

The background features a stylized industrial scene with various robotic arms and machinery in shades of gray. At the top, there are horizontal pipes with two robotic grippers hanging from them. The bottom half of the image shows a complex arrangement of robotic arms, some holding objects, and various industrial components like tanks and pipes.

Labor Crisis: Automate or Adapt?

May 8, 2024

Presented by Tosca Services, LLC



Let's start with a poll...

- **What is your chief concern surrounding labor challenges?**
- **Where are you in your automation journey?**



Agenda

- State of the industry
- Considerations for grocery retailers
- How to make a good automation decision
- Planning for automation
- Common pitfalls



Moderator for today:

MOLLY RHYAN

20-Year Logistics Expert

Director, Supply Chain Consulting at Tosca

A high-performing sales executive with a background in logistics, warehouse operations, manufacturing, procurement, material handling and new business development.

Meet Our Speakers



JUDSON ARMENTROUT
25-Year Food Industry Veteran
Founder, Building Block Solutions

Judson Armentrout is the founder and principal consultant for Building Block Solutions LLC, a boutique firm focused on operations and supply chain solutions for food companies. His career, most recently at The Kroger Company, showcases expertise in production growth, technology deployment, and regulatory compliance, with a strong focus on customer-centric approaches.



ERIC FRANK
30-Year Reusables Pioneer
CEO, Tosca

Eric Frank became the CEO of Tosca in November 2012 after the merger of Tosca and Georgia Pacific's Reusable Plastic Container business. Eric has held board positions with the Reusable Packaging and Container Coalition (RPCC) and the Returnable Packaging Association (RPA).



DEAN STAROVASNIK
30-Year Supply Chain Automation Expert
Client Partner, enVista

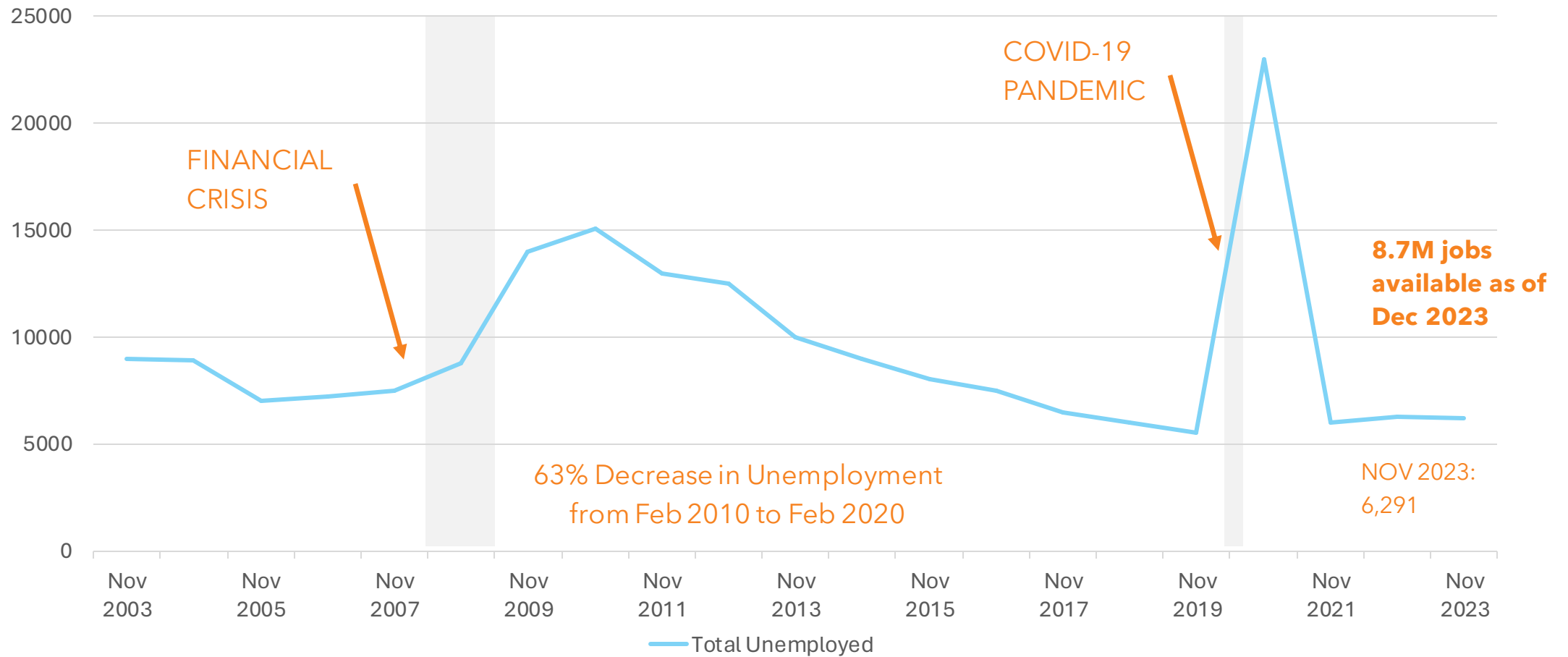
Dean Starovasnik is a Client Partner on enVista's corporate team. He has nearly 30 years of experience in the supply chain space following his 10 years active duty in the US Navy.



NATHAN A. WOLF
Automation Hardware & Software Expert
Vice President, TGW Logistics

As a VP at TGW Logistics, Nathan leads business consulting and development, amounting to \$200M+ in sales, including the acquisition of grocery retail customers seeking automation solutions. Previously, Nathan worked as a business owner at an aerospace composites company, where he grew the company from \$1M in revenues to \$17M+ in 3 years. Previous experience also includes mobile automation, overseeing and leading the merger between two major mobile automation providers.

How'd we get here?



Where are we now?

- **Workers now have more options, including gig jobs.** Why would they choose a tough job in a challenging work environment?
- **Consumers:** Demanding more convenience, including prepared foods.
- **Regulatory environment** changes and shifting sustainability demands
 - New safety and quality regulations
 - Consumer expectations for social responsibility
- **Market competition:** More empowered consumers plus e-commerce

50+ new food regulations have been enacted or introduced in just the past five years.



By 2027, 23% of retail purchases are expected to take place online



What are we seeing in the market?

- 2022 & 2023 were "recovery years" - **2024 is about future-proofing**
- Pressure to hit 2030 sustainability goals & the likelihood of additional sustainability regulations coming

12,000+
retail locations

80+ DC's

200+
growers

30+ protein
manufacturers

Poll: Who is leading your automation decision-making?

- **Are you being pressured to evaluate automation solutions as a solve for labor challenges?**



What is your advice for retailers seeking to incorporate more automation?

- ✓ Start by level-setting expectations on how to define automation
- ✓ Look at the total supply chain system rather than just in the retail box
- ✓ Assess what your retail brand stands for: What do you want to prioritize in a customer's store experience?

- ✓ Consider IT solutions like store order forecasting and electronic record collection, which can save associates the soft time
- ✓ Look at all in-store production: Can it be moved upstream?

Three keys for a possible automated solution:

- ✓ Repeatable process
- ✓ Value-consistent output
- ✓ High frequency of task

What solutions should retailers consider first?



Electronic Shelf tags for labor savings & accuracy; downside, not as effective for promotions



Shelf ready packaging to limit labor needs



Omni-channel merchandising and micro-fulfillment Centers (MFCs) for pick-up orders

The Case of the Pub Burger

Evaluated a machine to make pub patties at store level instead of handmade by store employees

MACHINE

- Only 5 minutes of run time, but after set up, switch over, breakdown and cleanup, totaled 91.8 minutes per day
- Concerns about machine maintenance
- Daily cost to produce with machine amortization: \$42.16



MANUAL

- 56 minutes per day
- Easier switch over with allergens
- Daily cost to produce: \$23.33

What goes into making a successful automation decision?



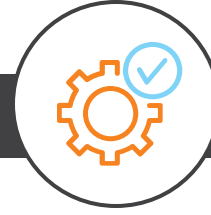
Run the math!
Automation is not for everyone.
But, if correctly designed with the needed flexibility, it is a game changer.



Pick a partner who understands how to integrate all aspects, not just automation.



A different level of associate is required.
“Fewer people but I pay them more!”



Don't forget about the post-go live support and maintenance.

What delays these investments?



Cost / Pay Back

Flexibility

Safety

Long Term Maintenance

Example: System Justification

- Initial Investment ~ \$44,000,000 - \$47,000,000
- 10 Year Operation NET Savings ~**\$235,000,000**
- Lower Labor Content In 2023 ~415 FTE's
- Lower Lift Truck Count In 2023 ~44 Trucks
- Order Waves Per Shift - None
- Residual Processing - Eliminated
- Controls Software - WES
- Maintenance Staff - Low Impact
- Capability Of Processing Increased Order Volume - High

What advice do you have for those in early stages of planning for automation?

- ✓ Contact an expert
- ✓ Be open to new ideas
- ✓ Be clear about the problem statement
- ✓ Be realistic on your timeline
- ✓ Discuss and understand critical decision criteria - yearly volume, daily volume, peak volume, operating hours, budget, available space, etc.
- ✓ Be prepared to included multiple disciplines in the future - IT, Finance, Operations, Engineering, Purchasing



What are the common pitfalls in implementing automation & how to prevent?

COMMON PITFALLS:

- Mis-understanding/representing budget
- Limiting flexibility
- Not socializing internally
- Limited “buy-in”

HOW TO PREVENT PITFALLS:

- Be clear about what the financial targets are - IRR, ROI, total budget
- Be open to new suggestions on how to run the operation - For example: moving from a 1 shift operation to a 2-3 shift operation to maximize utilization of the automation.
- Validate that a project will go forward if it meets the required internal targets
- Don't expect the automation provider to handle everything. Automation is a partnership that requires all side for success.

PANEL:

What's one thing you wish people knew before they start an automation project?

Question & Answer

Submit your questions now
in the chat.



Looking for more advice on reducing labor costs?

Check out our whitepaper for more information on this topic.

Look for a copy of this deck and a recording of this webinar in your email.

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