

# Five Innovative Ways Manufacturers Can Optimize Their Internal Logistics Operations



Manufacturers should assess and refine internal logistics for cost-saving and efficiency opportunities.

**A**fter nearly three years of dealing with an unprecedented number of challenges and disruptions, manufacturers are coming up for air and realizing that it's time to rethink their internal logistics operations. While the labor shortage, supply chain disruptions and various other external factors continue to put up new roadblocks, now is the perfect time to assess what is and isn't working and enlist a reliable logistics partner to help fill in those gaps, suggest additional improvements and optimize the end-to-end internal logistics operation.

Internal logistics is the movement of materials within a company or facility. When managed appropriately, this movement helps ensure that all raw material, finished goods, equipment, supplies, and information are in the right place, at the right time. Key components of an efficient internal logistics operation include safety, training, workflow processes, technology selection, space optimization, and the data and analytics that are needed to run a successful warehouse.

To optimize their operation, manufacturers should assess their top internal logistics challenge areas and do a root cause analysis to identify issues, what's causing them and how to best mitigate them. Rather than just pushing through and trying to make their numbers—hoping that somehow the problems will resolve themselves on their own—smart manufacturers are enhancing their warehouse operations as a more stabilized international supply chain environment comes into view.

"For the last couple of years, manufacturers' primary focus has been on dealing with supply chain issues and ensuring that they got the supplies they needed to be able to make and ship their products to customers," says Joe Tague, director at Canon Business Process Services (Canon). That singular vision may have helped companies endure and stay in business during the uncertainty, but much like adrenaline—which should only kick in when the human body hits "fight or flight" mode—they can't run on it forever.

"Now that we're returning to a level of certainty, manufacturers can refocus on their operations and determine what they should be doing differently going forward," says Tague. "Areas like labor, workflow, technology and safety should all be top of mind for manufacturers as they look for ways to be more effective and efficient within their own warehouses and distribution centers (DCs)."



## Five Critical Areas to Assess and Advance Your Operation

Manufacturing operations usually focus on one primary goal: making good products for customers. As part of that process, companies have to be able to procure the goods they need, make their products, stock those goods and then distribute the items to wholesale and retail customers.

Historically, most of a manufacturer's energy went into the production process and distribution was more of a "necessary evil" that had to happen for the company to stay in business. Because they're typically not logistics experts, manufacturers encounter numerous challenges when attempting to run their warehousing processes internally.

The good news is that there are five steps that manufacturers can take and partners they can work with to drive innovation and make their logistics operations more effective and efficient.

### 1

**Labor Management:** Not surprisingly, labor remains the biggest pain point for internal manufacturing logistics right now.

"There's a lot of competition for the same employees in the larger markets right now," says Tague. Even the manufacturers that invested in their infrastructures and positioned themselves as "employers of choice" are having a hard time finding and retaining warehouse employees in today's marketplace. These realities should make labor management a top priority for companies that are assessing and improving their logistics operations.

"As they assess their labor issues, manufacturers should be looking at just how much time they've spent getting to the root of the problem versus just pushing through the issue," says Jeremy Wisdom, senior solutions consultant, warehouse & distribution at Canon. "This includes analyzing how many resources and how much time have they invested in really solving the problem."

One way manufacturers can tackle this issue is by focusing on their culture and thinking beyond just "output and salary," James Flora, solutions consultant, warehouse & distribution at Canon advises. Use analytics to measure the performance of your top employees and recognize them for those efforts, for example.

"This helps assure employees that they work for a company that understands and respects their individual contributions to the business," says Flora. "It's an approach that can increase loyalty and reduce the chance that employees leave for a small pay difference across the street."

## 2

**Workflows:** Another area that manufacturers should be assessing right now is workflow, or those holistic systems that span people, processes and technology and that keep products flowing through the warehouse and out the door to the customer. Coming out of a period where managers, engineers and employees rushed from task to task in an attempt to balance sourcing constraints with customer needs, manufacturers should be rethinking their logistics workflows and adopting more proactive, strategic approaches.

Inventory management is a good starting point. A process that was probably disrupted significantly over the last couple of years, inventory management requires proper identification of products combined with sound processes for putting those goods with other like products within a facility. When this doesn't happen, picking takes longer. And when picking takes longer, orders may be delayed. This, in turn, can disrupt the entire logistics workflow.



By taking a holistic approach and working to understand how every process impacts the next—and ultimately everything else downstream—manufacturers can identify which of those steps are in most need of optimization and start making changes that produce real results.

## 3

**Technology:** Technology is the next logical progression in the assessment process because it serves as the connective tissue between people and processes. Automation, for example, can help supplement a manufacturer's labor requirements even when there aren't enough available candidates to go around. With the right systems in place, a company can get items picked quickly and accurately while freeing up their employees to focus on more important work.

As they assess their current technology infrastructures, manufacturers should look for solutions that fit within their current environments and select autonomous vehicles, robotics and warehouse management systems (WMS) that are the best match in those environments.

For the best results, companies can engage an outside expert like Canon to conduct a technology assessment, identify areas where technology may be able to add value and then put those solutions in place.

"We evaluate your processes from start-to-finish, assess the product flow through your facility and match them up with the technology that makes most sense for your specific operation," says Wisdom, "and all while focusing on the overarching goal of using more automation and less manual movement."

## 4

**Safety:** If a manufacturer isn't aggressively pushing a safety agenda on a daily basis, then it's time for a reboot. Where the last few years may have been spent balancing daily disruptions against high levels of customer service, it's now time to refocus on workplace safety, ergonomics and other issues of importance to your workforce. This is especially critical during the current labor shortage, where your associates' next employer is always just a single mouse click or screen tap away.

"Manufacturers should be discussing and reviewing safety on a daily basis," says Wisdom. As part of that process, companies should be identifying issues, processes or systems that may be deemed "unsafe" and then addressing those problems versus just putting them on the backburner.



## 5

**Analytics:** Across all four of these critical internal logistics operational areas, measurements and metrics should be used to determine current state, assess progress and then adjust accordingly. This applies to labor, workflows, technology and safety. "It's very difficult to improve something if you don't have a measurement to work from," says Flora, who often sees internal logistics metrics either being assumed or overlooked in lieu of KPIs like manufacturing efficiency and product quality.

"At Canon, we provide a baseline that shows where the manufacturer stands today," he continues. "We can then compare that to industry benchmarks, target select improvements across people, strategy, process and technology, and help companies achieve significant improvements across each of those areas."

## The Importance of a Multi-Year Plan that Focuses on Continuous Improvement

Working with a managed services provider like Canon doesn't have to be disruptive. In fact, manufacturers can readily integrate their existing warehouse cultures into a "new and improved" model with little or no disruption at all. This differs greatly from the third-party logistics (3PL) model, which is generally based on a commodity or cookie-cutter approach that the manufacturer has to adapt to in order to be able to use it.

Canon also helps decision-makers refocus on all of the activities taking place inside of their warehouses—their "internal logistics"—which then transform those facilities into more productive, dynamic environments.

By effectively integrating with a manufacturer's warehouse culture, Canon helps solve the many and ever-changing internal logistics challenges that companies are facing right now. It also helps manufacturers future-proof themselves by enhancing picking quality, making sure employees show up for work, ensuring inventory is consolidated and that items aren't missing, implementing a safe workplace and maximizing the square footage of a DC or warehouse.

"It's not just about technology, automation or labor. It's a combination of all of these elements working together that helps manufacturers assess where they are today and strive for some big improvements," says Flora. "Using an integrated approach, we create a custom roadmap and multi-year vision that manufacturers across all industries can use for continuous improvement.



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### CANON BUSINESS PROCESS SERVICES

[cbps.canon.com](http://cbps.canon.com)

261 Madison Avenue, Third Floor

New York, NY 10016

888-623-2668