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**MULTICHANNEL
MERCHANT**

THE STATE OF THE ECOMMERCE FACILITIES SERVICES INDUSTRY

Best Practices & Insights Study



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Introduction

Welcome to **The State of the Ecommerce Facilities Services Industry Study**, which analyzes how leading ecommerce companies are managing and improving their facilities, warehouses, and logistics strategies and operations. The study covers best practices and benchmarks in the following key areas:

- Ecommerce facility management strategies
- Technology and innovation
- Operations and labor
- Service providers and partners
- Challenges and opportunities
- And other key areas

Also included are dozens of ecommerce company executive comments on how they have changed their facility operations as a result of the COVID-19 pandemic. The analysis is based on surveys with a wide cross section of over 150 leading ecommerce, retail and distribution, and third-party logistics executives and managers. The survey was conducted between April and May 2020.

ABM and Multichannel Merchant thank all of the respondents for their invaluable contribution to the study.



EXECUTIVE SUMMARY

Ecommerce has been the retail industry's growth driver for many years. One of the most important trends has been the shift towards consumers adopting ecommerce as a supply channel for a wider range of product categories. This accelerated demand growth, while obviously a bright spot in the retail industry, has required ecommerce companies to review their strategies and look at their facility and logistics management process more strategically.

Ecommerce facilities and warehouses, while receiving increased attention during this period of disruption

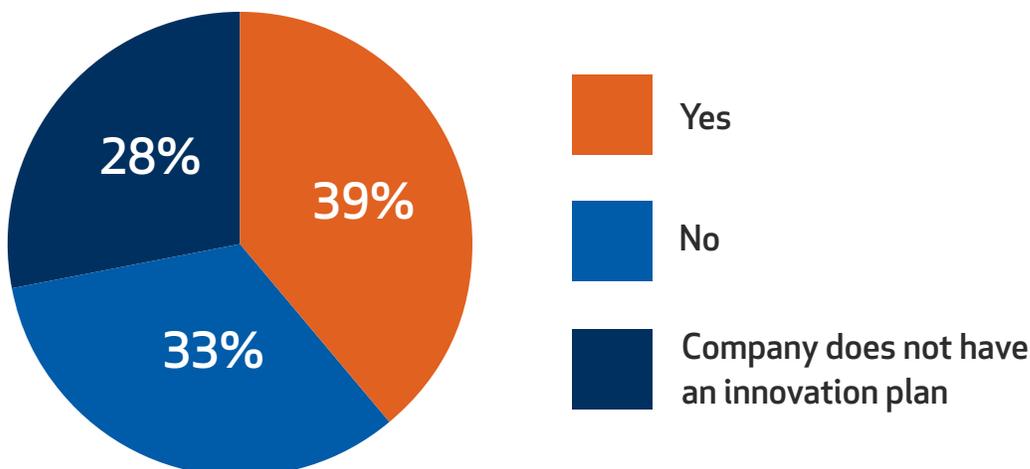
due to the COVID-19 pandemic, had already been an increasingly important part of ecommerce companies' overall strategies. But there is still progress to be made as is seen in a number of the survey questions in the report (in particular see "Insight #1").

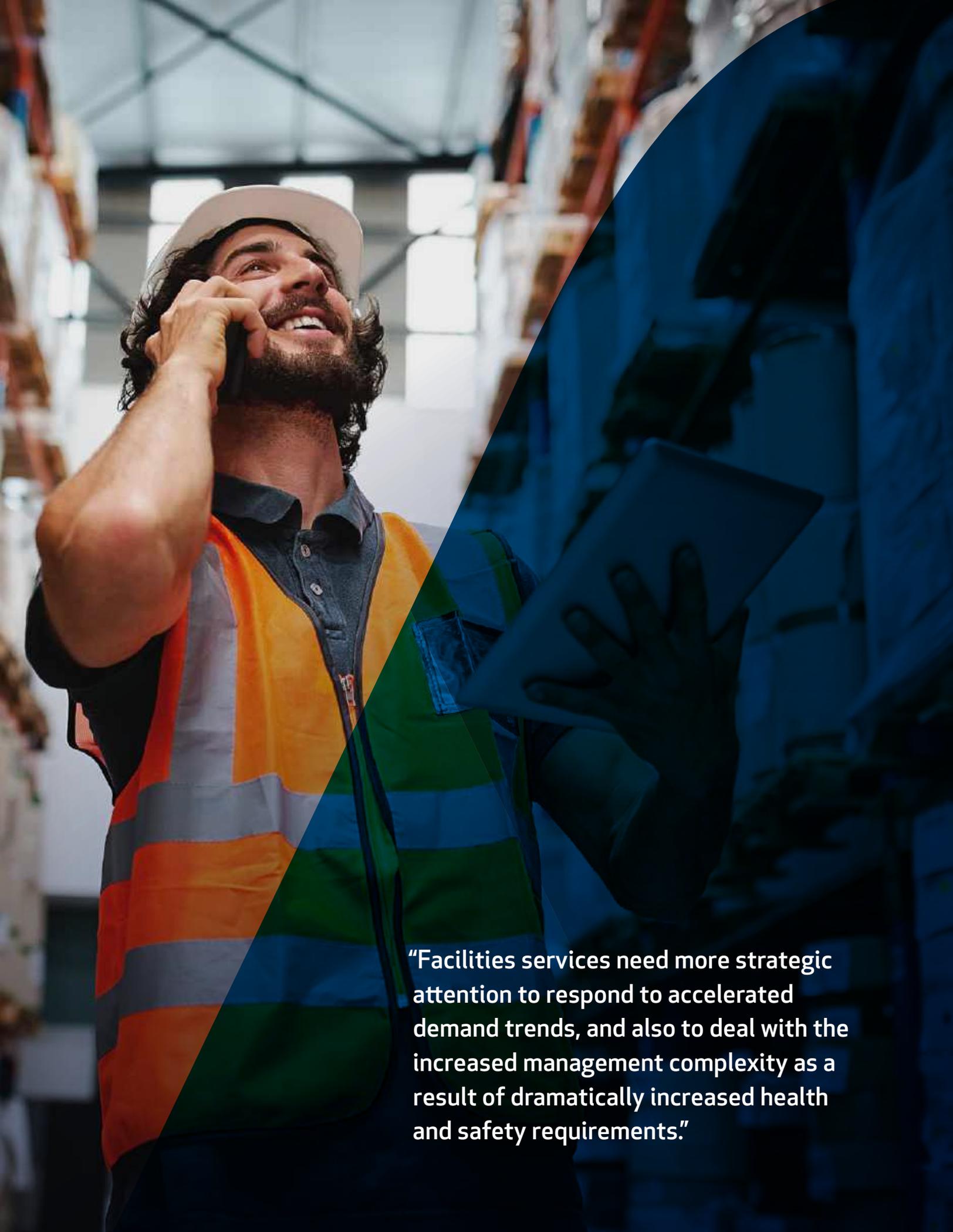
The focus of this study is to quantify how ecommerce facilities are managed, how performance is measured, and how retailers are improving facility service outcomes. Below are some of the key insights from the new research.

Insight #1 - Thirty-nine percent of ecommerce companies' and retailers' innovation plans include a facility management strategy

The survey asked the ecommerce companies if their current company-wide innovation plans include a facility management strategy. The findings broadly suggest there are three types of companies in the ecommerce space in regards to their view of facility services management. Over one-third (39%) include their facility management strategy in their company's innovation plan. Exactly one-third (33%), according to the findings, do not include a facility management strategy as part of their innovation plan. And the final third (28%) simply do not have a company-wide innovation plan. These findings suggest ecommerce companies have the opportunity to elevate how they view facility management services through a more strategic lens.

Does Your Company Innovation Plan Include an Ecommerce Facility Management Strategy?





“Facilities services need more strategic attention to respond to accelerated demand trends, and also to deal with the increased management complexity as a result of dramatically increased health and safety requirements.”

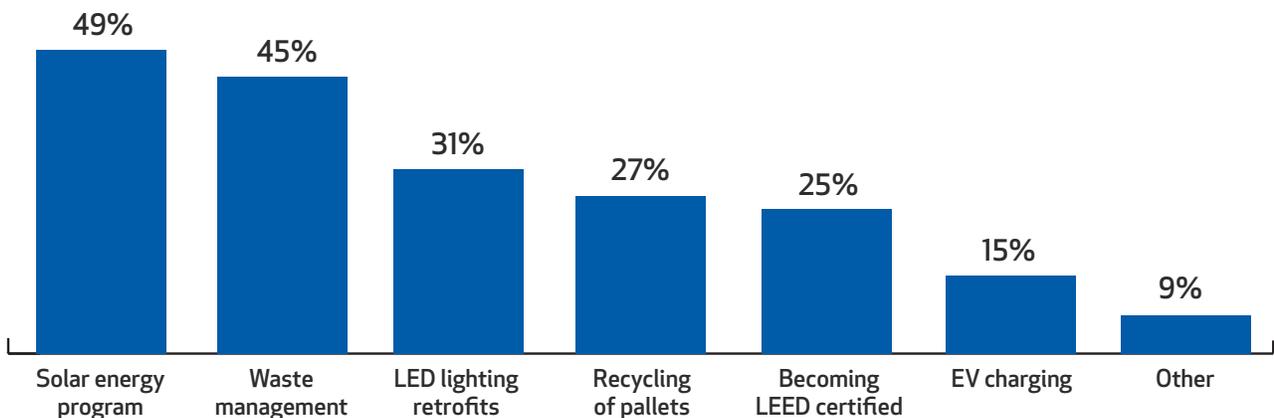
Insight #2 - Facility Management Technology Investment Outlook: Ecommerce Companies Are Most Often Planning to Invest in Predictive Analytics, Building Automation, and Robotics

Over 30% of the industry plans to invest in predictive analysis, building automation, and robotics over the next few years – the top three technology investment areas, according to the survey respondents. Today, less than 40% of the respondents are currently using the following technologies: sensors, predictive analysis, building automation, IoT, or robotics. These findings suggest the adoption level for a number of facility technologies is still rather low. The data table below provides the percentage of the industry currently using these technologies as well as the percentage that plan to start to use these over the next two to three years. Also included is the percentage of respondents with no plans to use these technologies.

	Currently Utilize	Plan to Invest in Over Next 2 to 4 Years	Have No Plans to Use
PREDICTIVE ANALYTICS/DATA	34%	38%	28%
BUILDING AUTOMATION	27%	37%	36%
ROBOTICS	11%	35%	54%
SENSORS	39%	28%	33%
IOT	22%	26%	52%

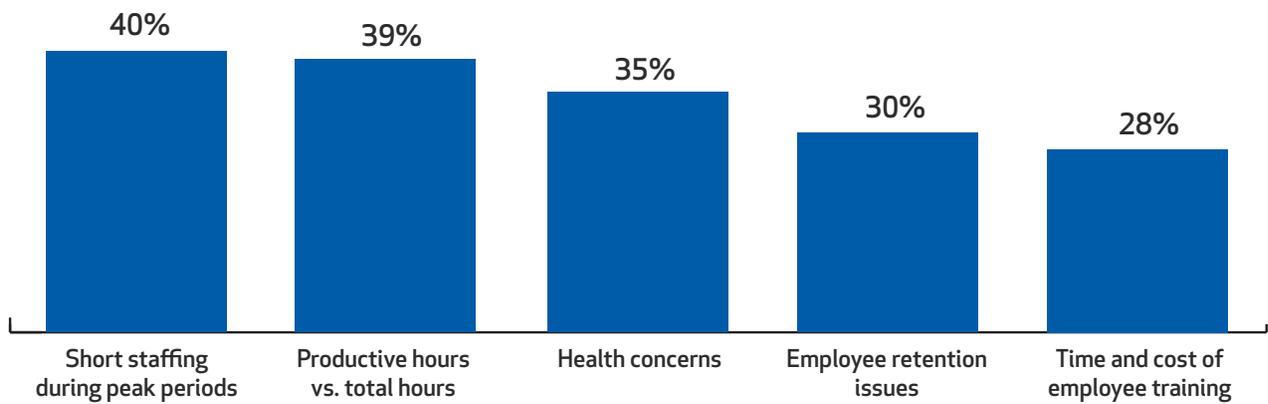
Insight #3 - Solar Energy Is the Sustainability Strategy of Most Interest to Ecommerce Companies

The survey asked which sustainability strategies are of most interest to ecommerce companies and retailers. Just under half of the respondents (49%) said solar energy programs are the most interesting sustainability strategies. This is followed by waste management and LED lighting retrofits.



Insight #4 - The Top Two Labor Challenges Are Short Staffing During Peak Periods and Productive Hours as Percentage of Total Hours Worked

The top two most often cited labor challenges are short staffing during peak times of the year and increasing productive hours within total staff hours. Thirty-five percent of the respondents see worker health concerns as a challenge.

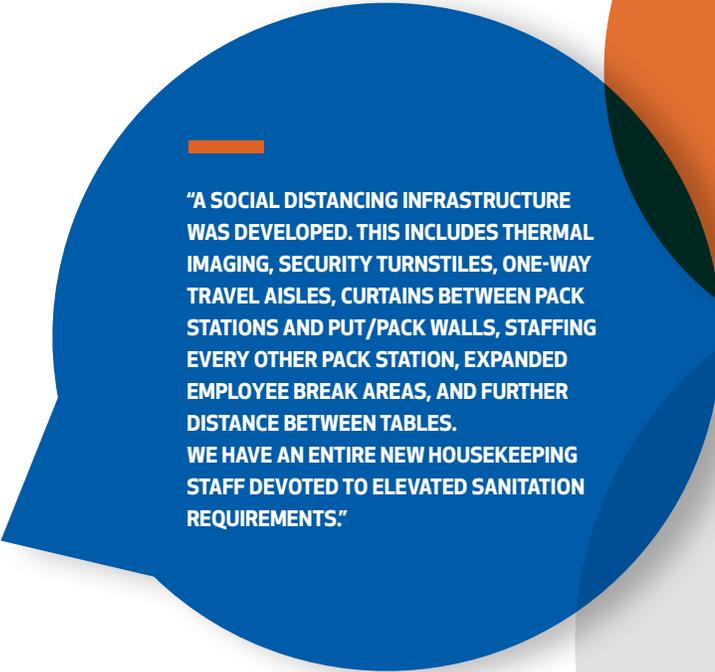


Insight #5 - Facility Operational Changes as a Result of the COVID-19 Pandemic

The survey asked how the respondents' facilities operations have been changed due to the impact of the pandemic. Key themes from the write-in responses include:

- Increased sanitation practices and cleaning scheduling
- Social distancing
- Personal Protective Equipment (PPE) for staff
- Increased signage on safety and sanitation
- Added or changed work shifts and schedules
- Remote working

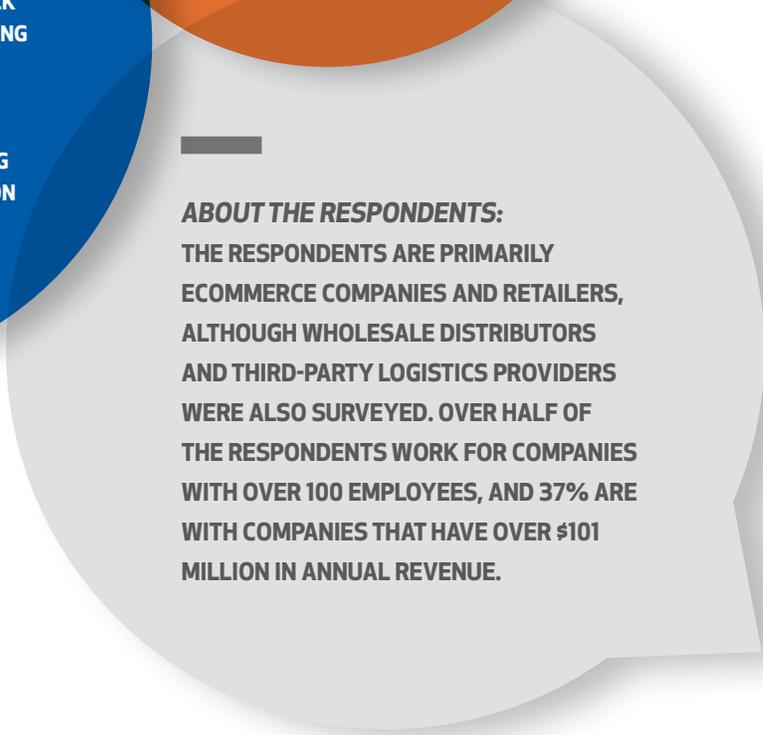
"Within our facilities, we're ending shifts earlier and starting the next shift later to avoid overlap and minimize exposure."



"A SOCIAL DISTANCING INFRASTRUCTURE WAS DEVELOPED. THIS INCLUDES THERMAL IMAGING, SECURITY TURNSTILES, ONE-WAY TRAVEL AISLES, CURTAINS BETWEEN PACK STATIONS AND PUT/PACK WALLS, STAFFING EVERY OTHER PACK STATION, EXPANDED EMPLOYEE BREAK AREAS, AND FURTHER DISTANCE BETWEEN TABLES. WE HAVE AN ENTIRE NEW HOUSEKEEPING STAFF DEVOTED TO ELEVATED SANITATION REQUIREMENTS."



"WE PERFORM EMPLOYEE TEMPERATURE CHECKS DAILY. GLOVES, SANITIZER, MASKS, ETC. ARE AVAILABLE TO EMPLOYEES."



ABOUT THE RESPONDENTS:
THE RESPONDENTS ARE PRIMARILY ECOMMERCE COMPANIES AND RETAILERS, ALTHOUGH WHOLESALE DISTRIBUTORS AND THIRD-PARTY LOGISTICS PROVIDERS WERE ALSO SURVEYED. OVER HALF OF THE RESPONDENTS WORK FOR COMPANIES WITH OVER 100 EMPLOYEES, AND 37% ARE WITH COMPANIES THAT HAVE OVER \$101 MILLION IN ANNUAL REVENUE.

The findings in this **Executive Summary** offer a high-level view into the study's insights. The upcoming sections offer more specific and actionable data, analytics, and benchmarks.



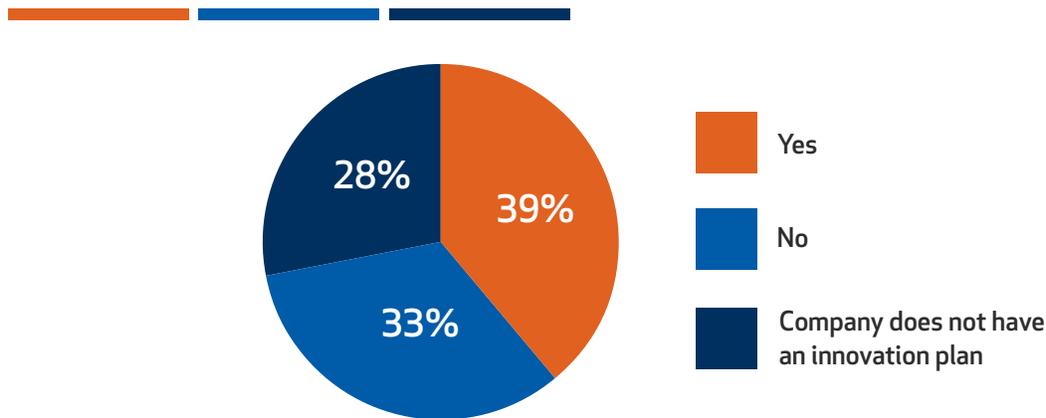
I. Ecommerce Facility Management Strategy and Measurement

This section of the report analyzes how ecommerce facilities are managed, how performance is measured, and how facility service outcomes are being improved.

Percentage of Retailers With an Innovation Plan as Part of Their Facility Management Strategy

SURVEY QUESTION: Does your current innovation plan include your facility management strategy?

Thirty-nine percent of the respondents say their company's innovation plan includes a facility management strategy. The response to this question suggests there are three types of companies in the ecommerce space in regards to how they view facility management and related services. Over one-third (39%) include their facility management strategy in their company's innovation plan. Exactly one-third, according to the findings, do not include a facility management strategy as part of their innovation plan. And the final group, nearly one-third (28%), simply do not have a company-wide innovation plan.



Current Facility Management Direction

SURVEY QUESTION: How would you describe your current facility management direction? (Select all that apply.)

A high percentage of ecommerce companies say they are pleased with their current facility management process.

	All %
WE'RE HAPPY WITH OUR IN-HOUSE FACILITY MANAGEMENT	80%
WE'RE HAPPY WITH OUR MULTIPLE VENDORS	39%
WE'RE HAPPY WITH OUR SINGLE FACILITY MANAGEMENT PARTNER	7%
WE'RE UNHAPPY WITH IN-HOUSE MANAGEMENT AND CONSIDERING SERVICE VENDORS	3%
WE'RE UNHAPPY WITH CURRENT SERVICE VENDORS AND LOOKING TO CHANGE	3%
WE'RE LOOKING FOR A TOTAL FACILITY SERVICE PARTNER	2%
OTHER	5%

Facility Services Managed In-House vs. Outsourced to a Facility Service Provider

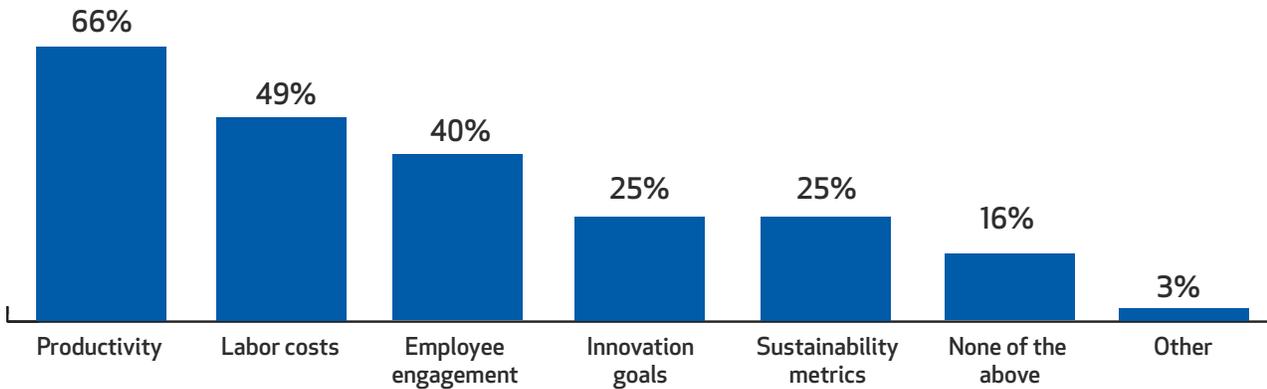
SURVEY QUESTION: Which of the following facility services or needs do you manage in-house, and which do you outsource to a service provider?

	In-House Management	Outsourced to Facility Services Provider	Don't Use/ Not Applicable
GROUNDS MAINTENANCE	29%	59%	12%
HVAC	34%	54%	12%
ELECTRICAL POWER AND SAFETY	46%	45%	9%
JANITORIAL	48%	44%	8%
SPECIALTY SERVICES	40%	32%	28%
FACILITIES ENGINEERING	53%	31%	16%
FLEX STAFFING	47%	28%	25%
PARKING	54%	26%	20%
LIGHTING	67%	21%	12%
INTEGRATED FACILITY MANAGEMENT	58%	15%	27%

Facility Service Measurement Areas

SURVEY QUESTION: Do you measure the impact of your facility services on any of the following?

Two-thirds of the respondents measure their facility services performance impact on overall company productivity. Forty-nine percent measure facility services performance impact on labor costs. Facility services management impact on employee engagement is measured by 40% of the respondents.



KEY INSIGHT: Impact on Company Productivity Is the Key Facility Service Management Metric

Ecommerce companies, retailers, and their facility service providers and partners mainly measure the impact of their facility services on company productivity. That is by far the most important measure. Other important measurement factors are the impacts on labor costs and employee engagement.



Facility Service Measurement Process

SURVEY QUESTION: If you measure the impact of your facility services, please explain the measurement process.

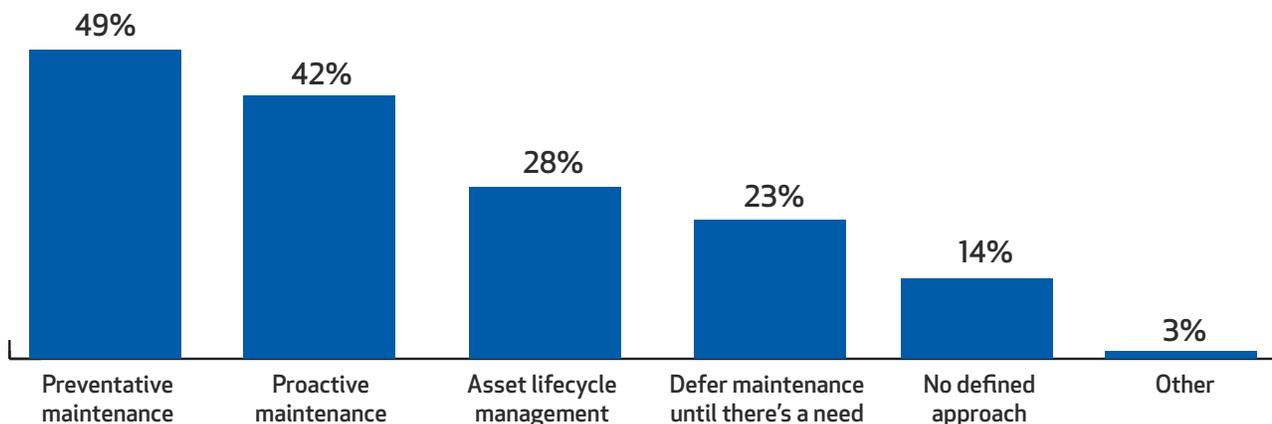
Key themes from the write-in comments include:

- Revenue and sales analysis
- Cost analysis
- Labor time management
- Productivity
- Customer satisfaction and related metrics
- Employee feedback
- Safety metrics
- Combination of various metrics and measurement methods

Approach to Future Facility Capital Costs

SURVEY QUESTION: Which of the following best describes your approach to future facility capital costs? (Select all that apply.)

Forty-nine percent of ecommerce companies take a preventative maintenance approach to better managing future facility capital costs. Forty-two percent practice proactive maintenance. Only 28% take an asset lifecycle management approach.



Percentage of Retailers That Have Measured Their Repair and Replacement Spend – If Preventative Maintenance Is Not a Priority

SURVEY QUESTION: If you don't do preventative maintenance, have you measured your repair and replacement spend?

Most companies that do not take a consistent preventative maintenance approach also have not measured their repair and replacement spend.

	All %
YES	21%
NO	25%
UNSURE	18%
NOT APPLICABLE	36%

How Retailers Have Improved Facility Service Outcomes Over the Past 12 to 18 Months

SURVEY QUESTION: What have you done over the past 12 to 18 months to improve your facility service outcomes? (Select all that apply.)

Recently, over the past 12 to 18 months, the respondents employed a variety of methods to improve their facility service outcomes. Forty-three percent improved the internal management and staff communications process, followed by 27% that added software or technology to improve their facilities and staff performance. One out of four respondents say their companies have also improved communications with facility service provider teams, as well as with customers.

	%
IMPROVED COMMUNICATIONS PROCESS INTERNALLY WITH MANAGEMENT AND STAFF	43%
ADDED SOFTWARE OR TECHNOLOGY TO IMPROVE THE PROCESS	27%
IMPROVED COMMUNICATION WITH FACILITY SERVICE PROVIDERS	26%
IMPROVED COMMUNICATIONS PROCESS WITH CUSTOMERS	25%
WORKED WITH CONSULTANTS	17%
CHANGED OR ADDED FACILITY SERVICE PROVIDERS	16%
CURRENTLY ANALYZING THIS AREA	14%
INTEGRATED MORE OPERATIONS WITH ONE SERVICE PROVIDER	8%

KEY INSIGHT

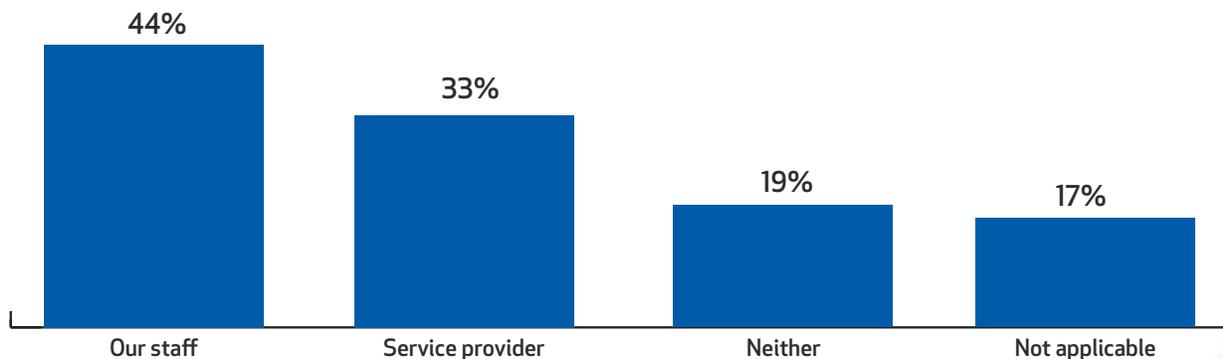
Facility Service Performance Improvements Have Resulted From Improved Communications With Stakeholders as Well as From New Software and Technology

The research results suggest most facility service improvements have resulted from better communications between management and staff as well as with service providers and customers, along with the addition of new facilities management or automation software and technology.

Mapping Asset Lifecycle Costs: Internal Versus Outsourced

SURVEY QUESTION: If you perform preventative maintenance, does your own staff or a service provider map your asset lifecycle costs? (Select all that apply.)

Forty-four percent of ecommerce companies use their own staff to map their asset lifecycle costs. One-third use facility services providers for this analysis.



*Note: Respondents were able to select multiple options.



“This accelerated demand growth, while obviously the bright spot in the retail industry, has required ecommerce companies to review their strategies and look at their facility and logistics management process more strategically...”

II. Technology and Innovation

This section covers the facility management technologies currently in use and that ecommerce companies are planning to invest in over the next two to three years. An open-ended question is also included, asking for the other services, innovations, and/or added value they would like to see from leading companies in the outsourced facilities services industry.

Facility Management Technologies

SURVEY QUESTION: Which of the following technologies are you currently using or planning to invest in over the next two to three years?

Less than 40% of the respondents are currently using sensors, predictive analysis, building automation, IoT, or robotics. Over 30% of the industry plans to invest in predictive analysis, building automation, and robotics over the next few years. These findings suggest that the next few years may continue to see significant technology investment related to ecommerce facilities.

	Currently Utilize	Plan to Invest in Over Next 2 to 3 Years	Have No Plans to Use
SENSORS	39%	28%	33%
PREDICTIVE ANALYTICS/DATA	34%	38%	28%
BUILDING AUTOMATION	27%	37%	36%
IOT	22%	26%	52%
ROBOTICS	11%	35%	54%

Facilities Services Provider Innovations and Added Value

SURVEY QUESTION: What other services, innovations, and/or added value would you like to see from leading companies in the outsourced facilities services industry?

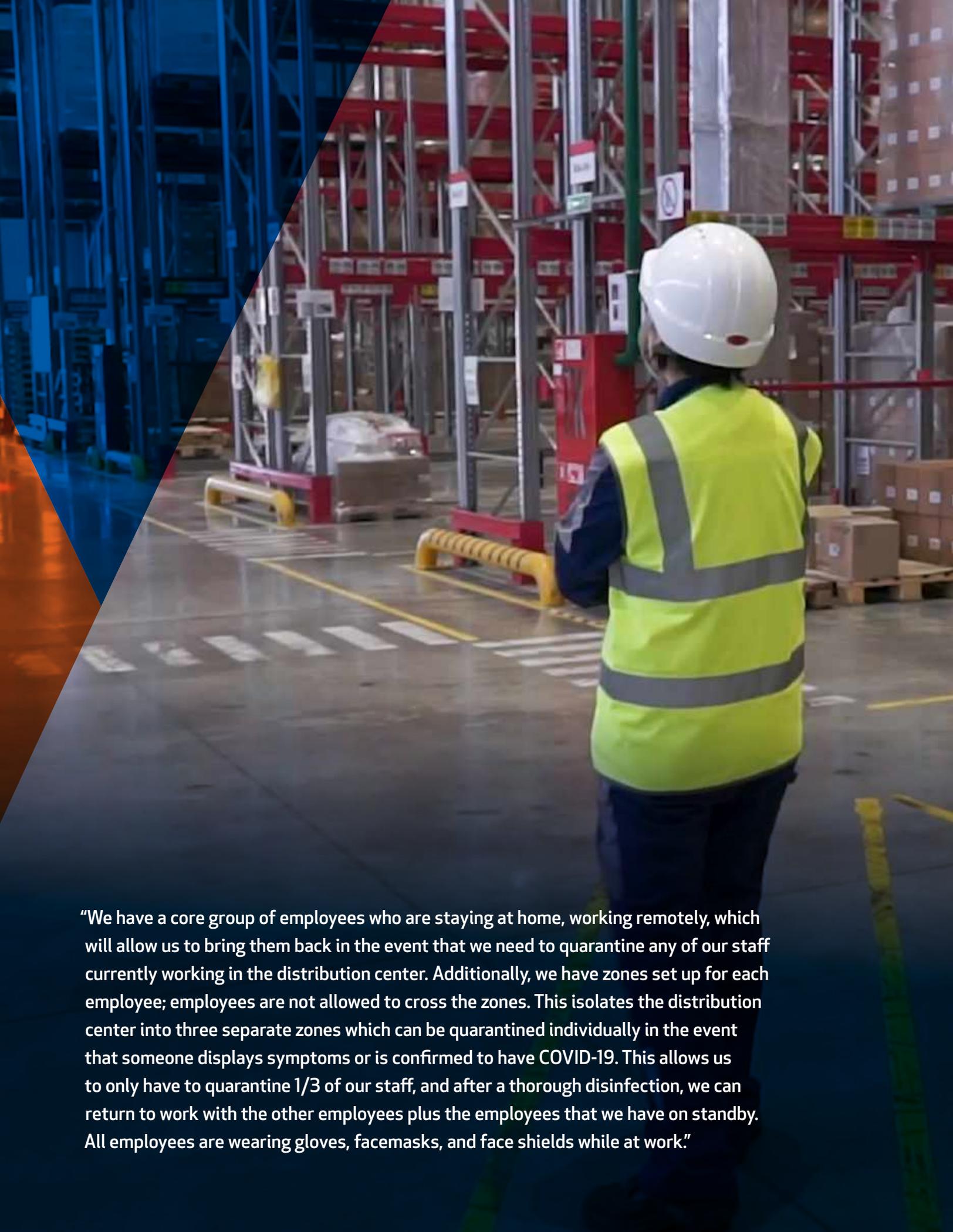
Key themes from the write-in comments include:

- New technologies
- Automation and robotics
- Cost and efficiency improvement

Select comments:

“IT WOULD BE HELPFUL IF WE COULD WORK WITH FACILITY MANAGEMENT EXPERTS ON AI CAPABILITIES, AUTOMATION, ROBOTICS, AND THE LIKE. I NEED MORE GUIDANCE FOR BETTER USE OF MY FACILITIES WITH REGARDS TO EFFECTIVE COST SAVINGS. WE’RE ALSO LOOKING AT MORE IN-HOUSE SYSTEMS CONTROLS.”

“D2C ENHANCEMENT AND SMARTER TECHNOLOGY WOULD BE A PLUS.”



“We have a core group of employees who are staying at home, working remotely, which will allow us to bring them back in the event that we need to quarantine any of our staff currently working in the distribution center. Additionally, we have zones set up for each employee; employees are not allowed to cross the zones. This isolates the distribution center into three separate zones which can be quarantined individually in the event that someone displays symptoms or is confirmed to have COVID-19. This allows us to only have to quarantine 1/3 of our staff, and after a thorough disinfection, we can return to work with the other employees plus the employees that we have on standby. All employees are wearing gloves, facemasks, and face shields while at work.”

III. Operations, Labor, and Service Providers/Partners

Along with the critical issue of how facility operations have been changed due to the pandemic, this section also covers other operational and labor issues in-depth.

How Facility Operations Have Changed as a Result of the COVID-19 Pandemic

SURVEY QUESTION: What have your facilities operations done in terms of specific operational tasks or changes due to the impact of the COVID-19 pandemic?

Key themes:

- Increased sanitation practices and cleaning schedules
- Practicing social distancing
- PPE for staff
- Increased signage on safety and sanitation
- Facility staff pay or bonus changes
- Added or changed work shifts
- Remote working

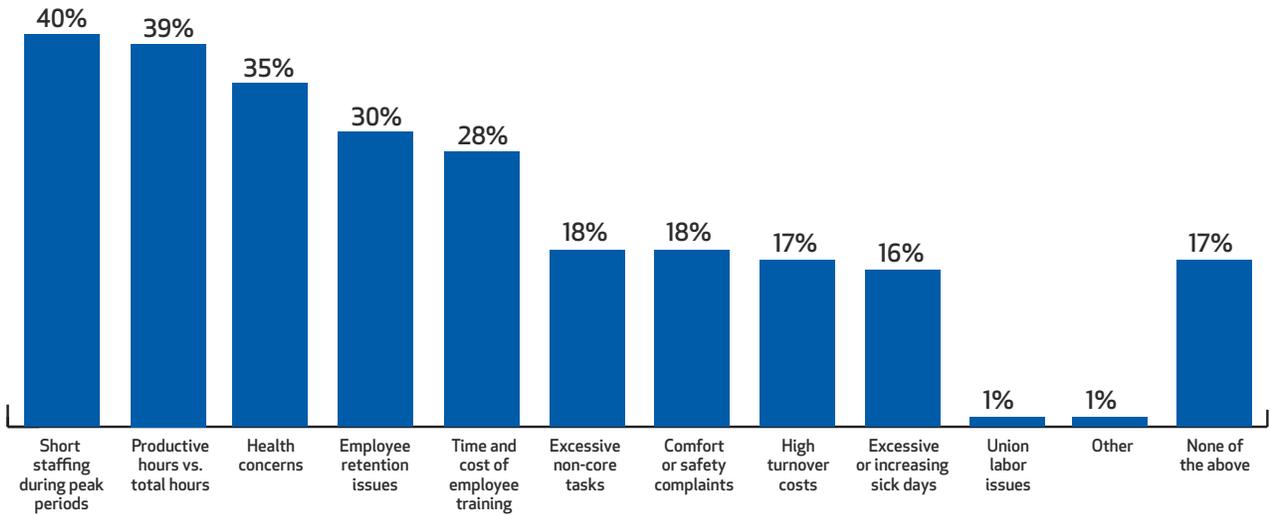
“PPE IS MANDATORY AND WE IMPLEMENTED INCREASED CLEANING. THERE’S ALSO LESS OVERLAP BETWEEN SHIFTS AND MORE DISTANCE BETWEEN EMPLOYEES.”

“THERE WAS A BRIEF SHUTDOWN AND A MAJOR CLEANING. AFTERWARDS WE CREATED SOCIAL DISTANCE TRAINING AND PUT UP PROTECTIVE BARRIERS IN MACHINE PROCESSING AREAS. WE WEAR MASKS AND GLOVES AT ALL FACILITIES IN ADDITION TO OUR NEW CLEANING AND SANITATION PROGRAM.”

Labor Challenges

SURVEY QUESTION: Which of the following labor challenges are you currently facing? (Select all that apply.)

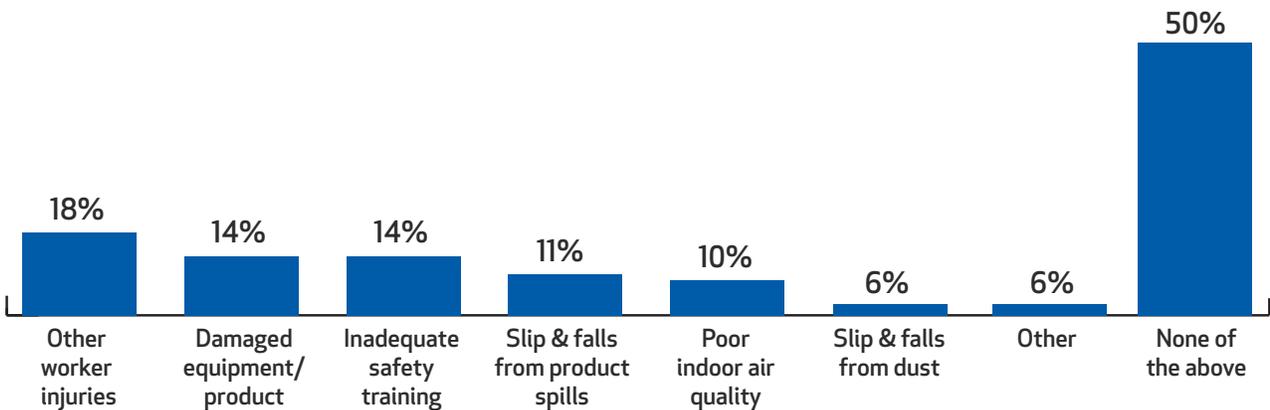
The top three most-often cited labor challenges are short staffing during peak times of the year, increasing productive hours compared to total hours, and staff health concerns. Thirty percent of the respondents indicate their company has employee retention issues.



Safety Challenges

SURVEY QUESTION: What safety challenges are you facing? (Select all that apply.)

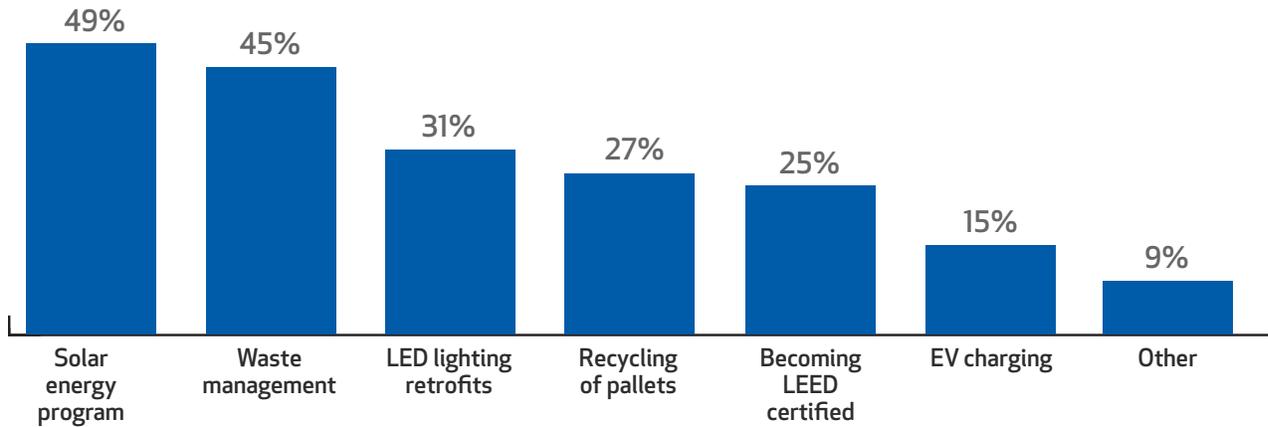
Half of the respondents indicate they are not facing meaningful safety challenges. Still, 18% of the respondents indicated "other worker injuries" are a safety challenge.



Sustainability Strategies

SURVEY QUESTION: Which of the following sustainability strategies most interest you? (Select all that apply.)

Just under half of the respondents (49%) say solar energy programs are the sustainability strategy of most interest to their companies. This is followed by waste management.



Preventative Maintenance Programs

SURVEY QUESTION: Do you have a preventative maintenance program for any of the following or do you repair and replace as you go?

HVAC is the area with, by far, the most preventative maintenance programs in place, according to the survey respondents. This is followed by power distribution, although a much smaller percentage of respondents have a preventative maintenance program in place for this area.

	Have Preventative Maintenance Program	We Repair and Replace as Needed	Don't Use/ Not Applicable
HVAC	59%	30%	11%
LIGHTING	21%	69%	10%
POWER DISTRIBUTION	27%	47%	26%
BUILDING ENVELOPE	23%	42%	35%

KEY INSIGHT: Most Companies Lack a Preventative Maintenance Program for Lighting, Power Distribution, and the Building Envelope

While 59% of ecommerce companies with warehouse facilities have a preventative maintenance program in place for HVAC, only between 21% and 27% have a similar program for power distribution, the building envelope, or lighting.

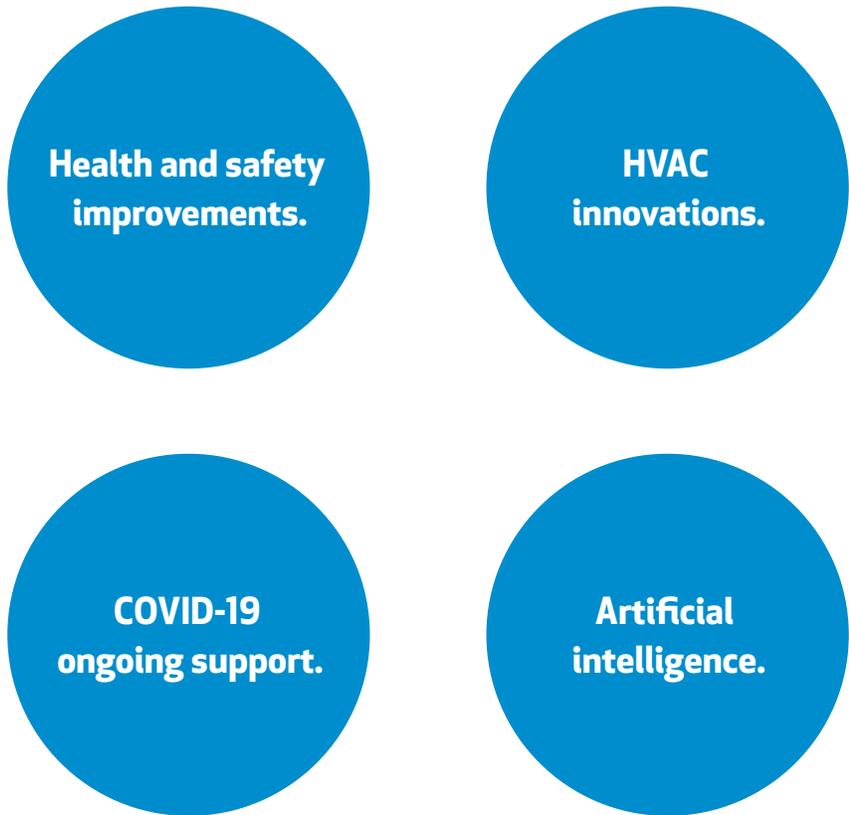
New Developments, Trends, and Issues Retailers Want Their Facility Services Teams to Better Understand

SURVEY QUESTION: What are any new developments, trends, or issues that you need your in-house or outsourced facility services provider(s) to be aware of or focus on?

Key themes from the respondent comments:

- New technologies and trends
- Sanitation best practices
- Facility services operations best practices and trends
- Understanding client strategy and goals
- Flexibility

Other Hot Topics and Common Concerns





—
“NEW CONCEPTS OR
TECHNOLOGIES THAT WILL
ENABLE US TO MANAGE OUR
FACILITIES’ CONDITION AND
KEEP COSTS MINIMIZED.”

—
“THE ABILITY TO
QUICKLY SCALE/
DOWNSCALE
OPERATIONS.”

—
“CHANGING TECHNOLOGY
AND THE ABILITY TO
REMOTELY TROUBLESHOOT.”

—
“DEFINE A ‘WHAT’S
NEXT’ STRATEGY
WITH SCENARIOS”

A photograph of a smiling male worker in a yellow hard hat and safety vest, adjusting his hat. In the background, another worker in a blue hard hat is visible in a warehouse setting with high shelving units. The image is overlaid with semi-transparent circular shapes in blue, green, and orange.

—

**“KEEPING UP WITH THE CONSTANT
CHANGE IN THE BUILDING AS WE
CHALLENGE OUR ABILITY TO SHIP
OVER 500,000 UNITS PER DAY
DURING PEAK.”**

—

**“EMPLOYEE RETRAINING
TO A NEW BUSINESS
MODEL, TEMP OR PERM.”**

—

**“ONGOING PLANT
AND MACHINERY
UPKEEP.”**

IV. Challenges and Opportunities

The responses to open-ended questions on the key challenges and opportunities impacting ecommerce companies, retailers, wholesale distributors, and third-party logistics providers are in this section. Very often, and not surprisingly, the top challenges are also closely related to the key opportunities.

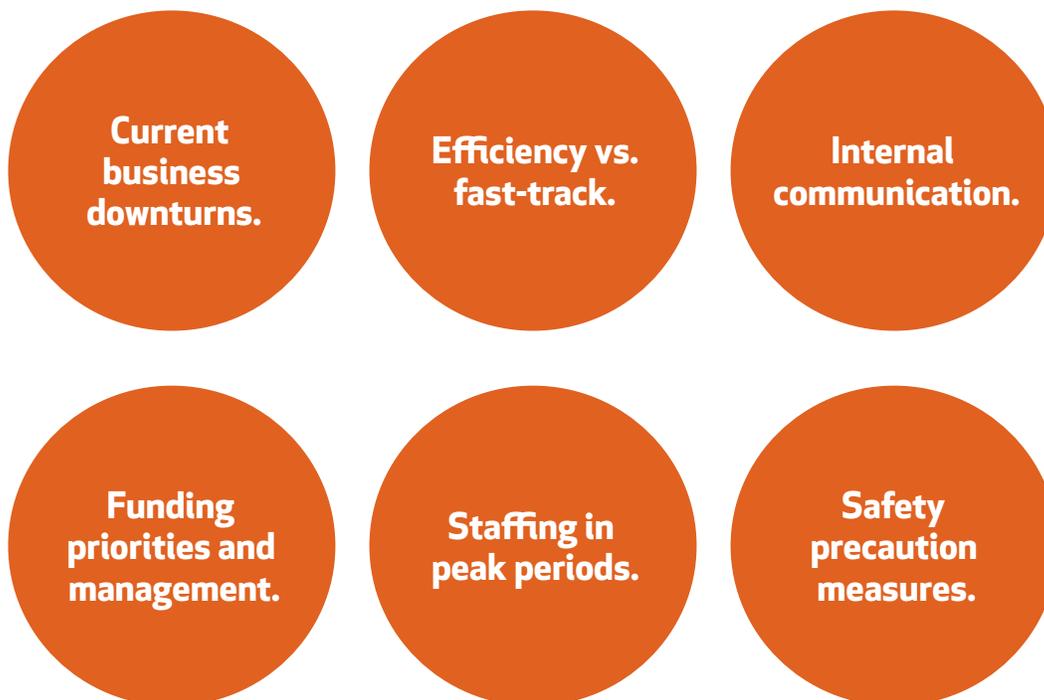
Biggest Facility Services Management Challenges

SURVEY QUESTION: What are the biggest challenges related to your facilities services management process or model?

Common themes in the write-in responses include:

- Managing pandemic impact and new health concerns and procedures/protocols
- Cost control
- Staff management, training, and retention
- Management priorities and budgets
- Increasing speed and efficiency
- Managing complex and multi-building/site locations

Other Hot Topics and Common Concerns



Biggest Facility Services Management Opportunities

SURVEY QUESTION: What are the biggest opportunities for your facilities services management process or model?

The top three most often cited labor challenges are short staffing during peak times of the year, increasing productive hours compared to total hours, and staff health concerns. Thirty percent of the respondents indicate their company has employee retention issues.

The most often mentioned opportunities include:

- Automation, technology, and efficiency strategies
- Innovation
- Flexibility
- Staff management and training
- Preparing for economic rebound and changes

Other Hot Topics and Common Concerns

**Expansion
of services.**

**Centralized
control.**

Going green.

**Recycling
improvement.**

**High return on
investment.**

Staffing.

**Store/
warehouse size
and growth.**

**Cycle
inventory
counts.**



“Scaling back operations just enough to retain customers and staff, and keeping eyes open for any opportunities that will have my organization ready to go once we have gotten through this chaos.”

“TO RUN SMOOTHER WITH LESS FACILITIES INTERRUPTIONS.”

“TO BE MORE INTEGRATED AND PROVIDE END-TO-END VISIBILITY.”

“CONSTANT AWARENESS OF SUCH OPPORTUNITIES TO MAKE PROCESS/ MODEL BETTER.”

“BEING ABLE TO EXPAND AND TAKE OFF WITH THE NEW MARKET.”

“EMPLOYEE ENGAGEMENT AND RESPONSIBILITY.”

“SUCCESSION PLANNING AND TRAINING.”



Conclusion

This is a time of challenge and change for nearly all industries and companies around the world. The ecommerce facilities services industry is in a unique position. The industry is facing a combination of long-term growth trends, primarily driven by the consumer shift to online commerce, and the new operational changes that are required due to the COVID-19 pandemic.

These dual challenges are forcing ecommerce companies to be creative and innovate, but the diverse industry is responding at varying speeds and with different levels of investment. Facilities services need more strategic attention to respond to accelerated demand trends, and also to deal with the increased management complexity as a result of dramatically increased health and safety requirements.

Many ecommerce companies as well as key wholesale distributors and third-party logistics providers plan to continue to invest in technology. Based on the survey findings, within two to three years the majority of the industry will be using predictive analysis and adding more sensors and building automation technology. And by that time, i.e., the 2022 to 2023 period, close to half of the survey respondents expect to also be investing more in IoT and robotics. If these forecasts hold the next few years should see a strong period of ecommerce facilities technology investment.

Facility Management Technology Investment and Utilization Outlook for the Next Two to Three Years

Facility Management Technology Investment and Utilization Outlook for the Next Two to Three Years

	Currently Utilize	Plan to Invest in Over Next 2 to 3 Years	Estimated Total % of Industry Using in 2 to 3 Years
PREDICTIVE ANALYTICS/DATA	34%	38%	72%
SENSORS	39%	28%	67%
BUILDING AUTOMATION	27%	37%	64%
IOT	22%	26%	48%

While it's still early in the post-pandemic recovery period, looking back in five to ten years, this time may be seen as a pivotal moment when facilities services were seen in a new, more important light by ecommerce and retail leaders.



METHODOLOGY AND ABOUT THE RESPONDENTS

The analysis is based on surveys of a cross-section of 155 leading ecommerce companies, retailers, wholesale distributors, and third-party logistics providers. The survey was conducted between April and May 2020.

Size of Fulfillment Centers

	%
50,000 TO 100,000 SF	52%
100,000 TO 500,000 SF	33%
500,000 TO 1,000,000 SF	10%
OVER 1 MILLION SF	5%

Number of Fulfillment Centers

	%
1 TO 5	74%
6 TO 10	17%
11 TO 50	4%
OVER 50	5%

Average Age of Fulfillment Centers

	%
0 TO 5 YEARS	23%
6 TO 10 YEARS	22%
11 TO 20 YEARS	24%
OVER 20 YEARS	31%

Type of Company

	%
RETAIL CHAIN	8%
INDEPENDENT RETAILER	14%
WEB SHOPPING PORTAL	8%
WEB ONLY MERCHANT	13%
CATALOG FULFILLMENT	10%
WHOLESALE DISTRIBUTOR	25%
BRANDED MANUFACTURER	23%
THIRD-PARTY LOGISTICS PARTNER	22%
OTHER	9%

Note: More than one selection was allowed

Number of Employees

	%
UNDER 50	31%
51 TO 100	18%
101 TO 1,000	27%
1,001 TO 5,000	12%
OVER 5,000	12%

Company Revenue

	%
UNDER \$50 MILLION	55%
\$51 MILLION TO \$100 MILLION	8%
\$101 MILLION TO \$500 MILLION	18%
\$501 MILLION TO \$1 BILLION	5%
OVER \$1 BILLION	14%



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