Now is the time to invest in your company's future

pitney bowes

Wheeler Financial from Pitney Bowes™

The Pitney Bowes Bank, Inc., Member FDIC

MODERN MATERIALS HANDLING

By investing in technology and automation, small and mid-sized warehouses can effectively tackle the rigors of e-commerce and omni-channel fulfillment while preparing themselves for long-term success in any market conditions.

DIGITAL TRANSFORMATION HAS BECOME A GAME-CHANGER for warehouse and distribution center (DC) operators of all sizes. Driven by the rapid growth of e-commerce and omni-channel fulfillment—plus outside factors like global tariffs and the persistent labor shortage—transforming these spaces into lean, mean machines puts a host of new challenges and opportunities in front of operations managers.

With global retail e-commerce sales on track to reach $6.54 trillion by 2022 (a big jump from $3.53 trillion in 2019), and with the national unemployment rate hovering at a 50-year low, the race to grab these opportunities and tackle these challenges is on. For many, the answer lies in smart investments in material handling technology that frees up valuable human labor to focus on more important tasks.

These investments are especially important for small to mid-sized operations that are working with fewer financial, human, and real estate resources. While larger organizations can generally afford to allocate budgets for more labor and space, for example, smaller outfits must make smarter decisions with their available resources. "The labor shortage remains a persistent theme for all companies, but it's been particularly hard on smaller shippers," says Christopher Johnson, President, Pitney Bowes Financial Services.

SMBs are growing...driven by middle market firms

SOURCE: The Middle Market Power Index, 2017. American Express and Dun & Bradstreet

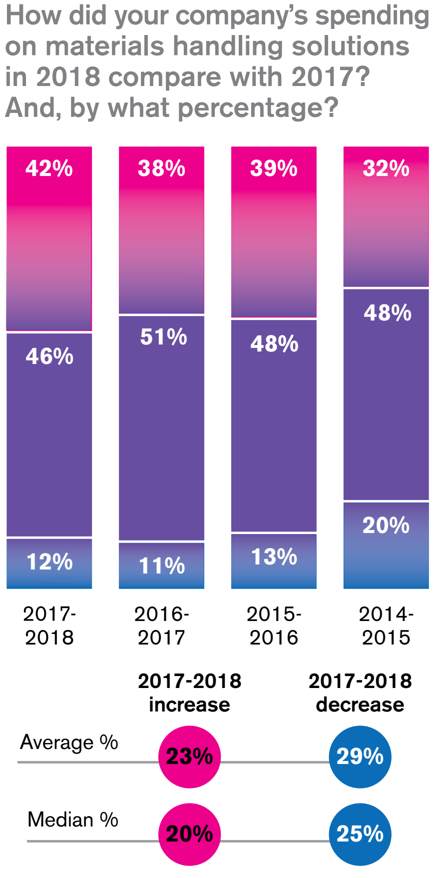
The global tariffs and new trade policies have also hit warehouses and DCs hard, mainly due to the cloud of uncertainty that hangs over these developments. Finally, both B2C and B2B e-commerce continues to expand right along with the trend toward more direct fulfillment (e.g., sending a single item to a consumer versus a pallet of goods to a retail store).

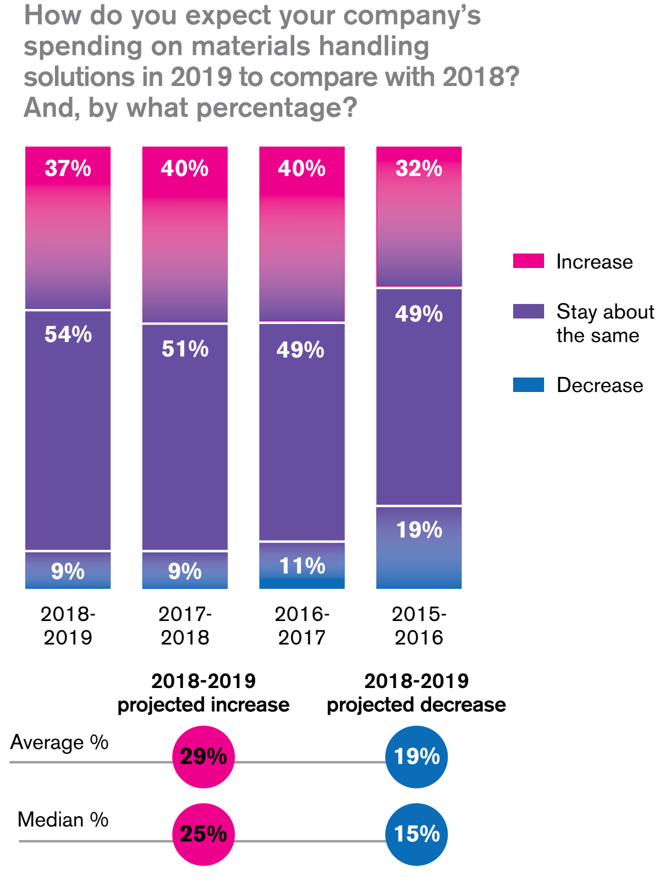
"Tariffs are driving up the end price points of goods at a time when everyone wants things cheaper, shipped for free, and delivered faster than ever," says Johnson. "These trends are making things uber-competitive for smaller warehouses at a time when transportation costs aren't getting any cheaper."

The good news is that there is a solution to these and other supply chain problems, and it starts with an intentional investment in equipment, automation, and technology tools. In this white paper, we show why this is so crucial and offer a straightforward financing option from one of the nation's oldest, most respected businesses.

Driving Sustainable Improvement

Companies of all sizes are taking a higher interest in automation and technology that helps their warehouses and DCs run more efficiently. According to Logistics Management's most recent Industry Outlook Report on the economy and spending on material handling solutions, 42% of companies increased their spending on these solutions in 2018, while 46% kept that investment about the same as the prior year.



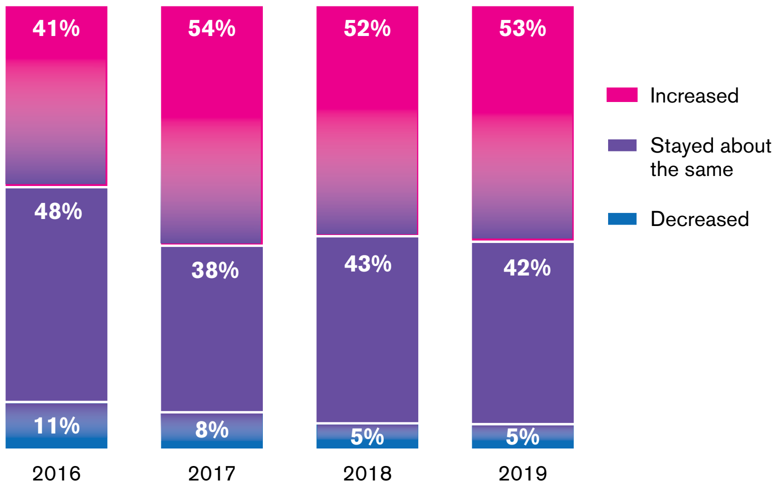


Source: Peerless Research Group

The average increase from 2017 to 2018 was 23%. For 2019, 37% of firms expected to increase their investment in material handling solutions while 54% planned to maintain the same level of investment as the prior year.

The survey also found that for 2019, 95% of companies were either upping their investment in material handling equipment and related information systems or maintaining the same level of investment as 2018. Just 5% of firms were planning to decrease their investment in these solutions.

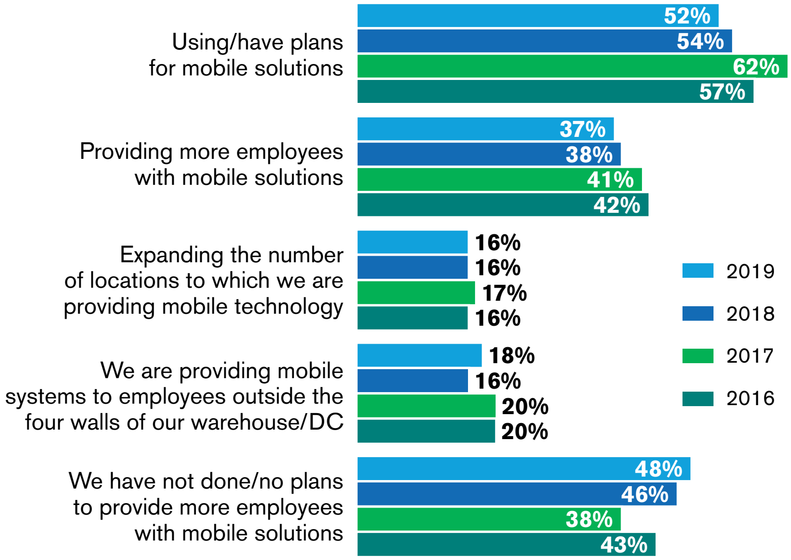
Overall, how do you expect your spending on materials handling equipment and related information systems to change in the next two-three years?



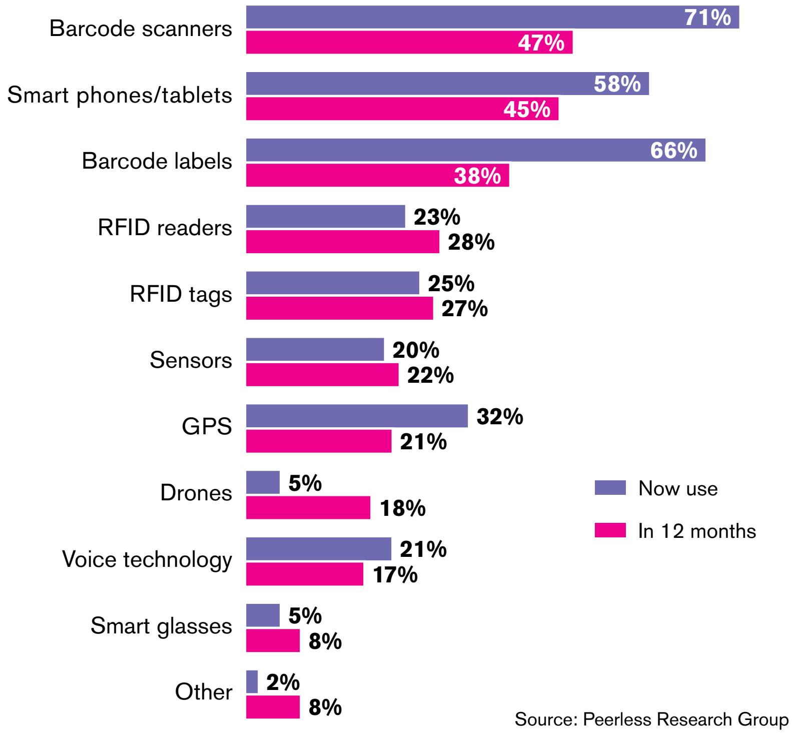
Source: Peerless Research Group

According to the survey, 44% of companies are investing in palletizing equipment; 39% in pick and place (piece/part) transfer solutions; 31% in spending on bin picking; while 29% are interested in more storage solutions. When asked to reveal their mobile-related investment plans, 52% of companies are looking at mobile solutions, 37% want to provide their employees with these types of solutions, and 16% are expanding the number of locations where they're providing mobile technology.

Which of the following best applies to your use/future use of mobile technologies?



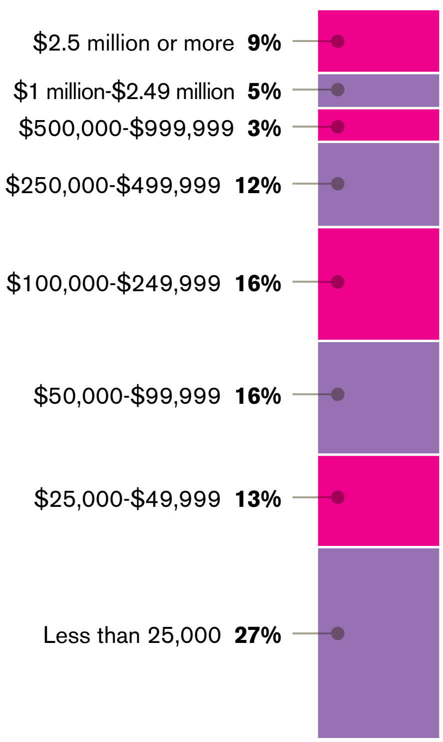
Which of the following devices/technologies are you now utilizing? And, which of the following devices/technologies are you now utilizing/planning to deploy during the next 12 months?



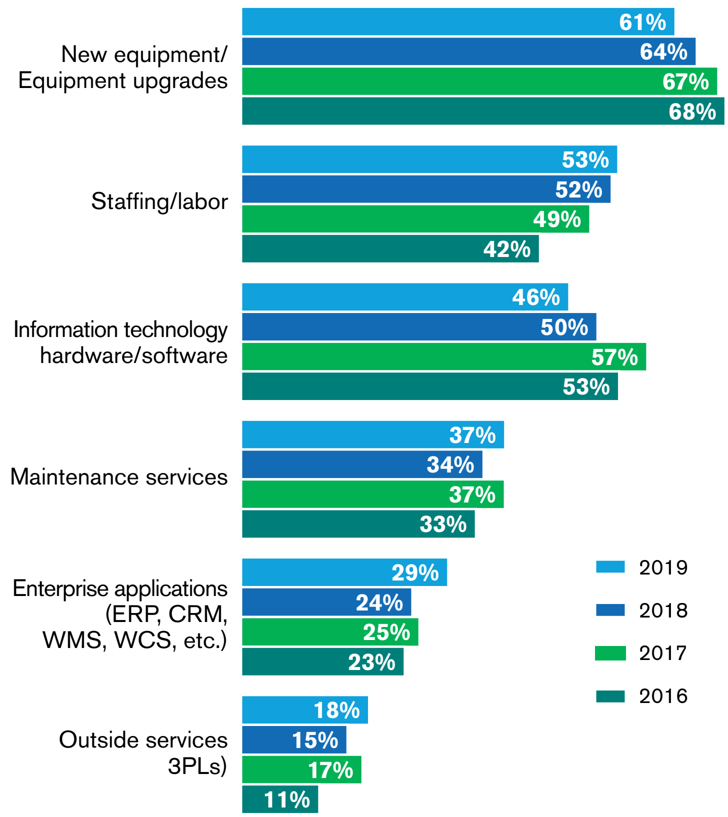
Source: Peerless Research Group

In terms of specific devices and technology that companies are using—or, that they plan to deploy over the next 12 months—the most popular options include barcode scanners, smart phones/tablets, barcode labels, RFID readers, RFID tags, sensors, and GPS technology.

In total, over the next 12 months, approximately how much do you expect to spend on materials handling equipment and information systems solutions?



In which areas will you be investing over the next 18 months?



	2019	2018	2017	2016	2015
Average anticipated spending	$400,000	$350,000	$378,130	$327,340	$345,550
Median anticipated spending	$82,435	$68,750	$82,610	$64,520	$72,035

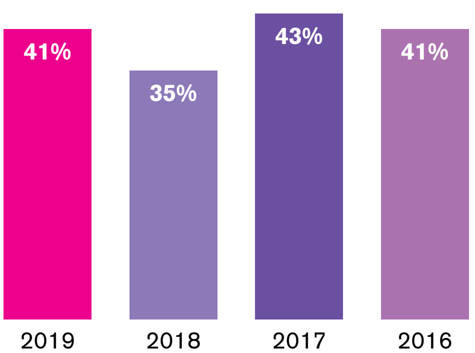
Source: Peerless Research Group

Expected to spend an average of $400,000 on material handling equipment and information systems solutions over the next 12 months, companies will allocate most of that investment to new equipment/equipment upgrades (for 61% of respondents), staffing/labor (53%), IT hardware/software (46%), and maintenance services (37%).

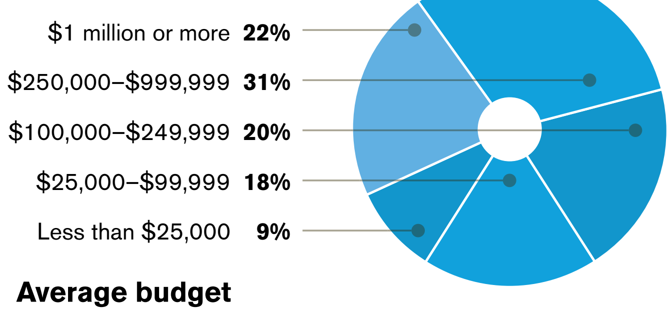
According to the survey, 41% of companies have a preapproved annual capital expenditures budget for material handling solutions, with the average budget being $462,115. This compares to 35% of companies that had such a budget for the prior year.

Johnson says Pitney Bowes has also noted an uptick in warehouse investment over the last year or so, with a particular emphasis on material handling solutions. "We expect that level of investment to continue in 2020," he says. With many companies operating from older facilities that were designed for retail delivery via case and pallet, for example, many now need equipment for managing individual orders, and all in a tight labor market.

Do you have a pre-approved annual capital expenditures budget for materials handling solutions?



What is the amount?
(2019)



Average budget

2019	2018	2017	2016	2015
$462,115	$457,640	$422,260	$439,000	$387,750

Source: Peerless Research Group

"A mix of business and economic dynamics continue to drive the need for investment in logistics and fulfillment," says Johnson. The fact that supply chain's profile has been raised to the point where many VPs of supply chain now have seats on leadership teams is also contributing to this trend toward increased investment in warehouses and DCs.

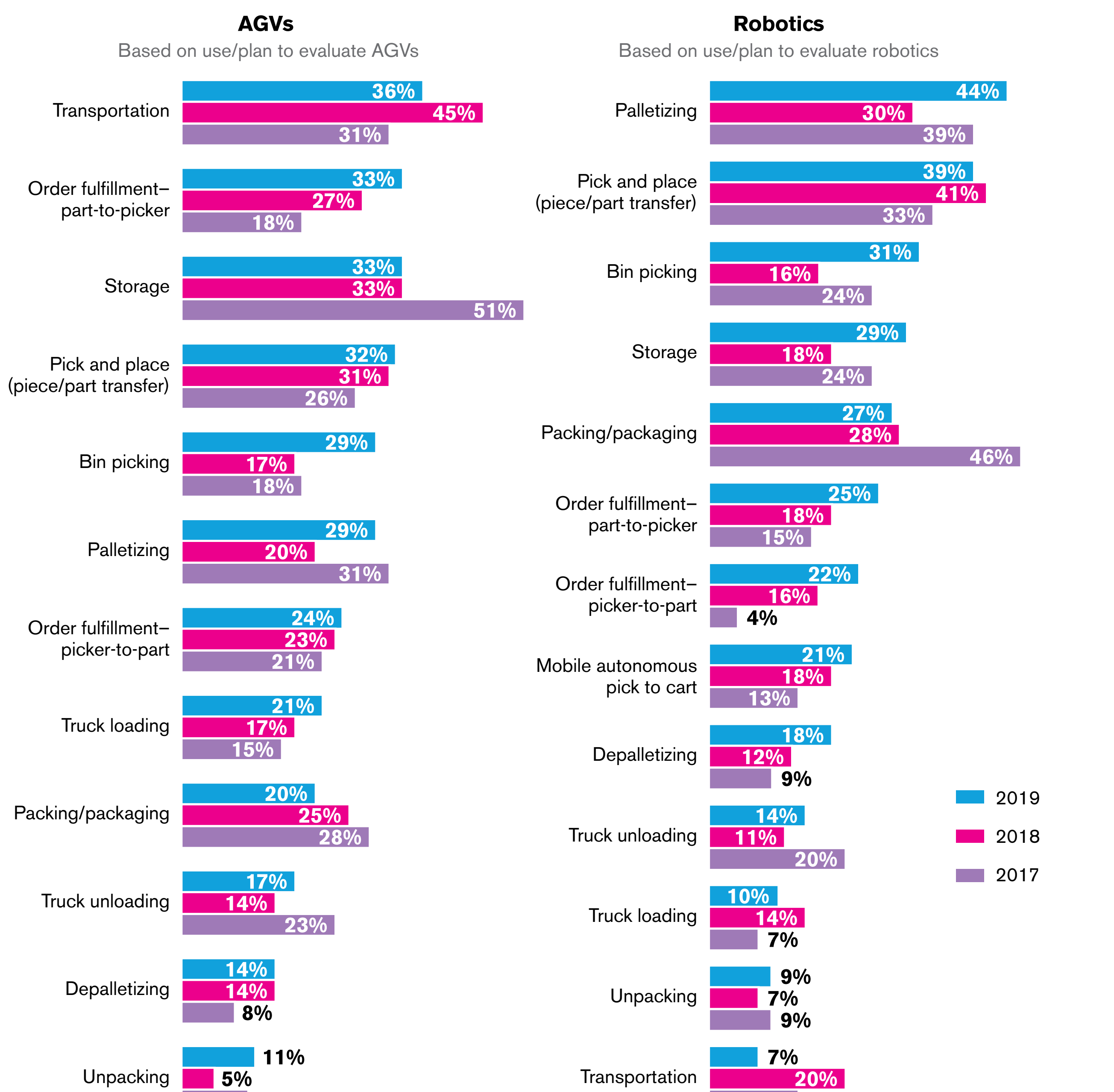
"There is now a more informed, better equipped level of management than what we saw, say, 10 years ago," says Johnson. "These managers and executives are more focused than ever on winning in areas where they know they can drive sustainable improvement."

The Best Technology for the Job

For as much as small to mid-sized warehouse operators want their facilities to be up to speed with the digital transformation movement, many of them face steep financial hurdles in turning these goals into realities. For one, gaining access to capital needed to make those investments isn't always easy for smaller operations that can no longer solve problems by simply "doubling up" on their manpower. Instead, alternatives like automation begin to look much more attractive for these companies.

For example, robotics, automated racking systems, palletizers, "vertical" storage options, and more efficient warehouse configurations all go a long way in helping small to midsized shippers meet their goals. "These components not only help enhance operational productivity, but they also enable a higher output per employee," Johnson says. "Anytime you can increase productivity, you wind up positively impacting the company's bottom line and improving overall customer service."

For which applications are you/will you employ…



Source: Peerless Research Group

Supply chain software also plays a critical role in the streamlining of today's fulfillment centers. With the proliferation of big data and its integration into the supply chain, companies rely heavily on warehouse management systems (WMS), transportation management systems (TMS), and enterprise resource planning (ERP) systems to help them gather, sort through, and make sense of all of that data.

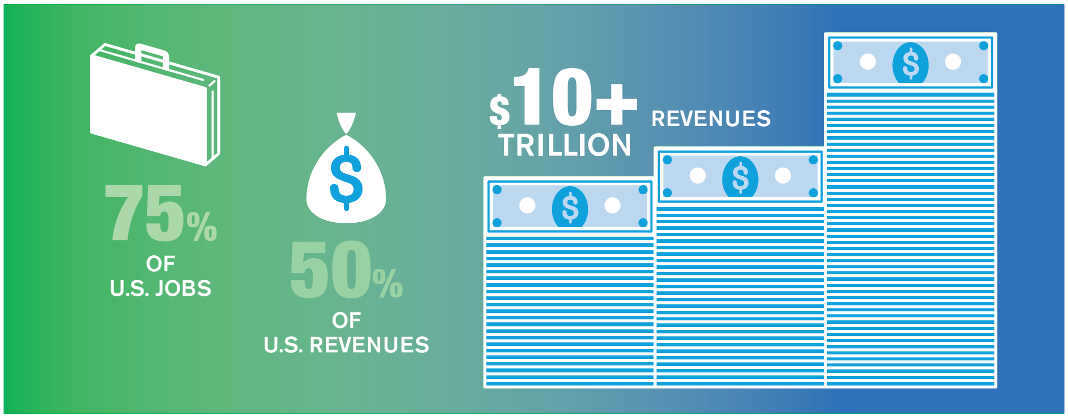
In the absence of these systems, companies are left to manage that information overload through a combination of spreadsheets and manual processes that no longer cut it in today's fast-paced distribution environment. "For 2020," says Johnson, "all warehouse and DC operators are thinking about systemically changing the level of efficiency within their business operations to deal with this 'new normal.'"

Supporting "Main Street" Businesses for Over 30 Years

Under constant pressure to cut costs, logistics and warehouse managers need financial solutions that are not only accessible, but also help them meet their cost mandates without sacrificing service levels.

Knowing that even a small investment in vertical racking systems, automated bottle-sleeving machines, and palletizers can help usher a warehouse into the digital age, Pitney Bowes offers a financing solution that's tailored to the small to mid-sized operation. As a leading institution for small and mid-sized businesses, Pitney Bowes has been financing equipment acquisitions for over 30 years, and in 2019 launched a new equipment financing business, Wheeler Financial from Pitney Bowes.

SMBs are the lifeblood of the US economy



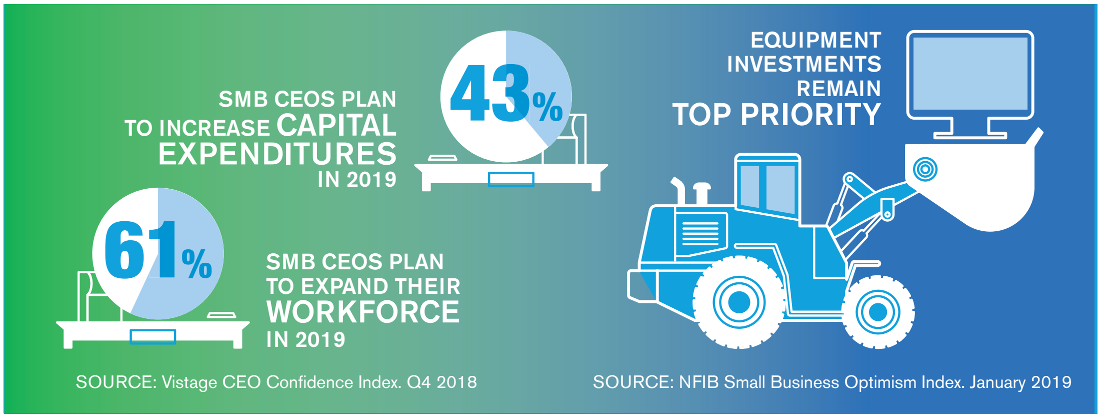
"We know equipment acquisition is the top driver of capital expenditure, so we established Wheeler Financial to help small and middle-market businesses finance their capital equipment investments," Johnson explains, adding that the company understands the demands on cashflow and the criticality of continued equipment investment to long-term growth for small to midsized businesses.

Offering a broad set of capabilities and financial products, Wheeler Financial helps businesses acquire a variety of capital goods, be it software, equipment, machinery, or technology. "We tailor financial solutions to meet our customers' unique situations," Johnson adds.

Purpose-built for the small to mid-sized market, Wheeler Financial understands the challenges that these operations face on the digital transformation path. For example, the company helps its customers focus on the return on investment (ROI) that comes from infusing automation and other advanced technologies into the DC or warehouse. Specifically, a company that invests in automation should be doing so with the goal of getting a higher output and/or higher return from a capital expense that's already on its balance sheet.

"If we make an investment in order to support a company's acquisition of material handling or logistics management solutions for its DC, we look at whether that investment helps the company extract a higher level of revenue as a result," says Johnson. "In other cases, we're looking at whether an investment allows the company to remove one or two steps from its fulfillment process and as a result creates a higher margin for its operations."

SMBs are investing in growth



All important considerations in today's fulfillment environment, these assessments help shippers make the best possible investment choices for their specific operations. Using this tailored approach, Wheeler Financial helps to fill a gap left by large financial institutions that don't generally lend to smaller entities. "Most institutions would rather invest in large companies," Johnson points out. "That's because their philosophy is that larger companies are more financially stable than smaller ones, and better equipped to deal with any 'dips' in the economic cycle."

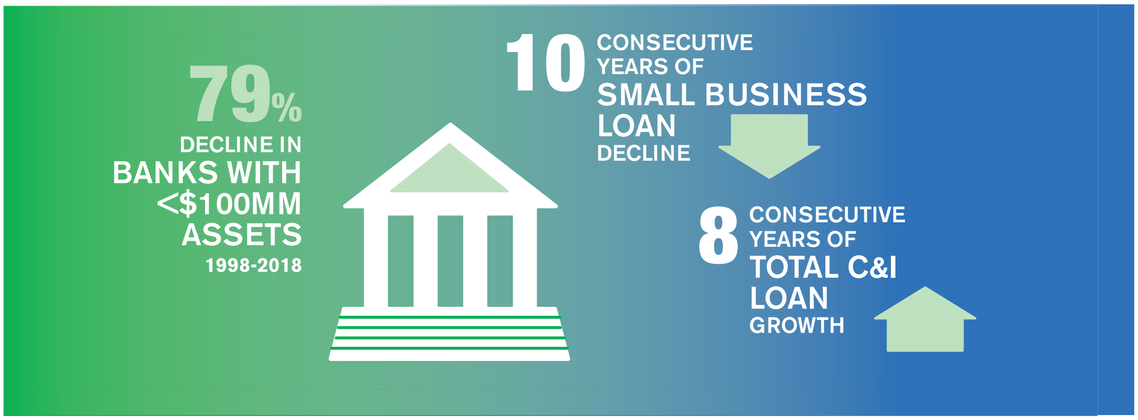
With just such a "dip" forecast for some time in the next year or two in the U.S., banks could further tighten their belts in 2020—a move that could make it even more difficult for the small to mid-sized shipper that needs material handling equipment, software, and other technology tools to help streamline its operations.

Working with 750,000 different small to mid-sized customers, Wheeler Financial is well equipped to help fill that financing gap. In many cases, Pitney Bowes customer relationships extend for 10 or more years, during which time the company has provided leases, loans, and working capital to a wide range of businesses.

"We really like this business," says Johnson, "and we're committed to helping the nation's 'Main Street' companies grow and prosper." By offering competitive financing rates and terms, Wheeler Financial effectively levels the playing field for the small to mid-sized warehouse operator. Add Pitney Bowes' decades of experience in the logistics field to the equation and the sum is a complete understanding of what it takes to successfully operate and grow a supply chain organization in today's competitive environment.

"If you're in the logistics management, material handling, or supply chain business," says Johnson, "we get you more than any other institution is going to get you. We're more committed, and we're purposely-built for your business."

...yet fewer sources of capital exist



Efficiency, Optimization, and Operational Excellence

With the U.S. economy in the midst of a 10-year-long bull market, companies are beginning to think about if and when the next downturn will surface. And while the verdict is still out on exactly when this will happen, the natural progression of economic cycles tells us that the next recession isn't too far off.

Knowing this, Johnson says now is the time for companies to start shoring up their warehouse and DC investment plans and securing the financing sources necessary to bring those plans to fruition.

"The national economy is very strong and in a good position compared to most of the rest of the world," says Johnson. "We're at a point where slower growth is inevitable, and the winners will be the companies that are focused on efficiency, optimization, and operational excellence."

Agile and flexible by their very nature, small and mid-sized shippers are in a particularly good position to make the investments needed to survive and thrive in 2020 and beyond. It's about positioning your firm for the long-term, Johnson points out, and taking steps now to maintain that longevity: "Now's the time to invest in your company's future."

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ABOUT WHEELER FINANCIAL FROM PITNEY BOWES

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Wheeler Financial from Pitney Bowes, Inc. is a subsidiary of The Pitney Bowes Bank, Inc., Member FDIC. Headquartered in Salt Lake City, Utah, the bank was established in 1997.

We're committed to Main Street, the local engine that powers our economy.

We invest in Main Street. For more information on how Wheeler Financial can help your business grow, visit us online at wheelerfinancial.com