

WAREHOUSING

The Watchwords: Caution and Flexibility

Is flexibility the latest trend in warehouses? Where is RFID going? What's new? We discussed these questions with two recognized consulting firms to compile a portrait of the situation.

BY CHRISTINE GIRARD

We interviewed Bernard Caron, senior director, operations / supply-chain strategy at Deloitte Inc., a Canadian firm of professional service, and a member of Deloitte Touche. Mr. Caron has worked in the logistics industry for more than 15 years.

We also met with Stéphane Lauzon of Group 4L2. He is the president and cofounder of this logistics consulting firm, and has more than 20 years' expertise in the area.

THE SITUATION OF THE WAREHOUSE SECTOR

I asked our experts to comment on the situation of their respective clients in the warehouse sector, where technological innovations are numerous. Surprisingly, this sector is actually quite cautious. Stéphane Lauzon even told us that those who actively work with an integrated operations management system are quite rare. This is in fact what Michel Trudeau, Logistics Magazine editor, reported in the July/August issue (p. 18): there, he mentions an American study reporting that, in 2001, only 3,000 of 750,000 warehouses in North America used a WMS program.

What about RFID technologies and robotics? Myth or reality? According to Bernard Caron, RFID technology will probably not completely replace barcodes. A cohabitation of the two technologies is much more likely in the long term. Caron just returned from the United States where he met one of his clients, which is on Wal-Mart's "top 100" list. This client had to integrate RFID technology into their operations.

"This client has been using RFID for seven months, even if the standards are not entirely complete," says Caron. "But they have still succeeded in accomplishing what they were supposed to do for Wal-Mart, even if total integration is still far off."

Our two experts are unanimous: we are far from RFID being a widespread technology in warehouses, but the technology is there to stay.

But if the technology is far ahead of the reality in the warehouse sector, what else is new?



A CAUTIOUS MARKET

According to Lauzon, there are actually many companies that have not yet started to look at their supply chain. We are thus in the early stages of development in distribution centres and far behind state-of-the-art technologies that certain major players have already integrated.

And in the category of companies that have actually started to look at their supply chain, there are those still using an in-house system. Fortunately, these systems have greatly advanced since the year 2000 boom. Interfaces between systems are now easier, adds Lauzon.

"The market is clearly very cautious when considering the implementation of an information system," says Caron. There are many stories of management system projects that have turned out poorly and people are very cautious. "Obviously, the majority of players in the Pan-Canadian distribution sector don't have systems using state-of-the-art technology. Even barcodes, for example—a technology that has been proven over many years—still remain underexploited in many warehouse and distribution applications. Also ASN (Advanced Shipping Notice), a concept that has also existed for many years, is still far from being widely implemented, given the quite limited deployment of information technologies in the world of distribution."

Further, according to Caron, while the RFID issue is omnipresent in the sector, there are much more concrete applications. For example, voice technology for order preparation. Whether in the food sector or in any other area handling complete cases, the use of voice recognition is increasing considerably.

This technology delivers the desired increases in productivity. Companies that have invested in this area have attained their objectives for financial and productivity performance.

In the WMS area (Warehouse Management Systems), we must be cautious. There are a panoply of systems on the market that are advanced location management systems, but that don't have the features of a Warehouse Management System to optimize operations. The name "WMS" does not apply to all of these systems.

THE FOUNDATION

Our experts outline a common picture of the current situation in warehouse centres: the foundation is the information system. People have a lot of information in their hands, but they have difficulty processing it, and they don't always use it wisely. It's not enough to record information; it must then be understood and analyzed. Companies are currently taking steps in this direction. They are beginning to better understand and act on available information.

This information then opens the door to automation. At present, most companies investing in their logistics systems do so in the area of information systems and automation. Then, by extension, the distribution sector will move towards RFID and/or robotics.

THE WATCHWORD: FLEXIBILITY

Since new technologies are far from common in warehouses, I asked the experts what was new in terms of fixed equipment currently available on the market?

"Concerning what you call fixed equipment, there are no new trends as such," says

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Lauzon. "Rather, people are starting to understand that there is more than one solution. Each company has specific needs and can arrange its centre in different ways. For example, in one section of the warehouse, you may find industrial shelves, in another, a complex system of conveyors with a mezzanine and pick-to-light systems or gravity shelves."

Caron agrees: there may be some innovations, but at present, the trend is much more towards integration of various concepts to optimize storage capacity in a distribution centre. "People want flexibility in accessing products, and push-back systems, for example, are very popular. We are seeing more and more, and there is a lot of development in this area. But are these innovations? No. These are products that have existed for at least 15-20 years. Today, they are simply improved, and increasingly efficient."

Again according to the Caron, the main thing is to decide how to model the supply chain in order to then develop the proper mix of storage and distribution strategies. In many cases, equipment is secondary, and the emphasis will be more on business processes combining flexibility and optimization in order to meet customer requirements as a whole.

TOWARDS THE FUTURE

The wind has been changing in the last few years in North America, according to Caron. Our manufacturing companies are changing and becoming big distributors. They must excel at distribution. Large volumes are being imported and this has an undeniable impact on the size of surface areas and on the complexity of distribution centres. Many companies are expanding their distribution centres and are looking for means to increase their density because of this importation of products. And since the lead time between the day you place an order with a producer in China and the day you receive the product is long, you feel all the more the effect of safety stocks to meet demand fluctuations. This has a direct impact on storage costs and surface areas required here in North America.

"Practically all manufacturing companies with which I am working have transferred part of their production to suppliers in Asia. Everyone must establish processes to manage the reception of these containers, or form partnerships with specialized agents who can sort and palletize by product, for example. The logistics centres on the West Coast are expanding more and more, and the next step is the deployment, on a larger scale, of transit and

storage centres in Asia to control and optimize the contents of each container that arrives in North American ports. Plants are closing and manufacturing is moving to Asia. It's an important phenomenon that applies a lot of pressure to all distributors in North America. We must manage this influx of containers. Inventories are increasing, and we must find ways of storing and managing the merchandise in the most effective way possible."

ACCOMPLISHMENTS

Deloitte Inc. has just finished a project with Aldo Group. They designed and implemented their new distribution centre in Ville St-Laurent, Quebec. "This is a highly automated establishment combining several centres with a technological application, thus becoming the Aldo world centre. It's probably one of the most automated centres in Canada. They ship everywhere in the world from this Montreal location."

Group 4L2 is the consulting firm chosen by Couche-Tard, among others, to design and implement independent robotic units in its Laval distribution centre.

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