



3PLS: RISING TO THE CHALLENGES OF THE NOW ECONOMY

Logistics is a part of operations across many different industries, from the automotive sector to food and drink retail. However, although the loads may differ, all logistics operations are facing similar challenges as manufacturing becomes increasingly globalised and consumer behaviour changes.

So, what are the trends driving evolution in the logistics industry? And how does materials handling equipment help third-party logistics (3PL) firms rise to these challenges?

// COVID-19

Changes were already happening in the logistics sector. However, as in many industries, the Covid-19 pandemic in 2020 accelerated them. Trends that businesses expected to take into account across a decade, had to be addressed more immediately. This is particularly true in relation to eCommerce.

In January 2019, retail websites amassed around 14 billion visits*, which rose over the year to around 16 billion in 2020*. However, as the pandemic took hold, this figure soared to almost 22 billion by June 2020*, with the logistics sector key to the fulfilment of resulting purchases. This is echoed by a 2021 report which found that 46% of consumers have purchased an item online during the pandemic that they would only have bought in-store before.**

However, despite these unprecedented retail peaks, the logistics sector has not been left unscathed by Coronavirus. Figures show that the European road freight market declined by 17%***, and globally the gross value of the sector has declined by 6.1%.***

During tough economic times, how 3PLs respond not only to the challenges of Covid-19 but also to other key trends affecting the sector will be important to continued success.



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// E-COMMERCE

Long before Covid-19, the rise of eCommerce was changing the demand profile in logistics. From the kind of products being ordered, through to the quantities, and the expectations around delivery speed. Warehouses now are experiencing more frequent and extreme peaks in demand, not just during the traditional seasons. This dictates a need to be flexible and agile to deliver what is required at short notice, and to have the right equipment to support this. Flexible contracts and short-term rental of lift trucks can play an important role.

With more choice for customers, warehouses need to have a lot more storage locations and operations may need to pick up smaller quantities in more different places. The skill for warehouse efficiency is having the right things accessible. Price competition leads to short term peaks, transforming slow moving products into top sellers so 3PLs are frequently reorganising the storage and space. Ensuring the goods are in the right position helps speed up operations and helps to avoid materials handling equipment congestion.

For specialist warehouses, going higher and maximising space with narrower aisles is also a factor, which has a knock-on effect on the equipment requirements, from the turning circle to stacking height or reach.

Alongside these pressures, 'reverse logistics' also must be considered. Borne out of the eCommerce boom is the returns culture. This is challenging for warehouses from a quality control point of view, as well as the practicalities of getting the returned stock back onto the shelf.

SUPPLY CHAIN DISRUPTION

In the 'Now Economy' end consumers want stuff fast. That means warehouses are under pressure to get orders onto lorries efficiently, especially those dealing with Covid-19 backlogs.

But in general, where there is an overall need to move goods faster, from one place to another, logistics operations need to consider the maximum speed of lift trucks and warehouse equipment and where this can improve cycle times. Additional features such as intelligent lift on pallet trucks, combining traction and the lifting/lowering of forks, can also play a part in improving the load handling cycle.

With the rush of productivity and an urgency to get the goods out the door, another important factor is congestion. How operations manage the flow of different operations can be just as important to productivity in operations, as the speed. Warehouse simulation and telematics are of interest to many 3PLs looking at how their lift trucks and warehouse equipment can support them in different scenarios, including peaks and backlogs.

// PRODUCTIVITY

In the warehouse, it's important to have enough trucks available to do the different tasks, at the time they're needed. But there is high pressure on margins, so companies are trying to do more, with the same fleet, avoiding the acquisition of unnecessary equipment. 3PLs typically operate on a short-term contract basis, so making big investments in technology or equipment is difficult to justify and make it hard to guarantee a good return.



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For productivity, it is important for 3PLs to look at fleet optimisation, with many adopting telematics to provide the vital data needed. So, some applications may select multi-purpose equipment that can be used for different activities – from pre-inventory, to unloading a lorry, cross docking, to order picking. Consider order picking specifically: this is very labour intensive and time consuming, and in most scenarios does not lend itself well to automation, so the right equipment plays an enormous part in productivity. Warehouses may benefit from being equipped with trucks that pick at different levels, providing the versatility to meet a different range of tasks.

That said, logistics operations can also be highly specialised, so the right choice of truck depends on the intensity of the operation, and specialised equipment may be needed for specific actions and tasks. In this case, affordability is often key.

Automation will increasingly be a consideration within Logistics 4.0, though in an industry that operates on short term contracts and changes often, securing the investment will be challenging. However, those keen to be adopters of this technology do have options. Robotics solutions that can adapt to changing requirements and infrastructure, and be used by an operator as manual machines when needed, may be a viable choice for some.

// FULFILMENT

In recent years, the process of fulfilment has completely changed. In the past, the brand experience for many consumers involved visiting a bricks and mortar shop and assessing product availability or benefiting from an opportunity to buy exclusively. Online retail has made almost everything imaginable available in a few clicks from a range of suppliers. In this more competitive

environment, the fulfilment experience becomes a core satisfaction factor for the customer experience. Demands for next day or free delivery play a part in the purchase decision now.

Many have asked, is logistics the new retail? There is now a customer experience required from logistics companies as if they were a retailer. The expectation is that the customer can get what they want, when they want it and send it back. The fulfilment experience, and therefore the logistics operation, becomes part of the hook to buy, instead of just the benefits and availability of the product itself. And let's not forget the retailers. With online price wars and so much competition for customers, the margins may now lie more within delivery and fulfilment than ever.





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In fulfilment areas of logistics operations, there is pressure to do more runs of the same truck, preparing more orders in the same amount of time. These areas may also have a higher equipment to human ratio. In these areas, assistive technologies can help support awareness for trained drivers, and those working around them, such as awareness lights and object detection systems. These solutions can also help reduce costly damage to goods.

Of course, fulfilment no longer only takes place in major warehouses. Many businesses are setting up local fulfilment centres to meet requirements of a greater volume of small deliveries and 'last mile' and urban deliveries are increasing. As well as ensuring that manual trucks are up to a tough delivery schedule, logistics operations must consider factors such as noise regulations in urban centres, and whether equipment makes the grade.

// PEOPLE

In many markets, the logistics sector faces a severe labour shortage. It has difficulty attracting and recruiting the right labour to fill available positions and is also contending with the issues of an ageing workforce. Covid-19 presented additional employee-related

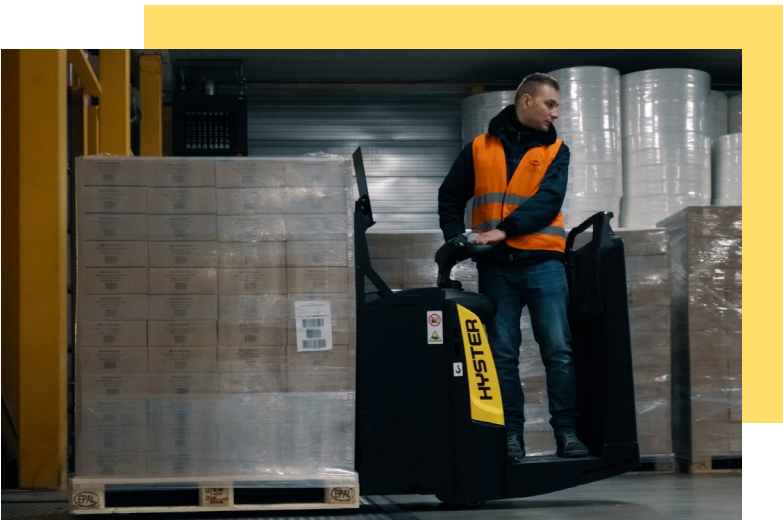
challenges. With self-isolation and childcare causing unpredictable disruptions to the workforce, logistics businesses had to deliver unplanned training to other team members or appoint agency workers to ensure that the workload could be covered. This included training on lift trucks, warehouse equipment, storage systems and more, presenting health and safety considerations, as well as those for HR.

In addition, with 3PLs under pressure to keep costs down and margins low, for some businesses it is more cost effective to use warehouse agency staff instead of full-time employees. For many, this also simplifies staffing when managing peaks. However, this impacts the choice of materials handling equipment. It is very important that lift trucks are intuitive and easy to operate for the drivers, who need to become productive very quickly when placed in an agency role.

Logistics operations should choose lift trucks and warehouse equipment that offer driving modes that can be set in line with the skill level of the driver. For instance, changing speed settings for new users to balance productivity with safety. It is also important to account for the ergonomics of the truck, so drivers are more comfortable operating the equipment, and in turn more confident and productive.

// MANAGING COSTS AND ASSETS

Though some parts of the supply chain have seen increased demand and enter 2021 thriving, that is not the case for all. For instance, though eCommerce is booming, retail overall has seen a decline**** which has a knock-on effect to logistics operations. 55% of retailers in a recent survey also stated they had already diversified their supply chains, with more looking to do so over the next year.***** The sector is increasingly competitive, so managing costs is perhaps more vital than ever.





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The right choice of materials handling equipment can support logistics operations in keeping costs down. Selecting lift trucks and warehouse equipment that are not only reliable and reduce maintenance burdens, but that also bring a low Total Cost of Ownership will make budgets easier to manage.

Fleet management and telematics systems that provide essential data on truck utilisation can also be a big support for operations looking to correctly optimise operations, and in some circumstances can enable fleet sizes, and in turn costs, to be reduced. Or this process can identify improved ways of working that enhance the productivity of fleets, delivering a better return on investment in materials handling equipment.

// SUSTAINABILITY

In most sectors, sustainability and environmental issues are influential. Within logistics, this is often driven by customer expectation. Millennials and 'conscious consumers' are increasingly keen to make ethical buying choices and have a more favourable response to companies with good green credentials. This extends to the logistics element of their transaction, as much as the brand they are buying from.

In many companies, there is an effort towards reducing packaging, and making it more recyclable. More smaller packages fit on a single lorry, helping to reduce journeys and associated vehicle emissions – an area that is increasingly legislated.

However, lift trucks are also contributors to emissions and therefore a business' carbon footprint. This is driving a move in some operations from internal combustion (IC) engine powered trucks (LPG and diesel) towards electric forklifts. To meet the intense activities of 3PLs, sustainable solutions such as lithium-ion lift trucks offer the benefits of opportunity charging and long battery life to help keep operations running across long shifts. However, before shifting from IC to electrics, businesses must look at the realities of what is the best fit for their particular organisation's needs, and not rush into ticking the 'green' box.

TIME TO EVOLVE?

How the logistics sector recovers and adapts following the Covid-19 pandemic will vary, country by country, sector by sector – as you would expect from such a diverse industry.

However, considering the important part that materials handling equipment and warehouse solutions have to play in productivity and profitability, will help logistics operations to remain competitive and flexible to future challenges.

Talk to Hyster about the specific solutions available to support your particular logistics operation.

www.hyster.com

* <https://www.statista.com/statistics/1112595/covid-19-impact-retail-e-commerce-site-traffic-global/>

** <https://www.retail-economics.co.uk/white-papers/outlook-for-uk-retail-and-leisure-2021-ten-trends>

*** https://www.statista.com/topics/6350/coronavirus-impact-on-the-transportation-and-logistics-industry-worldwide/#dossierSummary__chapter3

**** <https://econsultancy.com/how-is-coronavirus-impacting-the-retail-industry/>

***** https://www.alvarezandmarsal.com/sites/default/files/the_future_of_retail_supply_chains.pdf