OPENING THE WAREHOUSE DOORS:

Cloud Computing and Distributed Warehousing

How logistics is leveling the playing field
for small and midsize businesses

During 15 years working in fulfillment and logistics, Ben Eachus saw how inadequate software affected small and midsize businesses (SMBs). Finding warehouse space across the country was difficult as well, with no single integration point connecting inventory to the final destination. This lead Eachus and Jason Harbert to co-found Flowspace, where they built proprietary software to manage inventory, provide full visibility, and find optimal fulfillment locations. They paired this software with access to hundreds of warehouses across the country to manage fulfillment and transportation, allowing SMBs to scale at will.

While much of the public focus on logistics is on the Amazons and Walmarts of the world, SMBs are an important market, albeit less visible. As an economic force, 47 percent of SMBs in 2019 say they planned to increase shipping spend in 2020. Last year, U.S. e-commerce sales grew to $600 billion, almost 15 percent over the previous year. That equaled 11 percent of all U.S. retail sales. With the COVID-19 pandemic lockdown, that shipping spend skyrocketed for many businesses, beyond what they previously anticipated. The explosion of technology and distributed warehouse models keep SMBs from falling off the competition treadmill.

SMBs may not have the large logistics teams that big players have. Investing in those teams, or in warehousing real estate, means lower budgets for other initiatives like product development or marketing. Yet SMBs need help with ordering, tracking, storing, fulfilling, and transporting goods. And success in that realm can make or break a business.

Now on-demand warehousing and fulfillment options like Flowspace allow SMBs to operate cost-effectively on a level playing field with the big players. The business model serving SMBs has enough credibility that Fulfillment by Amazon, FedEx Fulfillment, and UPS's Ware2Go are eager to capture some of the market.

What's changed for SMBs?

Amazon upended shipping rules with Prime, initially offering two-day shipping, and later dropping that to one day or even guaranteed delivery within a few hours.

To enable reliable two-day delivery, a retailer needs three to five facilities across the country, Eachus says, and for next-day service that number rises to 11 facilities. With shipping data, Flowspace can advise clients on optimal locations and inventory levels, decreasing unit costs and transit time.

Warehousing and industrial real estate demand is anticipated to grow to 14.8 billion square feet, an increase of 850 million square feet, between 2019 and 2023. Proponents of the on-demand model argue that by paying for warehousing and fulfillment on a transactional basis, SMBs can reliably predict their supply chain expenses, saving capital expenditures for other priorities. There are no long-term lease, purchase, or labor management worries. Relying on forecasting can be difficult and expensive if they're wrong, (e.g., forecasts were thrown for a loop during the first half of 2020).

The other big change is the growth in cloud computing. Historically, warehouse management systems are hosted on the premises, requiring old-school integrations with high costs, consultant expertise, and long timelines. SMBs can now plug into cloud solutions and gain greater visibility and access to real-time data for multiple warehouses. "We needed unified software systems, so merchants could see and manage inventory across buildings and across the country," Eachus says. API helps e-commerce systems effortlessly integrate into a system, with no need for a legacy, on-premises warehouse management system (WMS).

During the pandemic, businesses that thrived were able to quickly pivot, scaling up or down their inventory and shipping locations. The major carriers suspended delivery guarantees, making it even more important to keep

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merchandise close to customers. "You can have a network of warehouses on the same software and get started within a day, not months or years. That is an incredibly powerful tool for competing on delivery time," Eachus says. ■

Flowspace

Offer 2-Day Shipping, **Profitably.**
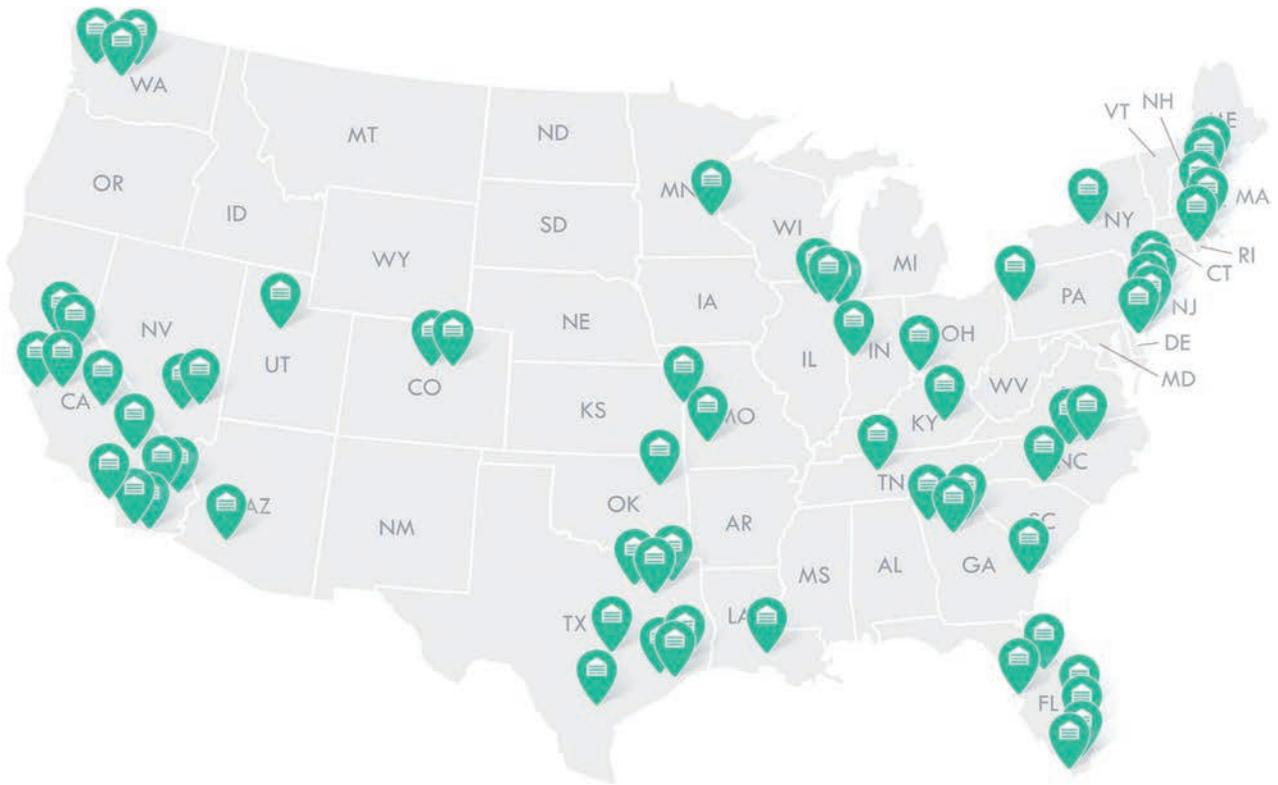
The Flowspace Fulfillment Network has over 1000 warehouses enabling you to deliver your products quickly and cost-efficiently.

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