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## Warehousing's Reach

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The Great Recession pressured corporations to increase initiatives on supply chain and warehouse operations efficiencies to reduce costs while maintaining competitive customer service levels. More recently, the pressures on supply chain and warehouse operations have grown more critical as e-commerce market dynamics have evolved, led by Amazon and Wal-Mart.

Let's look at a few strategies and tactics corporations are using to improve the efficiency of their warehouse operations:

### **Warehouse/Trucking Interfaces**

As a result of truck driver hours-of service and Compliance, Safety, Accountability regulations, the importance of interface efficiencies between warehousing and trucking have become more important. Some tactics include:

- Flowing warehouse yard traffic in a counterclockwise direction, which means drivers don't need to back trailers into the dock from the blind side.
- Many shippers are increasing the percentage of palletized/unitized shipments for faster loading and unloading.
- To shorten driver times at warehouse facilities, a trailer storage yard is created so drivers can drop and pull equipment.
- Increased operations management of freight loading and unloading times help reduce the percentage of labor time to unload or load freight.

### **Warehouse Site Selection**

We've noticed a dramatic increase over the last five years in the depth of tenants' studies into optimization of warehouse networks. A more thorough analysis better identifies the operational efficiencies of a warehouse location. In one innovative approach to this site selection trend, GEM Realty Partners and partner Mike Mullen, an industry expert in

intermodal logistics industrial centers, decided to assess the logistics advantages of developing an industrial park adjacent to the new CSX intermodal hub at Winter Haven, Florida. The competitive assessment, which analyzed such things as transportation cost; labor cost and profiles; proximity to key goods movement nodes; and e-commerce operations feasibility, found that the location provided a number of goods movement competitive advantages for potential tenants.

### **Transloading and Cross-Docking**

Transloading and cross-docking is an option supporting the improvements in warehouse efficiencies, primarily by reducing the man-hours required to receive, put away, pull orders and ship product. Other benefits include:

- Consolidated shipments to destinations.
- Savings from reduced inventory-carrying costs.
- Reduced transportation costs.
- Products getting to market faster.

An estimated 32 percent of all import containers are transloaded at local area warehouse facilities, according to a 2013 WCL Consulting analysis of the Southern California transloading market. This trend is expected to increase over the next two to three years.

### **Outsourcing Warehousing to 3PLs**

Shippers often prefer to outsource their logistics functions to third-party logistics providers to gain operational efficiencies. Capgemini's 2014 Third-Party Logistics Study found that 72 percent of shippers are increasing their use of outsourced logistics services this year, up slightly from the average reported in recent years.

Survey results indicated a continuing, positive overall nature of shipper-3PL relationships. Shippers are seeing positive results again this year, underscored by the following:

- Average logistics costs are down 11 percent.
- Average inventory costs are down 6 percent.
- Average fixed-logistics costs have plunged 23 percent.

### **E-Commerce vs. Omni-Channel**

Nearly 85 percent of respondents to Logistics Management's 2012 Warehouse/DC Operations Survey were operating omni-channel (that is, retail stores, e-commerce, specialty retailers, wholesale and catalog) distribution centers rather than exclusive e-commerce fulfillment centers. The drive to reduce costs and improve profits causes many companies to look for ways to keep multiple operations in one building. This allows them to reduce costs and improve operating efficiencies on labor, energy, inventory and capital investment.

## Investments in Automated Systems

“The goal of making people more efficient is pushing the demand for robotics, but today only 15 percent of warehouse operations are automated compared with 80 to 85 percent that are manual operations,” said Tom Bonkenburg, a partner with supply chain and engineering consultant St. Onge. The challenge with an automated facility is it creates a single point of failure and significantly reduces critical flexibility to handle future business model changes.

## Future Priorities

To gain an insight into future warehouse/DC operations trends, we turn to Peerless Research Group’s 2014 State of the Warehouse/DC Equipment and Technology Survey, which confirmed that corporations are scrambling to improve warehouse efficiencies. The study reveals that activity levels have grown in manufacturing, warehouses supporting manufacturing and standalone warehousing. The growth is due largely to an increasing focus on doing more with less — optimizing existing facilities instead of building new.

Today’s hypercompetitive, ever-changing market will pressure corporations to increase their commitments to continuous improvements resulting in additional, new, innovative approaches to improving warehouse efficiencies.

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