



#1 in the Business of Voice™

The Quest for “The Perfect Order”

*Perspectives from SAP® Customers
on Using Voice-Enabling Technology
to Improve Distribution Center/
Warehouse Operations*

May 2010

Independent Research By:

A Connecticut-based market research company



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A Vocollect White Paper



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Synopsis

In May and June 2009, Allegiant Partners, a Connecticut-based market research company, conducted a quantitative and qualitative investigation of 100 companies from leading North American Fortune 100 companies that identified themselves as using the SAP WM module for their distribution center (DC)/ warehouse management functions.

The intent of this research was to better understand SAP customers' unique perspectives on their present and future DC/warehouse technology. The research also was designed to gauge the SAP community's exposure levels to, and knowledge of, voice-enabling technology.

The research findings validated that three actions must take place in order for voice-enabling solutions to gain acceptance in the SAP global marketplace:

- Validate the value – there must be hard, tangible bottom-line improvement data.
- Make it easy to integrate with the SAP enterprise of today and tomorrow.
- Provide a rapid return on investment.

Executive Overview

Voice-enabling technology is well-regarded, but not well understood.

SAP users are no different from any other ERP customer in their quest to attain perfect orders. Companies invest major financial and human resources to measure their progress toward ensuring the right orders get to the right companies in the right timeframes. They know that consistently inaccurate orders unleash a domino effect of unhappy customers, lost business opportunities and a reduced bottom line, which no organization can afford, particularly in these challenging economic times.

Although the drive for the "perfect order" is far and away the most important attribute companies in the Allegiant Partners/Vocollect study say they are striving to obtain, what constitutes a "perfect order" means different things to different industries and supply chain organizations.

While voice-enabling technologies have been widely documented to significantly improve order accuracy, productivity and safety in distribution and logistics environments, the Allegiant Partners/Vocollect study suggests that distribution leaders in many SAP companies are largely unaware of the proven value of voice in the DC/warehouse.

Executive Overview (continued)

Survey respondents cited four specific elements of importance when viewing technology investments for their DC/warehouse operations. The number one objective was to increase order accuracy. The drive for the "perfect order" is far and away the most important attribute companies are striving to obtain. The customer service and operational cost implications are too numerous to not have this as their main quantitative and measurable operations objective. Other important objectives cited around technology investments in the DC/warehouse were:

- Increasing productivity
- Optimizing warehouse efficiency
- Reducing operating costs
- Improving utilization of existing SAP investment

Quantitative Study Highlights

It was interesting to note that almost 50% of SAP customers surveyed still use paper processes to manage their warehouses and distribution centers, as shown below in Figure 1. RF scanning is still the most commonly used technology for distribution work in SAP companies.

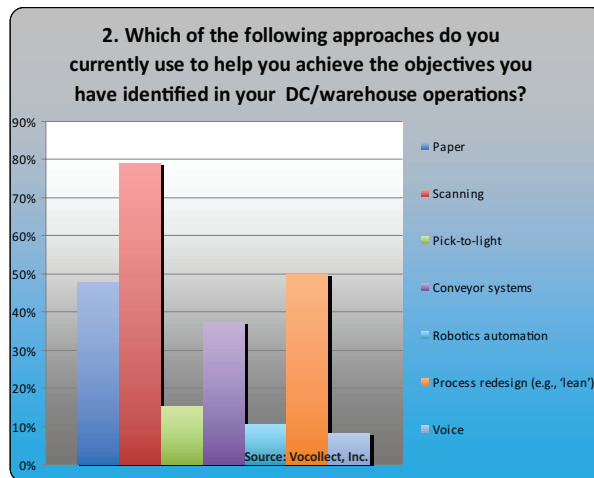


Figure 1

Quantitative Study Highlights (continued)

But responses to the question in Figure 2, "Which of the following outcomes are you seeking for your DC/warehouse operations, but not getting, from your existing technology?" revealed some disconnect. While 79% of respondents say they are using RF scanning to achieve their primary objectives, only 62% indicate they are *satisfied* with RF scanning.

The drive for the "perfect order" is far and away the most important attribute companies are striving to obtain.

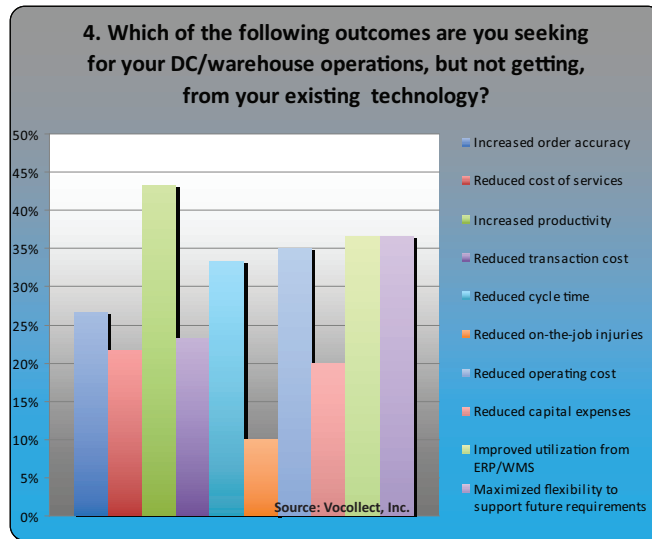


Figure 2

When asked about future technology investments for their DC/warehouse operations, the number one desired outcome was increased productivity. The number two outcome they hoped for was the ability to maximize their overall DC/warehouse flexibility to support future business requirements. Clearly, this signals that many SAP companies are looking mainly at investments that can provide quantifiable, rapid value paybacks, without locking themselves into any single operational strategy or approach. Changing business circumstances are forcing many big-budget, multi-year infrastructure investments to be reduced or put on hold for now.

As shown in Figure 3 below, within the next 24 months, 45% plan on adding RF scanning to help address the key challenges their DC/warehouse operations face, 29% plan on adding automation/robotics, and 22% plan on adding voice.

Quantitative Study Highlights (continued)

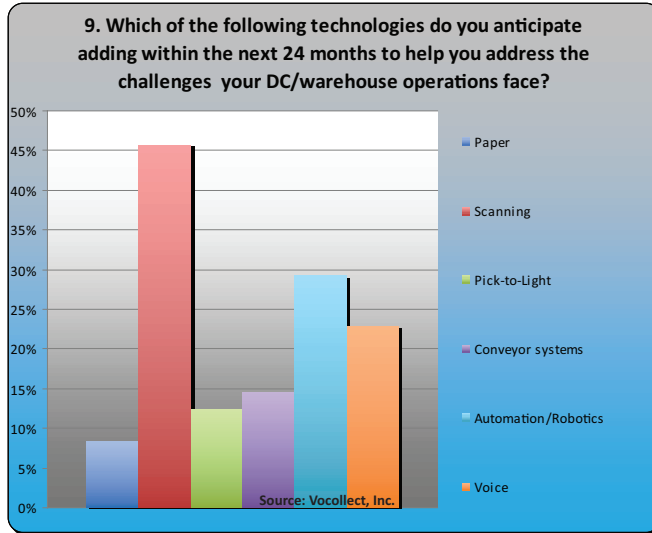


Figure 3

The top two expected results from a voice solution are a positive impact on the demand for perfect orders and the reduction of operating and handling costs.

Why are so few SAP users planning to add voice? It is likely due to the fact that 63% indicated a lack of familiarity with voice-enabling technology, as noted in Figure 4 below.

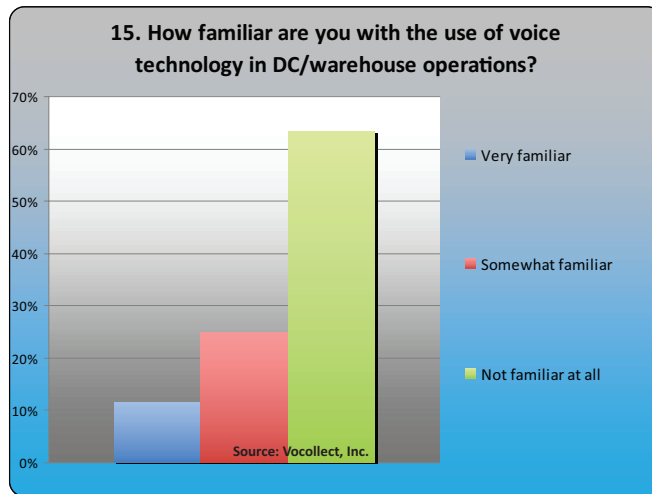


Figure 4

As indicated in Figure 5 below, over 55% of the respondents indicated that their organization has never evaluated voice-enabling technology for their DC/warehouse operations. This shows tremendous opportunity for the future of voice in the SAP realm, where less than 25% of the target audiences considers themselves to be very familiar with voice-enabling technology as a whole.

Quantitative Study Highlights (continued)

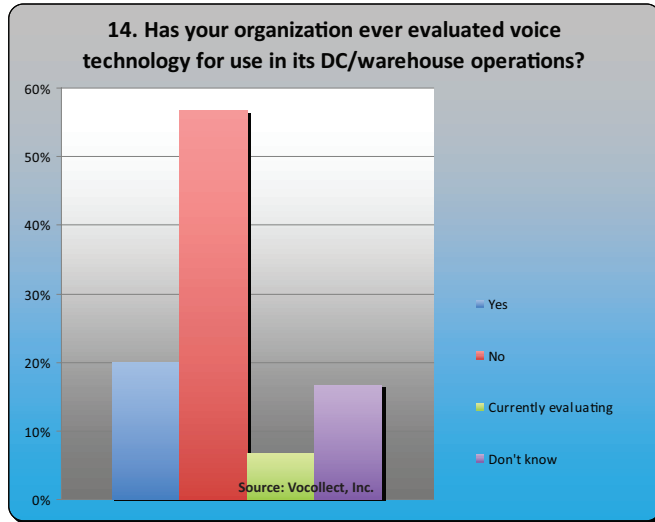


Figure 5

While some respondents in the quantitative study indicated satisfaction with the DC/warehouse technology they are currently using to address their business challenges, not one described their operation as leading-edge or advanced when it came to their use of technology.

When asked which business challenges they think voice technology can be most effective in addressing, as shown in Figure 6, there was an almost direct correlation to the key business issues they are looking to specifically address for their DC/warehouse operations. The top two expected results from a voice solution are a positive impact on the demand for perfect orders and the reduction of operating and handling costs.

Figure 6 also shows the expected business issues and also introduces additional issues into the mix, such as SKU proliferation and SKU churn, and being able to support the growing need to enable value-added service offerings.

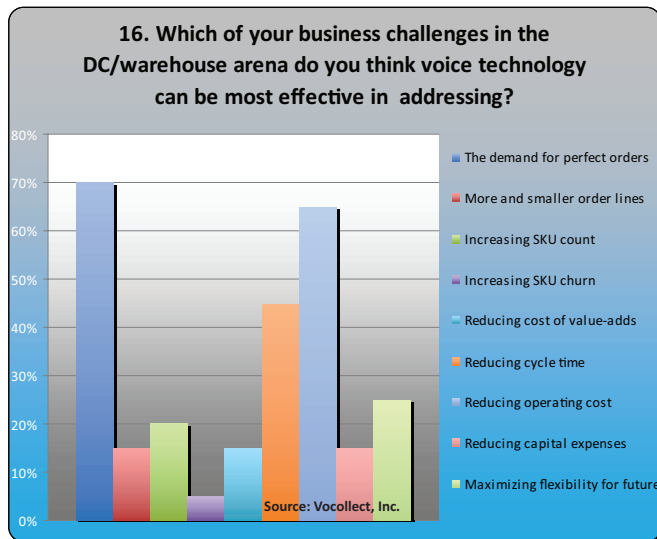


Figure 6

Quantitative Study Highlights (continued)

Voice technology is also perceived by SAP users as having a multitude of business task/workflow applications for the DC/warehouse, as shown below in Figure 7.

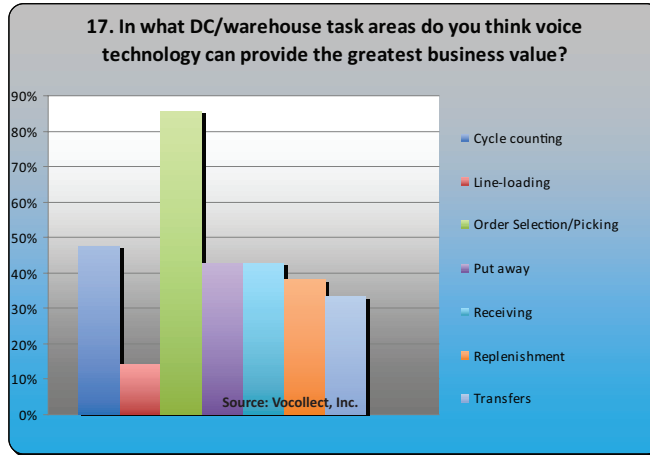


Figure 7

Key Qualitative Study Findings

A number of 1:1 telephone interviews were conducted with operations leaders in North American Fortune 500 companies across a variety of industries. Through more in-depth discussions, the telephone respondents identified additional key challenges they face in the effective operation of their DC/warehouse operations, including:

- Effective management of working capital
- The economy, and slashed inventory budgets
- Alignment of technology with skill sets of the workforce
- How to find the right technology

While there were certain issues that the qualitative study sought to further probe, overall, the findings from the 1:1 interviews were highly congruent with those of the broader quantitative study.

While some respondents indicated they were satisfied with the technology they are currently using to address these challenges, no one described their operation as being leading-edge or advanced when it came to their use of technology in their DC or warehouse. In fact, the feedback suggests that most of the companies interviewed are rather conservative in their use of technology for their distribution activities.



Key Qualitative Study Findings (continued)

They were less able to articulate the actual benefits of voice; e.g., improved accuracy, enhanced productivity, or enhanced customer service. Respondents who were able to identify specific benefits noted the hands-free aspect of voice and the advantages provided from a safety perspective.

Said one SAP analyst, "With voice, we should be able to do additional batching. Just talking will be less fearful, versus having to use some [new] equipment. Everybody talks on the phone today. You put something on their ears, and it's not intimidating to them. It makes training easier and should decrease my burden to train." (*Principal Technologist, SAP Regional Analyst, Supply Chain*)

These respondents also were queried about their understanding of voice technology as a viable solution to improve DC/warehouse operational performance. Consistent with data obtained from the online survey, the majority of respondents were not familiar with voice as it related to improving performance. In one instance, a respondent's company was in the process of testing voice in one location; otherwise, participants in all other telephone interviews said their exposure to voice was limited to trade journals, visiting sites where voice is being used, and/or awareness based on discussions with past or current colleagues and voice suppliers.

Respondents were asked what were the most important things they would need to know before investing in any technology and what they would want to know, specifically, before investing in voice. The data suggests that respondents do not discriminate among technologies ... first and foremost is knowing what the return on investment will be, in very real and practical terms. One respondent spoke for many when he said, "For any technology, we will need to know the ROI."

Conclusions

As stated earlier, within the SAP community, voice technology appears to be an under-utilized solution that is well-regarded where people are aware of it, but not well-understood by most. Based on this data, it appears that a voice technology solution which integrates well with the SAP IT infrastructure offers considerable potential for success.

To maximize this opportunity, voice providers will need to first initiate campaigns to educate and inform this market segment about voice technology in general and the primary benefits of voice, particularly as it relates to helping execute "the perfect order" and how voice has an impact on increased productivity. Thus, it will be important to emphasize the ability to demonstrate the significant ROI, the ease of integration with a company's existing SAP IT environment and the dramatic payback the investment in voice can generate over the short- and long-term.

Conclusions (continued)

It appears that SAP companies offer significant potential for voice systems, as long as three cornerstones are in place:

- Validate the value – there must be hard, tangible documentation of bottom-line results for voice (or any technology) to be considered.
- Make it easy to integrate with the SAP enterprise of today and tomorrow – As with other technologies, voice must be able to be easily integrated with the existing SAP enterprise today and tomorrow, having only a short amount of downtime during implementation, and scalability for the future. As one respondent said, “Give me the confidence you will be in business down the road when I want to expand my operations.”
- Provide a rapid return on investment – For viability to the business, the ROI needs to happen within the first calendar year of operation.

When these factors are in place, any technology, including voice, can have a seat at the table where decisions are made.

Study Methodology

As stated earlier, within the SAP community, voice technology appears to be an under-utilized solution that is well-regarded where people are aware of it, but not well-understood by most. Based on this data, it appears that a voice technology solution which integrates well with the SAP IT infrastructure offers considerable potential for success.

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About Vocollect

Vocollect, Inc. is the number one provider of voice solutions for mobile workers worldwide, helping customers achieve a higher level of business performance through voice. Every day Vocollect enables over 300,000 workers worldwide to distribute more than \$3 billion dollars' worth of goods from distribution centers and warehouses to customer locations.

A global team of over 2,000 supply chain reseller and channel partner experts supports Vocollect Voice offerings in 60 countries and in over 35 languages. Vocollect's VoiceWorld Suite integrates with all major WMS and ERP systems, including SAP, and supports the industry's leading mobile device solutions.

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Published by Vocollect, Inc.
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