

SOLVE FOR X.

A Fork In The Road: Distribution paths for a digital world.

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What are we going to cover?

- Should I automate my DC?
- What paths of distribution are there?
- What path is right for me?

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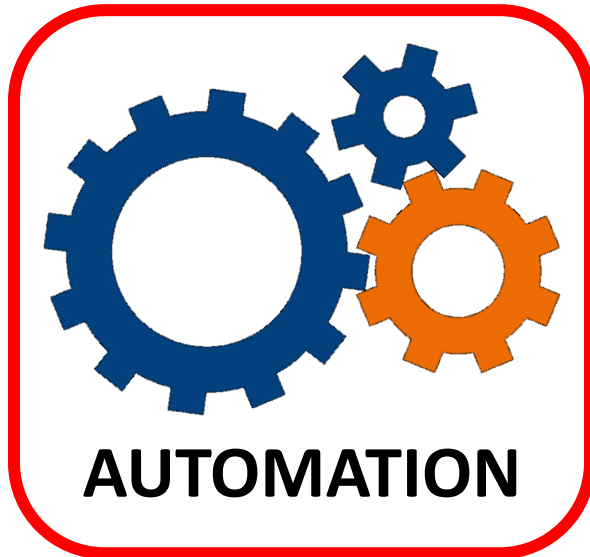
Where are we today?

	2015 Sales	2014 Sales	Growth	2015 Share of Total Retail	2014 Share of Total Retail
Total retail*	\$3,218,294,000,000	\$3,107,687,000,000	3.6%	100.0%	100.0%
Total e-commerce	\$341,729,000,000	\$298,256,000,000	14.6%	10.6%	9.7%
Other non-store excluding e-commerce**	\$144,556,000,000	\$159,832,000,000	-9.6%	4.5%	5.6%
Store sales	\$2,732,009,000,000	\$2,649,599,000,000	3.1%	84.9%	85.3%
U.S. Top 500	\$286,220,822,294	\$251,133,234,789	14.0%	8.9%	8.1%
Top 500***	\$331,484,278,895	\$292,169,779,289	13.5%	10.3%	9.4%

Source: U.S. Department of Commerce, Internet Retailer 2016 Top 500 Guide * Excludes fuel and auto sales, restaurant and bars. ** Includes direct marketers, TV retailers and other merchant types. *** Includes international e-commerce sales

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What can you do for the future?



PARTNERSHIPS

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AUTOMATION



Should I Automate?

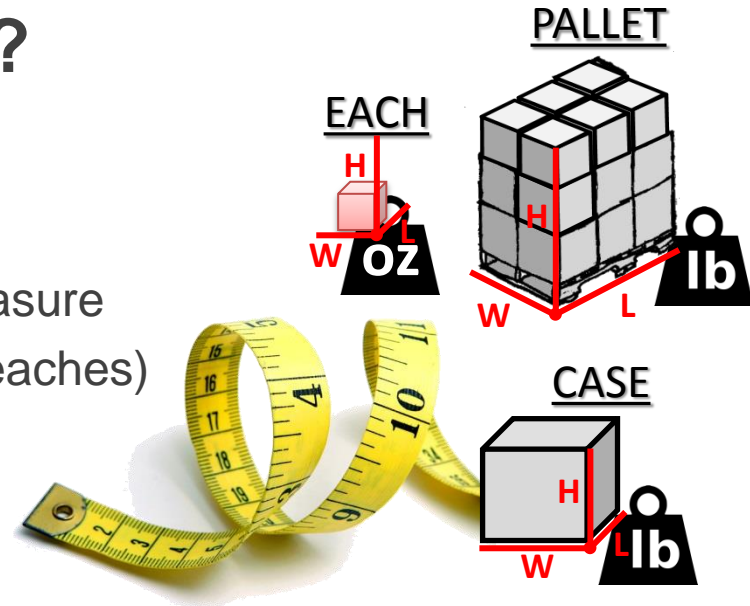
- What is my labor force like?
 - Quality of work force
 - Need for large amounts of Temps for peak season
 - Size of the labor pool in your area
 - Competition to retain employees
- Issues with quality control or product damage?
- Exploring multiple distribution channels?
- Running a home-grown or obsolete WMS / Host System?



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What do I need to get started?

- Item Master File
 - Be very clear and organized
 - Dimensions & Weights for all Units of Measure
 - Unit of Measure counts (i.e. 1 case = 24 eaches)
- Description of load units
 - (i.e. types of totes, cartons, pallets)



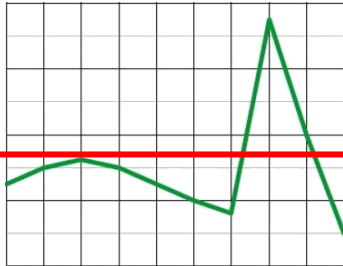
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What do I need to get started?

- Key Data: basic information about your business

	TODAY			GROWTH			FUTURE		
AVERAGE	Pallets	Cases	Eaches	%/yr	Years	CAGR	Pallets	Cases	Eaches
Total SKUs				%	#				
Active SKUs				%	#				
Orders/Day				%	#				
Order Lines/Day				%	#				
Units/Day				%	#				
PEAK	Pallets	Cases	Eaches	%/yr	Years	CAGR	Pallets	Cases	Eaches
Total SKUs				%	#				
Active SKUs				%	#				
Orders/Day				%	#				
Order Lines/Day				%	#				
Units/Day				%	#				

Growth Year = Design Year + 12-18 months



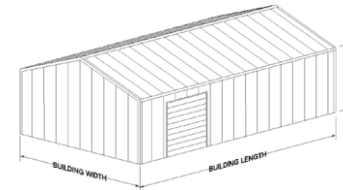
Peak / Average
Seasonality



Working Hours
Shifts / Day
Days/Week



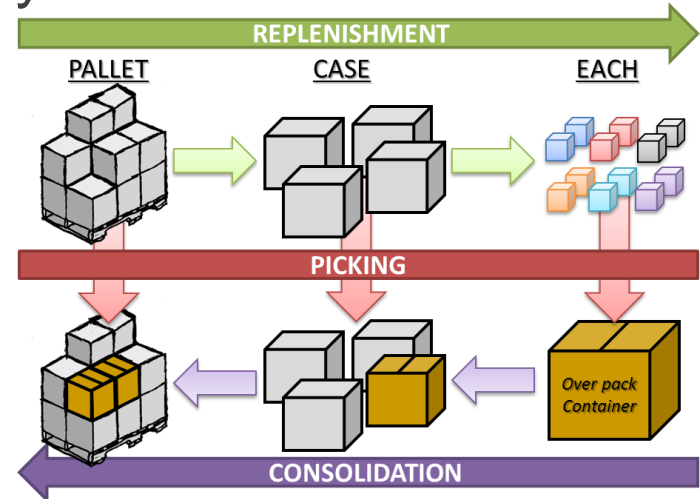
FTEs per
Job Function



Facility Size and
Expansion Plan

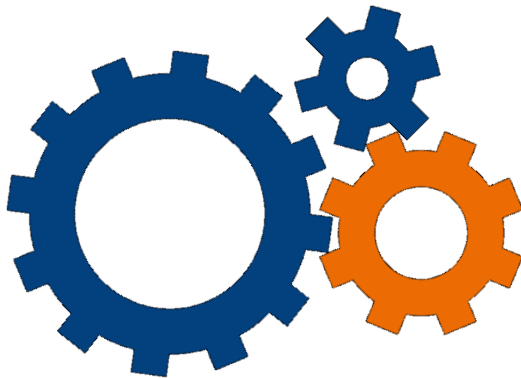


Timeline Need
or Expectation



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What can you do for the future?



AUTOMATION



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Where can I go from here?



3PL (Third Party Logistics Operators) **OUTSOURCING**

- Definition:

“Third Party Logistics, or 3PL is a business arrangement whereby logistics services, often including warehousing, are contracted to an independent business that specializes in such services and is not connected through direct ownership to the producer or factory requiring the service.” – MHI.org



Warehousing



Trucking



Fulfillment



Specialty Services

3PL (Third Party Logistics Operators) **OUTSOURCING**

Benefits

- Allows offload of risk from the core operation
- Handles all staffing and employee issues
- Turn-key fulfillment operation
- Provides very accurate operational models
- Able to supply WMS for operation
- Limited contract term limit

Challenges

- Pricing models
- Limited control over fulfillment operation and inventory
- Contract term limit
- Less able to apply higher levels of automation
- Labor availability, quality, and retention

3PL (Third Party Logistics Operators) **OUTSOURCING**

- Three common mistakes when starting a relationship with a 3PL:
 - 1) Customer fails to conduct a thorough needs assessment before hiring a 3PL.
 - 2) Providing inaccurate information about themselves when they send out bids to find 3PL partners.
 - 3) Omitting their top leaders from the 3PL selection process, leading to the lack of a business wide strategy to support the new partnership.

Material Handling Solution Providers **IN-HOUSE SOLUTION**

- Definition:

Companies that supply equipment and solutions that aid in the movement, protection, storage and control of materials and products throughout manufacturing, warehousing, distribution, consumption and disposal.

OEM

Original Equipment
Manufacturer



System Integrator

Material Handling Solution Providers **IN-HOUSE SOLUTION**

Benefits

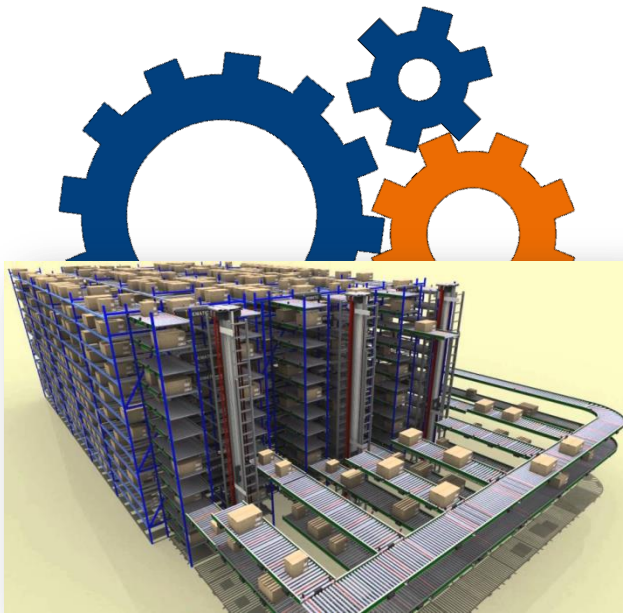
- Maintain distribution flexibility based on changing business needs (i.e. higher automation)
- Ability to maintain lower fulfillment costs
- Maintain control over inventory and customer experience
- Control overall customer experience
- More easily able to prepare for and adapt to customer demands

Challenges

- Labor availability, quality, and retention responsibility
- Required full-time Distribution and IT talent
- Responsibility for acquiring or building an adequate facility infrastructure
- Responsibility for implementing and maintaining IT infrastructure
- Responsible for proper operation of fulfillment needs

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What can you do for the future?



**Material Handling
Solution Provider**



3PL Fulfillment Labor

What is the best for me?

- Ask these questions:
 - 1) Is distribution critical to my strategic competency?
 - 2) Does my company have the expertise to do it?
 - Distribution Talent
 - WMS and IT Infrastructure Talent
 - Labor Management
 - 3) Is cost & flexibility important to my overall business operation?

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Or visit ProMat Booth #####