

# Distribution at a Pivot Point: Addressing the Labor Problem



Image source: Amazon



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Today’s businesses are being challenged like never before due to increasing customer expectations amid disruption. Companies now must compete on a cost and service level with market disruptors that have immense capital resources and unprecedented agility. More than ever, the supply chain is a strategic differentiator. How the business views and leverages its network and distribution resources has tremendous impact on outcomes and must be aligned with the strategic goals of the company.

The accelerated shift to eCommerce is re-shaping how companies do business. New health and safety measures are adding to labor costs. Distribution networks with legacy infrastructure are being asked to expand their capabilities and redesign their operations. Supply chain managers who suddenly find themselves sitting at the table with C-suite executives are being asked to find solutions that compete with disruptors like Amazon, eCommerce start-ups, and industry giants jockeying for market share.

The safety and health of workers has always been a priority, but it has taken on new meaning for employers considering recent events. PPE equipment (masks/gloves), sanitation stations, adequate distancing and break areas reconfigured to ensure employees are provided with the appropriate equipment and environment to perform their jobs while properly protecting themselves. All of which increases operating costs. At the same time minimum wage and healthcare costs are adding to labor costs. Companies will need to reimagine their operations—and labor—in a drastic way to address these changes.

## THE REALLOCATION OF LABOR

The coronavirus pandemic forced the fastest reallocation of labor since the early 1940’s. Virtually overnight, employment went from less than 4% in the U.S. to nearly 15% in some areas. Similar dynamics in the U.K. and Europe have dramatically accelerated structural adjustments and disruptions that were already underway.

Despite an increase in labor availability brought about by the crisis, the disruption from COVID-19 revealed stress points in many distribution operations that now serve as a driver for increased automation. The increased cost of labor in terms of turnover, training, wages and health care costs and the increased risk of relying on labor in the case of similar or related future health crises makes throwing bodies at the problem an unsustainable option for the long term. Add to that the problems of increased congestion, reduced productivity, and physical distancing requirements to keep workers healthy and you have a recipe for adding cost without benefit.

The labor availability and absenteeism issues that topped supply chain leaders' list of concerns pre-COVID have become one of labor risk mitigation. This has accelerated the need for and improved business case justification of automated solutions that enable increased throughput, capacity and productivity AND safer environments for workers.

## RE-ENGINEERING CURRENT PROCESSES

Many warehouses rely on a small army of staff that all arrive and leave at around the same time each day. Those warehouse workers often use densely occupied common areas and in the normal course of their work continuously encounter one another in confined spaces throughout the facility. The rapid and rising spread of the virus is a genuine and on-going threat.

Physical distancing requirements designed to prevent spread of the virus may necessitate a re-design of those common areas, workspaces, and equipment for worker safety. Already, we have experienced and will continue to require more frequent and thorough sanitization of facilities. Planning work to reduce contact between workers, tighter protocols around use and cleaning of shared equipment, such as batteries, scanners, RFID and voice units, and extra time to allow for proper sanitization of equipment and physical spaces will be considerations.

To address health and safety concerns for workers, companies should first look internally at their current labor workflows. Through process re-engineering, installation of physical barriers between stations, staggered scheduling, and rigorous

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training of associates on sanitation and health and safety precautions, companies can make their workplaces safer for workers.

But additional shifts and staggered work schedules have the potential to add cost to the operation without adding productivity. Automation can minimize the need for both physical proximity of workers and increase overall productivity. As always, facility design will need to include the evaluation of different technologies for suitability but with the new lens of worker health and safety as a consideration. Adding automation and streamlining processes for fewer touches and reduced travel allowed a major retailer to increase productivity by 39% and to reduce the amount of seasonal labor required for peak seasons by 33%.

## ACCELERATED SHIFT TO ECOMMERCE

With eCommerce and store volume changing, perhaps seasonally or even unexpectedly, it will be imperative that the warehouse's layout, inventory, and processes are able to adjust quickly to significant channel shifts. Efficient

and cost-effective each picking will be required. Facility designs including automation that is flexible to handle multiple channels rather than fixed assets for a single channel enable the business to be more responsive to ebbs and flows across all channels. Additional capacity in terms of both space and automation is critical to ensure these fluctuations can be handled with ease.

These structural changes were already underway prior to the onset of COVID-19. The disruption only served to accelerate the shift toward digital channels. As the economy improves, increases in eCommerce volume will continue, courtesy of newly entrenched shifts in the buying habits of consumers.

Expect market share gains for companies that enhance and develop strong eCommerce operations, and an uphill climb and struggle for those who don't invest quickly in shoring up this area of the business.



## THE FORTNA SOLUTION

At Fortna, we've honed the process of optimizing distribution operations. We conduct extensive, on-the-floor assessments so we can help you streamline processes and implement labor standards and systems. Our team will also work with you to develop incentive structures, so your workers stay motivated to do the right things to ensure business continuity. We know that change management is critical to the success of labor efforts. We will help guide your team through the cultural change needed for success.

Reimagining labor is one step in the right direction. However, the structural shifts accelerated by recent disruptions drive a need for flexibility that is hard to achieve without some level of automation.

**For more information, contact The Distribution Experts at [info@fortna.com](mailto:info@fortna.com).**

## THE DISTRIBUTION EXPERTS™

Fortna partners with the world's leading brands to transform their distribution operations to keep pace with digital disruption and growth objectives. Known world-wide as the Distribution Experts, we design and deliver intelligent solutions, powered by FortnaWES™ software, to optimize fast, accurate and cost-effective order fulfillment. Our people, innovative approach and proprietary algorithms and tools, ensure optimal operations design and material and information flow. We deliver exceptional value every day to our clients with comprehensive services including network strategy, distribution center operations, material handling automation, supply chain systems and warehouse software design and implementation.

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