



# Distribution Center MANAGEMENT

January 2009

Managing people, materials and costs in the warehouse or DC

## From the Golden Zone

### Cost containment continues to be a major concern in the DC

Distribution center managers are always concerned with controlling costs, but never was this more evident than in 2008. In fact, in our annual reader survey, when asked how they plan to deal with a prolonged economic downturn, the majority of readers cited cost containment as their plan of action.

To help you control costs, we've compiled some of the best advice from *Distribution Center Management's* 2008 issues. We hope it helps you continue to find ways to keep costs under control in your own DC.

#### Five ways to save \$100,000

How important is cost containment? Lou Cerny thinks it should be at the top of your list of improvements — if it's not already there.

"Based on the current economy, I'd say close to 100 percent [of DC managers] would say cost containment or cost reduction is tops on the list," Cerny, a vice president with Sedlak, says in the May 2008 issue. He offers five tips for containing costs, including:

**1. Identify your superstars.** You probably already have some employees who stand out as being more efficient than others. Find those superstars, Cerny says, and get them to train your other employees.

**2. Establish engineered labor standards.** Establishing labor standards is critical to running any DC. Hold employees accountable to meet the

standards, and your productivity will always stay within predefined limits.

**3. Reduce walking time.** In a typical picking operation, 40 percent of the effort employees expend is simply walking from point A to point B. "What you really want to do is reduce the amount of walking time versus the amount of picking time," Cerny says.

**4. Implement voice-directed picking.** Today's increasingly diverse workforce, coupled with a potential labor shortage in the coming years, means DC managers need to make it as easy as possible for employees to pick accurately and effectively. Cerny recommends looking at voice-directed picking to help accomplish those goals.

**5. Look at lighting.** Changing your lighting is one of the easiest ways to reduce your costs. You can reduce those costs about 40 percent by switching over to energy efficient fluorescent lights and motion detectors.

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#### Boost productivity without spending money

It's true: You can improve productivity without spending a dime. According to Norman Saenz, associate principal and Dallas office manager with KEOGH Consulting, you don't always need a massive investment to boost productivity.

This article was reprinted from the January 2009 issue of *Distribution Center Management*. Interested readers may subscribe to the monthly newsletter by visiting <http://www.DistributionGroup.com> or phoning (973) 265-2300.

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“Why not invest in more time to study and identify those harder-to-find opportunities that require little or no investment but also provide productivity gains?” Saenz asks in the October 2008 issue.

Saenz advises looking at layout and material flow to start. He says the material flow and layout of your facility should result in minimal travel time during the day.

Walking typically accounts for 40 percent of the pick time during a shift. If your walk time is greater than 40 percent, modifying the layout can help. In a large storage area, for example, using tunnels and cross aisles reduces travel time and minimizes backtracking.

Using the layout that best supports your business can also enhance the overall material flow. A U-shaped layout is the most common, and is used by most retailers. A straight-through layout is best for manufacturing or freight forwarding operations. While modifying layouts can occasionally require capital investment, the cost is minimal when compared to new equipment investments.

### Lean warehousing helps lower costs

In trying to achieve the lowest distribution costs possible, many DC managers have turned to the principles of lean warehousing. Lean principles will certainly help decrease distribution and

labor costs, but how do you know what areas of your operation to target?

In the July 2008 issue, Joel Sutherland, managing director of Lehigh University’s Center for Value Chain Research, and Bob Bennett, president of Lean Consulting, say that many distribution chains suffer from the same kinds of wastes. By identifying and eliminating those wastes, you can significantly lean down your operation.

Take delays, for example. Any time you have a gap between the end of one activity and the start of the next, you have waste. Whether it’s the case of a truck driver waiting for a shipment or inventory sitting idle on the loading dock, you are wasting time, space, and money.

The fix? Try to stick to a schedule, the pair advise. Coordinate each step of the process to synchronize it and make sure there’s no excess waiting. A good WMS can help you track the process and eliminate this particular waste.

Finally, don’t waste space, Sutherland and Bennett say. Space is wasted when you improperly store products in the DC, you don’t fill full truckloads, or you don’t pack pallets properly.

And, let’s face it: You only have a finite amount of space in your DC. Can you really afford to waste any of it? Look for areas where you can save space simply by maximizing how you pack and store goods. **DCM**

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*Distribution Center Management*™ is published monthly by Alexander Communications Group, Inc., which provides news, data and information on key distribution and warehousing topics through newsletters, books and website.



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