Why Are So Many Companies Investing In Warehouse Automation?

INSIDER

Q&A

MODERN MATERIALS HANDLING

As the national unemployment rate gradually ticked down to a current 3.5%, the number of open warehouse and DC jobs has risen exponentially. Add a healthy economy, changing consumer demands, and faster delivery expectations to the equation and the end result is a fulfillment environment that's more than ripe for more automation.

Modern Material Handling's (*MMH*) recent "Annual Warehouse and Distribution Center (DC) Equipment Survey" supports this fact and highlights the ongoing push to infuse more ongoing software, automation, and robotics into the warehouse. Of the 32% of companies that will invest in these technologies over the next 12 months, 40% want more robotics; 55% are investing in enterprise resource planning (ERP) and warehouse management systems (WMS); and 71% are buying more material handling equipment.

In most cases, these investments are being made in the name of offsetting the tight labor market, staying out in front of customer demands, adapting to the omni-channel distribution environment, and accelerating activity in a business world that demands it.

A literal game-changer in the warehousing and distribution space, automation is a focal point for companies up and down the supply chain. In this Insider Q&A, Kardex Remstar's North American President Mark Dunaway provides an overview of the current automation environment, shows how companies can embrace the movement, and reveals what lies ahead over the next 5-10 years.

INSIDER Q&A:

Mark Dunaway, Kardex Remstar's North American President, discusses the current automation environment, highlights the key drivers, and talks about how long this big "automation wave" might last.

Q: According to the *MMH* survey, investment in automation has been "bullish" over the past year and will continue at a healthy pace over the next two years. Considering the current market environment inside of the warehouse/DC, does this surprise you?

A: It's not surprising at all. In fact, the past four years have been big for Kardex Remstar, which has tripled in size in the U.S. Part of this is due to some of the massive changes that are taking place within the industries that we serve. With drivers like the national labor shortage, higher levels of available technological training, and increased competition also making their mark on the distribution space right now, automation is moving at a rapid pace.

As companies search for more comprehensive solutions for their warehouses, many of them are shifting their operations to become more automated. We've seen capital expenditure (capex) investments in automation across pretty much every industry segment over the past four years. We expected that to happen, and we're seeing similar growth in the e-commerce and distribution areas, both of which we serve.

Q: What factors are driving the ongoing demand for more automation?
A: One of them is definitely the national labor shortage. Unemployment is very, very low right now, and that's having a definite impact on the warehouse and distribution space. The retail space is also being impacted by the shortage, albeit not quite as severely. Technological availability is another driver. Machines, robotics, automation, and other advanced technologies are all quickly becoming an important aspect of the distribution and shipping process.

We're seeing this pretty much across the board in the supply chain, which continues to become more and more competitive every day. In a world where both domestic and foreign competitors are literally just one screen tap or mouse click away, delivering the best product as quickly as possible is on everyone's minds. That pressure continues to heighten every year.

Q: How does automation help to alleviate these and other pain points?
A: Technology makes much better, more efficient use of people's business space. It also helps to speed up delivery times and enhance customer service. Machines are simply faster. They don't need breaks and they don't get tired, but that doesn't mean they're replacing jobs. In fact, there are plenty of job opportunities to be had across most sectors, but those positions are in a different capacity than they were five or 10 years ago.

For example, we live in a much more technical world, where the importance of technical education and training has risen to new heights. Fortunately, most of our standard products are built around the "norm" at this point, where 10 years ago advanced automation may have been looked upon an as "alternative."

Q: Are companies still taking a "wait and see" approach to automating their facilities, or not?
A: More companies are adopting automation, where in the past they may have opted for a "let's try a piece of the solution to see how it works and go from there." As companies delve into it for the first time, they're doing better research and coming up with better answers to their questions. They're solving the *whole problem* at once, instead of just partitioning off certain areas of their operations that they think would benefit from automation.

There are enough proven use cases out in the market to show the value of automation, and to prove that the associated investments truly pay off. For example, there are a lot more warehouse and DC managers coming to us and saying, "We need five pieces of equipment" or "We need to automate three complete warehouses." This mindset shift has happened over the last few years and it's being driven by some or all of the industry pain points that I highlighted earlier. They aren't questioning the power of automation or whether it works. They're jumping right in.

Q: What would you say to someone who is on the fence and unsure whether automation is the answer?

A: We invite them to come visit an operation that's actually done it, and that's benefitting from the investment. We have enough worldwide users—many of them in the U.S.—that anyone can probably get onsite to view the technology in action within a 30-minute drive (or less). This is a great approach because it allows companies to not only see the actual, installed automation technology, but it also lets them see the equipment in action at a company that's similar to theirs. From that experience, companies can usually tell pretty quickly whether automation is right for their own facilities and operations.

Q: How will automated facilities be operating 5-10 years from now?

A: Over the next 5-10 years, the industry is going to see more automation with advanced capabilities, and with a much heavier reliance on automation and robotics. In fact, we think it will begin to grow even faster than demand for storage and retrieval equipment has. The idea of a "dark building," where robotics and automation run autonomously 24/7, is definitely making headway.

Also, technology is going to get to a point where it utilizes people's business space even more wisely and efficiently. Overall, the use of both automation and other advanced equipment is definitely going to expand over the next decade. If history has taught us anything, it's that things always get better, faster, and more affordable due to the high levels of competition in our free market economy.

Q: What else would you share with companies that want to know about what's coming around the next corner in warehouse and DC automation?

A: On one hand, we feel like we're all riding on this big "automation wave" right now, and a lot of us are wondering at what point that wave will either level off or calm down. Like any capex investment, there are going to be some ripples or "ups and downs" along the way. I don't see sharp drops, although we will probably see some years posting higher growth in technological automation than others. We'll just have to wait and see how that all plays out, but in the meantime Kardex Remstar continues to innovate and maintain its position as a leading supplier of automated storage & retrieval solutions (ASRS).