



5 challenges for warehouse management and fulfillment in 2023

Making sense of AutoStore's
industry benchmarking survey



Background

- December 2022, AutoStore gathered thoughts, opinions and experiences from over 300 senior decision makers, including CEOs, COOs, Logistics Directors, Operations Managers & Fulfilment Specialists
- FMCG, Retail, Automotive, Manufacturing and Healthcare & Pharma
- Gauge how they will approach the next 12 months

The survey at a glance

Survey size — 320 respondents

C-Suite — CEO, CTO, COO, CIO

Operational — Head of Logistics, Director

Turnover — From \$50M - +\$250m PA

Geos — North America, Europe, Asia Pacific

Industries — Automotive, FMCG, Manufacturing, Retail & Wholesale, Healthcare & Pharma

01

Rising costs are a challenge

(and there are multiple
strategies to tackle it)

KEY TAKEAWAYS

- Energy (32%) and labor (27%) costs are the biggest global challenges to warehouse professionals.
- Efficiency is key with 88% looking to AS/RS tech to make a difference.
- A focus on customers (34%) and technology (31%) are high on the priorities for tackling these challenges.
- 43% say space saving/utilization will be mission-critical to their business.



Meeting the challenge

So how are companies tackling this issue?

34%

of respondents cited improving customer satisfaction levels as the top development area

88%

of respondents either have or are planning to install AS/RS solutions in the next 12 months

1. Through customer experience (CX)

Improving customer satisfaction levels (34%) is the top development area for businesses over the next 12 months. Speed is also there at 30%. It's great to see that, despite those macro-economic challenges, our respondents still have a clear view of what matters most — the customer. Through the warehouse lens, CX means meeting increasing customer demands around availability, delivery, and returns.

2. Efficient warehousing

Equal second to CX as focus areas are automation and technology (31%) and workforce efficiency/productivity (31%). This need to drive down labor costs and operate more efficiently is perhaps why 88% of respondents either have or are planning to install AS/RS solutions in the next 12 months.

3. Location, location, location

In the retail sector, continued growth in online spend can help outweigh cost pressures. In this landscape, the best-located space, close to the consumer, in dense urban markets become more important. But rents on this warehouse space are significantly higher. Space efficiency, again, becomes a vital battleground in balancing speed, efficiency, and customer expectation.

02

ESG initiatives are key

But only if they're value-led

KEY TAKEAWAYS

- Sustainability is the second biggest priority for 2023 with 31% of respondents.
- 55% of respondents are focusing on sustainability to increase energy efficiency.
- Sustainability initiatives need a viable business benefit to stick.
- Customers need to think beyond energy efficiency to drive true sustainability.



Meeting the challenge

So how can companies approach sustainability and drive value?

1. Using legislation positively

From COP27 to the G20, regulatory bodies and governments are working to make ESG disclosures mandatory for business. The direction of travel is clear, and the sooner businesses react, the better. You could view these guidelines as restrictive, but they provide a vital blueprint for action, helping focus ESG efforts for the foreseeable future.

2. Build for the long haul

As shown by the survey, when companies consider sustainability, they often think more about energy consumption and efficiency than anything else. But when looking at AS/RS solutions (as 92% of respondents are), many ignore the longevity of the equipment they're investing in.

Many times, cheaper alternatives are built from equipment with a shelf life of 10-15 years meaning you need to rip and replace not far down the line. When looking for warehouse tech, you need solutions that are built to last with cutting-edge materials with no end of life.

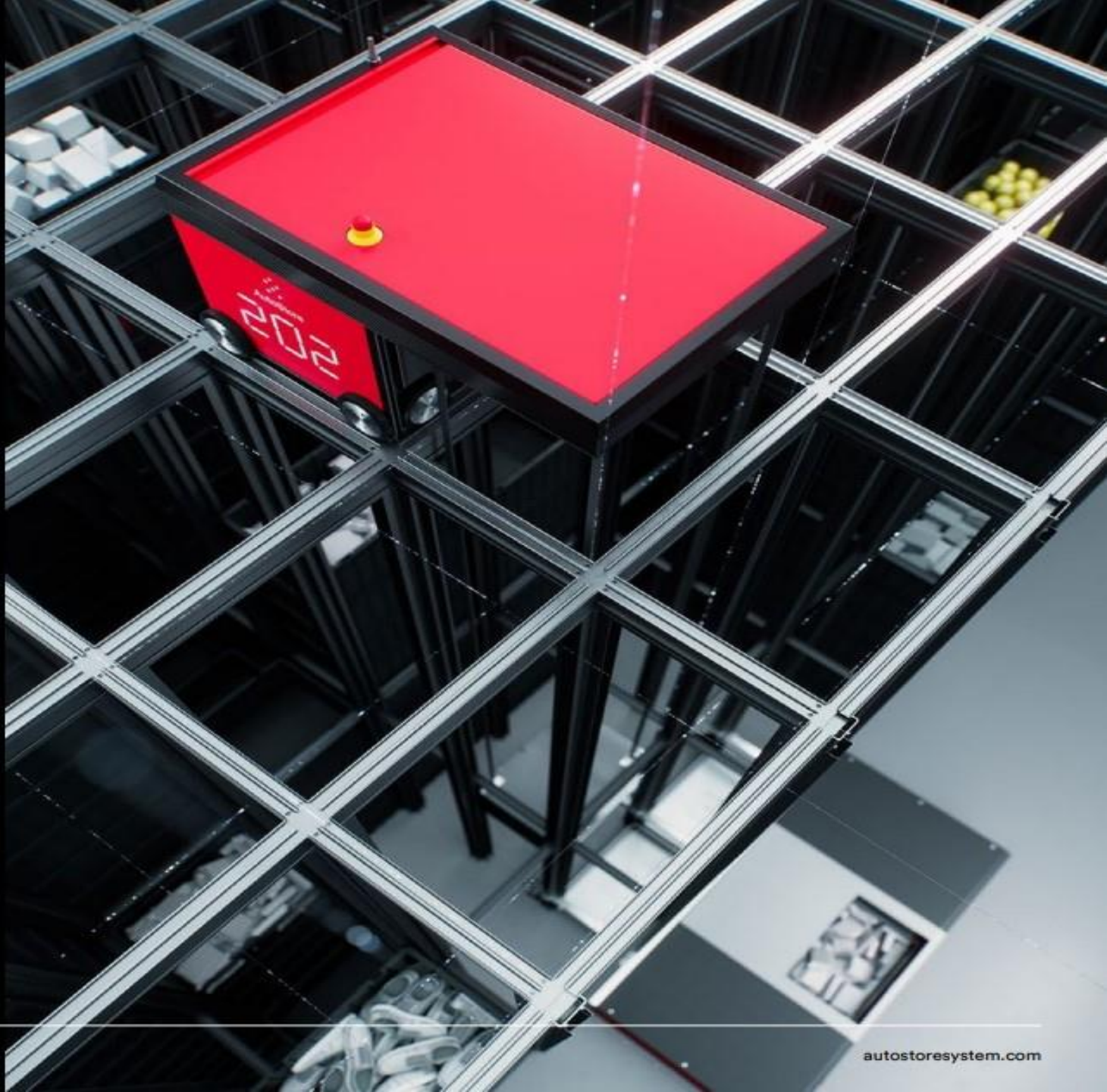


03

AS/RS is no longer a nice to have

KEY TAKEAWAYS

- Only 2% of those surveyed aren't looking at AS/RS solutions for their warehousing.
- The tech uptake is evenly spread across solutions between older systems like Shuttle (46%) and newer solutions like AMR (43%) and Cubic (40%).
- Automation is still a competitive advantage, but it's moved from a nice to have to a must have.
- Those not moving now need to act faster just to keep up.



Meeting the challenge

With the trend seemingly showing the move to AS/RS as inevitable, what's the best course of action?

1. Act now but act smart

With the number of businesses saying AS/RS is the way forward, it's crucial that you put plans in place sooner rather than later. But that need to accelerate change has to be tempered with a strategic mindset, ensuring you pick a technology that can be implemented quickly, scale easily, and last for decades to come.

2. Invest in software

AS/RS is one piece of the efficiency puzzle for warehouse operators. But you need good warehouse management software in place too. If you have 20-year-old brittle tech as the foundation for your transformation, it will fall apart. Your investment should start there with the rest to follow.

3. A mindset shift

Shifting to more automated operations means shifting focus from OpEx to CapEx. That demands a substantial outlay upfront which finance often hasn't budgeted for. But most businesses are already spending vast sums in OpEx every year through labor costs and keeping old warehouses going. The conversation needs to change within your organization to get things moving.



04

Space utilization is vital as belts tighten

KEY TAKEAWAYS

- 92% of the market say space utilization is either 'extremely important' or 'very important' to their organization.
- The majority of respondents (57%) are currently at 75% or more capacity.
- Do people see AS/RS as a byword for automation?
- Visibility and flexibility are key facets of warehousing and the wider supply chain to optimize.



Meeting the challenge

With space such a vital business focus, how can you make the most out of your warehouse?

1. Think beyond the warehouse

As previously mentioned, some warehouse operators don't know how to measure or communicate their utilization until it's too late. Central to understanding and controlling capacity is accurate data and insights across the supply chain from end to end. Without that bigger picture, capacity is too often reactive than proactive.

2. Scenario planning

With social, economic, and environmental disruption becoming more regular, supply chain experts and warehouse operatives need to plan for the unexpected. With tech investment and accurate warehouse planning software, warehouses can't make plans for every eventuality. But then can ensure contingencies in likely scenarios.

3. Doing more with less

With customer expectations and the cost of traditional space both rising, many businesses are moving to population centers where space is at a premium. These smaller areas demand a new approach to warehousing, one that can only realistically be solved with space saving AS/RS solutions. We know that respondents are already looking at AS/RS and space saving is a high priority.



05

Organizations' focus is on the macro

But the micro shouldn't be ignored

KEY TAKEAWAYS

- Only 10% of respondents say accurate inventory is a core challenge for 2023.
- Only 17% cited inventory visibility as a priority for the year.
- It's possible respondents are focusing on the big picture and forgetting the small.
- Open communication from boardroom to shop floor can help drive change.



Meeting the challenge

1. Get granular

There was a broad range of respondents in our survey from the C-Suite to more operational roles, and you might think that strategic respondents may have a different view than those on the shop floor. Further digging into the data, however, shows little difference in opinion between the roles. That could be the edict of directors filtering down, or it could be something else. Either way, it seems that the more everyday challenges are taking a back seat.

2. Open communication

Quite often, strategic leads, the C-Suite, and leadership teams can pass down big picture edicts from the boardroom without understanding the more immediate needs of the warehouse operators. Ensuring open communication channels between all elements of the business can ensure the short-term and long-term needs of the business are met.



Conclusion

The stats tell us that organizations have a clear view of their challenges, a clear view of focus areas, and a clear understanding of the technology that can help them get there.

Too often it's the inertia of trying to tackle all these monumental challenges at once that can stand in the way of progress and innovation. From our research, however, there are some areas that demand focus above others.

Investment in automation and technology is no longer a nice to have, it's a genuine necessity if you want to compete in 2023 and beyond. For those who haven't already, the message is to act now, or find yourselves falling behind quickly.

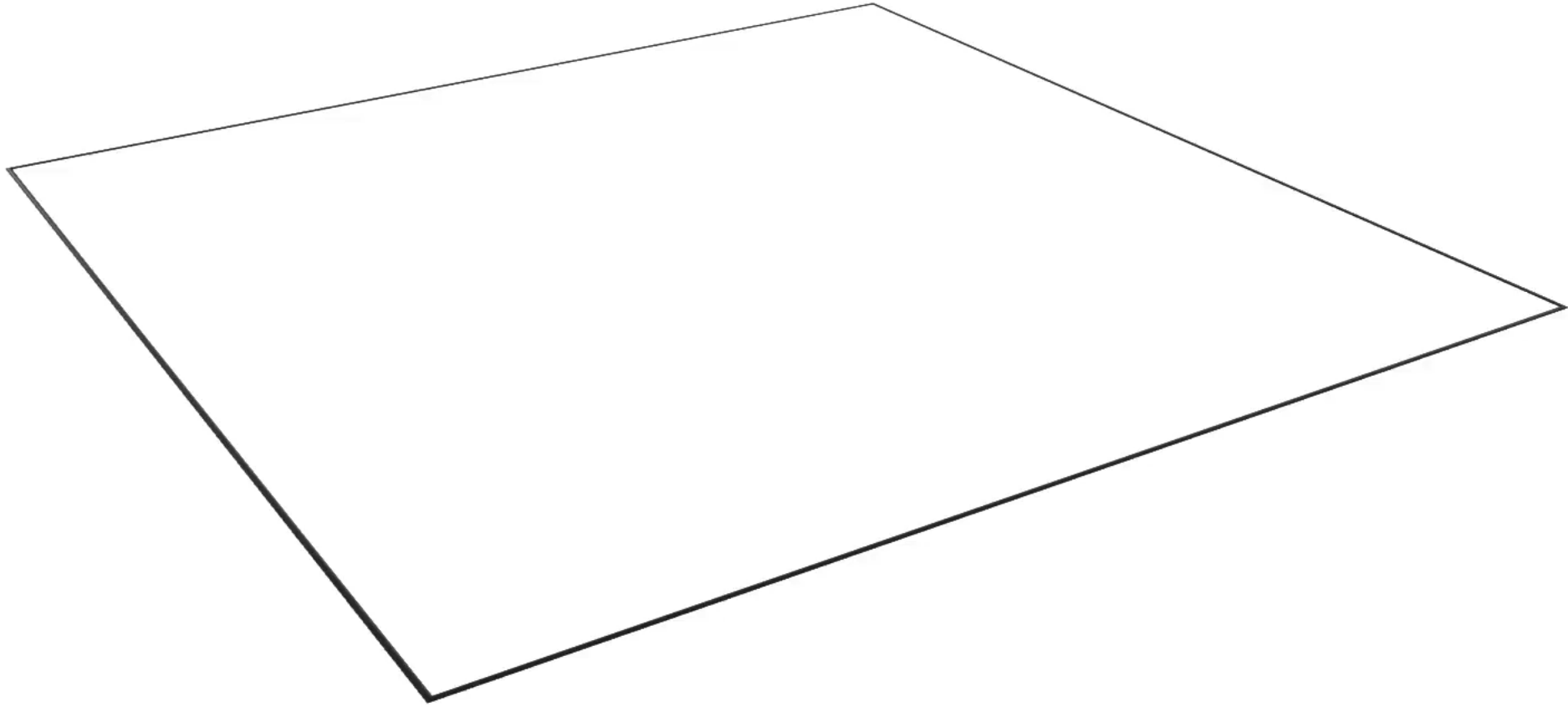
Changes in sustainability reporting and demands from consumers is going to force all businesses to improve their ESG performance across the board. If you don't have robust mechanisms or initiatives in place now (tangible policies, not greenwashing lip service) then 2023 is the year you need to get your house in order.

Consumer expectations are at an all-time high, and they're not dropping. They don't care about your energy cost or labor costs; they want their goods quickly and simply. The customer's needs are the lens through which you need to make all your warehouse decisions.

With profit margins under pressure, the ability to do more with less lies at the heart of a successful 2023. Space optimization driven by AS/RS isn't the only way to become more efficient. But in so many areas — labor, energy, customer experience, reliability, visibility, and more — it becomes such a huge contributory factor that it's difficult to ignore.

Ready for action?

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