



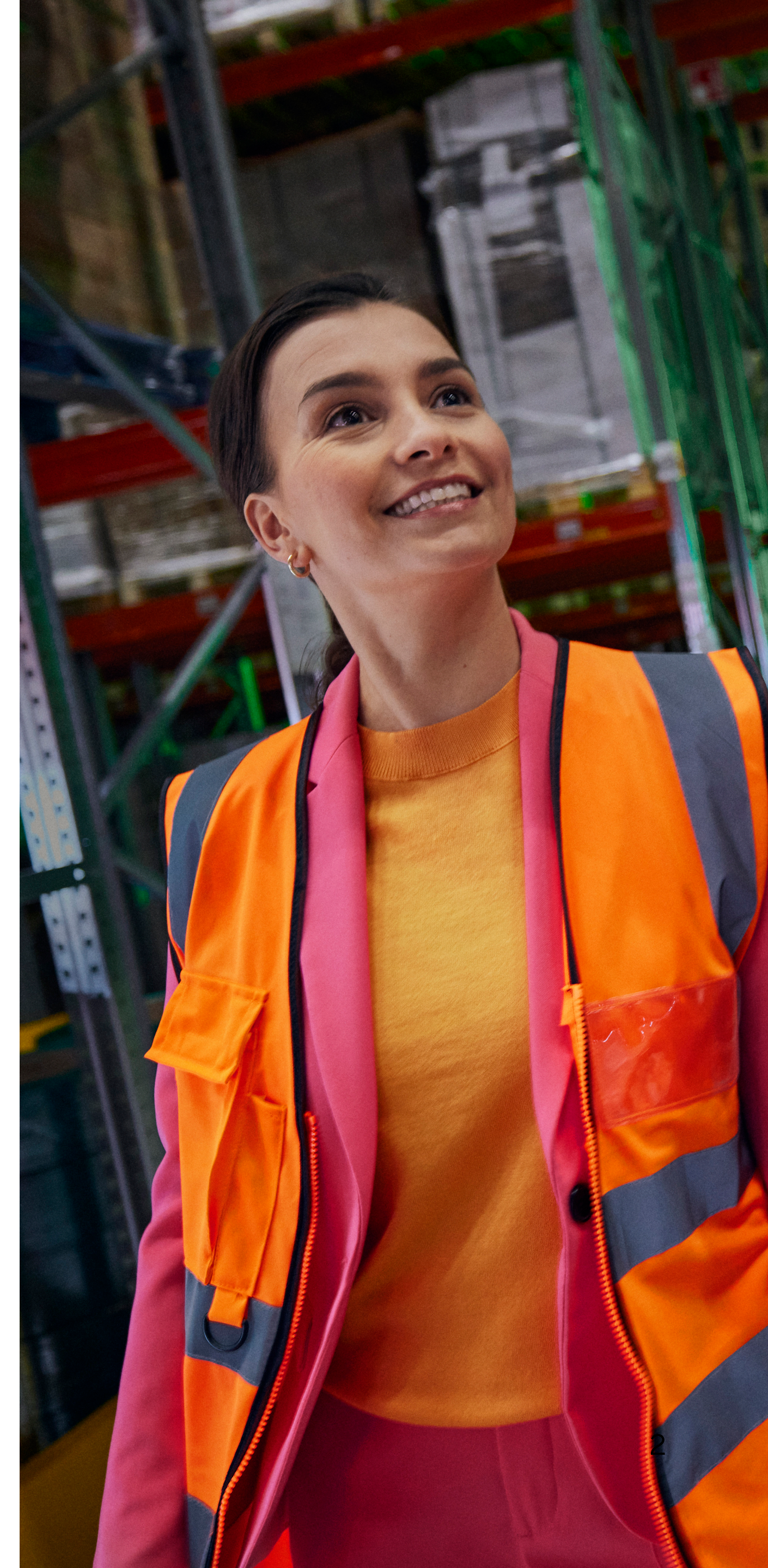
# Guide to warehouse outsourcing

Flexibility, quality, cost savings and growth opportunities through warehouse outsourcing



# Contents

<b>Competitiveness and close cooperation through warehouse outsourcing</b>	<b>3</b>
<b>What does outsourcing of logistics operations mean?</b>	<b>5</b>
<b>Full or partial outsourcing?</b>	<b>7</b>
Case: Increased efficiency with a faster and more transparent supply chain	9
<b>The benefits of warehouse outsourcing</b>	<b>10</b>
Case: Work measurement and work study helped improve the efficiency of the packaging unit	13
<b>7+1 steps to warehouse outsourcing</b>	<b>14</b>
Case: Sustainability and strategic partnership yield results	19
<b>Logistics solutions for all industries and businesses of all sizes</b>	<b>20</b>
Case: Manage your production buffer with AI-powered video identification	23
<b>Our experts at your service</b>	<b>24</b>
Case: Virtual technology allows the customer to familiarize themselves with their new space in advance	26
<b>We provide all logistics services</b>	<b>27</b>





# Competitiveness and close cooperation through warehouse outsourcing

When a company decides to outsource or considers outsourcing a warehouse, it is often due to changes in the company's warehouse property or business. In this case, the company needs to consider whether it should invest in its own property or a rental property, or outsource the warehousing operations to a logistics partner.

Logistics is often part of the company's own business and sales, where we want to help our customers succeed. As Finland's market leader and largest logistics service provider, we offer solutions for different kinds of needs, managed and competent resourcing in volume fluctuations,

seamless cooperation between warehousing and transport services as well as expertise in measuring the entire supply chain and developing transparency.

Whatever the reason for outsourcing your warehouse, it's an effective way to focus on your core business, improve competitiveness and achieve cost savings, flexibility, quality and efficiency. You can grow your business when you have a warehouse logistics cooperation partner that listens. With the support of an experienced partner, you can start surveying needs, developing the necessary logistics solutions and enabling growth.

This guide offers ways to improve your warehousing efficiency and competitiveness. In addition, we highlight the warehousing services we offer that will support your company throughout the logistics value chain.

<b>Potential reasons for warehouse outsourcing:</b>	→ The number or competence of personnel changes.	→ The warehouse lease is about to expire.
→ The existing warehouse is too big or too small.	→ The company wants its operations and costs to be flexible and easily scalable according to seasonal fluctuations.	→ The warehouse is in the wrong place for fast deliveries.
→ The existing warehouse does not meet modern environmental and energy efficiency requirements.	→ The value of the plot is higher than the value of the existing warehouse building, which makes selling the property a good idea.	→ The company wants to focus on its own business rather than on warehousing and logistics.



# What does outsourcing logistics mean?

Outsourcing logistics means transferring the entire logistics process of a company, i.e. warehouse management and operations or parts of them, outside the company, usually to a partner specializing in logistics and warehousing services. Outsourcing allows the company to focus on its core business as well as changes the cost structure to reflect expenditure thanks to fee-for-service pricing.

## **Warehouse outsourcing is based on long-term partnership**

When outsourcing a warehouse, it's good to remember that even if a partner takes care of the warehouse, the products to be stored are still the property of the company. Therefore, warehouse outsourcing is a joint project between the company and the logistics partner, based on a long-term partnership.

In close cooperation, both parties have an active approach to continuous development. By outsourcing, the company can become part of the logistics partner's development work and benefit from, for example, new and modern warehouse facilities, systems development, automation and innovative value-added services.

## **Outsourcing terminology**

### **→ Outsourced in-house logistics**

In-house logistics means the processing of the company's materials and products and the management of information flows that take place on the company's own premises. The in-house logistics process includes, among other things, employees, equipment, IT systems and facilities.

By outsourcing in-house logistics to a logistics partner, a company can achieve even wider benefits when all logistics services are under one roof.

### **→ 3PL, 3rd party logistics**

In 3rd party logistics, a company usually outsources a specific area of logistics to achieve flexibility or cost-efficiency, for example. In addition to warehousing, 3PL service providers can offer other services such as transport, inventory control, supply chain planning and handling services.

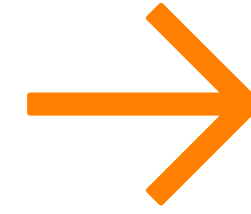
### **→ 4PL, 4th party logistics**

In 4th party logistics, the service provider not only provides individual logistics services but also acts as an outsourced logistics organization that is responsible for ensuring that the entire supply chain operates seamlessly.

# Outsourcing in full or in part?

The outsourcing can be done gradually by starting with the use of temporary flexible or part-time personnel and progressing to the outsourcing of in-house logistics and eventually all warehousing operations.





- If your company requires help for an immediate need, you can **use temporary flexible or part-time personnel** from a logistics partner. The company receives help for the immediate need and, simultaneously, the right kind of expertise and competence at the right time. The invoicing is based on the work performed. This makes personnel expenses flexible and improves processes, efficiency and quality.
- **In-house logistics** can also be outsourced to a logistics partner, in which case the partner usually provides the tools and processes in addition to the employees. In this case, the logistics partner is responsible for taking into account the customer's quality and safety requirements, ensuring the professional competence of the personnel, conducting monitoring and reporting, and developing processes and quality.
- When **all warehousing operations are outsourced**, the warehousing services are transferred to the logistics partner's premises, where the partner provides the property, equipment, systems and personnel. The tangible assets tied to the company's warehouse become variable costs when you pay for warehousing according to use.

## CASE

# Increased efficiency with a faster and more transparent supply chain

The customer wanted to increase the efficiency of their supply chain. Together with the customer, we started to look into how we could speed up the entire chain from warehousing to sorting and transport. Among other things, changes to advising, pre-sorting and common practices were made in close cooperation with sorting and transport. These changes helped to shorten the lead time in larger cities by about a day, which has increased customer satisfaction. At the same time, greater transparency was also achieved by building a common end-to-end view for the customer, where the warehouse and transport orders are part of the same overall picture. The customer's supply chain was sped up by one day, and the share of next-day deliveries increased by 30%.

” The development is also visible on our side as, for example, Posti's customer experience shows a positive trend. We are also pleased with the consistency of our cooperation.

– The customer's Supply Chain Director

# The benefits of warehouse outsourcing

Are you struggling with seasonal recruitment? Can you find skilled employees and do you have the time to provide orientation to them? Is there enough warehouse space during the season or is there too much space? Outsourcing warehousing services to a logistics professional often has many benefits and positive consequences.

## → Focus on core business

Your company can focus on its core operations and strategies when the entire warehouse is outsourced to logistics experts who develop it in cooperation with your company and take care of the warehouse's stock rotation.

## → Cost savings

Your company will achieve increased efficiency and savings when logistics-related personnel, facility, equipment and development costs, as well as fixed capital tied to warehouse walls, are turned into variable costs. More efficient operations also reduce warehouse processing costs.

## → Flexibility

Whether your company is small or large, your warehouse capacity will be more flexible when an outsourced warehousing partner can quickly scale your warehouse to meet changes in demand, seasonal fluctuations, and the growth or contraction of your business. We can grow with your company and also offer other logistics solutions and value-added services.

## → Turn fixed costs into variable costs

Having too little warehouse space is an obstacle to growth, while too much space is an unnecessary cost. By outsourcing your warehousing, you get the space your company needs flexibly – and pay according to the use.

→ **Temporary personnel as needed**

Your company can focus on its core operations and strategies when the entire warehouse is outsourced to logistics experts who will develop it in cooperation with your company and take care of the warehouse's stock rotation.

→ **Value-added services**

You can expand outsourced warehousing services with value-added services, such as repackaging, peak season and campaign work or finishing services, which reduces the need for these activities at other stages of the chain. We also develop new value-added services on the basis of our customers' needs, e.g. around the circular economy.



→ **Make speed a competitive advantage**

Would you sell more if you could provide quicker service? With our warehousing services and extensive transport network, we can ensure that speed will become a competitive advantage for your business.

→ **Synergies throughout the supply chain**

We offer a unique opportunity in the Finnish market – a single service provider taking care of the entire supply chain. The location of the warehouse and its seamless integration into Posti's transport network and scalable transport capacity enable fast deliveries all the way to the end customer.

→ **Making use of expertise**

We have experience of hundreds of outsourcings, as well as specialist expertise and technology to improve warehouse efficiency and operations. Our operations are guided by certificates related to quality, the environment and safety. We help our customer companies on their journey to a carbon-neutral future and develop solutions for the circular economy.

→ **Qualitative indicators**

After outsourcing, you will receive qualitative indicators, such as the timeliness and quality of picking and the total time of the supply chain.

There may also be risks associated with outsourcing, as with any change situation. Therefore, it is important to carefully assess the benefits and risks of outsourcing to support decision-making and to select a partner with extensive experience in similar outsourcing and with whom it is possible to create a long-term and rewarding partnership.

## CASE

# Work measurement and work study helped improve the efficiency of the packaging unit

A work measurement and a work study were carried out through observation in the warehouse services packaging unit to determine what the working time is used for.

The following observations were made:

- **11.5%** of the active time was taken up by picking up products from the belt. The packer has to repeatedly push the products on the roller conveyor towards the packaging point.
- **18%** of the active time was taken up by recording, which is slowed down by the need to weigh the products and enter the weight information in the system.
- **30.9%** of the disruption time was spent on repackaging. The packer had to switch the box because the picker chose the wrong package size.
- **16.3%** of the assistive time was taken up by replenishing the packaging materials.

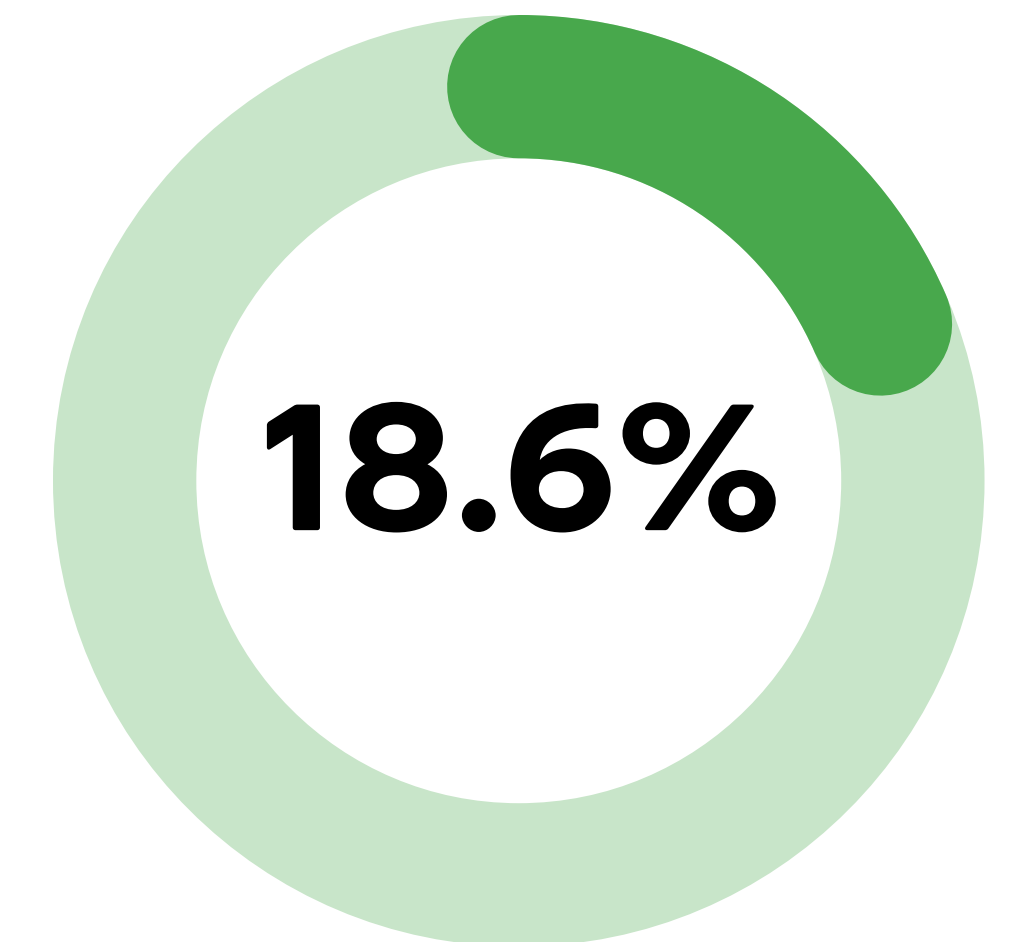
By raising the other end of the roller conveyor, the products will be transported by gravity to the packaging point.

When item weights are entered into the system as part of the item information, no weighing will be needed.

Pickers will be given additional training in the choice of packaging and, at a calmer time, different sizes of packaging will be prepared for packaging changes.

When the materials replenishment volumes are increased at the start of the shift, no replenishments will be needed during the shift.

Based on the study, development proposals were made, which increased the efficiency of the packaging unit





# 7+1 steps to warehouse outsourcing

## Preparing for warehouse outsourcing

Successful outsourcing requires thorough planning in order for the partner to understand the customer's operations, goals and potential challenges. Well-executed preparation pays for itself when tacit knowledge about warehousing is documented. This ensures the seamless continuity of operations.

→ **1. Start with assessment and documentation**

Warehouse outsourcing starts with analyzing your own operations; how are the operations being implemented now, are there any challenges related to them and how can they be solved? It's important to set goals for warehouse outsourcing that are clear, measurable and aligned with the company's overall business targets. If your company has been carrying out the warehousing, your employees will certainly have plenty of tacit knowledge, which is important to document during the preparation phase. A well-conducted internal assessment helps to define your company's needs for the request for proposal and as supplementary information for partner candidates.

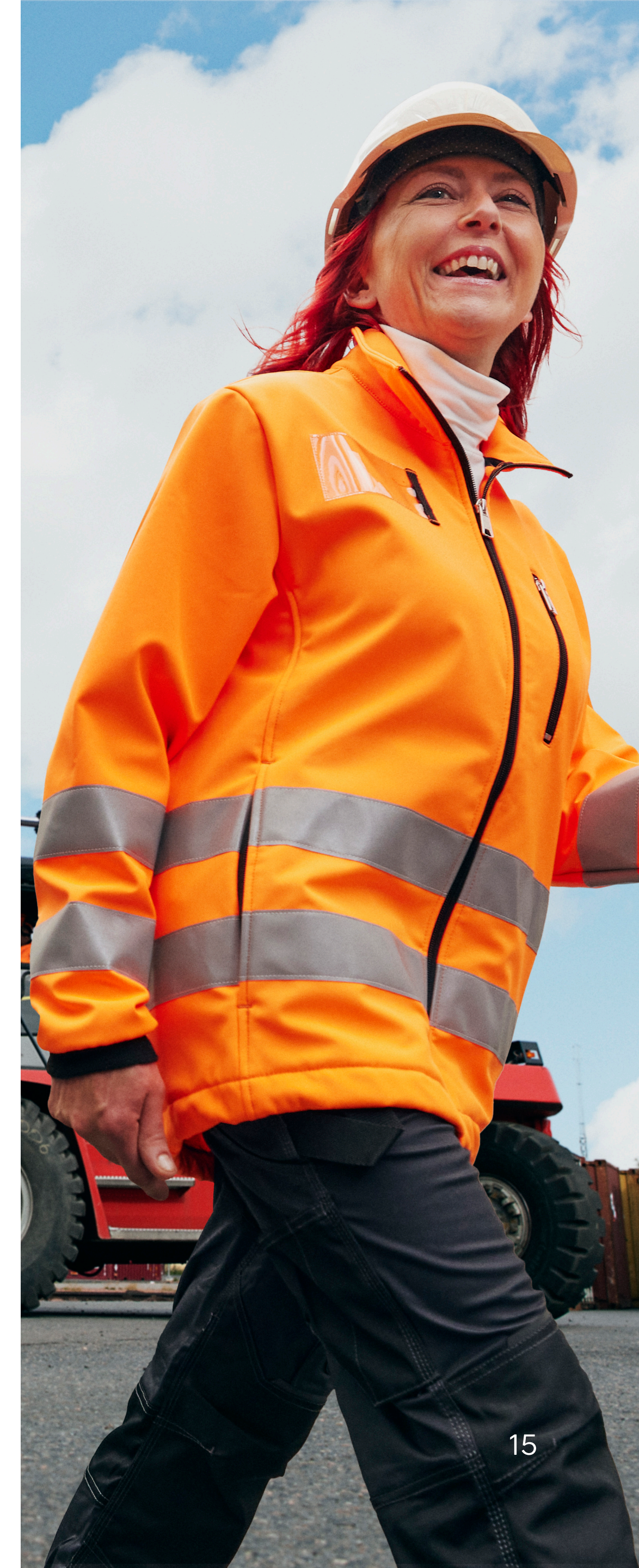
**It's a good idea contact with us at an early stage when you start planning the tendering process.**

→ **2. Draw up a request for proposal**

One of the most important tasks in finding the right partner is to carefully draw up a request for proposal that accurately describes the company's needs regarding warehousing. When creating the structure of the request for proposal, it's a good idea to pay attention to creating a structure that will make the proposals easy to compare in terms of pricing, for example.

→ **3. Survey partner candidates**

The actual outsourcing process starts by surveying the partner candidates and their offerings by, for example, comparing service levels, experience, references and prices. One important thing to take into account is the partner candidate's competence in planning, projecting and resourcing the handover phase and minimizing risks so that your business can continue uninterrupted even during the warehouse move. Identify the service providers that best match your company's needs and requirements from among the candidates and send them a request for proposal.



## Selecting a partner

In order for the partner to best meet the needs of your company, you must have sufficient information about both your company's own operations and the opportunities offered by the partner's services. Sometimes the cheapest proposal can turn out to be the most expensive if the warehousing service is not scalable and flexible according to your company's operations and needs.

### → 4. Select a suitable partner

Once you receive proposals from partner candidates, study them carefully and select a few service providers with whom you will go further in considering a partnership. Survey the partner candidates' financial situation (e.g. financial statements and credit rating), which is a prerequisite for the continuity of operations and investments in the development of warehousing. Ensure the partner candidate's competence and technical capabilities to provide you with high-quality and up-to-date information on warehousing and develop the technical side of warehousing. The capabilities can also be related to materials handling, such as storing large and heavy goods or dangerous goods in warehouses. The choice of a partner is also influenced by trust in the service provider's ability to plan and project the move and changes to the space and shelves in the new warehouse. This allows your company to operate normally and sell products without disruption.

### → 5. Make a service level agreement

Once you have identified the most suitable partner, proceed to agreement negotiations for warehouse outsourcing. A service level agreement (SLA) is drawn up between the customer company and the warehousing service provider. It specifies performance requirements for both parties. It's essential that the agreement states, among other things, the service description, the goals, the responsibilities of the various parties with regard to, for example, the delivery schedule, processing speed and damaged products, the accuracy of inventory values, the flexibility of capacity, the customer service and communications, the sanctions and the indicators for different areas. It's also important to agree in advance on how the agreement can be terminated and the procedures related to resolving disputes.

## A sustainable logistics partner

Taking responsibility for people and the environment is also an important assessment criterion, as the partner's operations will also be a major part of your company's sustainability. It's a good idea to check whether a potential logistics partner is transparent and whether it would support your company in the development of sustainable business.

## Sustainability is part of our day-to-day work,



In decision-making, we consider not only financial factors but also the social and environmental aspects of our operations. We are committed to sustainability and ethical business in all of our business areas.



The focus areas of our sustainability program focus on promoting the well-being of people and the planet. We regularly monitor the progress of our sustainability program.



Day-to-day work and continuous development to promote safety and well-being at work, diversity, non-discrimination and inclusion, sustainable sourcing and ethical business practices form the basis of our sustainability efforts.



Our sustainability efforts are based on international sustainability initiatives and commitments, including the UN Global Compact, the UN Sustainable Development Goals (SDGs) and the Science Based Targets initiative (SBTi), which has approved Posti's short-term emission reduction targets for 2030 and the net zero target for the entire value chain by 2040.

**Learn more about Posti's sustainability program on our website.**

→ **6. Transfer responsibility for inventory control**

The handover phase, during which inventory control is outsourced, requires careful planning by your company and your warehousing partner to ensure smooth and uninterrupted operations. When cooperation is close, you and your partner can solve potential problems together through open discussion. There are several different ways of arranging personnel, but, usually, the logistics personnel of the new customer company will be transferred to the partner as part of the outsourcing. This allows logistics professionals to work for an industry pioneer as well as learn new things, grow and develop in their own logistics profession.

→ **7. Continuous active cooperation**

When outsourcing the responsibility for inventory control, it must also be determined when the handover phase ends and the continuous cooperation, which is usually described in the service level agreement, begins. We continuously develop our customer relationships in accordance with customer-specific goals and development models to, for example, streamline the flow of goods and information, increase automation and make the use of warehouse space more efficient.

→ **+1. Termination of the partnership**

It's also important that the termination of the partnership and the related matters are planned in advance as openly and precisely as possible. Warehouse outsourcing is usually a long-term project, which means that it's a good idea to plan the termination on a general level. If, on the other hand, the outsourcing is fixed-term, it's advisable to make sufficiently detailed plans.

## CASE

# Sustainability and strategic partnership produce results

The outsourced Finnish central warehouse of an international customer company serves the company's operations in the Baltic countries and in Sweden, and partly in Central Europe. Joint development is guided by lean thinking; unnecessary work has been eliminated and attention has been focused on what brings added value to the company's customers. Long-term work has been done to change the employees' way of thinking and to introduce lean thinking as well as to achieve ambitious sustainability goals. Sustainability work has been carried out through, for example, switching the warehouse's heating system to an air-to-water heat pump and achieving zero emissions from the warehouse.

” The delivery accuracy of the central warehouse is currently an impressive 99.98%. The timeliness of receipt, the accuracy of picking and the timeliness of deliveries are also close to 100%.

– the customer company's Sourcing and Supply Chain Director

# Logistics solutions for all industries and businesses of all sizes

Above all, we offer logistics solutions – whether your company is large or small and whatever you want to store, we have the right premises and skilled professionals for it, regardless of the industry. Warehousing, picking, packaging and transport are areas of special expertise for us. You can outsource

the warehouse of your small online store, the products of which we will pack by hand in tissue paper, or the warehousing and moving of hundreds of tonnes of industrial products with our lifting equipment. When you outsource your warehouse to us, you can focus on growing your core business.





## **Space for many needs**

We offer various warehousing services with professionalism as well as additional services suitable for your company. Whether you need a service warehouse for e-commerce or manufacturing, warehousing of dangerous goods, a temperature-controlled space, fixed pallet racks, mobile pallet racks or pallet positions, you can find different options in our warehouses across Finland, the Nordic region and the Baltic countries.

## **Technology supports and improves the efficiency of logistics**

We develop modern logistics solutions to meet our customers' needs. For example, automated picking systems and Autostore automated warehouse solutions speed up order processing, make space use more efficient and bring cost savings. Among other things, we have developed AI-powered video identification to manage the production buffer and used virtual technology in the planning of warehousing facilities for our customers.

## Value-added services are scalable to

We offer various finishing services for products to be sent to stores as part of warehousing. These value-added services can speed up the process of presenting our customers' products for sale or provide a solution for the recycling of unsold products. Our value-added services can be scaled to reflect the needs of each customer. A significant role is played by the professional skills of our own personnel as well as the continuous development of services and procedures with customers.

→ **Repackaging and labeling** facilitates the in-store presentation of the product. Ensuring that a product has an attractive appearance makes the customer more likely to buy the product and increases sales.

→ **Assembling and stocking store racks** speeds up the process of product presentation and frees up the store staff's time for customer service and other core activities.

→ **The Circular Economy service** provides a practical circular economy logistics platform with which we help our customer companies transition to the circular economy and enable them to grow their business in the second-hand market. In addition to core services, the circular economy service includes, for example, product condition inspection, making the products presentable, repair of products, as well as data collection for the used product, which facilitates multi-channel sales of the product.

→ **The Pre-Installation service** facilitates and speeds up the deployment of devices purchased by end customers. For example, devices can be pre-assembled or pre-installed with the desired software, which reduces the strain on the company's customer service.

→ **The Quality Control service** helps you react quickly to quality issues and ensures that customers receive the product they want. The number of claims is reduced and customer satisfaction is improved.

→ **The From Waste to Charity** service delivers discontinued products as donations to those in need. The service reduces the generation of unnecessary waste, promotes the circular economy and is free of charge for our customers.

→ **Deliveries and returns** are part of the most comprehensive logistics services in the country. We deliver both large and small orders to consumer and business customers in the way they want, both in Finland and abroad.

## CASE

# Managed production buffer with AI-powered video identification

In order to ensure that the customer's production line was running smoothly and had the necessary buffer levels, the outsourced warehouse needed more precise, real-time visibility for the monitoring and management of deliveries' inventory levels. Manual monitoring was used, exposing operations to human error and unnecessarily tying up labor. Together with the partner, an AI solution was developed that makes it possible to monitor the production buffer with cameras and use a machine

learning model to calculate the number of pallets, pallet movement and available space. The result is a real-time, accurate picture of the inventory level. The solution proved its effectiveness already during the pilot phase: the monitoring of the number of pallets and pallet movement was accurate and there was practically no need for manual buffer management and reconciling. The solution also accumulates data that can be used to guide work and centralize activities.

” With the solution's monitored buffer levels and real-time updates, we ensure that our customers have products ready for production when they are needed.

– Operations Manager, Industrial Services, Posti



# Our experts at your service

A significant added value of warehouse outsourcing is that you also benefit from our entire Group's expertise, specialized competence and technology as well as the best practices accumulated through numerous outsourcings. We continuously train our personnel to become even better experts in their field.

## **Continuous development**

We carry out continuous development in accordance with the customer-specific

goals and development model to, for example, streamline the flow of goods and information, increase automation and make the use of warehouse space more efficient. Together, we review the customer's demand forecasts to ensure we have the right amount of resources at the right time and on the right site. We aim to scale the results of our development work to other customers as well.

New technologies and solid lean expertise support our development work. This allows us, as pioneers in the sector,

to offer our customers the latest know-how for the development of logistics and introduce new groundbreaking common practices into the entire industry in the future.

## **Knowledge of systems innovations**

We are familiar with warehouse IT systems and new systems innovations in different business environments. We can also support our customers in the development of warehouse management systems. To achieve a digitally controlled supply chain in Finland, the Nordic region and the Baltic countries, we invest in the architecture of the entire supply chain, data processing and tools for production and customers. This makes it possible to use the same systems in warehouse logistics internationally.

## **Sustainability throughout the value chain**

Our customers increasingly expect us to take responsibility for the environment and employees. We hold the quality, environmental and safety certificates ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018, with which we keep the bar high and meet the requirements of our customers. We communicate transparently about our emissions and, by 2030, we will do everything without fossil fuels. We also develop solutions for the circular economy. Our sustainability efforts have been recognized: EcoVadis, the world's leading provider of business sustainability ratings, awarded a Platinum medal to Posti for the third consecutive time. Platinum is the highest possible rating in the EcoVadis framework. Among the rated businesses, we are ranked among the top one percent in the world.



## CASE

# Virtual technology allows the customer to familiarize themselves with their new space in advance

Virtual technology can be used to support the layout planning of the warehouse and production space. Based on the volume and measurement data, a value stream and process description is created, followed by a rougher 2D and a detailed 3D design. Finally, using VR technology in the 3D model, it is possible to tour the new warehouse in virtual reality. This allows the customer to check that, for example, the workstations and their locations are as they should be and that safety matters have been taken into account correctly.

” As one satisfied customer said, it was great to see the warehouse in advance before even signing the lease agreement.

– Development Manager, Posti

# We provide all logistics services

Logistics is our passion: you can focus on your own business as we, as a strategic logistics partner, help you optimize and improve the efficiency of your logistics and identify opportunities for growth.

Whether your company is large or small, we will provide services for the entire logistics value chain flexibly and easily under one roof – solutions and systems for warehousing, transport and goods flow processing to meet your company's needs. We will make sustainable logistics a competitive advantage that will help your company grow.

We serve our customers in the Nordic region and the Baltic countries.

We offer a unique opportunity in the Finnish market – a single service provider taking care of the entire supply chain and synergies throughout the supply chain. Our special expertise includes warehousing, picking, packaging and transport. When you outsource your warehousing and logistics to us, you can focus on growing your core business. The location of the warehouse and its seamless integration into Posti's transport network and scalable transport capacity enable fast deliveries all the way to the end customer.



# The benefits of a logistics partnership

## → Finance

Warehouse outsourcing frees up capital when fixed costs become variable costs and the company only pays for the work performed.

## → Savings

Depending on the starting point, outsourcing the warehouse will bring cost savings of at least 10% to the company.

## → Efficiency

When the number of employees can be adjusted according to the volume, there will always be the right number of employees.

## → Competence

The logistics partner's experts and warehousing professionals will always be available to your company.

## → Job satisfaction

Job satisfaction and motivation will also improve when there is enough interesting work to do.

## → Delivery accuracy

Better accuracy and quality are also reflected in improved customer satisfaction.

## → Development

The logistics partner's development work will improve the efficiency of processes and speed up operations.

## → Focus

Your company can focus on its core business without having to worry about recruitment or the functioning of the warehouse.

## How can I develop my company's warehousing with a competent logistics partner?

→ [Learn more about our warehouse logistics services and contact us](#)

posti