



Distribution Center MANAGEMENT

January 2010

Managing people, materials and costs in the warehouse or DC

From the Golden Zone

Helpful hints to improve accuracy, productivity, and inventory management

With the economy slowly starting to rebound in late 2009, many DC managers turned their attention to improving distribution processes, particularly in the areas of accuracy, picking productivity, and inventory management. In fact, in our annual Looking Ahead survey, those were the top three areas that DC managers were hoping to improve in 2010.

We've compiled some of the best advice from *Distribution Center Management's* 2009 "From the Golden Zone" columns. We hope it helps you improve accuracy, enhance picking productivity, and get a handle on inventory management in your own facilities.

Want to improve putaway productivity? Try the root canal technique

The typical DC manager has spent large chunks of his career figuring out how to jump start order selection, but what about putaway? According to Pat Kelley, founder of the Labor Development Group and director of logistics with True Value Hardware, shrewd DC managers also make sure to perfect inbound receiving.

In the April 2009 issue, Kelley said a good rule of thumb is to devote 20 percent of your reserves to empty space. The problem is that in most DCs, reserve areas are full. That's when Kelley recommends the root canal technique.

What is the root canal technique? Kelley recommends taking a chunk of time, such as a weekend, to cancel all inbound work but schedule

overtime for every single lift driver, including supervisors and managers who can drive lifts.

Next, get the IT people to run a query on all the reserves in the main warehouse, and sort it by age or reserve date. You're bound to discover a bunch of reserves that are more than a few years old, so ask yourself: Are you going to sell it in the next three to four months?

The answer is probably not, Kelley adds. So take that weekend to pull those dinosaur reserves out of the reserve areas, load them on trailers, and get them out. When you're done, you'll find your 20 percent working capacity. What's more, you'll recoup the payroll you spent in overtime during the weekend by increasing productivity in inbound.

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Reduce picking costs and boost productivity by streamlining labor

Improving picking, packing, and returns processing will certainly help you reduce costs, says Curt Barry, president of F. Curtis Barry & Company, in the July 2009 issue. Those three areas make up 60 to 80 percent of the labor cost in most direct DCs.

Look at each of these areas to determine how to reduce the work required. For example, 60 to

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70 percent of pickers' time is spent walking, so slot 5 to 10 percent of product that is fast-moving in closer proximity ("hot pick" zones) to reduce pick time.

Similarly, picking methods like cart/bin, pick-to-light, or voice pick may also help. Ergonomically engineered pack stations, or low-tech solutions such as box builders or envelope inserters, can increase or speed up production. And simplified steps or a team approach can speed up returns processing.

And don't forget that streamlining labor functions is not a one-time activity. You will need to set up a continual improvement process — a set of activities designed to bring gradual, but steady, improvement through constant review — to reduce and simplify the steps and number of times you touch product.

Get a handle on inventory accuracy

Is your inventory accuracy really as good as your auditors report? According to Fred Kimball, principal of consulting firm Distribution Design, it's probably not. In the August 2009 issue, Kimball looks at inventory accuracy and finds that it's your operational accuracy that really counts.

Operational accuracy, he says, answers two questions. The first is, "When we promise the last unit of an item to a customer, do we have a high degree

of confidence we actually have the unit?" And the second question is, "Can we be very sure the picker will find the right item, in the right quantity, at the specified location, on the first try?"

The true measure of a distribution center's accuracy is the operational accuracy. A very high level of operational accuracy is needed to maintain superior customer service and excellent productivity. When a company has taken an order for something based on inventory availability, a bond is established with the customer. When distribution has to backorder the item because they cannot find the item or allocated quantity, the bond with the customer is broken and productivity starts a downward spiral. For example, it is common for a picker who cannot find the item to enlist another person's help. When this happens, there are two people doing one person's job. Talk about declining productivity!

That's why Kimball says the only good measure of how well the operation controls inventory is the operational accuracy: the percent of locations that are 100 percent correct for SKU, quantity, and, sometimes, lot. If the operational accuracy is below 99 percent, there are real opportunities for process improvement that will have a positive impact on productivity and customer service. **DCM**

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