Why you really do need to consider a WMS?

- A white paper by Clydebuilt Business Solutions Ltd

Why you really do need to consider a Warehouse Management System?

Times are changing and more often than not trade journals and websites are publishing stories of Logistics companies showcasing their own success stories of new software installations, perhaps along with case study features. It is fair to say that not all logistics companies are using software, and even today, some prefer the 'old methods', with a particular view point of not having to rely on computer systems as they could 'fail'. It is no surprise, however, that as more advanced technologies are becoming available and the utilisation of warehouse management systems becomes the norm – is it time for everyone to make the move and not be left in the dark?

All warehouse management system vendors make bold statements regarding 'improved efficiencies', 'reduced costs' and 'an increase to your bottom line'. In this white paper we will look at such claims and assess just how much benefit might really be gained from software implementation.

There are many detail benefits that might be gained but three major benefits could be:

You are able to differentiate yourself from your competitors by taking the initiative in presenting the latest opportunities in technology to your customer, rather than them imposing it upon you. Where these lock them into your system, you increase their switching costs, making it more expensive and administratively harder to move their account to another organisation. In the current climate this might be of real importance.

You have the opportunity of achieving greater logistical productivity; either by enabling your existing resources, particularly personnel to handle greater throughput, or having the present level of output maintained at the desired level using fewer personnel.

A third benefit is that by installing such a system you are staying ahead of the game and you can offer attractive services to potential new added value customers. If you don't install, the fear is that others will and once you are behind you will find it hard to catch up.

Improving productivity

One area that is often ripe for productivity gains is the total warehouse and logistical environment. Manual or semi manual systems are inefficient and costly, by definition they involve staff in creating and managing paperwork, increased volumes lead to more staff and system pressures.

Indeed there is a rule in operations management that any system will get diminishing returns as throughput reaches above 70% theoretical maximum with problems occurring and costs increasing more exponentially as the throughput rises above 85%. These issues can lead to stock-outs, time wasted to find stock, picking inefficiencies, delivery failures, system non-compliance, paperwork failure; all of which are detrimental to customer service compliance which can carry financial compensation penalties.

Of course, individual cases may have differing lead issues. In general however, the time saving element is often said to be the biggest benefit gained from implementing a system.

By saving time in operational activity, you are then able to use the time saved on other productive tasks – with the resulting effect of extra throughput possible with existing man hours. This can translate into monetary value in the following ways:

1. In a static situation, you will be able to get through the same work load as before in less time, freeing up man hours giving added value work. In extreme cases this can result in less staff required or less agency hours.

2. In an expanding situation, completing tasks more quickly can allow for the extra work, and warehouse physical capacity permitting this can lead to increased throughput within the warehouse. More business equals more billing.

Unless your warehouse is totally automated and 'dark', all warehouse related tasks involve some investment of time. However there are some complex, time consuming tasks that should be made easier with a quality warehouse management system in place.

- Administrative paperwork associated with customers receipts and orders. This includes, load manifests, customer reports and invoicing (especially in 3PL).

- Monitoring and controlling management information relating to stock:e.g. monitoring returns, stock discrepancies, Quality Control, tracking of hazardous material, tracking of and picking based on options around Best Before End Dates, Lot/Batch number,,.

- Space utilization – The tasks associated with maximising your space utility. This also ties in with stock Put Away, where sensible locations can add significant benefits to the speed of your Order Picking and pick-face replenishment.

A WMS will certainly cater for all of the above demands with minimum effort, except from setting the parameters that it uses to work from, and the physical side of the tasks (putting stock away, etc.) It is also fair to say that having these tasks completed automatically without any complex calculations or spread sheet work definitely saves you time. And perhaps even a headache.

Of course, we are still talking of manual based work which is fine if you have a reasonably small environment with a few warehouse staff. Once managing the paperwork is a full time occupation for someone, the next level is to remove the paperwork from the warehouse (and office) pushing the system administration down the food chain to the warehouse floor itself. We are talking of wireless operation and scanning, staff updating the WMS wirelessly from performing the processes themselves.

<u>Locking customers into your system.</u>

In the present climate, simply holding onto what you have is a real challenge. Customers can take business away from you very quickly.

Especially in Third Party Logistics (3PL), one secret to prevent this is to lock the customer into your system. Locking them into your system means you increase their switching costs. This makes 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.

This really revolves around communications and visibility, which we will discuss in depth in another paper. In our opinion this can be more important to the usefulness of the system than many tick box 'must haves' commonly seen as vital in 'request for information' questionnaires.

Getting it right every time

Getting something wrong is never pleasant, but in a business environment the results are amplified ten-fold. As well as dealing with your own disappointment you also have customers to answer to. Customers are particularly quick at notifying suppliers when something has gone wrong, be it overcharging, wrong item despatched, or goods being delivered to the wrong recipient. It doesn't matter the nature of the discrepancy – it is not in your best interest to have disgruntled customers.

Customers expect accuracy as standard; after all they are paying you for a service. A few slip ups here and there can be accepted, but wouldn't it be great if you could increase your accuracy and provide a bomb proof service? Don't forget that in manufacturing, world class performance starts at what is termed 3σ (sigma) a term that translates to 3 errors in 1,000.

Customer Relationship Management is a broad term that opens up a whole can of worms, with the buck not stopping at improved accuracy (a service that doesn't add much value to your relationship as it was already expected as standard).

Here are a few points that equate to Best Practice CRM:

- Joint business reviews with dedicated account manager
- Senior management involvement where applicable
- Accessibility and Responsiveness from supplier
- Integration of specialist resources
- Proactive implementation of 'value add'

Although the first couple of points are soft issues that are easy to understand, implement and maintain, they should not be overlooked as they play a massive part in making your customer feel valued. If you can make each customer believe that they are your most important customer you are off in good stead.

A warehouse management system will help you deliver on the remaining points, building a rounded basis for sound business relationships. All historical data relating to customer transactions and stock is kept within a WMS, and generally this information can be requested on demand, often in various formats. This eliminates the time, hassle and headache of having to answer ad –hoc customer queries in a manual environment.

Furthermore, you can add value to your customers by offering automatic reports detailing whatever business information they require – and a 'trigger' will send this to them via, email, fax or ftp site. A WMS makes these types of transactions common practice, and

once you have defined the frequency, contents and format, you don't have to do any additional work.

Radio Frequency technologies further enhance a warehouse management system by providing a means to automatically update systems as transactions are completed.

Securing the future of your business

As we all try to forge into the future, more companies are investing in good software systems to drive their company forward - including your customers. It is becoming increasingly common for businesses to seek complete integration with their business who have suitably advanced IT capabilities.

A recent Eye for Transport survey focusing on Supply Chain Technology stated that 71% of all respondents expected to see an increase in technology investment over the next year. The data in the report suggests that the current main concern for the majority of companies when looking to invest in technologies is to find solutions that provide a clear and immediate ROI, with slightly less focusing on investing in a system that allows for future growth.

The implementation of a warehouse management system often pays for itself within months by reducing your on-going operational costs, in the ways highlighted earlier. It also provides a good basis for facilitating future growth, by improving your internal efficiencies and allowing for more work to be completed within the same timeframe.

Your manual warehouse may have been working without any issues for years. You aren't aware of any immediate problems, and the purchase of a warehouse management system may seem like a massive investment that simply isn't worth it to you right now. Think about this scenario - your highest value customer has decided that they would like to send you files electronically, and maybe get something electronic back, and upon realising that you can't support this functionality, they subsequently move to another provider.

Where does this leave your business? In most cases the realisation that a forward thinking investment a few months back would have solved all of your problems is a realisation that is, unfortunately, just too late.