

## How to Solve Your Warehouse Woes

Sherry Fox - February 29, 2008

Today's manufacturers and distributors are under immense pressure to ensure their warehouse and supply chain activities are continually operating at peak performance.

Whether it's increased global competition, more demanding customers, a tighter economy, or the rising cost of materials that's keeping business owners awake at night, the hard truth is that if they want to remain competitive in today's global marketplace, they need to find more efficient ways to manage the flow of goods and keep their customers happy.

On top of these pressures is the need to generate more business at lower costs. To stay on top of their game, manufacturers must develop a strategy that will enable them to work in a more efficient and integrated manner within the enterprise as well as amongst their suppliers.

Let's start by identifying the sources of these difficulties.

### Outside Factors That Contribute to Warehouse Woes

#### The Global Factor

Pick up any newspaper these days and read the "world news" section. What you'll see is that many businesses today are struggling to adapt to the global economy—and manufacturers and distributors are no exception.

Stiffer competition and lower labor costs in developing countries (TEC analyst David Bourque addresses this last factor in [The Evolution of ERP in Our New Global Economy](#)) have forced manufacturers to take a long hard look at the way they run their operations. As competition in the global landscape intensifies, manufacturers and distributors must improve their methods for getting their products to market faster, thus reducing inventory and improving customer service, all while keeping costs down.

#### The Economy Factor

Outside economic factors can have a direct impact on warehouse activities. One such factor is the possibility that the US is heading toward a recession. If it does, what will that mean for your warehouse? It could potentially cause a domino effect that will influence businesses and their activities—worldwide. Economic uncertainty has never been a blessing for manufacturers or distributors anywhere. As such business agility is no longer a nice-to-have.

#### The Cost Factor

The costs associated with the warehouse have a direct impact on supply chain activities. In order to keep track of these costs, *supply chain management* (SCM) software has been developed to address the needs of manufacturers, distributors, and warehouse professionals.

Any supply chain comes with its share of headaches and costs. Besides the inherent costs of operating with partners and suppliers, there are also material costs that need to be factored in—after all, a price shift at one end of the chain can leave you with a monster price tag at your end. And because a *warehouse management system* (WMS) is at the heart of SCM functionality, if its performance is weak, it will naturally slow down the entire supply chain—ultimately resulting in profit loss for the business.

Thus, the challenge for many manufacturers consists of tracking supply chain costs—and dealing with the resulting production costs.

## Internal Influences That Contribute to Warehouse Woes

Today's warehouses are complex, and businesses have unique requirements. To ensure faster production cycles and to keep the flow of goods steadily streaming through the supply chain, manufacturers must first understand where their problems lie. To do that, they need to review the following internal business processes:

- warehouse practices, such as receiving, put-away, picking, kitting, packing, repack, cross-docking, and shipping
- current systems
- equipment
- inventory
- staff
- information

All these areas can have a significant impact on the performance of your warehouse. If you neglect to review them, there's no technology in the world that can save you.

## Developing a Warehouse Management Improvement Strategy

Before you can make an improvement, you must first know what needs to be improved. Start by developing a warehouse management improvement strategy. Think of this as business process re-engineering. By looking at your business practices from a clean-slate perspective, you'll be better equipped to determine how you can best construct—or reconstruct—your business and warehouse processes.

The first step in your warehouse management improvement strategy should be to examine the exterior factors that may be contributing to your warehouse woes, as outlined above. The next step should be to look at any inefficiencies within the enterprise or supply chain that may be contributing to poor warehouse performance. In order to have a better understanding of these inefficiencies, analyze your current business processes.

One way to do this is by using performance metrics, or *key performance indicators* (KPIs). KPIs are typically used to help measure key areas of a business's operations, and they can help you determine the factors that may—or may not—be affecting your business performance. In manufacturing, some KPIs are customer satisfaction, delivery performance, and production efficiency. The hardest part of this exercise is determining those indicators, but once you have identified two or three of your target (or problem) areas, you will begin to get a clearer view of the big picture.

The last step in your warehouse management improvement strategy should be to look at the information systems you have in place. Ensure that all related departments within your organization, as well as across your supply chain, have easy access to critical information repositories. Without accurate and up-to-date data, it will be impossible to determine where production issues or delays have occurred.

By understanding all the factors (both external and internal) that affect your warehouse performance, you can begin to build a comprehensive strategy that will help you determine the right warehouse management solution for your needs—one that will address and improve on those areas.

## Let Technology Be Your Guide to Effective Warehouse Management—Within Reason

That said, one of the biggest problems most businesses have today is an inability to access real-time data. What many manufacturers and distributors lack is a central repository for storing their global supply chain data. Without proper access to real-time inventory updates, it is virtually impossible to accurately determine inventory levels. Total transparency throughout every department is essential; the best way to achieve this is to use the same management system throughout the enterprise.

This is where a WMS can help. WMSs are designed to help with the moving and storing of goods—whether they're finished goods or semi-finished products, such as components or parts—by transferring them into and out of the physical location to a final destination. These systems are designed to direct and optimize stock put-away based on

real-time information related to bin utilization, availability of stock, incoming and outgoing deliveries, and other warehouse inventory data. By having access to real-time data, all departments are privy to what's happening in the warehouse at any given time.

In the past, WMSs were considered less important than other business functions, such as production planning, order-processing, or billing. But today, many manufacturers have come to rely on these solutions to help reduce stock levels and lead times, improve customer satisfaction, and optimize warehouse performance.

In an ideal world, a WMS can bring tremendous benefits to your business:

- improved inventory visibility
- better warehouse space usage
- increased inventory and asset turns
- improved service and support quality
- a reduction in errors (thanks to the ability to identify, track, and solve problems between manufacturers and suppliers)
- improved delivery and order fulfillment performance

Your business can also benefit from such technologies as *radio frequency identification* (RFID), bar coding (faster picking and packing leads to faster distribution of goods), and mobile computing options (such as *portable data terminals* [PDTs]) to help prioritize picking and order-processing).

## Where Do I Start?

To determine which WMS accurately reflects the scope of your operations, you'll need to evaluate several warehouse management solutions to determine which system will best accommodate the needs of your warehouse's network.

The WMS you choose should provide database and user-level tools in order for your organization to optimize its storage facilities while providing user-level task direction and activity support. A WMS should enable warehouse operators to optimize pick, put-away, and replenishment functions by employing powerful system logic to select the best locations and sequences.

## The WMS Dilemma

If this is your first time automating your warehouse operations, or if you're looking to upgrade to a newer, more robust WMS (or if you want to integrate a WMS into your existing *enterprise resource planning* [ERP] or SCM infrastructure), it's important to fully understand your requirements before you start your research.

When it comes to WMSs—like many other enterprise software solutions—one size does not fit all. And having so many options to choose from can make the task of finding the right system even more confusing and difficult. While many service providers offer solutions that target warehouse/import and distribution companies, these solutions often lack the back-end functions that are required throughout the enterprise and supply chain.

WMSs are designed to manage the warehouse and its activities, not necessarily the financial and accounting aspects of the warehouse. The good news is that most WMSs can be easily integrated with other enterprise systems that do offer back-end functions (such as ERP), to create a broader, more robust enterprise system.

## Conclusion

Choosing the right warehouse management system for your business is not an easy task. And there are many factors that will influence your decision, such as the volume of units you produce, the size of your manufacturing operation, your customer's geographical location, and more. But once you have found the right WMS to meet your manufacturing needs, you'll no doubt see the benefits to your bottom line.

## **About the Author**

Sherry Fox is a TEC research analyst, with over a decade of experience in the private sector. Before joining TEC, she spent five years as vendor compliance administrator for a large Canadian clothing retail chain. A proficient writer of articles, online content, guides, and manuals, Fox has extensive expertise in the areas of retail, manufacturing, compliance, and technology. She also has in-depth management experience with various enterprise segments, including payroll, human resources, loss prevention, logistics, and compliance.