

Criteria that enable you to trump your logistics competitors - What makes the difference?

Erschienen: ITJ - International Transport Journal, Mai 2021

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Products are substitutable – but good warehousing logistics isn't, says consultant Dr Peter Acél. He should know – he's been in business for a quarter of a century. One way to secure a competitive advantage is to run a tight warehousing logistics ship – from goods in to parcels out and final delivery. Logistics is service – the faster the better. Here's Dr Acél's guest column.

Accept inbound goods; check and store them, sometimes in several warehousing phases; then pick and pack them for dispatch – these are all very time-consuming tasks that don't generate visible added value for your customers. But trade in physical goods would simply not be possible without these activities. Now, however, there's a need to act in face of the ever smaller units involved at greater frequency, and cost pressures on customers and traders.

Service makes the difference

Temporal and quantitative service flexibility as well as the speed of order fulfilment (order to delivery) are the core characteristics that will provide a firm with a competitive edge in the market. Next-day delivery – or even same-day delivery – is a crucial offering that isn't easily copied; it can contribute to reducing price competition. Further key measurable factors include costs, which are a result of efficient processes, and of employee and storage space productivity. The largest influenceable factors driving up the time needed and the costs per unit can be found in warehousing logistics.

The matter of warehousing structure and customer service are important elements too. Larger warehouses allow a greater degree of automation. Every additional storage facility leads, if availability remains the same, to higher stocks in the system, which results in more tied up capital. Stock and fixed costs are generally underestimated and are always higher in total when there are several locations. On top of this management complexity also rises. Two warehouses require two connections, but three already require six.

Automation = opportunities

A logistics network with a few central warehouses, with closely-linked satellite facilities, represents one tried-and-tested compromise. This allows a local presence with quantitative and distributional bundling. Once a location has been chosen the equipment has to be installed. Rising home-shopping volumes increase overall demand for e-commerce fulfilment solutions and thus for logistics facilities, which in turn fuels competition. Thus many existing and new logistics centres have to be automated. Most of the equipment is already in place and relatively robust. This won't suffice in future, however. The distribution centres of the future will consist of networked and computer-directed systems. The key to success lies in combining the dynamic deployment as well as the management of employees and technology.

There is a great potential for further rationalisation, for approximately 70 % of all warehousing work today is carried out manually or with the help of tools. Employees take a step every second, on average. A person picking and packing goods takes 10,000–20,000 steps a day. The future belongs to ‘goods-to-man’ and/or ‘warehouse-robotics’ systems. Tedious, repetitive, error-prone and physically demanding work will be replaced by flexible 24/7/365 robot operations, for example. With the corresponding volumes these systems will produce the quantum productivity leaps of the future. Packaging has undergone least automation so far, as this field frequently requires optimisation by weight and volume. The aim is to realise ergonomic packing stations.

Automation and digitalisation are rather complex projects. Bringing in assistance from external experts can be very advantageous for any company active in this segment of the logistics industry.



An anniversary for **Dr Acél**.