3 Major Material Handling Mistakes to Avoid in the "Age of Amazon"

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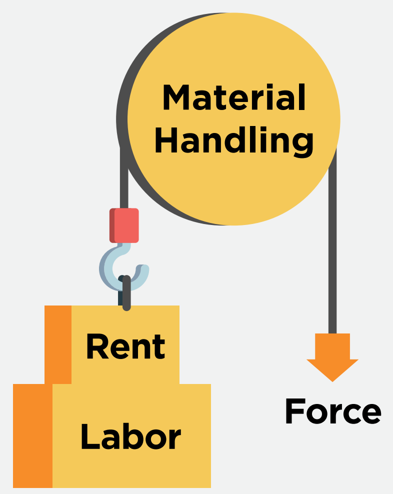
Material handling is the power train that drives distribution and manufacturing facilities. And today, material handling is one of the only places -- maybe the only place -- where you can drive savings in your supply chain while still improving your competitive advantage.

Wait, a place to save inside the supply chain? How can that be?

Quite simply, today's core material handling equipment approach, minus automation options, is stuck in 1995.

That's unfortunate, given that material handling is a major business driver. A good program means you ensure production goals, meet on-time delivery commitments, and see repeat business due to high customer satisfaction.

Plus, at multi-shift, high-velocity facilities, material handling is a Top 3 expense after labor and rent. And, if done with intention, it's the tool of leverage to drive labor and space savings.



A strategic material handling approach allows you to gain leverage on your major cost drivers: labor and space (rent) costs.

Yet most businesses still run material handling with a static, outdated approach.

Why is a top expense and a major business driver still being operated this way?

The Trouble with Supply Chain Efficiency

In short: Amazon.

More accurately, blame it on the competitive war Amazon has caused in our supply chains. Manufacturers and distributors are forced to compete against a constantly rising bar. Omnichannel requirements, ecommerce, SKU proliferation, expanding global supply requirements, and digital transformation efforts have all taken their toll on our people and organizations. The amount of change required to stay competitive is significant.

The result of this battle is that most companies have invested heavily in their supply chain. Yet according to **"Supply Chains to Admire,"** supply chains are less efficient today than they were a decade ago.

Studies confirm that almost every single company across industries is down over the past ten years, both in their operating margins and their inventory turns.

But why?

There are **many reasons.**

- **Omnichannel requirements**

  Ecommerce has taken off, but so have customer expectations. The pandemic has only accelerated the pressure on companies to provide fast, free delivery and in-store pickups.

- **Labor shortages and spiking costs**

  The labor shortage was already an industry problem -- and then the pandemic hit. Now the labor war for manufacturing and logistics talent has driven up wages as well.

- **Transportation and last-mile requirements**

  Transportation capacity growth isn't keeping pace with demand, especially in times of volatility. This impacts shipping containers and ports, but the labor shortage affects this market as well. Last-mile delivery is also a driver.

- **Major technology investments that have not delivered**

Leadership of digital transformation is difficult, so adoption and appropriate deployment of new business capabilities, enabled by technology, haven't panned out as well as most businesses would have liked. Businesses have made an enormous investment in technology and the digitization of their supply chain. But so far, many of those investments haven't delivered. Getting visibility across your vendors is still difficult. Many of these systems are still siloing data -- not to mention that big data can be a big problem if it isn't harnessed to drive effective decision-making effectively.

- **Expanded global supply chain**

    There is more to manage and control than ever -- but with smaller staffs to handle the ever-expanding global supply chain. Not only that, the pandemic helped expose the fragility of the worldwide supply chain.

With the pandemic acting as an accelerant on all these issues and investments, it's no surprise that material handling equipment and workflow took a backseat. Most companies didn't have time to take a breath, let alone do strategic work.

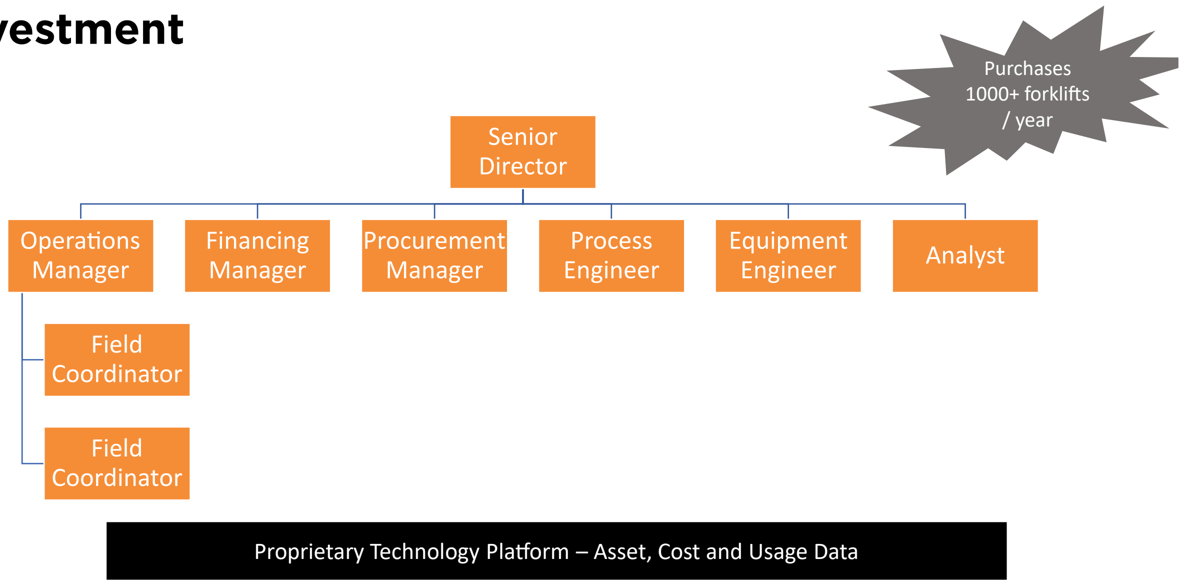
But while the supply chain becomes more expensive and unmanageable, material handling remains the one place it's possible to eliminate waste and improve productivity -- without disrupting day-to-day operations.

Why? For years, material handling, a top-three cost for high-velocity facilities, has been overlooked. It's ripe for improvement on many levels.

In fact, this is exactly what the top ecommerce/retail distribution companies have been busy doing. Let's dig into an example of a company in an ideal situation...

The Challenge: Decision Making in Material Handling

Fortune 50 Company: Strategic Material Handling Investment



The graphic above shows the personnel and platform investment of a Top 10 user of forklift equipment. It's a company with a massive (2,000 + stores) retail presence and a large distribution center network.

This company has a large investment in its staff, equipment, innovation, and structure. It has a home-grown software platform that pulls in all spend data -- both CAPEX (whether owned or leased) and OPEX (service spend across all vendors, as well as telematics and usage data for larger sites), as well as field service infrastructure for their DCs and retail stores. Because this company has invested, management has been able to make data-driven decisions, thanks to engineers who specialize in material handling flow and equipment, as well as analysts who can interpret the big data the system collects.

This company's investment has allowed them to find hidden cost savings by using data-based decision making that allows them to:

1. Take waste out of the system – Reducing the number of assets means a lower initial cost, as well as lower maintenance costs. Although many companies are fearful about asset reduction, when it's based on data, uptime demonstrably increases.

2. Exert total control over cost and productivity – Now this company is able to compare apples-to-apples data across all facilities to optimize both uptime and cost.

3. Provide clear benchmarking – The consistent data allows benchmarking to drive collaborative competition and best practices across facilities.

4. Create more sustainable operations – This customer's material handling improvements reduced CO_2 emissions, increased employee safety, and lowered costs overall.

The Reality: Most Companies Have Limited Resources

Unfortunately, most companies simply cannot replicate this investment. Only a handful of the biggest global companies -- think Walmart, Home Depot, and Amazon -- can even come close to this investment in their own data-driven technology. For most companies, these investments are not possible. That means that, typically, material handling is managed by a procurement person or a corporate-level "one-man band," with a lot of the know-how sitting with a manufacturer or the local facilities.

So, what's a company with limited resources to do?

While you'll never be able to keep pace with Amazon, you can still create a competitive program while cutting costs -- but you'll need to avoid these three pitfalls.

The 3 Major Mistakes in Material Handling Strategy

1. Neglecting continuous improvement in material flow

Executives tend to think about change only when purchasing new equipment. This is an issue because:

- Buying events happen only every 3-5 years
- Facilities typically limit themselves to one brand (or a few brands) with the idea that they'll get better pricing or consistent service, at least at a facility level
- Forklifts are treated as commodities, not as a competitive advantage — when, in fact, your entire business depends on them

The takeaway: If your company is going to be competitive, improvements **must** occur more than every few years. The equipment is only a small part of the improvement opportunity in your material flow.

2. Misalignment of team members' goals

- Facility leaders think about on-time delivery, cost per pallet, uptime, and safety, and no emergencies
- Corporate leaders are focused on cost reduction and compliance. Process standardization, best practices, visibility, and control, as well as reducing waste, improving assets, and sustainability.

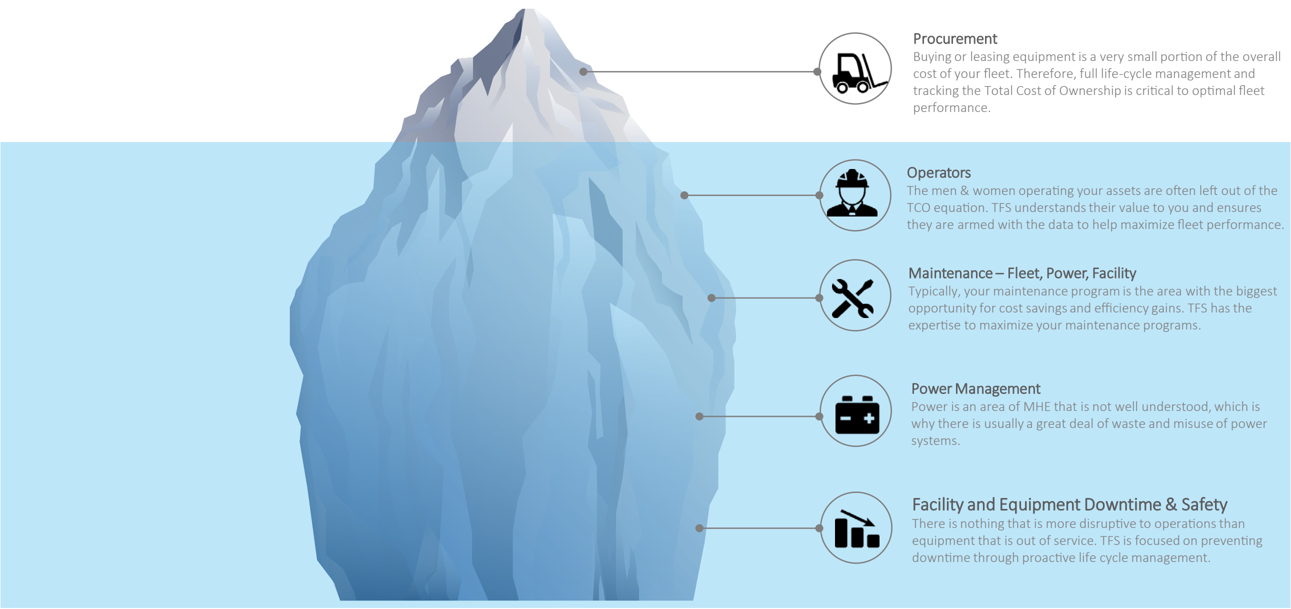
The takeaway: These are all worthy goals, but interests conflict -- and that's a big problem.

3. The "Iceberg effect"

- Equipment cost is only 20% of total cost of ownership for material handling
- The other 80% of costs are "underwater," aka less visible: operators, maintenance, power management, facility and equipment downtime, and safety

The takeaway: Asset acquisition costs are just a fraction of the total cost of your material handling program.

Equipment Cost is less than 20% of Total Cost of Ownership



Now that you know the pitfalls to avoid, you may be wondering...

How Do You Build a National, Competitive Advantage?

If you're lucky, you work for a Fortune 50 company that invests not only by buying assets and building a proprietary, data-driven tech platform, but also builds an internal staffing structure that supports the unified corporate goals for material handling.

But most companies aren't top 10 buyers of forklifts a year. If that's not you, what are the options available to you to build a national, competitive advantage?

Most companies typically attempt one of four approaches: local, do-it-yourself, OEM, or 3PL. All four options have their merits. They also all have their challenges.

OPTION	PROCESS	PROS	CONS
Local	Hand the problem to each local facility and say, "Do the best you can." Result: all facilities operate independently with varying levels of success.	Meets local requirements	Sacrifice corporate goals like cost consistency and sustainability improvement.
Do It Yourself	DIY on a corporate level: spend money hiring one or two people who will attempt to cobble together some vendor relationships.	Clear ownership for spend	• Lack of structure • Difficulty meeting facility or corporate expectations
OEM	Offload innovation drivers and implementation to OEM	Work with a branded service network	• Lack of service consistency • Little alignment between the company's goals and the OEM's goals
3PL	Hand it off to a 3PL	Out of sight, out of mind	• Doesn't cover the manufacturing side • No feedback loop for customer experience and learnings

What if we told you there was another way?

TFS uses a tried-and-true method that minimizes disruption for facilities, increases productivity, slashes costs by 15%, and creates safer, happier, and more profitable facilities for many customers.

That means you don't have to build a proprietary material handling platform to compete with the top ecommerce giants.

TFS's unique approach to material handling hinges on five key principles:

1. **Flexibility:** We give you the data to design and improve material flow and equipment at any time throughout the life of assets. Our belief in partnership and our deep engineering knowledge means that we're constantly analyzing ways to improve our customers' material handling.
2. **Total visibility and total control:** Dashboards with consistently formatted data and telematics grant new insight on both a corporate level and a plant level.
3. **Brand-independent equipment.** TFS doesn't limit asset offerings, so our customers are never locked into certain choices. This leaves you free to choose the best assets for your particular needs, which often vary by plant, climate conditions, and business needs.

4. **Consistency of service protocols nationwide.** Multiple service vendors result in a lack of consistency. Working with a national vendor like TFS makes it easy to implement programs across locations; this is especially important for safety protocols.
5. **Sustainable solutions.** If you want to deliver **triple bottom line savings** (aka "people, planet, profit"), you need an experienced partner with a history of creating value for customers. In a time when the supply chain is fragile, labor has many choices, and customers are buying based on sustainability, your company needs every advantage.

Rethinking your approach to material handling has **distinct advantages:** access to stronger innovation, specialized knowledge, predictable cost structures, scalability, flexibility, streamlined facilities, and specialists who can take specialized and time-consuming tasks off your employees' plates.

If your company wants to invest in its material handling but lacks the resources to build from the ground up, TFS can offer the expertise and resources you need.