



Redshift Research Market Study

Commissioned by Vocollect

Supply Chain Efficiencies:

Turning to Technology to meet Operational Challenges

1. Introduction: Approach & Methodology

Rising fuel and raw materials costs and continued weakness in the global and domestic economy are just some of the external cost pressures affecting business and the supply chain. To counter the impact of these fiscal pressures, while simultaneously adapting to support changing business and retail models, today's logistics and operations managers must continually evolve and develop processes and efficiencies, as well as improve supply chain visibility.

The 'Supply Chain Efficiencies Survey', conducted by research organisation, Redshift Research and commissioned by Vocollect, sought to capture the industry challenges faced by UK-based logistics managers. The survey also studied the different approaches being taken to overcome the various challenges and maintain operational efficiency. The research was commissioned by Vocollect to celebrate its tenth anniversary in EMEA.

The survey, carried out in September 2012, studied a wide range of industry sectors, of which, those working in telecoms (33 per cent) and retail (32 per cent) were the majority. 117 logistics heads using both voice and non-voice-directed warehouse solutions were questioned from a database provided by Storage Handling Distribution Magazine consisting of people involved in logistics. The results were collated and analysed by Redshift for the purposes of this report.

2. Executive Summary

Overall, the research results revealed logistics managers are turning to technology to meet specific operational challenges, with half of voice users and 36 per cent of non-voice users (in total 37 per cent of the market sample) noting that their number one industry challenge is managing changing business volumes.

The survey highlighted the multiple uses of voice, as while 100 per cent of voice users were using the solution for picking/selection, a significant number (40 per cent) were also using the system for either replenishment/put-away or receiving (30 per cent).

The majority of voice users (70 per cent) perceive one of the biggest benefits of voice to be the reduction in picking errors, despite its increasing use outside the picking workflow. In fact, 80 per cent of all voice users noted a reduction in picking errors after implementation, with 80 per cent of organisations improved workforce management processes.

In comparison, the survey found that many non-voice users (66 per cent) are still reliant on time-consuming manual processes such as paper lists and spread sheets and that only 16 per cent of these non-voice users say they are 'very satisfied' with their current solutions. This is particularly interesting given that non-voice users admitted that improving picking speeds/productivity (50 per

cent) and reducing picking error (50 per cent) were the top perceived benefits of voice. In fact, the voice user research shows that all these benefits were stated as results of implementing a voice solution.

The results also showed a contrast between the return-on-investment and results achieved by existing users of voice-directed technologies, compared with those using paper or scanner-based systems, particularly in terms of accuracy, productivity and employee satisfaction. Within a maximum period of two years, half of logistics managers using voice expect to, or have seen a return on investment. Beyond the financial return, managers noted that a vast majority (90 per cent) of workers were satisfied in their daily work following the implementation of a voice solution.

Breakdown of key results:

Voice users

- Half of respondents noted managing changing business volumes as a top business priority, compared to just seven per cent that are currently seeking to improve supply chain visibility.
- 100 per cent of voice users use the system for picking/section.
- 70 per cent cited the reduction in picking errors as an important benefit of voice.
- 80 per cent of all voice users stated that they had seen a reduction in picking errors after implementation and 80 per cent of organisations noted increased staff productivity.
- 90 per cent of workers using voice were believed to be satisfied in their daily work.
- Employees were trained and using voice technology in two days or less in 60 per cent of cases.
- Within a maximum of two years, half of logistics managers expect to or have already seen a return on investment.

Non-voice users

- 36 per cent noted managing changing business volumes as a top business priority, with optimising inventory levels (31 per cent) a close second.
- Over two thirds of organisations (66 per cent) are still reliant on time-consuming manual processes such as paper lists and spread sheets.
- Only 16 per cent of non-voice users were 'very satisfied' with their current solution.
- 50 per cent perceived both increased picking speed/productivity and reduced picking error as potential voice benefits.

3. Study findings

3.1 Business priorities: managing changing business volumes is biggest internal priority

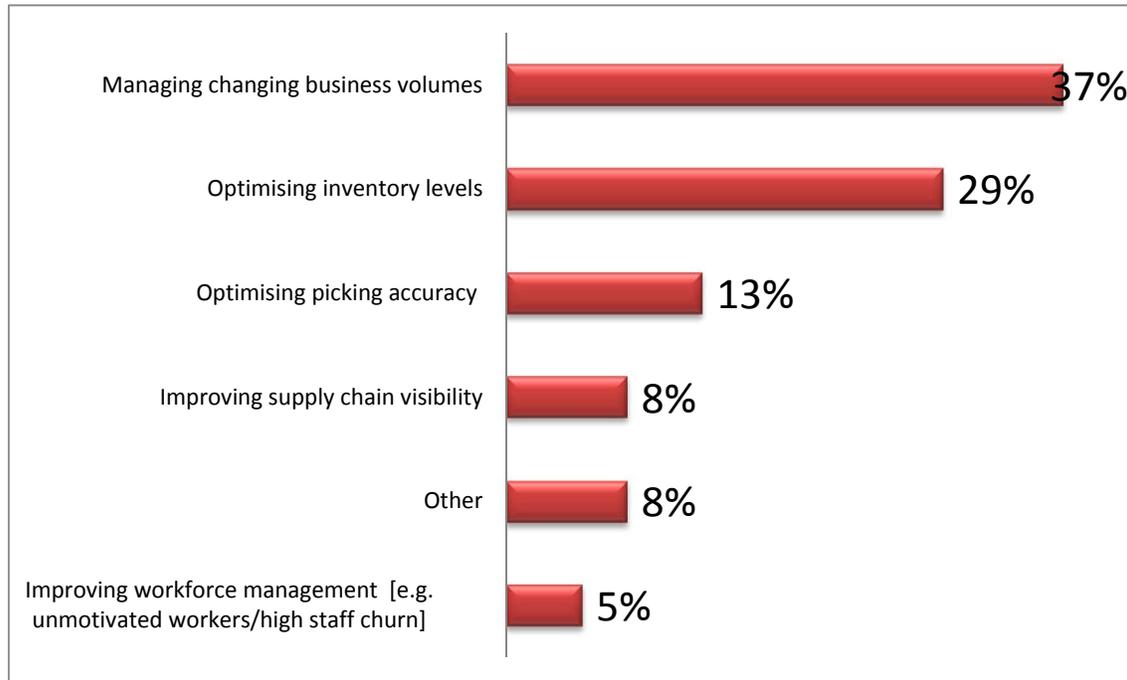


Figure 1 Prioritised business issues for all respondents

The survey found that aside from budgets or other fiscal pressures, managing changing business volumes is the single biggest priority for both voice and non-voice users, with 37 per cent of all respondents reporting this issue as their primary concern. Breaking this result down, the survey showed that managing changing business is the number one concern for 50 per cent of voice users and 36 per cent of non-voice users.

Logistics operations without voice suggested optimising inventory levels (31 per cent) as their second biggest internal priority, behind managing changing business volumes. Conversely, those currently using a voice system noted optimising inventory levels as less of a priority (10 per cent).

The survey revealed that over a third of non-voice users and half of voice users understand the importance of managing changing business volumes to help their organisations operate efficiently. And despite the downturn, many are prepared to invest and focus on this area.

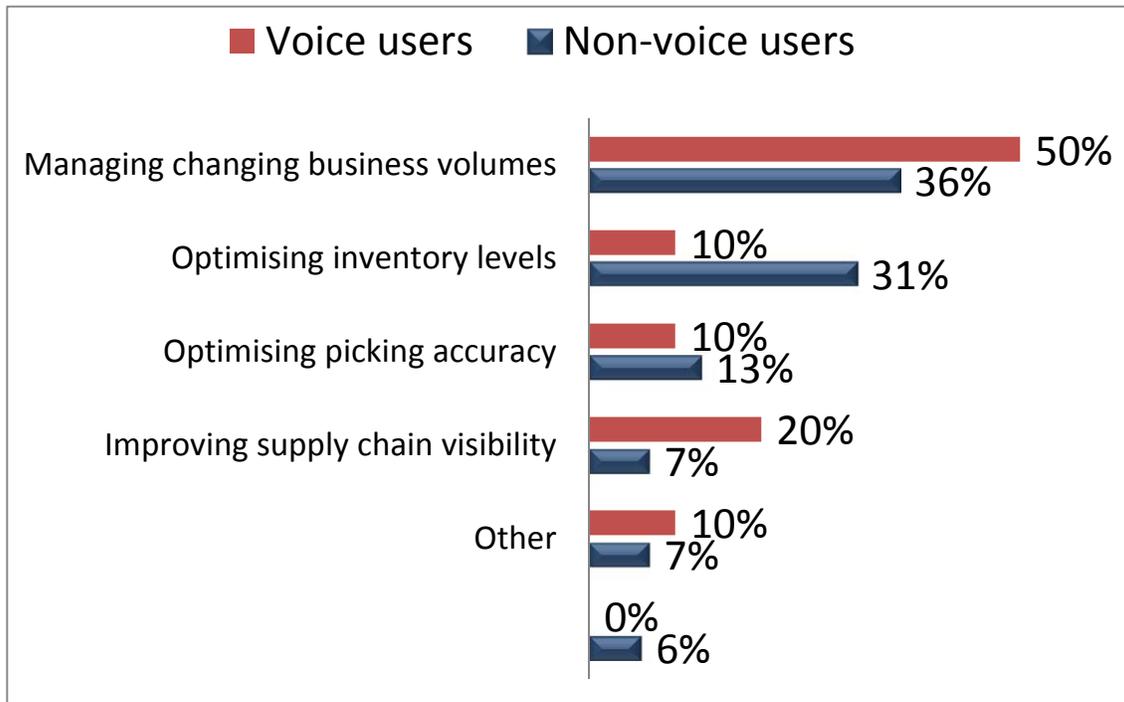


Figure 2 Aside from budgets or other fiscal pressures, what is the single biggest internal priority for your logistics operation at the current time? (Comparison of voice and non-voice user results)

3.2 Sample market overview: many logistics managers still using logistics processes such as ‘pick-by-paper’

The research highlighted that many respondents are currently using processes such as paper picking in the warehouse. This is particularly interesting as the research later showed that voice technology can offer organisations across industries the opportunity to improve operations and increase productivity and accuracy. For example, the main reason cited by 100 per cent of voice user respondents for deploying voice was to improve picking selection and a significant 80 per cent of all voice users stated they had noticed a reduction in picking errors.

It is important to recognise that while all voice user respondents were using the system for picking/selection, a significant number (40 per cent) also use voice-directed technology for replenishment and put-away. In addition, 30 per cent of respondents use voice for receiving, 30 per cent for cycle-count and 20 per cent for outbound/loading – this shows the multiple workflows in which a voice system can be used.

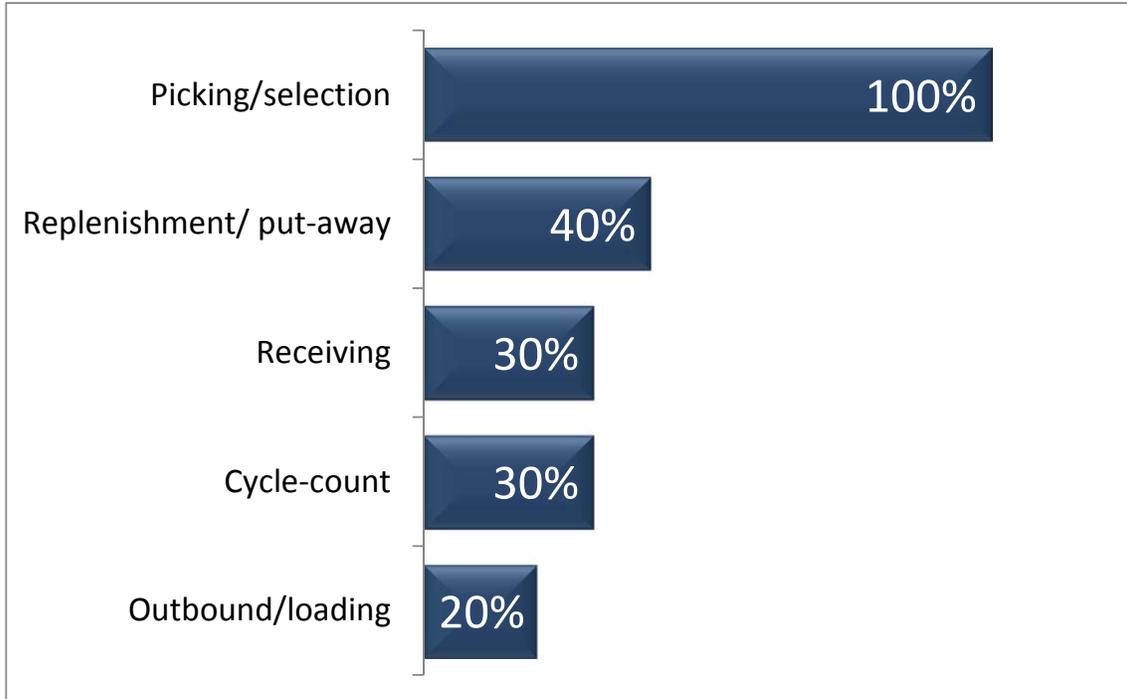


Figure 3 Main processes used by those deploying voice technology

Where voice is not yet being used, the research shows that the majority of logistics decision makers are still using paper lists (58 per cent) and/or RF terminal technologies (36 per cent). However, 50 per cent stated that they were aware voice technology can help increase picking speed/productivity and reduce picking errors.

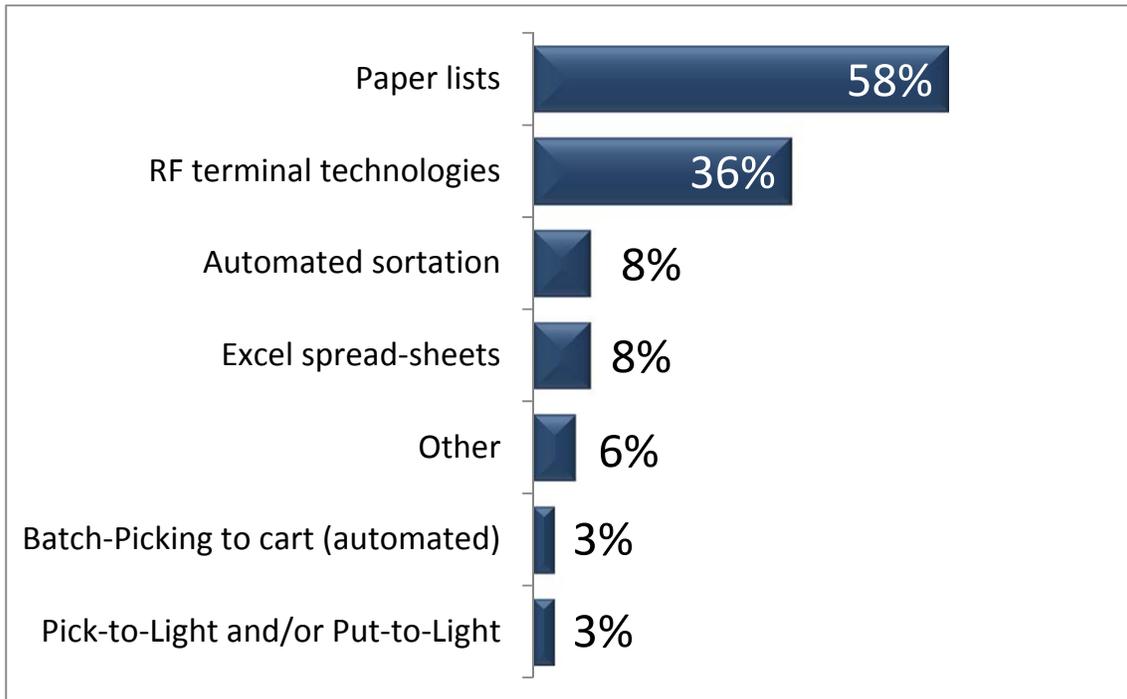


Figure 4 Non-Voice Users' Solutions

Interestingly, non-voice users saw the greatest barrier to voice adoption as cost (49 per cent), despite the fact that 80 per cent of those already using voice confirmed that it has made their operations more competitive through improved staff productivity, in addition to achieving a rapid return on investment

3.3 Perceived and achieved benefits of voice: maximising productivity and accuracy seen as biggest potential operational benefit from voice technology

The voice user research demonstrates that the top anticipated benefits of a voice solution include improved staff productivity (80 per cent) and reduced picking error (70 per cent). This is in contrast to non-voice users, who thought the top two benefits were increased picking speed/accuracy (50 per cent) and reduced picking error (50 per cent).



Figure 5 Anticipated benefits from those who invested in voice

In reality, those deploying voice noted an 80 per cent increase in improved accuracy/reduced picking errors and an 80 per cent improvement in workforce management. In addition, 60 per cent noted picking speed and productivity gains, 40 per cent experienced increased business support/growth, 40 per cent better reporting and 40 per cent improved staff satisfaction.

The results overall suggest that many in the industry are turning to voice-directed technology to bring about supply chain efficiencies, enabling their warehouses and distribution centres to cope more easily with variable orders and at shorter notice, therefore working more accurately and productively.

In fact, to gain competitive advantage in the logistics industry's tough climate, business decision makers have to be one step ahead of the competition. This research establishes that a great range of business benefits can be achieved through the implementation of voice.

3.4 Perceived and actual benefits of voice: logistics heads expect a quick ROI with voice

Implementing any new IT system during an economic downturn can be testing. In fact, the economic climate has contributed to growing demand for quicker returns from IT investments, particularly picking systems, which offer good potential to bring a fast and quantifiable return on investment.

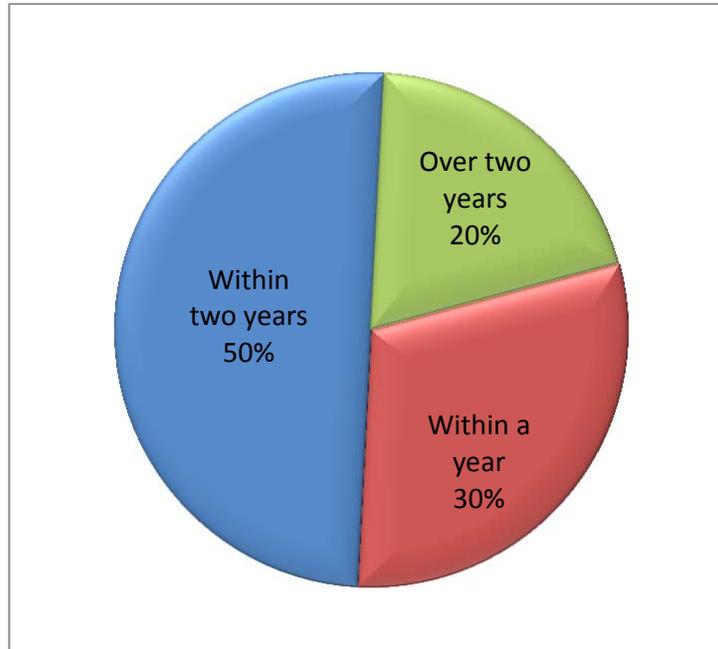


Figure 6 How quickly have you seen or do you expect to see a return on investment? (Results from voice users only)

In support of this idea, this voice user research shows that within a maximum of two years, half of logistics managers expect to or have already seen a return on investment after deploying a voice solution. This contradicts the finding that nearly half of all non-voice users surveyed saw cost as the greatest barrier to the adoption of voice-directed working. In fact, voice users showed an 80 per cent improvement in picking accuracy, together with a 60 per cent increase in picking speeds – all elements that help any business to maximise efficiency and reduce operational costs.

In addition, the survey showed that many voice users (60 per cent) were able to implement the solution quickly and effectively within two days, with all voice users stating they were up and running in under a month.

3.4 Satisfaction results: avoiding a skill shortage – voice technology drives up staff satisfaction

In a marketplace known for a high level of staff churn, the research demonstrates that 90 per cent of those surveyed who have deployed voice technology were 'fairly satisfied' or 'very satisfied' with voice as a sorting or picking solution. This percentage dropped to 68 per cent amongst non-voice users.

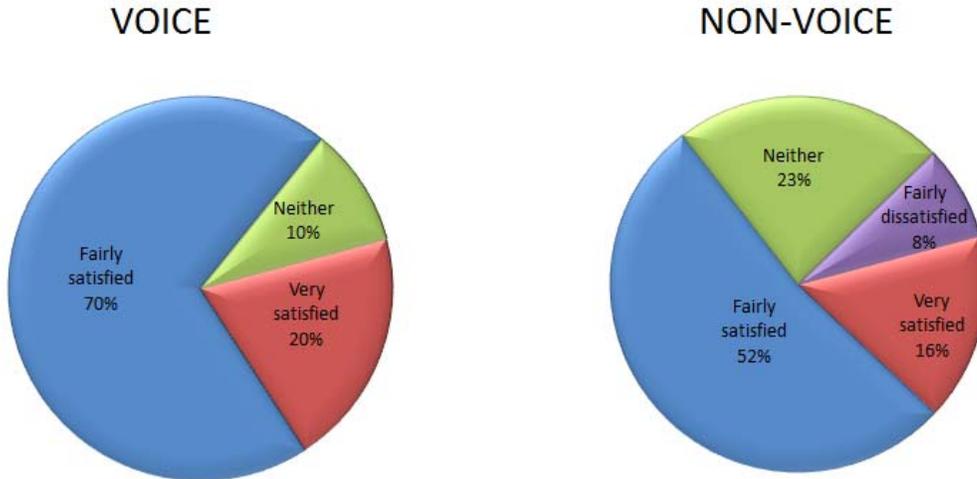


Figure 7 Overall satisfaction with solution

In addition, the voice user figures suggest that 80 per cent of key workers have had a positive reaction to the deployment of voice technology. Once fully proficient in voice, 90 per cent of users reported being 'fairly satisfied' or 'very satisfied' in their daily activities. By contrast, only 70 per cent of organisations surveyed who don't have a voice solution in place, found their pickers and other warehouse and logistics staff were 'fairly satisfied' or 'very satisfied' in their daily work.

In reality, for every job vacancy in the UK, there are 5.6 people unemployed [Office for National Statistics]. Yet, with its abundance of physical work and difficult shift patterns, the logistics sector is facing a shortage of skilled workers. This survey shows that a voice solution can ease this pressure, as not only does it improve staff satisfaction levels, but it can also considerably speed up staff training and improve the productivity of warehouse workers.

About Vocollect

Vocollect, a business unit of Intermec, Inc. (NYSE:IN), is the leading provider of innovative, high-quality voice solutions for mobile workers around the world. Vocollect's market-leading technology, products and services help customers achieve a higher level of business performance through voice. Together with a global team of over 1,700 certified voice professionals, we enable nearly 500,000 workers at almost 2,000 companies around the world to distribute US\$4 billion in goods every day. Vocollect Voice integrates with all major WMS and ERP systems and supports the industry's leading mobile computing devices. For more information, visit www.vocollect.com. Vocollect® and Vocollect Voice® are registered trademarks of Intermec IP Corp. All rights reserved.

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