FIND YOURS.

Labor Shortage! How Can We Grow Our Omnichannel and eCommerce Business?

Presented by:
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Objectives:

• Amazon Effect
  • Define or be defined
  • Disruptions
  • 4 Horsemen

• Reasons for Labor Shortage
  • Retail vs DTC
  • Full case vs Eaches
  • Labor vs Machines
Why Focus on Labor?

Rising Workforce Costs

- Hourly Wages
- Fringe Benefits
- Training
- Recruiting
- Retention

65% Labor

35% Everything Else

Changing Workforce Dynamics

- Operations Are More Complex
- Aging Workforce
- Shortage Of Skilled Labor
- Increasing Wage & Benefit Costs
- Multi-Generational Workforce
- Flexible Work Arrangements
- Employee Retention
What is Amazon effect?

The **Amazon effect** is the ongoing evolution and disruption of the retail market, both online and in physical outlets, resulting from increased e-commerce. The name is an acknowledgement of Amazon's early and continuing domination in online sales, which has driven much of the disruption.
Amazon vs. 5 Top Brick-and-Mortar Retailers
MARKET CAPITALIZATION (MARCH 27, 2017)

$405B

$214B

$72.75B

amazon.com

$411B

$29.5B

$14.3B

Walmart

CVS

Costco

Target

Best Buy

Combined Value

Source: Yahoo Finance
Top 10 US companies based on % of e-com sales in $

eMarketer, July 2018

WAYFAIR: 1.1%
COSTCO: 1.2%
MACY’S: 1.2%
QVC: 1.2%
BEST BUY: 1.3%
HOME DEPOT: 1.5%
WALMART: 3.7%
APPLE: 3.9%
EBAY: 6.6%
AMAZON: 49.1%
Retail Sales: Online versus Brick and Mortar (in billions)

Source: U.S. Census Bureau; BMO Private Bank Strategy
Chart #0820
Amazon Has Twice As Many Fulfillment Centers As The Rest Of The Entire US Retail Industry

Figure 28: Amazon Has ~40x More Fulfillment/Logistics Centers Across the U.S. than the Average Number of DC’s Across Our Coverage Universe

Active Fulfilment Centers
United States

Source: Company data, Credit Suisse estimates
Figure 29: Amazon Falls to the Middle of the Pack When Off-Mall Stores Are Considered as DCs

Active Fulfillment Centers + # of Off-Mall Stores

United States

Source: Company data, Credit Suisse estimates
The 5 largest Companies

2006
- Exxon Mobil: 540
- GE: 463
- Microsoft: 355
- Citigroup: 331
- Bank of America: 290

2017
- Apple: 744
- Alphabet (Google): 593
- Microsoft: 506
- Amazon: 429
- Facebook: 414
In the animal kingdom, the rule is, eat or be eaten; 
In the human kingdom, define or be defined.

(Thomas Szasz)

Thomas Szasz was a served for most of his 
career as professor of psychiatry at the State 
University of New York Upstate Medical 
University in Syracuse, New York.
Cost as a Percent of Sales

- Transportation: 49%
- Inventory Carrying: 22%
- Warehousing: 23%
- Services: 6%
- 2 interfaces
- Replenishment
- Returns
- Some SKUs for sale
- Low Shipping cost
- No shipping cost for eaches
- Customer picks

- 3 interfaces
- Click & Collect
- RSPU
- DTC
- Return 2 Store
- Endless Aisles
- Etailing
- Omni Channel
- All SKUs for sale
- Webrooming vs Showrooming
- Cycle time / SLA
Disrupted Verticals

- Media
- Apparel
- Electronics
- CPG
- Food
- Health care?
Labor Shortage

Aging workforce
Low unemployment
Warehouse job are not cool
Metros are growing
Labor Shortage

Omni Channel demands more complex
- Picking eaches
- More SKUs
- Small orders
- Peak to Average is 10+
- Accuracy

Is it physically possible to hire more people?
Is labor available?
Can I use “Retail equipment” for E-Commerce?
KEEP CALM AND CHECK OUT PROMAT
Conclusion:

• Define or be defined
• Supply Chain has become complex
• Skilled labor is more important than ever
• Automation has become a necessity
For More Information

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