

WAREHOUSE AND DISTRIBUTION CENTER BEST PRACTICES:

Why Operational Efficiency and P&L Management Strategies Are Crucial



Here are the key strategies that companies should consider in selecting an outside partner to optimize an existing warehouse or launch a new one.

The global pandemic, e-commerce boom, and labor constraints are pushing warehouse and distributions center (DC) operations to their limits right now. Historically functioning as the last stop before a shipment reaches its final destination, these facilities have since become a focal point for companies that are racing to meet their customers' ever-changing demands in a challenging business environment.

These realities are putting new pressures on warehouse and logistics executives to balance higher order throughputs and better efficiency while also meeting customer service level agreements (SLAs). These executives are also navigating a constrained labor market, adhering to social distancing rules, and dealing with a global pandemic that's proven difficult to eradicate.

Needless to say, logistics executives have a lot on their plates right now, with those who are new to their positions feeling especially taxed.

"The warehousing environment is morphing as organizations adjust to having less retail and more warehousing, the latter of which has ramped up to accommodate the e-commerce boom," says James Flora, solutions consultant, warehouse and distribution at Canon Business Process Services (Canon). "The situation can be pretty overwhelming for someone who has recently taken on the responsibility of running an efficient, productive warehouse."

This white paper explores the key pain points that supply chain and financial management executives are dealing with right now and outlines the main considerations that all companies should use when enlisting outside professionals to help them expand an existing operation or launch a new one.

KNOWING WHEN TO ASK FOR HELP

Recent events have put a white hot spotlight on warehousing and distribution, two operational areas that in the past were largely taken for granted as something that would “be there” when called into action.

That changed when highly-publicized events like the toilet paper shortage, dearth of personal protective equipment (PPE) for healthcare workers and first responders, and published photos of bare grocery store shelves turned “supply chain” into a household phrase almost overnight.

“Companies are realizing the value of investing and specializing in their fulfillment operations, much like they would invest in marketing, sales, or manufacturing,” says Flora. “They also understand that warehousing is a specialty area that requires a certain level of expertise to manage properly.”

This is particularly critical for e-commerce, where consumers typically buy on price. With fulfillment-related activities directly impacting product pricing, an efficient warehouse or DC has become table stakes for any company that’s selling online.

With the pressures of running a successful warehouse operation compounding upon themselves almost daily, the organization that is 75% brick-and-mortar and 25% e-commerce has had to reimagine its fulfillment center within the course of a year (or less, in many cases) thanks to radically altered business models.

For help, many of these companies are turning to outside experts that bring a triad of people, processes, and technology to the table and help them adapt to this “new normal” operating environment.



KNOWING WHEN TO BRING IN THE CAVALRY

If managing warehousing and distribution operations plus a robust e-commerce business are a company's core competencies, then it may not need to tap the capabilities of an outside service provider. Depending on the manager's level of expertise, he or she can probably manage and coordinate all the moving pieces with the help of a strong, supportive team.

The problem is that warehousing and distribution are not core competencies for many organizations. This was pretty clear during the early stages of the pandemic, when companies scrambled to realign their operational processes in order to 1) meet the changing demands of their customers during an extremely difficult time, and 2) realign selling channels to focus more on e-commerce.

Key areas of impact included labor management, real estate, operational technology, and the introduction of new policies and procedures meant to reduce risk while also ensuring workplace safety. For manufacturers and distributors focused on brick-and-mortar stores, the shift to online selling and the "new normal" was overwhelming. To solve the problem, many companies either reallocated or hired new managers to run their suddenly-busy warehousing operations.



These managers continue to face steep challenges in the fulfillment environment. With e-commerce growing in the double-digits every month, and with people getting more comfortable buying everything from groceries to apparel to meal kits online, the financial management of these large scale operations hasn't gotten any easier this year.

"The warehouse has never been a static environment, but it's more dynamic than ever right now," says Jeremy Wisdom, senior solutions consultant, warehouse and distribution at Canon.

"You don't want to get too far underwater before reaching out for the experts who know how to optimize an operation." In other words, don't wait until you've run out of warehouse space, lost too much of your workforce, or realized that your DC floor layout is wrong before calling in the cavalry for help.

"Think proactively," Wisdom adds, "understanding that there's probably more 'great unknowns' lurking out there that an expert can handle for you."

REVIEWING YOUR CHOICES

Outside consultants come in all shapes and sizes, and not all of them can effectively address all of a company's warehouse and DC challenges. For example, you can use a "best-of-breed" approach and set up numerous short-term agreements with consultants who can tackle one or two problem areas (e.g., labor utilization, technology, DC equipment, supply chain networks, etc.).

The problem is that once these individual consultants have done their jobs and gone home, companies are left to fend for themselves. With business conditions more dynamic than ever right now, this can add new, unexpected levels of risk for a warehouse manager who may need to retool one or more aspects of an operation within two years (or less). Managers should also consider whether they have the time and expertise to interview and hire multiple consultants, plus the urgency level for completing the transformation.



By working with a single provider that offers a customized, onsite solution that encompasses people, technology, and processes, companies can greatly streamline this exercise and work with one company. For example, Canon provides comprehensive expertise spanning labor, processes, and technology. A third-party logistics (3PL) solution, on the other hand, lacks customization and puts the control in the hands of a provider with a limited range of expertise.

"You can ship your products to an offsite facility, lose control and follow that provider's processes," says Flora, "or you can have a custom solution built at your facility to maintain control and leverage best practices, but never lose control or visibility over what's going on with your warehouse or DC operation."

FINDING THE RIGHT PARTNER

Once you've decided which type of provider and service you want to engage, it's important to put some time into picking the right partner. Look for one that can implement the transformation more cost effectively than you can do it inhouse, understanding that there is true return on investment (ROI) associated with outsourcing.

This is an especially important point important for managers who have to justify the investment to a CFO or other organizational decision makers. "You can put in state-of-the-art warehouse management systems (WMS) and automated guided vehicles, but if your warehouse floor isn't optimized, then those investments will be a waste of money. The ROI won't be there," says Wisdom. "This is just one example of the high risk and cost associated when you try to do this yourself, and when you get it wrong."

Thinking beyond cost, look for providers that offer the full span of expertise needed to address your current and future operational challenges and goals. These providers should have hands-on experience working in your industry and with companies of similar size.

Using established, written processes for standard warehousing processes and functions, Canon tailors those to each individual application. "We're not starting from the very beginning on processes, job descriptions, or other requirements," says Flora. "We have the HR, IT, and operational talent in place and ready to go."



STRIVING FOR A LOW-RISK, HIGH-REWARD IMPLEMENTATION

New business initiatives can be daunting, and particularly when they are multifaceted and far-reaching. To ensure a smooth transformation process, and knowing that time is of the essence in today's warehousing environment, the business partner that can balance low risk with a quick rollout is your best bet.

"A lot of accounts are won and lost on the warehouse floor, which is the last line of service for order fulfillment and shipping," Wisdom points out. "When done right, this creates a positive experience for the customer while also creating a safer, more productive warehouse environment."

Working with Canon, companies that are starting from scratch with a new distribution site can expect to be fully up and running in three to six months. For a location that already has employees in place, that timeframe can be as short as 30 days, and with no upfront cost for the company itself.

As organizations continue to wade through the complexities brought on by the pandemic and work toward recovery, the opportunity to future-proof the warehousing and distribution environment lies in front of them.

"Working with an experienced third party can not only save companies a lot of time, money, and hassle, but it will also help them better service their own customers," Flora concludes. "The companies that stagnate at this point will certainly fall behind because their competition is improving every day."



ABOUT CANON BUSINESS PROCESS SERVICES (CANON)

Canon Business Process Services leverages advanced technologies and services to deliver agility, exceptional workplace experiences and improved business performance. We achieve these results by applying our workforce management capabilities, Six Sigma methodologies and implementation expertise. With professionals across the U.S. and in the Philippines, we have been named a Global Outsourcing 100 leader by IAOP for 15 straight years. Canon Business Process Services is a wholly owned subsidiary of Canon U.S.A., Inc. Learn more at cbps.canon.com and follow us on Twitter @CanonBPO.

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