**TRENDS SHAPING WAREHOUSE &
DISTRIBUTION CENTER MANAGEMENT**

Identify the Biggest Impact Areas for Your Operation

Canon
CANON BUSINESS PROCESS SERVICES

Logistics MANAGEMENT

Labor shortages, e-commerce growth, digital transformation, and the need for better performance monitoring are converging and putting new pressures on warehouse and distribution center leaders. Here's how a strong managed services and technology partner can help companies overcome these and other obstacles in the modern fulfillment environment.

Labor constraints, e-commerce growth, digital transformation, and the need for better performance monitoring have been top-of-mind issues for logistics and supply chain managers for several years now. When the global pandemic emerged—bringing with it supply chain disruptions and new requirements such as workplace social distancing—it poured accelerant on an already-burning fire.

Suddenly, warehouse and distribution center executives found themselves in the position of having to get more done with fewer resources. When shutdowns and quarantines sent people home to work, for example, e-commerce experienced double-digit growth month-over-month. And when much of the labor market experienced high levels of unemployment, the warehousing sector went in the opposite direction and continues to struggle due to a lack of available labor.

Through it all, the requirement to push forward with digital transformation and technology adoption hasn't gone away, and neither has the need to use relevant key performance indicators to operate in a more accountable manner. In fact, these imperatives bubbled to the surface as a result of COVID, when it became clear which companies did and didn't have their collective digital acts together.

"E-commerce was booming before the pandemic, which turned online shopping into the 'new normal,'" says Jeremy Wisdom, senior solutions consultant, warehouse & distribution at Canon Business Process Services. "With everyone being able to order whatever they want online, and then have it delivered quickly and safely, technology really changed the game from the original warehousing 101 mindset—where companies were still using paper picks and other manual processes—to one more focused on technology and automation."

In this white paper, we explore the top challenges and trends that are impacting warehouse and distribution operations right now. Discover how an experienced managed services and technology provider can help your company optimize and maximize its people resources, internal processes, and technology to tackle your biggest pain points.

MANAGING LABOR CONSTRAINTS

The national unemployment rate currently may be high, but that hasn't made much of a difference for fulfillment operations that need more workers to manage the onslaught of e-commerce orders that companies are dealing with right now. The warehouse labor gap is still in full effect despite the pandemic. Underscoring this trend is the fact that the warehouse employment rate—which increased by 32,200 positions—was at its highest level ever recorded that month at 1.25 million total jobs.

With 50% of warehouse operators citing the ability to attract and retain qualified, hourly workers as their biggest pain point, many are focused on reducing turnover and incentivizing current employees to stay. Others are working with partners like Canon to help fill in these gaps and solve other critical challenges.

"Companies are training employees who will walk away for 50 cents or a $1 more per hour, which means they're having to operate with 20% or so more full-time equivalents (FTEs) than they usually would," says Canon Director Joe Tague. "We're working with one company that experienced 100% staff turnover in one year. It's hard to operate and stay productive in that situation."

By providing a comprehensive, integrated solution that incorporates distribution and inventory management, warehousing workforce management, and business support services, Canon provides the assets, human capital, technology, and processes that give companies a winning advantage in this challenging fulfillment environment.

ORCHESTRATING A DIGITAL TRANSFORMATION

The push to automate the modern warehouse was already in full force pre-COVID, with more companies investing in and deploying automated materials management solutions, adding autonomous vehicles to their fleets, testing out robotics, and using cloud-based warehouse management systems (WMS).

With social distancing requirements making it difficult for companies to achieve their throughput goals, more of them are dusting off their digital transformation plans and coming up with new ways to infuse technology into their operations. This trend will likely continue long after the threat of the pandemic has passed, with technology providing powerful new ways to address age-old fulfillment challenges.

"We're seeing a lot more opportunity to add automation in the warehouse, where a lack of labor is pushing companies to automate processes that used to be hand-picked or fulfilled manually," says Tague, who sees inventory management as one resource-intensive process that can be managed with automation. "Robots can go through the warehouse, do RFID scans, and understand what's in stock and what needs to be ordered."

With a broad array of technology tools to choose from, companies pushing their digital agendas forward need help selecting the best options for their specific operations. They also need support when it comes to integration, implementation, and employee training, the latter of which can make or break a new initiative.

"There's a huge ocean of product information to navigate through right now," says Wisdom. "At Canon, we help companies overcome this challenge by making recommendations and providing authentic testimonials of how various companies successfully completed their digital transformation initiatives."

HARNESSING THE UPTICK IN E-COMMERCE

At the start of the year, both B2C and B2B e-commerce sales were rising steadily year-over-year. The pandemic accelerated this trend and pushed second-quarter U.S. e-commerce sales to nearly $212 billion—a 32% jump over the first quarter. This massive uptick not only impacted the way warehouses operate, but it also set new expectations for fulfillment speeds, product availability, and delivery timelines.

With the nearest competitor just one single screen-tap or mouse click away, companies scrambled to get their operations ready to both handle the onslaught and embrace the selling opportunity. "E-commerce is the big kid on the block right now," says Tague. "We're all ordering more online during this period, and that's pushing more companies to build new warehouses, convert traditional retail stores into last-mile DCs, and otherwise facilitate getting products to customers faster than ever—even same-day, in some situations."

Cloud-based WMS proved to be an ace in the hole for companies transitioning to this new normal. Not only do they provide a centralized repository that can link multiple warehouses, but WMS can be integrated with online storefronts and inventory management systems. The combined system offers a full, 360-degree view of the transaction—from the point of order right through to the time it's loaded onto a truck for delivery.

These systems also generate analytics that can be used for fast and effective decision-making. "To effectively harness e-commerce, you don't have the luxury of using spreadsheets and manually pushing your way through the problem," says Wisdom, "nor can you ignore the need for a good reverse logistics processing system." The latter point is critical in a world where 30% of all online orders are returned (versus about 9% for brick-and-mortar purchases).

Wisdom says cloud-based software also helps companies connect with their customers in a very fluid environment and gives them live visibility into their orders. This is exactly what e-commerce buyers have come to expect as they want to check stock and ensure availability before clicking the "buy" button.

"To remain competitive as e-commerce continues to explode," says Wisdom, "companies need the technology in place to both physically fulfill the orders and communicate with their customers."
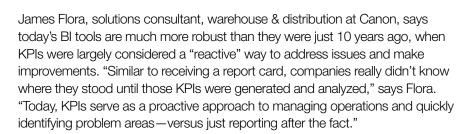
BETTER ACCOUNTABILITY VIA KPIS

If they weren't already monitoring both their own internal operational performance and that of their managed service providers pre-COVID, companies were probably sidelined by the supply chain disruptions and quick shift in customer preferences that the pandemic brought with it.

"Key performance indicators help companies judge the efficacy of their operations, find opportunities for improvement, manage their supply chains, and improve the customer experience," says Tague, who adds that proactively addressing disruption while also improving internal operations requires a good grasp of the top warehouse KPIs. "Companies also need to understand the role these KPIs play in their success or failure."

The problem is that many organizations only look at internal KPIs, and neglect to apply the same level of scrutiny to their managed service partners. Or, they use manual methods of tracking the latter, hoping that their spreadsheets will somehow reveal potential problems and areas of improvement.

Canon helps companies overcome these issues by providing business intelligence (BI) tools that can be used across the entire fulfillment ecosystem, and not just within a company's own four walls. This, in turn, helps organizations understand whether they're meeting their production times, how often their inventory is turning over, and what their on-time ship rates are (even if that function is outsourced to a third-party provider), among other measures.

James Flora, solutions consultant, warehouse & distribution at Canon, says today's BI tools are much more robust than they were just 10 years ago, when KPIs were largely considered a "reactive" way to address issues and make improvements. "Similar to receiving a report card, companies really didn't know where they stood until those KPIs were generated and analyzed," says Flora. "Today, KPIs serve as a proactive approach to managing operations and quickly identifying problem areas—versus just reporting after the fact."

A STRONG MANAGED SERVICES PARTNER CAN MAKE THE DIFFERENCE

As warehouse and distribution center operators continue to work through the challenges, and as new obstacles emerge, many will turn to reputable, experienced outside providers for help. "There's tremendous value in having someone from the outside come in and assess your operations," says Tague, "and apply tried-and-true best practices to the problems."

Wisdom concurs and says a strong partner also helps companies prepare for what's coming down the road. "We view our customers' operations as a whole, and collectively look at each department and how they interact with one another," says Wisdom. "Then, we help them take a proactive approach to ensuring problems don't reoccur and that future issues are either avoided or mitigated quickly."

Armed with these insights, organizations can develop "big picture" strategies that help them future-proof their supply chains and leverage new business opportunities. "Right now, a company's success is more reliant on supply chain, fulfillment, and warehousing than it ever has been," says Flora. "Managing these make-or-break points can be a daunting task for someone who doesn't have expertise in all of those fields. We're able to give our customers a level of comfort, knowing that a true expert in the field is designing their big picture strategies."

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 14 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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