MULTICHANNEL MERCHANT
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TIP SHEET: WAREHOUSE

10 WAYS TO IMPROVE WAREHOUSE EFFICIENCY

Managing a multichannel warehouse is a fairly easy thing. All you have to do is manage the labor, the freight and the inventory. And from there, a thousand other factors assault you.

Here are 10 ways to improve your warehouse efficiency and reduce costs.

1. Controlling Inbound and Outbound Freight

   While carrier agreements are proprietary, experienced consultants can still help identify areas to negotiate reductions without hurting service levels.
2. Incentive Pay

   Properly engineered incentive pay for performance can bring the biggest percent improvement in labor productivity.
3. SReduce Touches, Reduce Costs

   Take a fresh look at the physical processes and steps involved in product flow and order fulfillment. Generally speaking, fewer steps equal fewer touches equal lower costs.
4. Metrics and Feedback

   Once metrics are established, create regular feedback to the employees on individual and departmental performance.
5. Effective Frontline Management

   The manager's ability to efficiently manage all aspects of fulfillment radically affects your costs, worker morale and the quality of customer order fulfillment.
6. Inbound Supply Chain

   Develop vendor compliance policies, including purchasing terms and conditions, on-time delivery, quality and item specifications, routing guides and importing guides, product packaging and labeling and drop-ship vendor standards.
7. Voice-Enabling Technology

   Voice enabling can be applied to all processes and departments from receiving to shipping and returns for better inventory control and increased productivity.
8. Consider Third-Party Fulfillment

   For smaller companies, 3PF lets management concentrate on marketing and merchandising functions essential to sustain growth.
9. SaaS Versus Licensed On-Premise Systems

   But it's important to understand the SaaS costs long term versus the one-time purchase and annual support of traditional systems.
10. Continuous Improvement Process

    Do an assessment. Work out a plan. Set objectives and accountability for improvement, review progress and start again.

Curt Barry

OMNICHANNEL FULFILLMENT REFINES RETAIL STRATEGY

Many retailers are seeking to counter Amazon's distribution network by turning store locations into de facto fulfillment centers via ship from store.

Making sure inventory accuracy is buttoned up and getting fulfillment operation buy-in from store-based personnel are the two key success factors for omnichannel growth, retailers and experts say.

"An effective omnichannel strategy depends entirely on having accurate in-store inventory," said Peter Sheldon, a vice president and principal analyst covering e-business and channel strategy for Forrester Research.

Sheldon recommends that retailers implement ship from store or ship to store using an OMS for at least six months to refine inventory accuracy before graduating to in-store pickup. That's because in the latter case, the item has to be in the store when the customer arrives, every time

"If the item's not in a store, the OMS can route the order to another store or a distribution center," Sheldon said. "You can fulfill the order in a couple of days and still keep to the customer service-level agreement."

One of the most important ways to get associates to buy into a new expanded role that includes fulfillment as well as selling and stocking is to make sure that allocation of both sales and returns is handled equitably. Without it, associates can grow resentful if they're doing the work for sales that get credited to the online channel.

Kevin Gardiner, director of store operations and strategies for Macy's, said the company did experience "some angst" from associates before implementing a system that shared credit for both sales and returns between online and stores in 2013.

"Before that, any order placed online meant 100% credit to Macys.com," Gardiner said. "Now associates see the online channel as a partner, and appreciate the fact that web-driven sales have led to increases in store-based purchases."

Mike O'Brien

STREAMLINING OPERATIONS WITH A LABOR MANAGEMENT SYSTEM

As distribution center operations continually look to streamline operations and gain efficiencies, a labor management system inevitably becomes part of the conversation. In a nutshell, it helps managers and supervisors track and manage the performance of distribution center personnel based on key indicators.

So the question becomes, when does investment in an LMS make sense for my operations? And what are the main criteria to consider in making this important decision?

Anthony Boatwright, senior manager at logistics consultancy The Progress Group, said the first order of business is getting an organization to look at labor as a whole, putting metrics in place that track KPIs down to the department and individual level.

"The whole intent of an LMS is to provide additional visibility into performance management by doing comparisons of departments and employees," Boatwright said. "But if you're not even looking at labor in terms of putting basic KPIs in place, don't bother considering an LMS. Once you start reporting and tracking those metrics, and communicating them to the department level, you're ready for the next step."

Another prerequisite before considering an LMS, Boatwright said, is establishing standardized processes for distribution center operations. It's important, for example, to have standards for things like picking procedures that all pickers adhere to.

"You should also have standards for training—who gets trained, by whom, the frequency of training and the certification

of trainers," Boarwright said.

Boatwright said once a decision is made to purchase an LMS, it's important to have two discrete cross-functional teams for both integration and implementation in order to ensure success.

"Unfortunately most of the team focus is on integration, and implementation often gets short shrift," Boatwright said. "People like to interchange those words but they have very unique definitions."

Mike O'Brien

WAREHOUSE FUNCTIONALITY IN ERP, OMS, WMS AND SCMS

Many warehouses run quite well with warehousing functionality from an order management system or an enterprise resource planning system. So, how do you know whether your business can benefit from a warehouse management system or a supply chain management system?

On a surface level, generally they all appear to do the basic warehousing functions of purchase order receiving, put away, replenishment, picking, shipping/manifesting, returns processing, inventory control, etc. The difference is in the detailed functions provided and whether your warehouse needs that capability.

Be careful generalizing on the size, square footage of the warehouse or the peak order day throughput requirements as delineating factors of OMS or ERP versus WMS. Additionally, OMS and ERP have many other non-warehousing systems functions available from which companies benefit.

A multichannel OMS provides single integrated system for customer call center and order entry, interfaces to websites, credit and payment processing, order processing, warehousing functions from receiving, put away, replenishment, pick, pack, shipping and manifesting, returns, warehouse inventory control, and direct marketing analysis functions.

Many ERP systems have a heritage in manufacturing or wholesale distribution. ERPs bring together in a single integrated system order entry and order processing, interfaces to websites, warehouse and operations functions, purchasing and purchase order management, customer relationship management, finance, etc.

WMS software designed to direct and control all warehousing activities that occur within the warehouse four walls. The processes include dock receiving, purchase order receiving, quality assurance, marking, put away, replenishment to forward, picking, packing, shipping and manifesting, returns processing, inventory control, etc.

A SCMS involves a broad range of disciples in the planning and management of sourcing and purchasing through to your warehouse and outbound to the customer. Supply chain management involves dozens of steps and information resources to purchase the product, move the product from the manufacturer or supplier to your warehouse. The WMS is part of the supply chain process, primarily in the warehouse.

Curt Barry