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THIS WEEK IN LOGISTICS NEWS (JUNE 21-25, 2010)

Posted on Jun 25 2010 | By Adrian Gonzalez · Comments (0)

Before we get started, a quick request: We're conducting a brief web survey on "Mobile Technologies in Supply Chain." The goal of the survey is to understand the current state of mobile technology use (e.g., GPS, cellular, RFID, sensors, smart phones) in supply chain management operations. All responses will be kept confidential; only aggregate results will be reported. The survey findings will be included in an upcoming report, which survey respondents will receive when published. Thank you in advance for your time and support.

Click here to take the survey.

This was a relatively quiet week for news; it must mean summer has begun.

- Accellos Announces Version 2.0 of Accellos One Pulse
CARGOSMART AND NINGBO E-PORT INTEGRATE SYSTEMS TO IMPROVE SUPPLY CHAIN VISIBILITY
Next View Software Announces Alliance with enVista
Toward Sustainable Capitalism (Op-Ed by Al Gore and David Blood from Wall Street Journal)

Accellos enhanced its supply chain intelligence software, adding new interface features and key performance indicator enhancements. Having good business intelligence capabilities is the cost of entry these days for supply chain software vendors (and 3PLs) seeking to win deals. If you don't have it, you don't get called to the dance.

The CargoSmart-Ningbo E-Port announcement is another example of how software-as-a-service (SaaS) logistics solutions facilitate connectivity. And why companies are (or should start) paying more attention to B2B connectivity (see "IBM to Acquire Sterling Commerce: The Big Picture" for related commentary). According to the press release:

Ningbo Port is the world's eighth largest port, with a throughput of over 10 million TEUs in 2009. Ningbo E-port is a government-backed organization that provides an information platform to help logistics service providers and cargo owners efficiently process imports and exports through the fast-growing Ningbo Port.

Ningbo E-port connected its platform to CargoSmart by electronic data interchange (EDI) for booking requests, shipping instructions, and cargo tracking data. The EDI integration with CargoSmart helps Ningbo E-port customers connect with their ocean carriers, submit bookings and shipping instructions, and manage their shipments effectively.

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The Next View-enVista alliance is interesting. Normally, consulting firms and SaaS vendors don't mix together well. One of the benefits of SaaS, after all, is simplified implementation, which translates into minimal implementation services revenues for consulting firms. Then again, SaaS does not eliminate the need for quality engineering (including establishing labor standards), training, and project management, which is what enVista will focus on.

Also, enVista already works with a SaaS TMS vendor, [MercuryGate](#), which the company uses to power [its outsourced freight management service](#). A consulting firm providing managed transportation services—yet another example of the convergence I wrote about earlier this week in "[Time-to-Value: Developing a SaaS Equivalent for 3PLs](#)."

Finally, Al Gore and David Blood wrote an interesting op-ed piece in yesterday's Wall Street Journal. This brief excerpt summarizes the theme of the piece nicely:

So how do we best motivate business leaders to manage for the long-term and compensate them for creating sustainable wealth? To begin with, compensation should be aligned with long-term objectives, and financial rewards should be linked to the period over which results are realized.

I normally don't see eye-to-eye with Al Gore, but this op-ed resonated with me because it links nicely with some of the key concepts of [Vested Outsourcing/performance-based outsourcing](#). It also underscores the key points that I raised earlier this year in "[On Courage, Trust, and Patience in Logistics](#)." In that posting, I highlighted the following words from Richard MacLaren, General Manager North America at Unipart Logistics, from his presentation at our PBO seminar:

Have the courage to manage for the long term against the pressures we face today for instant results.

I then ended the piece with these words:

Trust, Courage, and Patience—you won't find these things in financial statements or in the metrics used to reward CEOs and board members. But I believe these are the traits that will define leadership this decade. Yes, to trust is to take on risk. The same is true with having the courage to go against the grain and the patience to see it through. But the payoff is arguably greater and more sustainable than following that worn out path that serves as a shortcut today but often leads you back to where you started tomorrow.

Could it be that Al Gore reads Logistics Viewpoints?

Have a great weekend!

(Note: enVista, MercuryGate, IBM, Sterling Commerce, and Unipart Logistics are ARC clients)



Categories : [Mobile Technologies](#), [Software-as-a-Service](#), [Sustainability](#), [This Week in News](#)

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BUYING SUPPLY CHAIN OUTCOMES, NOT SOFTWARE

Posted on Feb 24 2010 | By [Adrian Gonzalez](#) · Comments (0)

Over the past year, we've been discussing how [performance-based outsourcing](#) (aka Vested Outsourcing) has the potential to transform 3PL-customer relationships. But can the principles that underpin PBO also transform the way companies procure supply chain and logistics software and the way they work with

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software vendors?

I believe the answer is yes, but only if software vendors are willing to augment their product offerings with managed services—and if customers are willing to “think differently” about the way they deploy and pay for the value of software.

Back in June 2007, I wrote a report called “[Supply Chain ‘Geek Squad’](#)” (available to ARC clients only) that highlighted a trend I saw in the industry, namely how the business models of software vendors, consulting firms, IT services companies, and third party logistics (3PLs) companies were converging together. I compared this trend to what was happening in the retail industry, where retailers were going beyond selling products and providing services like home theatre installation (e.g., Best Buy via its acquisition of Geek Squad) and kitchen design and carpet installation (e.g., Home Depot, “You can do it. We can help”). And just this week it was reported that [Walmart is buying Vudu](#), an online on-demand movie service provider similar to Netflix.

Here is an excerpt of what I wrote back in 2007:

Although there are still many “Do-It-Yourself” people out there, retailers are well aware that it’s the “Do-It-For-You” side of their business that will drive revenue growth and margins. Supply Chain Management software vendors (among others) are waking up to a similar opportunity. Many manufacturers and retailers are looking at their fragmented supply chains and becoming overwhelmed by the ever-growing complexity. Buying and implementing supply chain software is now the easy part (even though it’s still a time-consuming and costly process); the real challenge is finding experienced supply chain experts who can connect all the pieces together (software, process changes, metrics, best practices, continuous improvement, etc.) to deliver business value.

Many companies don’t have these experts on staff, or they don’t have enough resources to tackle every initiative. Hiring consultants or waiting for resources to free up (which never seems to happen) has been the traditional response. But like retailers, supply chain software vendors are realizing that companies can buy applications with similar functionality, from a variety of vendors, for about the same price, and so their primary competitive weapon moving forward is their people (“human IP”) and the value-added services they can provide.

It’s now almost three years later, and contrary to my prediction, relatively few solution providers have “woken up” to this opportunity—the exceptions include [CTSI](#), [enVista](#), [i2 Technologies](#) (now part of [JDA](#)), [LeanLogistics](#), [Transplace](#), and a few others.

I would argue, however, that the case for software vendors to transform their business models is even greater today, in the aftermath of “The Great Recession,” in this so-called “[New Normal](#)” that all businesses are operating in.

What do customers want? Not software, I say, but outcomes—cost reductions, productivity improvements, revenue growth, increased market share, improved working capital, and so on. As Harvard marketing professor Theodore Levitt famously said, “People don’t want to buy a quarter-inch drill; they want a quarter-inch hole!”

I’m not saying that supply chain and logistics software vendors should stop selling products (“drills”), but they can certainly do more to help clients achieve their desired outcomes on an ongoing basis. And perhaps there’s no better place to start than by reimagining and transforming the one element of their business model that is most criticized by customers: maintenance fees.

Simply put, the link between maintenance fees and customer desired outcomes is at best hidden and at worst nonexistent (for related commentary, see “[Software Maintenance Fees: An Outdated Cash Cow?](#)”). If a software vendor could define a service that links a yearly fee with achieving a desired customer outcome, it would not only solidify its relationship with the customer (which could lead to additional software investments), but also differentiate itself from the competition.

In a meeting this week with a leading supply chain software vendor, I mentioned the idea of applying PBO principles in the software industry. While the executives were intrigued by the idea, one of them also said, “Software vendors have tried gain-sharing in the past and it really hasn’t worked very well.”

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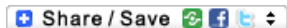
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This is true, but PBO/Vested Outsourcing is not gain-sharing! I'll address this topic in a future posting, but it's clear that much more education is required.

As with logistics outsourcing, the time is right for a mind shift in the software industry, for both vendors and customers. The journey won't be quick, it won't be easy, and it won't be for everyone. But the opportunity to deliver and receive greater business value is there, and if you don't seize it, somebody else will.

(Note: i2 Technologies, LeanLogistics, and Transplace are ARC clients).



Categories : [Logistics Software Vendors](#), [Performance-based outsourcing](#)

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HAPPY BIRTHDAY LOGISTICS VIEWPOINTS

Posted on Jan 26 2010 | By Adrian Gonzalez · Comments (1)

Logistics Viewpoints officially turns 1 today. There are many ways to measure a year: 284 postings, 132 comments, almost 500 Twitter followers, a 5X increase in monthly page views, and so on. It's been a fun blur.

How do you guys manage to write something every day?! This is the most common question we get. The answer: we're crazy...and disciplined...and we enjoy it.

Having to write something every day forces us to stay informed of (and analyze) what's happening across a broad spectrum of supply chain and logistics topics. In short, Steve Banker and I believe the process has made us smarter analysts. There are plenty of supply chain and logistics topics to write about; the real challenge is choosing a topic and communicating our viewpoint in just 500-700 words.

We covered a lot of topics this past year: [transportation](#) and [warehouse management](#), [logistics outsourcing](#) and [3PLs](#), [sustainability](#), [global trade](#), [inventory management](#), [software-as-a-service](#), [legislation and regulations](#), and 33 other categories.

What was my favorite posting? It's hard for me to say, especially since I can't remember them all. However, I did learn something this year: some postings that I expected to be big hits in terms of page views or comments often went unnoticed, while others that I was less enthusiastic about were very well received. Some of my favorites made the "[Top 10 Postings on Logistics Viewpoints in 2009](#)" list, but others came and went with little fanfare. Personally, the ones where I exercise a bit of poetic license are the [most fun to write](#), like "[If SpongeBob Worked in Logistics...](#)," "[Remembering 9/11](#)," "[Supply Chain Poem: What We Remember](#)," and "[Supply-Demand Mismatch at 37,000 Feet](#)."

"I get a lot of email newsletters, but yours is the only one I don't immediately delete. I actually look forward to reading it every day." Many logistics executives have said this (or something like it) to us this past year, and it's these types of compliments that make it all worthwhile.

Nothing in life is free, so a big 'Thank You' to all of our sponsors this past year for making Logistics Viewpoints possible:

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- [CTSI](#)

If you're not familiar with any of these companies, please visit their websites and learn more about them. Although each company provides a unique value proposition, they all share a common bond: a strong commitment to enabling innovation in logistics and in promoting the exchange of ideas and knowledge across the industry. (If you're interested in sponsoring Logistics Viewpoints, please [contact us](#) for more information).

Finally, a big thanks to all of you for your emails, comments, and feedback throughout the year. Please keep them coming. If you think any of your friends or colleagues might be interested in receiving Logistics Viewpoints, please forward this email to them and have them [subscribe at this link](#).

Now it's time to close my eyes, make a wish, and blow out that candle.



Categories : [Just for Fun](#)

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LOGISTICS PREDICTIONS FOR 2009: A MID-YEAR UPDATE

Posted on Jul 07 2009 | By [Adrian Gonzalez](#) · Comments (0)

We've reached the halfway mark of 2009. Are you better off today than you were six months ago? The answer, I suppose, depends on how you keep score. For me, I keep it simple: Every morning that I wake up is a good day.

This morning I decided to revisit [the logistics predictions that I made](#) back in December. Overall, my predictions haven't been too far off the mark (maybe they weren't bold enough). In any case, here's a quick summary of my predictions, along with my mid-year assessment.

1. Many companies will "panic" because of the economy and do things that might benefit them in the short term, but could potentially hurt them down the road. In my opinion, the huge layoffs that have occurred over the past six months (raising the unemployment rate from 7.1 percent in December to 9.5 percent in June) is an example of a "panic" move that will hinder some companies down the road when the economy recovers (see "[Talent Management in Supply Chain and Logistics](#)"). Another example is the "[war for cash](#)" taking place in supply chains, whereby companies are delaying payments to suppliers, while they seek to get paid faster themselves. This tactic is not only straining supplier relationships, it's also causing many suppliers to go out of business (see "[Supplier Survival: Ford Plans to Halve Supplier Base](#)").
2. A leading Logistics Service Provider will acquire a leading Logistics Software Company. Well, this one is still a work in progress, but [news last week from Landstar](#) validates the "spirit" of this prediction. The company announced last week that it acquired Premier Logistics and [A3 Integration \(A3i\)](#), "two supply chain transportation integration companies." Although Premier and A3i aren't exactly what I had in mind in terms of leading logistics software companies, the coming together of a logistics service provider (3PL) and technology-oriented companies certainly validates a trend I've been writing about for several years, namely the converging business models of 3PLs, technology companies, and consultants. According to Henry Gerkens, Landstar President and CEO, "These two technology-based acquisitions immediately position Landstar as a premier supply chain solutions provider for small and large customers alike in a software-as-a-service (SaaS) environment. Landstar independent sales agents will now be able to offer customers complete integrated supply chain solutions with industry-leading technology. Additionally, our third-party capacity should benefit from increased loading opportunities created through this new service offering."
3. More logistics software companies will venture into managed services. This prediction is really an extension of the previous one. Back in December, I highlighted [LeanLogistics](#) and [i2 Technologies](#) as examples of software companies that have ventured into managed services. Although other software vendors haven't gone down this path directly, they have via partnerships (e.g., [Sterling Commerce](#) and [Chemlogix](#), [MercuryGate](#) and [enVista](#)). I expect this partnership approach to continue.
4. The era of re-regulation begins. Okay, so this was a very safe prediction to make. The

Employee Free Choice Act and cap-and-trade (aka Waxman-Markey) are arguably the two most important pieces of legislation supply chain executives have on their radar. Cap-and-trade is a step closer to being enacted after passing the House a couple of weeks ago. Things have quieted down a bit with EFCA, with health care reform and cap-and-trade in the spotlight, but I suspect this is just the calm before the storm that will come ashore later this year.

Do I dare make new predictions for the balance of 2009? A couple: Swine Flu (H1N1) will create supply chain headaches in the fall and winter (see "Swine Flu and the Readiness of Healthcare Supply Chains"), and we'll see "an app store for logistics software" (ala iTunes) move from concept to reality (see also "The iPhone as a Logistics Visibility Device").

What are your predictions for the balance of 2009 and beyond? Post a comment and let me know.



Categories : [Just for Fun](#), [Logistics Trends](#)

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INTRIGUING LOGISTICS PRODUCTS

Posted on Mar 31 2009 | By [Steve Banker](#) · Comments (0)

I've come across three logistics products and services in recent months that intrigued me.

The first product is called the "TruckTrainer Warehouse on Wheels System" by [Demountable Concepts](#). Since a picture is worth a thousand words, I recommend that you [watch this video](#) on Demountable's website to fully understand what this product/system is about. Briefly stated, two "detachable trailer bodies" are mounted onto a Demountable Concepts semi-trailer at a central distribution center. Each body has front and rear overhead doors, so both bodies can be loaded through one loading dock door. The semi-trailer with the two loaded bodies is then long hauled to a regional location, where the driver demounts the bodies using Demountable's hydraulic chassis lift system (i.e., the bodies are lifted off the chassis, metal legs extend down to the ground to support the bodies, and the power unit pulls away). Two straight trucks (non-CDL in most cases) then mount each loaded body using the hydraulic chassis lift system to make the local deliveries.



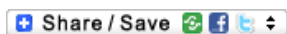
In short, "Warehouse on Wheels" is a truck-based alternative to hub-and-spoke distribution and cross docking. This technology/concept is not new (Demountable has been in business since 1989), but it's new to me. The system is most commonly used for home delivery of furniture, direct store delivery of food and beverage products, and site deliveries of home construction materials to contractors.

Of course, trailers have long served as mini-warehouses. But if you are going to store inventory in trailers in your yard, you'd better have high fences and a security system in place. [ViewPoint CRM](#) offers products and services for "intelligent surveillance" or "remote guarding." The basic idea is that traditional camera security is either too expensive or ineffective. Camera systems that are monitored continuously by humans can be costly, and the person doing the monitoring can become bored or experience sensory overload, and as a result miss key events. If you don't monitor the cameras in real time, then all you can do is potentially identify a thief after a robbery has occurred.

But if you combine digital cameras with advanced software to analyze the captured images, loudspeakers, digital storage, and fast data networks, then you can monitor sites more cost effectively and successfully from a centralized remote location. The intelligent software combines motion detection and surveillance analytics to highlight events that need attention from the monitoring agents. For example, if a monitoring agent at Viewpoint's command center sees a person engaging in potentially questionable behavior, he can announce himself to the person via the installed loudspeakers and let the person know that their action is not permitted. Viewpoint's agents are trained to use vocabulary designed to diffuse, not escalate, problematic situations. Their agents can also open yard gates remotely for late-night truck arrivals.

The third product was brought to my attention by [enVista's](#) management team during a recent briefing at our office. enVista participated in a very successful project with [Nature's Best](#) that involved both lean consulting and the implementation of a WMS solution from [Manhattan Associates](#). Nature's Best had gone from four warehouses down to one consolidated warehouse. As part of that transition, Nature's Best needed to decide what type of material handling to use as this choice would directly affect the rack design. They selected a cherry picker style electric lift from [Atlet](#) called the Tempo. Tempo can lift an operator ("selector") up to 37 and a half inches off the floor to pick products (cases or individual items). Picked items are then placed on pallets pulled behind the Tempo.

You can [watch a video case study on YouTube](#) that explains the project and the benefits achieved, but in brief, the Atlet Tempo allows workers to pick fast moving products from higher levels. As a result, more SKU's can be stored vertically, thus shortening pick paths. With other equipment, the average selector spends 80 percent of his time traveling between pick locations, and achieves about 70 case picks per hour. By using Atlet and shortening pick paths, selectors can pick over 200 items per hour. Nature's Best claims to have avoided over \$1 million in steel (racking) costs, plus achieved additional savings from needing fewer pieces of material handling equipment and fewer workers.



Categories : [Food & Beverage Industry](#), [Logistics Technologies](#), [Material Handling](#), [Transportation](#)

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A "SHOW ME THE VALUE FIRST, PAY LATER" WAY TO IMPLEMENT A LABOR MANAGEMENT SYSTEM

Posted on Feb 20 2009 | By Steve Banker · Comments (0)

Last month, HighJump issued [a press release](#) that really caught my eye. It wasn't so much the headline ("HighJump Software Offers Promotion Including Complementary ROI Assessment for Its Labor Management System"), but a sentence buried deep in the press release: "This special offer for HighJump Labor Advantage allows companies with constrained capital budgets to realize the benefits of a labor management system [before paying for the license fee.](#)" The end of the sentence was not underlined in the press release, but it should have been.

I immediately called HighJump to see if I was reading the press release correctly, and I was. The deal works this way. Their labor standards practice partners have agreed to conduct a one-day free assessment. If the assessment shows a strong payback opportunity and the customer wants to move forward with an LMS implementation, HighJump will install the software and the customer does not have to pay the license fee upfront, they only have to pay for the implementation services. Afterwards, the customer and HighJump jointly negotiate a payment schedule for the software, assuming the project delivers strong labor efficiency savings.

There are a several different ways that LMS can be implemented. One way is to track how productive your workers are on average and then set goals, monitor workers on an ongoing basis, and provide them with feedback on their performance until everyone comes up to the warehouse average. This style of LMS does not have a particularly good payback. Not surprising, HighJump's offer to defer license payments will not apply to this kind of implementation.

The other style of LMS is based on engineered labor standards. A few years ago, when we surveyed over 20 companies that had implemented LMS based on engineered labor standards, a majority of them achieved a payback period of less than a year. There are different styles of labor standards, and I won't go into all the nuances, but to simplify, one style is based on previously published time and motion studies.

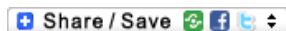
These studies might show that to move both your arms from waist level to 6 inches above your head to pick a small, light package will take 3.8 seconds (I'm making up this number, I don't know what the real standard for this motion is). Basically, an LMS calculates where a picker is in the warehouse, how long it will take him to move to the picking location, and how it will take to execute the pick. Based on all the tasks assigned to a given work in a day, the LMS can determine the total amount of time required to complete these tasks if the worker is 100 percent efficient. A worker that scores a 100 met their goals for the day.

The theory behind time standards is that they are not designed to make workers rush. An employee working at standard speeds, who doesn't pause to chat with coworkers or dawdle in other ways, should meet the daily time goals without strain. Many companies that have implemented a LMS with engineered standards have found that their workers, on average, were only working at 60 to 65 percent effectiveness over the course of the day.

One of HighJump's partners for providing the labor assessment is [enVista](#). Al Gagnon, one of the two best know pros in engineered labor standards, [recently joined enVista](#) to head up their labor practice. Other HighJump partners for this deal include [Cornerstone Solutions](#), [ESYNC/Transystems](#), [Fortna](#), [Peach State](#), and [CIBER](#).

It strikes me that this is a good idea for both HighJump and their customers. It is mighty tough to sell supply chain software during a recession, as many companies seek to conserve their cash. Therefore, software companies need to get creative. Solutions that offer a quick payback period (under a year) offer the greatest opportunity for these kinds of creative offers. I am sure we will see other logistics software vendors get inventive as well.

On the customer side of the equation, many companies are laying off workers in response to the recession. As a result, remaining workers will need to be much more productive for companies to perform well in this economic environment. In fact, maximizing labor productivity is one of the [six attributes for success](#) we've highlighted in previous postings (see "[Technologies to Maximize Labor Productivity and Logistics](#)" and "[Labor and Logistics](#)"), and that's exactly what labor management systems are designed to do.



Categories : [Consulting Services](#), [Labor](#), [Logistics Software Vendors](#), [Logistics Technologies](#)

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BREAKING NEWS ABOUT LABOR MANAGEMENT IN LOGISTICS

Posted on Jan 13 2009 | By Adrian Gonzalez · Comments (0)

I've been writing a lot lately about labor in logistics. In fact, "maximizing the productivity of available labor" was one of the six attributes for success that I highlighted in my recent postings ("[Attributes of Tomorrow's Industry Leaders](#)" and "[Technologies to Maximize Labor Productivity in Logistics](#)"). At the risk of beating a topic to death, I'm focusing on this topic again today, prompted by two announcements this week.

Yesterday, [enVista](#) announced at ProMat 2009 that it hired Al Gagnon to lead its labor management and lean logistics practices. Gagnon is synonymous with labor management. Al's father, Gene Gagnon, founded Gagnon & Associates in 1961, a consulting firm focused on serving clients with labor-intensive operations, such as the grocery and retail industries. As the enVista press release states, "Gagnon & Associates introduced the industry's first commercial labor management software application, and was also the first to implement a performance improvement approach based on preferred methods, training and discrete engineered standards." Gene passed away in 2005, and his son Al ultimately sold the company to RedPrairie, where he continued on for several years.

Interestingly enough, [the second announcement](#) this week comes from RedPrairie. The company announced that Loblaw, Canada's largest food distributor and a leading provider of general merchandise products, drugstore and financial products and services, has purchased RedPrairie's [Workforce Management](#) (WFM) application for its stores across Canada. The system will manage over 120,000 colleagues.

Of course, it's too early to tell how well labor management solutions (LMS) and consulting services will fare this year, but my bet is that demand will be strong, at least relative to other types of logistics offerings. Simply stated, unemployment is on the rise and companies will look for ways to "do more with less." A

couple of years ago, ARC surveyed over 200 companies on how they were using Labor Management Systems (based on engineered labor standards) to implement incentive pay programs in the warehouse. More than 63 percent of the respondents achieved productivity gains of between 10 and 30 percent over a two year period, while another 13 percent achieved productivity gains of over 30 percent in that time period. These incentive programs also resulted in other benefits, such as increased employee satisfaction, which leads to improved retention.

Only a few of the survey respondents reported negative consequences. Interestingly, one of the main negatives reported (by 5 percent of the respondents) was increased labor grievances or other problems with a unionized work force. It's quite possible that unionization will increase in the near term if the Employee Free Choice Act passes (Hilda Solis, Obama's pick for Labor Secretary, [refused to state her opinion on EFCA](#) during her Senate hearing last week). Could EFCA dampen demand for labor management systems and consulting services if it passes? My colleague Steve Banker, who leads our research on labor management and conducted the survey, tells me that LMS are implemented successfully in unionized environments, and that unions are generally receptive to LMS because they view standards as a fair and consistent way to evaluate work performance. If anything, the possibility of EFCA passing (along with the state of the economy) is serving as a catalyst for companies to invest in labor management technologies and services.

Okay, I think I've said as much as I can at this point about labor in logistics. I'm sure I'll return to this topic again this year, as new developments occur. Tomorrow I'll move on to something new, I promise.



Categories : [Consulting Services](#), [Food & Beverage Industry](#), [Labor](#), [Logistics Software Vendors](#), [Logistics Technologies](#)

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TECHNOLOGIES TO MAXIMIZE LABOR PRODUCTIVITY IN LOGISTICS

Posted on Jan 09 2009 | By [Adrian Gonzalez](#) · Comments (0)

The morning sky is still dark as the plane takes off and I say goodbye to Kansas City. The "Technology Night" event went well last night, wrapping up just before the start of the Oklahoma-Florida football game (the reason why the event started at 4:00). I think my talk went well, even though it wasn't PowerPoint free. In retrospect, giving up PowerPoint "cold turkey" probably wasn't a realistic goal. I need to wean myself gradually, use fewer and fewer slides with each presentation, until I free myself completely from communicating in bullet items. In the meantime, let me continue where I left off yesterday.

In yesterday's piece, I outlined six attributes that I predict will define tomorrow's industry leaders. Today I'll highlight some technologies companies should invest in to achieve these attributes. The chart below (from my presentation last night, and probably the only slide I really needed) summarizes both the attributes I wrote about yesterday and the technologies that enable them.

Tomorrows industry's leaders will...	...by investing in these technologies today
Manage data quality effectively	Connectivity Networks
Make smarter business decisions faster	Business Intelligence and Analytics solutions
Compete not only on cost, service, and quality, but also "greenness"	Network Design, Transportation Management Systems, Asset Management, Telematics
Maximize productivity of available labor	Labor Management Systems, Speech Recognition, Warehouse Automation Systems, Wearable Terminals & Scanners
Effectively use and manage mobile assets	RFID, GPS/Wireless Devices, Handheld/Wearable Scanners
Streamline and automate global trade processes and compliance	Global Trade Management, Visibility, Connectivity Networks

This list is by no means complete; it's just a representative sample that aligns well with the exhibitors at last night's event ([Catapult International](#), [EnVista](#), [GT Nexus](#), [ILOG](#), [IntegrationPoint](#), [Kiva Systems](#), [Motorola](#), [NextView Software](#), [Sterling Commerce](#), [Voxware](#), and [Warehouse One](#)). Since I plan to write a more detailed report on this topic in a couple of months, I'll focus my comments today on technologies related to improving labor productivity.

I really believe labor trends will have a significant impact on logistics in the years ahead, especially for logistics service providers. I've written about the [Employee Free Choice Act](#) in the past, a proposed law that many LSPs oppose because it would facilitate unionization (translation: result in increased labor costs and

less flexibility). But EFCA is not the only labor issue on the table, and it's probably not the most important one either, at least from a long-term perspective. I think the aging and diversification of our labor force is the most significant trend. Consider the following 10-year [projections by the Bureau of Labor Statistics](#):

- The number of workers in the 55-and-older group is projected to grow by 46.7 percent [between 2006 and 2016], nearly 5.5 times the 8.5 percent growth projected for the labor force overall.
- Youths-those between the ages of 16 and 24-will decline in numbers and will see their share of the labor force fall from 14.8 to 12.7 percent. The number of prime-age workers-those between the ages of 25 and 54-will increase by 2.4 percent, but their share of the labor force will decline from 68.4 to 64.6 percent.
- The Hispanic labor force is expected to grow by 29.9 percent, reaching 26.9 million by 2016, while the non-Hispanic labor force is projected to grow by only 5.1 percent.

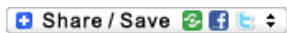
Companies have always improved their productivity by replacing manual processes with technology. I believe the labor trends cited above will lead companies to accelerate and increase their investment in labor-saving technologies (despite the current economic environment) in order to "do more with less." each as those listed in the table above,

My colleague Steve Banker has written extensively in the past about Labor Management Systems and Speech Recognition (e.g., "[Incentive Pay in the Warehouse](#)" and "[Speech Recognition for Warehouse Operations](#)," both available to ARC clients only). Both of these solutions, when implemented successfully in the right environments, can yield significant productivity gains. For example, in the case of speech recognition, typical productivity gains ranged between 6 and 25 percent, depending on the type of picking activity and other factors.



Trends on the hardware side, such as wearable scanners/computers and "next-generation" warehouse automation systems, also improve productivity. For example, [UPS announced](#) in November that it collaborated with HP to develop a mobile, wireless printing/scanning solution called the HP Handheld sp400 All-in-One (pictured at left). In [a video showing the device in action](#), UPS states that the more streamlined process enabled by the device will save the company 92,456 hours per year and \$30 million by 2013 (along with "green" benefits too).

I can go on, but I don't want to steal my thunder in case I give this presentation again, preferably somewhere warm with a beach. But let me know what you think. Do you agree that labor trends will drive technology investments in the near future? Are there other labor-saving technologies that I should add to the list?



Categories : [Just for Fun](#), [Labor](#), [Logistics Technologies](#), [Statistics](#)

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