WHITE PAPER

ARE YOU READY FOR A WAREHOUSE MANAGEMENT SYSTEM (WMS)?

WHAT EVERY OPERATIONS EXECUTIVE SHOULD KNOW



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You pick up your favorite industry trade magazine and notice that the cover story is featuring a competitive organization's successful supply chain transformation. Their success is anchored by the implementation of a warehouse management system (WMS). What is a WMS, you ask yourself? The cover story article describes a WMS as having the following characteristics and potential savings:

- Real-time inventory tracking at the discrete warehouse location or pallet position.
  Savings opportunity: *With a WMS, your warehouse associates know exactly where and how much of a particular item is available, thus saving them non-value added time searching for a viable location for put-away, replenishment or order fulfillment.*
- Automated business rules capable of driving inventory movement.
  Savings opportunity: *The all too typical "tribal knowledge" about an item or customer need, residing in the mind of experienced warehouse associates, can be captured and automated in configurable business rules available in a WMS. This feature allows the experienced warehouse associates, as well as new workers, to quickly execute transactions while maintaining all product and customer requirements.*
- Batching warehouse work transactions together.
  Savings opportunity: *A WMS will optimize travel time for your associates by grouping multiple transactions for the same item to and from a single warehouse location; this approach requires less time than single-threading transactions, requiring multiple trips and more time to complete the same work.*
- Warehouse associate transaction and performance history.
  Savings opportunity: *A WMS will allow your organization to track direct and indirect labor, including how each associate performs against the allotted*

time calculated for the task; this visibility can increase daily productivity for each worker by as much as ten percent (10%).

You think to yourself that your organization is beginning to compile inventory, either raw materials or finished goods, across one or multiple warehouse/manufacturing locations. Does your organization currently have a WMS? If not, do you need one? Review the following criteria to assess your company's current situation.

If you print out a report at the beginning of each shift that identifies a list of the total amount of available inventory for each item currently in your facility and then distribute this list to each warehouse associate allowing them to manually adjust the total item quantity as they move or adjust items…you might need a WMS.

Companies that do not have a real-time inventory system driven by a WMS will utilize a variety of manual tracking approaches, like a static inventory sheet, to offset this lack of available data. Take a moment to imagine what each of these inventory data sheets looks like just a few hours into the first shift, across ten (10) pickers for example. The warehouse associates will go through the exercise to keep their sheets current, but the information on the sheets is not accurate and is not helping them be more efficient. Finally, take into consideration the back-office administration time, and lack of accuracy, to update the company's inventory system of record from each of these inventory data sheets.

If your current inventory system of record shows only one logical location holding inventory for an item, but you actually store the item in multiple locations…you might need a WMS.

Tracking inventory at a perpetual aggregate level is very common for organizations to track, especially within your host ERP application to aid in purchasing decisions and soft allocating customer orders. However, when managing discrete inventory positions within a warehouse or manufacturing facility, best in class operations track inventory quantity and status (e.g., available, on-hold, in-transit) at each physical location or area; this level of detail will help drive quick and efficient productivity for warehouse associates assigned to move product throughout the company's facility.

If your organization's solution to address spikes in order volume is to throw more bodies at the problem…you might need a WMS.

The idea of adding additional resources to address a problem is not uncommon in many business settings. In a distribution environment, however, introducing additional resources to support a manual process can require more coordination of tasks and ultimately loss of productivity that will be challenging to regain, especially if the problem is temporary. The value of a WMS in this environment is to optimize all current tasks for the current workforce, thus minimizing the need for additional resources. Additionally, when new resources are required for a process, a WMS can help assign tasks appropriate to the skill set of the associate.

If at the end of the day, there is still inventory on your receiving dock that has not been put away or orders on the outbound dock that have not been shipped…you might need a WMS.

Completing work that has been planned and assigned is fundamental in any business environment. If your organization consistently leaves inventory work assignments at the end of a

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day unfinished and incomplete, you are putting the organization at risk across several critical business drivers. Inventory that has been received but not put-away (i.e., remaining on the receiving dock) either physically or logically can impact business decisions influenced by the total available quantity for an item.

If your organization runs an order allocation process in the middle of the night, for example, that commits which customer orders can be fulfilled, you run the risk of pushing order allocation out further due to timing of when received inventory is systemically available. Likewise, orders that have been committed for fulfillment, but remain unshipped at the end of the day run the risk of not being invoiced nor being shipped on-time to the customer; this can lead to expediting shipments to the customer at an increased freight cost. A WMS can help prioritize workloads within a distribution environment; inbound shipments can be estimated for unload, checking, and put-away time and can be incorporated into an inbound receiving schedule so that work is planned and completed by end of day. Similarly, outbound orders can also be estimated by a WMS for proper time to allocate, pick, pack, and ship so that enough time is available to prepare these customer requests and align them with outbound carrier pick-up.

If you still conduct non-mandated physical inventory counts… you might need a WMS.

The days of shutting down your operation for several days in order to conduct an “all hands on deck” physical inventory count and reconciliation are over. With the support of a WMS, companies can conduct planned cycle counts across their entire inventory on regular intervals (e.g., quarterly, semi-annually, or annually) and have a complete audit trail of all counts and edits that can satisfy internal accounting or external auditors.

If expiration date management, lot control, or serial number tracking are guidelines as opposed to the rule…you might need a WMS.

If the threat of having to address a formal product recall keeps you up late at night, your organization should consider managing these critical item characteristics within your supply chain via a WMS. A WMS tracks items at the lot control level to ensure that items with expiration date are managed with details capable of discrete four wall warehouse tracking. A WMS can also track the inbound and outbound movements of these

same items, helping your organization answer the following questions:

- Which customers have been shipped these items with a lot control number?
- Which customer shipments are still on the road and can be rerouted back to our facility?
- How do I quickly create and ship a replacement order to this customer with a valid lot control/expiration date?
- Which customer shipments are picked, packed and staged on the shipping dock or in an outbound trailer staged in your trailer yard that contain this lot control number?

While this characteristic and value proposition for a WMS is opportunistic, in the unlikely event this function and detail is required, the cost benefit of having all of this data and transaction history available to quickly address this business issue is monumental.

As you consider the need for a WMS within your company's supply chain, keep in mind that the typical value proposition for a WMS is quantified by…

- Reducing extraneous warehouse associate or back-office headcount in exchange for task automation from a WMS
- Warehouse space optimization to maximize available warehouse storage in primary and reserve locations
- Warehouse associate labor tracking for additional operational performance of existing warehouse resources

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