

If it ain't broke..

The real cost of a

Warehouse

Management System

- A white paper by Clydebuilt Business Solutions Ltd

If it ain't broke.... The real cost of warehouse management systems

It's the age old adage – if it ain't broke don't fix it. While this might ring true for some things in our personal life, can the same really be said from a business point of view? It makes sense not to tinker with things when the thing in question already provides a solution to a problem, or at least works to the purpose it was made for – doesn't it?.

A 'working' solution is fine for today, but to stay ahead within the market place companies are increasingly becoming aware of the need to be forward thinking, often anticipating changing market trends before they happen. For a business to excel, the ethos of being proactive instead of reactive really can make or break the situation.

All markets evolve and the logistics market has changed considerably over the past few years, with logistics providers tightly integrating with their customers systems and often acting as an extra arm of their business. More value added activities take place within the warehouse, and more detail than ever is required to be tracked due to tighter controls on the goods stored. Complete track and trace ability is expected as standard as it is becoming paramount that manufacturers can, at any time, provide details on where the components or, especially, ingredients of a product originated from. They may also want to identify the different stages of its life cycle throughout the supply chain.

So, you feel that your warehouse already has the capacity to monitor these details and record back to the customer. At what cost to you? You might be sitting on a warehouse that you have run for 20 years, almost always to full capacity, with no or limited systems in place, and also in your view, no problems so far. Alternatively you might be utilising a legacy system within your warehouse, and occasionally using spreadsheets to fill in any 'gaps' to keep the whole working. Your warehouse is running smoothly, and you have no immediate problems. In fact, you might go as far as to say, 'it ain't broken'. The question remains, should you fix it?

How to assess your WMS needs

Everybody and his dog knows that it doesn't make any sense to invest in anything unless it brings a direct benefit. A quality WMS comes with a price tag, and it is imperative to measure your Return on Investment (ROI), that is, a performance measurement to evaluate the efficacy of the investment and assess *is it worth it?*

There are several cost factors that make up the capital expenditure, typically these include: the software, user licenses, hard ware, implementation costs and annual support. Of course, in this market, you don't necessarily get value for what you pay.

Some key factors to consider in a warehousing environment include asking yourself if a warehouse management system has the capacity to offer you -

- Improved stock accuracy – reducing errors while providing real stock information. Will your staff save time by not having to fixing errors, look for stock, etc?
- Increase productivity – Is there room to utilise your space more effectively, meaning more throughput in the warehouse? By streamlining your operations is there scope to deploy staff

onto other tasks, ultimately resulting in you having the same number of staff completing more tasks? Will you benefit from knowing how productive each member of staff is?

- Improved trace ability – Useful if you have ever gotten in a pickle trying to prove what went where and/or from where it came; never mind the whereabouts of particular goods at a particular time.
- More information held against stock – Working with different products generates different issues. For example not being able to rotate stock properly by BBE, Lot, Batch number - result in stock expiring or becoming obsolete.
- Differentiation – Oftentimes the differentiation between one logistics provider and the other is the effectiveness of the technologies used. Good systems can differentiate you from your competitors by demonstrating that you have taken the initiative and are presenting effective technologies to the customer base. Notice, we have not said the latest marketing hype.
- Improved Communication – A quality WMS can strengthen stakeholder relationships through the application of real time information on current stock balances.

It is not uncommon for companies to employ the services of a consultant to work out the potential return on investment, analysing all of the features above and to provide and deliver an ITT or RFQ (call it what you will). This could be seen as an unnecessary expense just to find out if you would benefit from a new WMS, so it may be more economically viable to conduct the research yourself. If doing so you need to approach it with an open mind, after all haven't you successfully managed the warehouse up till now and are looking for ways to improve internal efficiencies, not praise or criticise the current working practice?

It is fair to say that the busier your warehouse the greater the potential for ROI in real monetary value. Size is not everything, you may be working from a small site but picking lots of orders daily for multiple customers and in this case the argument for implementing a WMS may be strongly in favour.

Other points to consider

Looking into the future it is important for companies to know that investments will last the test of time, and while a return on investment might be realised in terms of months or, god forbid, years, a large scale investment is typically a purchase that one doesn't want to make too often. The investment will not only be in terms of money but also in terms of staff, management and organisational development. This means that you want to have faith that your new system isn't just providing a working solution for today. You want to be confident that it has the capability of growing and developing with emerging technologies as they become available and more importantly; the changing needs of your business and the your customers.

The most recent survey by Cap Gemini suggests that 'shippers and 3pls seek IT that is responsive, delivers valued information, (such as inventory visibility) leverages existing investments and allows for innovation'. What was interesting with this survey is that there seems to be a bit of an IT gap. Where 82% of 3pl's surveyed agreed that they do provide new and innovative ways to improve logistics effectiveness, only 50% of **users of 3pl's** agree with this.

Problems acknowledged from users of 3pls include 'a lack of continuous, ongoing improvements and achievements in service offerings and unrealized service level commitments'. Leading the list of problems is the lack of internal IT integration, between 3pls and their customers.

System integration is proven to save both parties time and money. The savings are realised in reducing the amount of data entry required, as well as facilitating information flows where required. Using electronic linking or visibility across the web can allow you to 'lock' your customers into your system; this works by both improving the service delivered and increasing their switching costs, making it more expensive and administratively harder for them to move their account to another organisation. In the current climate this can be of real importance.

The Real Cost of WMS

We have established that investing in a warehouse management system will inevitably require capital outlay. Looking through the points highlighted above only you can decide if the benefits will provide a genuine return on investment within your current operations in a timely fashion. In this increasingly complex market it boils down to not what the cost of implementing a system will be, rather what will the cost to your business be if you don't?

For help on selecting the right WMS supplier, see our other White Paper entitled, 'Selecting a provider – the Do's and Don'ts.'