

Bracing for the Paperless 3PL Warehouse Revolution

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Q&A

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David Miller, General Manager of Platform Services at 3PL Central, discusses key obstacles that 3PLs are dealing with right now and the role that the paperless, automated warehouse plays in solving these and other challenges.

With the goal of streamlining their operations, cutting costs, and saving time, more and more companies are transitioning over to paperless environments. The move also supports environmental sustainability in a world where paper makes up more than 40% (71.8 million tons) of total U.S. municipal solid waste, and where each person uses about 700 pounds of paper products annually.

These numbers are staggering, but so is the amount of time that companies spend pushing paper around on a daily basis. In fact, PwC estimates that the average company spends \$20 in labor to file a document, \$120 to find a misfiled document, and \$220 to reproduce a lost document. In total, organizations lose one out of every 20 documents and spend 25 hours recreating each one of those documents.

Warehouses and DCs aren't immune to the high costs of using paper-based systems. From his vantage point as 3PL Central's General Manager of Platform Services, David Miller says there's high demand for paperless and automated warehousing right now.

"Almost all of the best competitive practices today involve mobile and paperless components," says Miller, who estimates that 65% to 70% of warehouses are currently moving in the direction of paperless operations. "As we develop best practice workflows and talk to our customers, nearly every conversation that we have with them—and every workflow that we map out for those customers—involves the paperless processing component."

In this Insider Q&A, Miller discusses the current 3PL environment and the challenges that it's facing; tells what it takes to develop a more automated and paperless warehouse; and reveals how that transformation can help companies compete more effectively in the modern business world.

Q: *What does the current operational environment for 3PL warehouses look like?*

A: As we move further into 2020, the landscape is becoming more competitive and a bit more chaotic. More and more suppliers are trying to sell more products and, as such, are looking to leverage third-party logistics (3PL) providers that can support that growth. The challenge is that suppliers have unique needs when it comes to product management.

That means that the 3PL that puts together a standard operating procedure (SOP) doesn't always meet the needs of every customer all the time. To offset these challenges, 3PLs must remain efficient while scaling their businesses, knowing that individual customer requirements add a lot of performance pressure to the equation. Where historically we've seen 3PLs throw more labor at the issue, this just isn't an option in today's labor market.

Q: *What other challenges are 3PL warehouse operations grappling with right now?*

A: The biggest challenge for 3PLs is being able to execute on the service level agreements (SLAs) that they've put in place for their customers especially with the warehouse labor pool being as tight as it is. As you add in more variances and more decision-making opportunities to the equation, tracking becomes literally impossible without mobile or paperless technologies. 3PLs are more focused than ever on improving the efficiency of every worker, and paperless technologies and automation are logical next steps to do more with less.

As an example, if someone is sent out in the warehouse to pick and pack an order—and if you don't get a real-time check-in from a user as that process takes place—you never really know whether you're hitting the right metrics. Without this information it's very difficult to benchmark and then improve processes to ensure the SLAs are met even when additional labor isn't available to compensate.

On the other hand, if you do know in real-time that you're not hitting those metrics, you can make quick adjustments on the fly. Also, 3PLs need to understand whether they're producing appropriate revenue for specific customers—and if they're operating under budget or at least on budget. From a visibility and execution perspective, these are some of the biggest pain points that 3PLs are dealing with.

Q: *How can 3PLs tackle the complexities of e-commerce and omni-channel sales, neither of which is showing any signs of slowing down?*

A: The answer lies in automated and paperless warehousing, which is really a key driver to expanding a 3PL's business. Through system-guided workflows, for example, 3PLs can remove some of the decision-making and variability from the conversation and start digitally tracking KPIs and metrics in real time. That's where we really start to see a warehouse being able to become super-efficient and scale up to meet the need of the omni-channel environment.

Q: *What types of technology and processes do 3PLs need to start moving in this direction?*

A: For starters, one size does not fit all. There's so much variation within 3PL warehouses, which typically service multiple customers and, as such, must be able to meet the needs of each of those users. From the operational perspective, it starts with the acquisition of terminals and technology that complements the different areas of the workflow. For instance, a pick-and-pack operation versus a pallet-in/pallet-out operation would be best served by specific pieces of technology.

Anything is going to be better than paper for the most part, but the ultimate goal should be to go through the facility and understand which solution is right for each customer or job. For the warehouse manager, that means gaining a relatively quick understanding of which technology needs to be applied to create a streamlined, paperless operation.

Q: *Where does 3PL Central fit into the move to automated warehouse operations?*

A: We're focused around best practices inside of today's warehouses. Our product managers spend hours with our customers, prospects, and experts in the field (both internally and externally). We get in there to build and define how a warehouse should operate. Our strength lies in our huge sample size of information.

We know what works, we know what doesn't work, and we slice and dice that information across different geographies and industry verticals. For example, we know the difference between a 3PL that's operating cold storage in New Jersey versus one that's doing cross-docking in Los Angeles. We can translate those information points in a way that helps companies work smarter, faster, and better.

Q: *What's a good first step for a warehouse operation that's overly reliant on paper?*

A: It should start with a quick return on investment (ROI) project. Put simply, just focus on some quick ROI and try to solve for your bigger pain points. With the prices of technology continuing to go down, there's a lower threshold for entry right now. As a result, even finding a few hours a week of improvement using paperless technology can really translate into major time and cost savings for a 3PL.

We've found that almost every area of a warehouse can be improved and made more efficient through paperless operations and barcoding. The key is to look at some of the areas where the heaviest variances are happening (i.e., the one that takes you the most time to process) and start there.

Q: *How quickly can 3PLs expect to see results?*

A: The good news is that the minute you begin to remove paper from even a single warehouse process, you start to see the savings associated with that shift. Multiply that across myriad processes and steps, and the savings add up pretty quickly. For example, if a 3PL saves itself 20 to 30 seconds per order—and if it's handling 5,000 to 10,000 orders per day—that equates to about 52 saved manhours (on average) per day. That doesn't even account for the lower number of errors and the time spent looking for misplaced documents.

Q: *What else should 3PLs know about the road from paper-based to paperless operations?*

A: The more you put into it, the more you're going to get out of it. There's definitely some initial legwork involved, but if the company is leveraging a paperless or mobile solution from a technology provider like 3PL Central, it will definitely shorten the time to market. Because our technology was specifically built to implement on a best practice workflow, the results are going to be pretty much immediate. Overall, the barrier to entry is pretty low, especially if the 3PL works with a technology provider that has expertise and experience implementing these types of solutions in the warehouse environment.

Q: *How do you see 3PL warehouse management solutions evolving over the next five to 10 years?*

A: In the next three to five years, we expect the solutions to stay on the path that they're on right now. Over time, there's going to be more mobile technology embedded into the systems and helping humans be more productive and efficient. Looking out five to 10 years, I think we're going to see more robots and co-bots being used in the 3PL environment. This of course will result in more data being generated, and an even higher need for paperless/automated solutions to manage, dissect, and utilize that data.

Finally, as technology prices continue to come down, more 3PLs are going to invest beyond the "human enablement" component and into real autonomous workflows. Realizing that it takes time to go from a paper-based to a paperless to a fully-automated facility, now is the time to start making the moves in this direction. It's not going to happen overnight. Start taking the ROI tests, implementing automated workflows, and integrating paperless warehousing now. That way, when the next evolution of 3PL warehousing really kicks into gear, you'll be prepared for it.

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