



Distribution Center MANAGEMENT

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Managing people, materials and costs in the warehouse or DC

From the Golden Zone

Experts offer cost and efficiency-boosting tips for 2013

With the economy slowly improving, DC managers can expect slightly better times — but no let-up in the distribution industry's relentless focus on efficiency.

How can you maintain quality while hacking away at waste? During 2012, we asked dozens of DC managers and consultants to tell us what worked for them. Some of their best advice follows.

Organize your inventory

Smart inventory management can yield huge savings. Yet many DC managers claim to be too busy to take the simple step of organizing product so that pickers can work more efficiently.

“One of my biggest frustrations is that most warehouse managers are firefighters,” says Jon Schreibfeder, head of Effective Inventory Management. “They go from crisis to crisis to crisis. They say, ‘I don't have time to reorganize the warehouse.’”

If this sounds like you, Schreibfeder offers a simple solution: Enlist three or four workers to come in for a few hours on the weekend and establish a quick-pick area. Clear out the slow movers, and make space for the fast movers.

“This is something you can do easily on a Saturday morning,” Schreibfeder says. “Once you see that improvement, you'll get hooked.”

If this small step works as well as promised, you'll soon be actively looking for other ways to boost efficiency and carve out savings.

Improve your packaging

The goal of packaging optimization is to lower the cost of packaging, warehousing, and transportation, says Jack Ampuja, president of Supply Chain Optimizers.

His formula for success includes three critical areas:

- **Case size** — Take out the air. By ensuring shipping cases have little or no internal slack, you can make them smaller and more efficient. They're also less susceptible to damage and, because there's less waste, friendlier to the environment.

- **Case strength** — Match the strength of the shipping container to product needs. Too often in cost-cutting initiatives, the corrugate weight is reduced to save money. In fact, a minimal increase in the cost of corrugate might generate big savings in storage and transportation.

- **Pallet patterns** — Make sure shipping cases are aligned with storage, handling, and shipping characteristics. The denser the pallet, the more efficient the supply chain.

“Smart inventory management can yield huge savings.”

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Savings will vary by company and product. For some, savings are spread across factors of packaging, warehousing, transportation, and damage. Others might find benefits in just one category. Either way, the savings can be substantial.

Prepare for prosperity

During the recession, many DCs cut back and hoped to survive. That was a logical reaction, but not a far-sighted one, says John Phelan, COO of TriFactor.

As the economy improves, he says, you should invest in your facility and equipment. Capital equipment replacement was a missed opportunity during the high times, Phelan says.

Getting product to the shipping docks and meeting demand was top priority. Upgrading or replacing the equipment used to accomplish the mission was the last thing that many businesses wanted to consider, even if it was fully depreciated. They simply did not want to deal with the added headache of reengineering a facility or performing wholesale replacement of items like conveyors, sorters, and flow rack.

Delaying equipment upgrades during prosperity magnified the negative impact on operations during the recession. Companies that relied on older equipment were exposed to breakdowns and maintenance that increased operating expenses just as operating expense reduction was a top priority.

Get back to basics

Jeroen van den Berg of Jeroen van den Berg Consulting surveyed hundreds of DCs to learn if they follow industry-standard practices. The results were surprisingly bad.

The typical distribution center employs only one-third of the best practices in our list, he says.

Van den Berg categorized the best practices along three themes: process and organization, IT, and supply chain. He found 36 percent compliance in processes and organization, 37 percent in IT, and 30 percent in supply chain.

One surprise is the low average score in the process and organization category. In principle, a well-structured organization lays the foundation for subsequent innovations in IT and supply chain with best practices in process and organization. Initiatives required to optimize the internal organization, such as creating transparency and streamlining processes, are relatively easy to achieve and less costly than IT or supply chain projects.

Do managers harvest this low-hanging fruit? No, says van den Berg. Managers invest in IT systems but neglect the basics of warehouse management.

This is a recipe for failure. Fancy new systems that ignore the basics nearly always prove ineffective. **DCM**

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712 Main Street — Suite 187B, Boonton, NJ 07005-1450

Telephone: (973) 265-2300 • Fax: (973) 402-6056 • Email: info@DistributionGroup.com • Website: www.DistributionGroup.com

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