



SMB Viewpoint

PART ONE OF THREE

Turning Market Disruption Into Positive Change

Strategic insights to help small and growing warehouses modernize operations, increase associate satisfaction, and help future-proof business.

The data highlighted in the three-part series is a subset of Zebra's 2022 Warehouse Vision study entitled *Dynamic Markets Demand Warehouse Agility* and is presented in three parts.

[View Part Two](#)[View Part Three](#)

SMB WAREHOUSES

Executive Summary

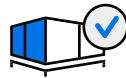
Dynamic Markets Demand Acceleration

We're living through a time of dramatic change in almost every industry. According to Zebra's Warehousing Vision Study, shipping volumes for small and growing businesses have increased more than 20% on average over the past two years. More specifically, fulfillment to business (+21.5%), fulfillment to consumers (+22.4%) and drop ship directly from manufacturers (+21.4%).

However, rapidly changing market forces continue to create unexpected challenges. The pandemic highlighted how quickly the impact of disruption can reverberate across supply chains, inhibiting just-in-time workflows and making it harder for businesses to keep up with the evolving on-demand economy. This ever-fluctuating consumer demand is driving the growth of ecommerce and forcing businesses to invest in innovation despite economic headwinds. In fact, in navigating today's complex networks, Small and Medium-Sized Business (SMB) decision-makers ranked predicting inventory accuracy as the biggest challenge facing their organizations. What's more, businesses of all types and sizes are struggling to find and retain a qualified workforce, with SMBs feeling a disproportionate impact of the tightening labor market.

Forward-thinking decision-makers are investing in technology to improve every warehouse function from fulfillment and inventory tracking to workforce and facilities management.

SMB Decision-Makers Rank the Top Challenges Impacting Their Organization



68% Predicting inventory accuracy and visibility



65% Fulfilling higher order volumes due to e-commerce growth



64% Recruiting and retaining warehouse associates



56% Investing in technology to improve fulfillment



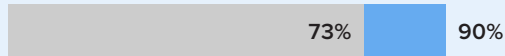
50% Updating warehouse facilities

SMB Decision-Makers Are Planning Ahead to Drive Growth and Sustain Momentum

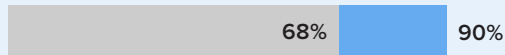
By 2023

By 2025

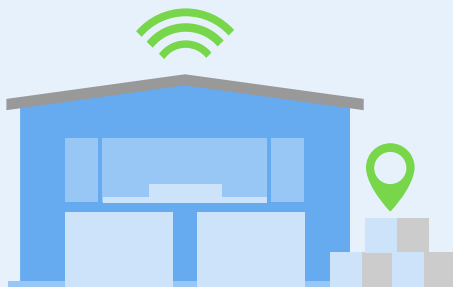
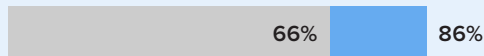
Plan to accelerate timelines of modernization projects



Plan to increase funding to modernize and/or scale existing projects



Utilizing external consulting services to support technology selection, planning, design and execution of warehouse optimization and automation

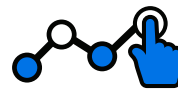
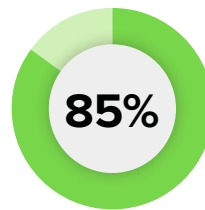


Welcome to the Digital Era in Action

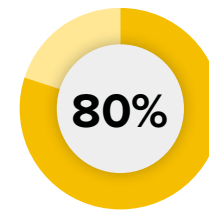
Nowadays, it seems disruption is the new normal. Businesses must be prepared for anything, as they are challenged by unpredictable consumer demand, the expectation of faster delivery times, and the need for greater inventory accuracy. A shifting workforce creates further complications as a new generation of frontline workers brings new technology expectations to the workplace.

Decision-makers from today's small- and medium-sized warehousing businesses agree they must implement new technologies to be competitive in today's on-demand economy. They are accelerating modernization timelines and increasing funding for enterprise innovation. Labor optimization is an initiative for decision-makers as small and growing businesses look to drive ROI by augmenting workers with mobile devices. Looking ahead, SMB decision-makers see bright skies as they look to more advanced automation solutions to help ease the workload and maximize productivity while constantly predicting and adapting operations in real time.

Warehouse Leaders Widely Acknowledge the Importance of Implementing Technology



85% report needing to implement new technology to be competitive in the on-demand economy



80% say their organization believes the investment in automation far outweighs the risk of not implementing

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About Zebra Technologies

Zebra (NASDAQ: ZBRA) empowers organizations to thrive in the on-demand economy by making every front-line worker and asset at the edge visible, connected and fully optimized. With an ecosystem of more than 10,000 partners across more than 100 countries, Zebra serves customers of all sizes—including 94% of the Fortune 100—with an award-winning portfolio of hardware, software, services and solutions that digitize and automate workflows. Zebra recently expanded its industrial automation portfolio with its Fetch Robotics acquisition and increased its machine vision and AI software capabilities with the acquisitions of Adaptive Vision and antuit.ai.



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SMB WAREHOUSES

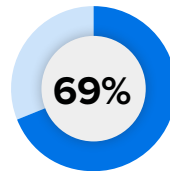
Industry Challenges

Building Resiliency and Agility

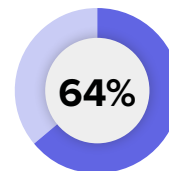
It's more important than ever for businesses to get it right the first time. As supply chains grow more complex, a simple mistake or incorrect calculation can be costly. While large companies may have room for error and the luxury to absorb unexpected losses, most small- and medium-sized businesses do not. However, no one can predict the future, and disruption can happen at any time. A well-prepared organization can make quick decisions and swiftly change course, minimizing the financial impact of unpredictable factors like natural disasters, geopolitical tensions, cyberattacks, or labor strikes.

Automation helps minimize errors and maximize the value of human labor. While technology investment carries some risk, 80% of decision-makers say their organizations believe investing in warehouse automation far outweighs the risk of not implementing it in their operations. Almost six in 10 decision-makers plan to utilize real-time visibility to automate tasks, provide better decision-making and set themselves up for predictive and adaptive operations within the next five years.

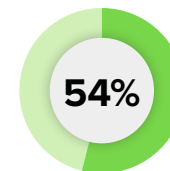
SMB Decision-Makers Cite Biggest Drivers for Adding Automation to Warehouse Operations



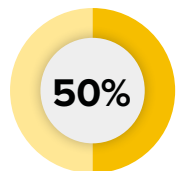
Mitigating errors



Meeting service level agreements



Adding flexibility to warehouse footprint



Optimizing labor

Introducing Warehouse Automation: Where to Start?

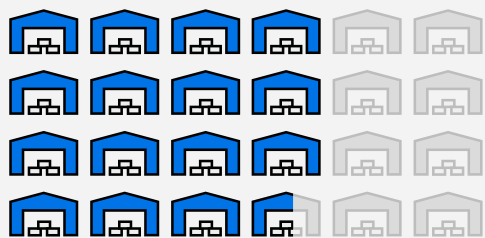


Associates



Decision-Makers

87% of associates and **82% of decision-makers** agree that leveraging technology to augment and enhance human labor is the best way to introduce automation into their warehouse operation.



Over **six-in-10 (65%)** manufacturing decision-makers say they are holding raw materials safety stock to deal with supply chain issues

Combatting Supply Chain Challenges

Nearly every warehousing business has felt the impact of supply chain disruption. For many, it has highlighted the need for accelerated organizational change. For SMBs in particular, inventory visibility is crucial to ensuring future success.

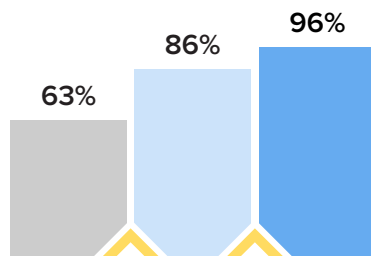
Investing in real-time tracking for shipments is the leading solution among SMBs to deal with inbound supply chain issues (54%), followed by adapting product mix to goods available (48%) or working with manufacturers to make design changes to existing products (48%). Others have tackled transit issues head-on, with 47% making the change to buy from manufacturers that are on-shore or near-shore and 40% increasing the use of air transportation. More complexity brings on more reliance and the need for collaboration amongst supply chain partners, each doing their part to ensure inventory visibility, accuracy, and speed.

SMB Decision-Makers are Making Strategic Investments to Improve Warehouse Operations

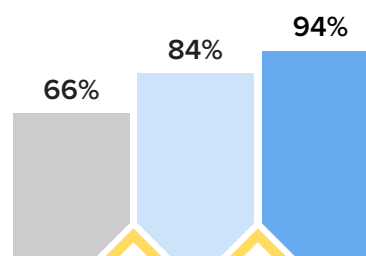
Enhancing Visibility (Goods, People and Assets)



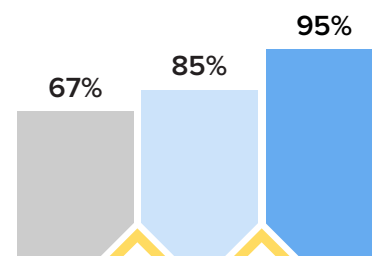
In the Warehouse



Across the Supply Chain



Software and Analytics



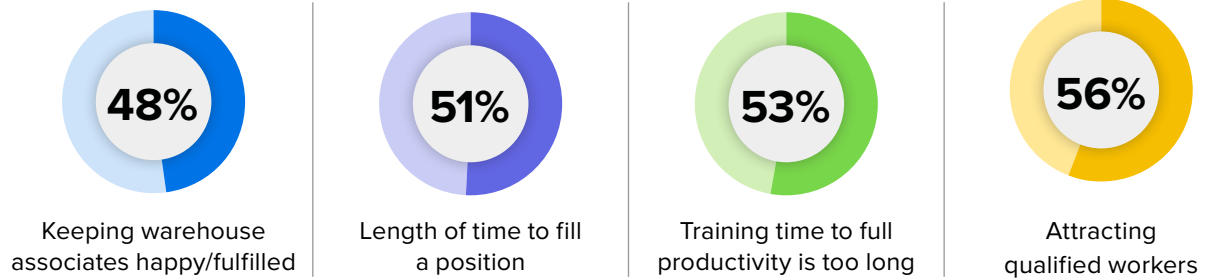
By 2023

By 2025

By 2027



SMB Decision-Makers Rank Challenges When Addressing Labor Issues



Digital Natives Have Heightened Expectations for Technology

Of Associates:



80%

Would feel more positively about their employer when provided with mobile devices and technology



82%

Are more likely to work for an employer that gives their associates modern devices versus an employer that provides older or no devices

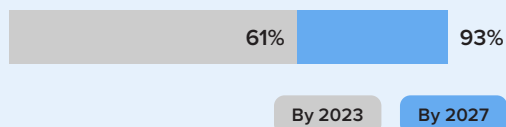


84%

Expect the business software applications and hardware devices their employer provides to be as easy to use as their personal smartphones



Despite labor challenges, many SMBs plan to increase headcount in the warehouse



Addressing Labor Shortages and Meeting Associate Expectations

Digital job boards and help wanted signs pack the landscape as warehouse leaders compete to recruit, train, and retain workers in a highly competitive field. This has proved a major challenge for more than half of SMB decision-makers, who often have less time and resources than large businesses to invest in recruitment and training. In fact, the average training time to get to full productivity for SMBs is 4.37 weeks which is slightly less than 4.7 weeks reported by total decision-makers surveyed. That's one more reason why 88% of warehouse leaders have or are planning to prioritize labor optimization within the next three years.

This shifting workforce also has new expectations of their employers. The average age of warehouse workers is 37.8 years, putting them squarely within the digital native Millennial generation.¹ For them, on-the-job technology is table stakes and is expected to perform at a high level. And employees can be quick to make a move when those expectations are not met: 36% of general warehouse workers stay in their jobs for less than one year.²

1, 2. Zippia, "General Warehouse Worker Demographics And Statistics In The US," accessed May 30, 2023.



Decision-Makers' Rank Challenges Due to Increased E-Commerce Activity



1 Increased transportation costs



2 Shorter lead times



3 Achieving faster delivery to the end customer



4 Unpredictable demand



5 Inventory accuracy and visibility

The Impact of E-Commerce

Decision-makers report pressure to deliver on new fulfillment priorities. The pandemic brought about dramatic changes in consumers' shopping habits that remain mainstays of the modern retail experience. Consumers want fast home delivery or same-day curbside pickup. According to Zebra's 15th Annual Global Shopper Study, 85% of decision-makers report that they are increasing the speed and convenience of fulfillment options.³ These sudden changes in demand and the subsequent rise in e-commerce activity highlighted the weaknesses of networks that were already under intense pressure. E-Commerce is expected to reach \$55.6 trillion by 2027, threatening to stretch SMB warehouses beyond their limits.⁴

Most warehouse leaders are examining their capabilities and making changes to their facilities, location, and space to support higher shipping volumes. They are also increasingly adding staff and seeking automation solutions to fill staffing gaps. While shoppers now expect up-to-date tracking information for every purchase made online, real-time inventory visibility is now an expectation farther up the supply chain as well.

3. Zebra Technologies, "15th Annual Global Shopper Study, The World Has Changed – Have Retailers?" 2022.

4. ResearchAndMarkets, "Global E-Commerce Market Growth, Opportunities and Forecasts 2022-2027: A US\$ 55.6 Trillion Market by 2027," February 22, 2022.



Decision-Makers Plan to Make Changes to Keep Up with the Rise in E-Commerce

74%

Offer value-added services

60%

Expand returns management

57%

Rearchitecting warehouse space/layout

50%

Relocating warehouse facilities

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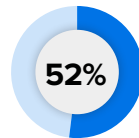
Modernization Plans

Modernizing Operations to Keep Pace

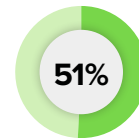
Decision-makers from today's small- and medium-sized warehousing businesses agree they must implement new technologies to be competitive in today's on-demand economy. They are accelerating modernization timelines and increasing funding for enterprise innovation. Labor optimization is an initiative for decision-makers as small and growing businesses look to drive ROI by augmenting workers with mobile devices. Looking ahead, SMB decision-makers see bright skies as they look to more advanced automation solutions to help ease the workload and maximize productivity while constantly predicting and adapting operations in real time.

The cost of investment in modernization outweighs the risk businesses take on when they remain laggards in a fast-moving marketplace. Most decision-makers know that staying competitive in an on-demand economy requires implementing new technology and a longer-term commitment to continued innovation. More than eight in 10 are comfortable integrating new technology and automation into their operations and technology infrastructure.

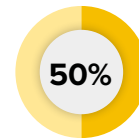
SMB Decision-Maker Goals for Automation



Reduce labor costs



Raise worker efficiency and cut labor costs



Reduce order errors and manual picking

Top Sensor Technologies

SMB decision-makers have or are planning to implement sensor technology by 2027 to modernize warehouse operations

Passive RFID Tags and Sensors



Fixed RFID Readers for Passive Locationing



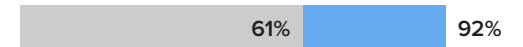
Passive RFID handheld Devices and Sleds



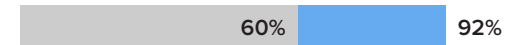
RFID Printer/Encoder



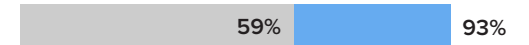
Mobile Sensors on Forklifts and Robots



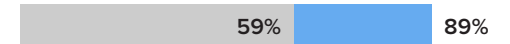
Fixed Industrial Scanning



RTLS Locationing Technology

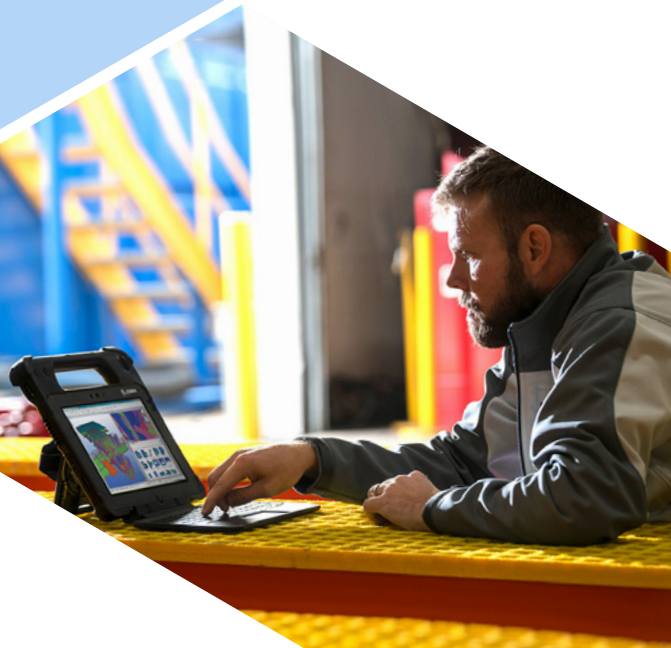


Machine Vision

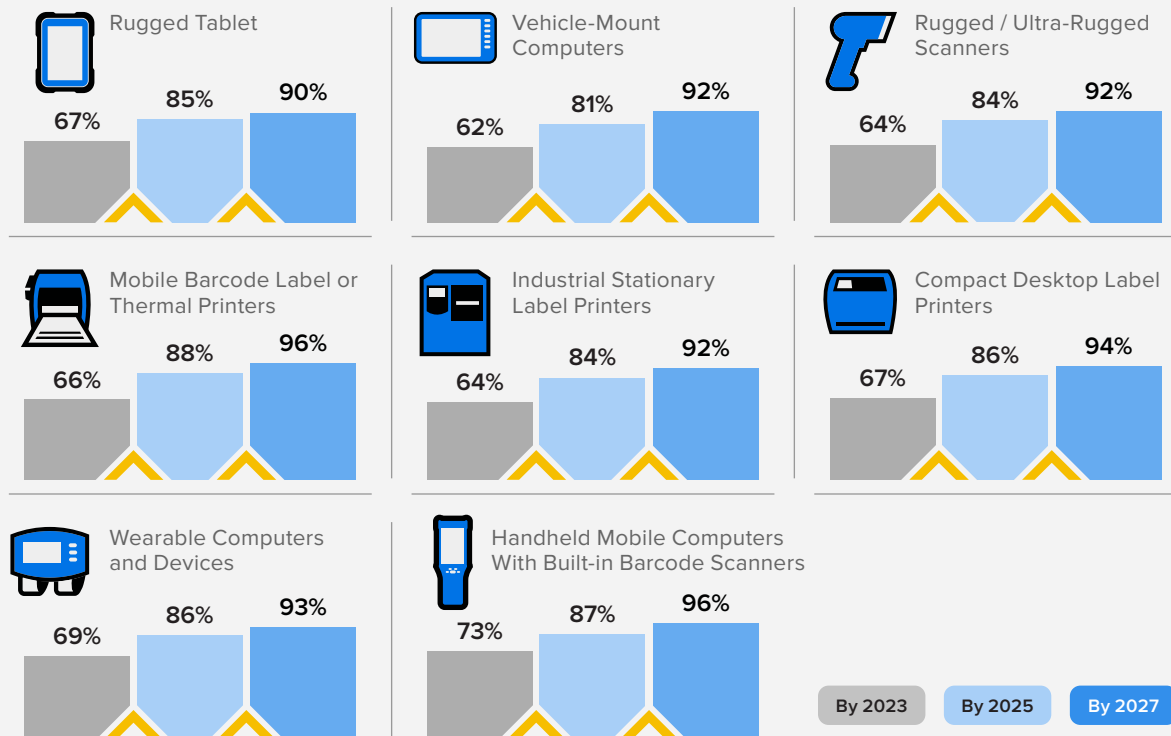


By 2023

By 2027



The Device Implementation Roadmap



Augmenting Workers with Mobile Devices

With an enterprise-grade device in the hands of most or all the workers on the floor, warehousing organizations can operate more efficiently, communicate more directly, and ensure greater accuracy of everything coming in and going out of the facility.

Decision-makers expect to use various devices and form factors depending on resources and priorities. Handheld mobile computers are some of the most multi-functional, equipped with scanners and cameras to read barcodes and RFID in an instant. Wearables are seeing increased implementation for hands-free completion of tasks like picking and packing.

Rugged tablets will see the most dramatic uptick in use over the next three years as SMB decision-makers look for solutions that can stand up to heavy use in a manufacturing or warehousing environment. As operations deploy automation throughout their facilities and depend on mobile robotics for autonomous material movement, front-line workers will utilize their devices not only for data capture and retrieval but also to interact and collaborate with mobile robots.

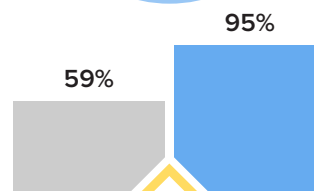


How Organizations are Planning to Improve Warehouse Operations

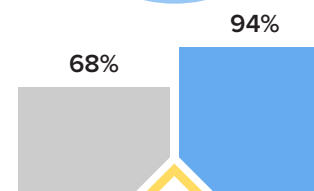
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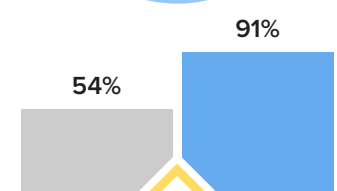
Automating Workflows



Prioritizing Labor Optimization



Investing in Robotics



SMB Decision-Makers and Associates are More Likely to Use New Technology in Their Personal Lives

Enthusiast

Early adopter of technology and an active investor in new devices and upgrades

33% Decision-Makers

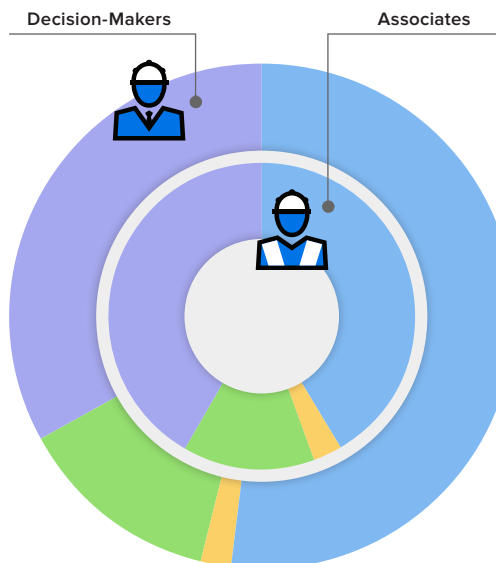
42% Associates

Late Majority

Moderate user of technology but generally waits before investing in new tech

13% Decision-Makers

14% Associates



Early Majority

Heavy user of technology and generally makes tech investments before others

52% Decision-Makers

42% Associates

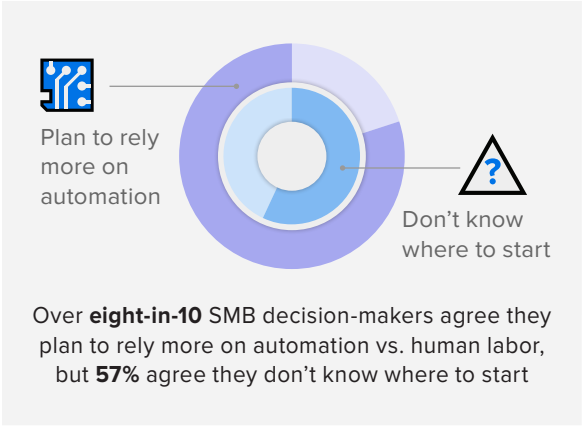
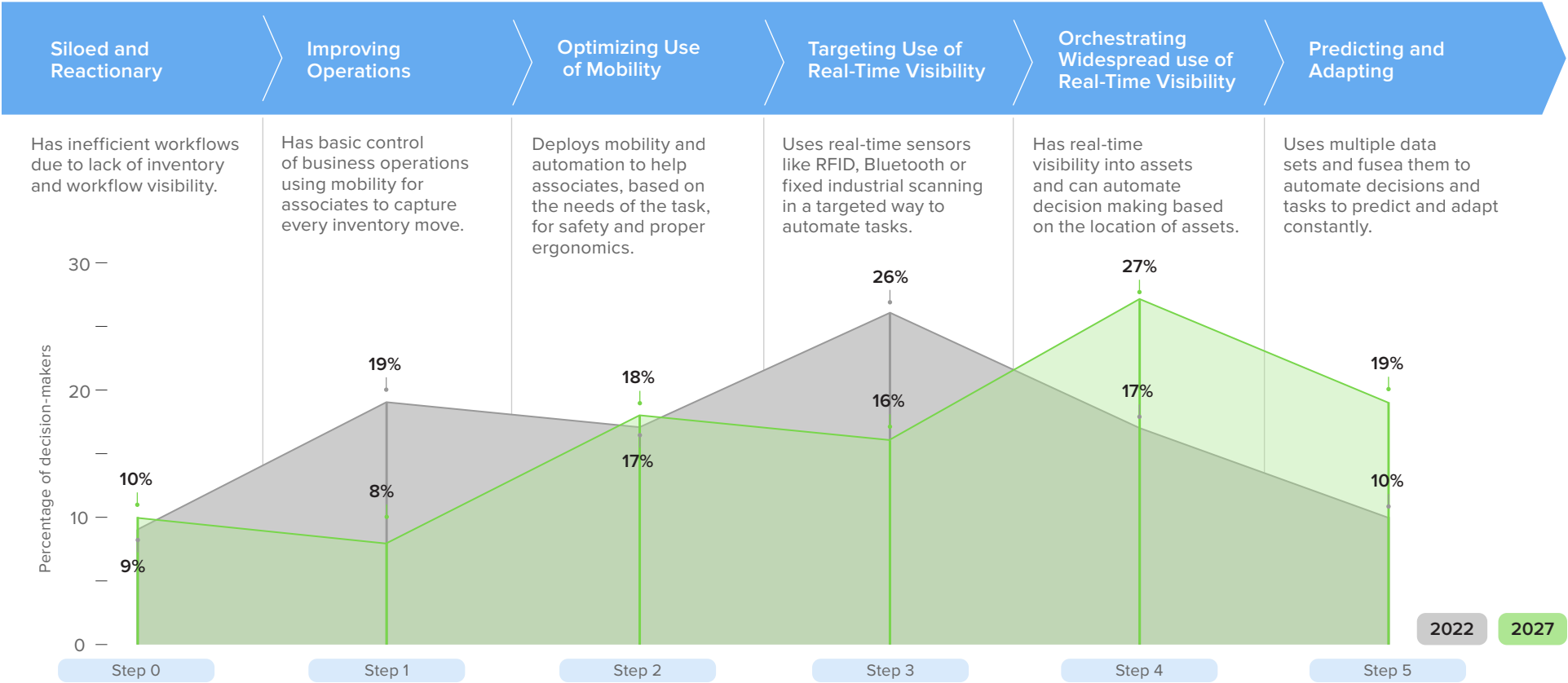
Laggard

Slower to use technology and waits to buy new tech until much later than others

2% Decision-Makers

3% Associates

How SMB Decision-Makers Rate Their Organization’s Progress



The Path to Warehouse Modernization

Modernization can be complicated, but there is a clear path forward. Success requires a step-by-step approach that includes an operational assessment that enables warehouse leaders to quickly uncover areas where technology can deliver a fast return on investment through immediate cost savings or boosts in productivity. Today’s enterprise technologies allow forward-thinking SMBs to start small with options that do not require reconfiguration of physical spaces, then quickly scale up as needed.

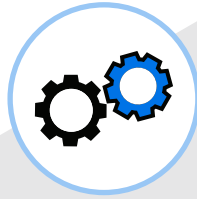
Today, more SMB warehouse enterprises are focused on increased team productivity (33%). Looking into the future, however, warehouse maturity continues largely toward operating with more visibility, real-time guidance and data-driven performance.



To learn more, check out the eBook,
**“Modernizing Your Warehouse in
 Five Simple Steps.”**

[DOWNLOAD EBOOK](#)

The Warehouse Maturity Model: Modernizing Your Warehouse in Five Simple Steps



Step 1

Improve Operations

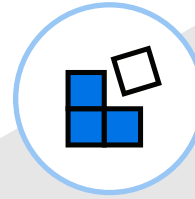
Increase worker productivity by strategically outfitting employees with upgraded, rugged mobile technology that's easy to use



Step 2

Connect Workers

Enable team communications with the push of a button to boost efficiencies, speed up training, and Increase workflow conformity



Step 3

Integrate

Increase asset visibility and utilization



Step 4

Anticipate and Respond

Collect operational data in real-time for immediate insights to guide decision making



Step 5

Prescribe and Adapt

Uncover and overcome operational bottlenecks to proactively implement performance improvement and achieve better supply chain visibility

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