to partner with just one provider," Flora explains.

To organizations that are considering handing off logistics to a competent third party, Canon provides a solution that's straightforward to implement, doesn't disrupt current operations and takes any and all cultural requirements into consideration. These are all important "wins" for companies that might be waiting to get all of their ducks in a row before making the official move to engage a logistics services partner.

The thing is, if you wait until all of the conditions are perfect, you may miss the opportunity to successfully offload those non-core logistics responsibilities to a competent outside business partner. And if you're assuming that the transition will be disruptive, think again. The reality is that everything from the initial assessment to the integration to the handoff can be handled quickly and seamlessly—and regardless of your operation's current status. Isn't it time you left the logistics up to the experts?

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