



# Distribution Center MANAGEMENT

Managing people, materials and costs in the warehouse or DC

## Inventory Management

### Going lean? Product location and technology are keys to improving efficiency

When Jon Schreibfeder visited a consumer goods distribution center last year, several of his pet peeves jumped out.

Fast-moving items were scattered throughout the warehouse, leading pickers on far too many long trips to fill orders. There were obvious opportunities to upgrade material handling systems. And the shopping carts used by pickers did little to make workers' lives easier.

Schreibfeder, head of Effective Inventory Management in Coppell, TX, suggested a number of changes at the 300,000-square-foot warehouse, whose owner he declines to name.

He advised reorganizing the warehouse to put high-volume products in accessible areas. He recommended zone picking, which eliminated long trips to far corners of the warehouse. He also suggested a voice-picking system, plus a pick-to-light system for the most active products. And he found carts with bins that let pickers better organize their products.

The results were eye-opening: For a \$500,000 investment, the company saved \$25,000 a day and was able to eliminate overtime.

In these days of a slow-to-recover economy and ever-increasing pressure on the bottom line, DCs are expected to run lean. Yet too many ware-

house managers find themselves at the mercy of their operational inefficiencies.

Schreibfeder offers several strategies for increasing efficiency by taking control of your inventory:

**Strategy 1: Organize your facility for efficiency.** It sounds like a no-brainer, but be sure to put your fast movers in the most accessible locations. In many DCs, 10 percent of the products account for 80 percent of product requests. About 40 percent of SKUs make up another 15 percent of activity, and fully half the product in the warehouse is responsible for only 5 percent of orders.

Your goal is to get the fastest-moving 10 percent of products into the easiest-to-reach locations in the DC. You want pickers to get to these items without using ladders or traveling to the far corners of the building.

When Schreibfeder is hired to scrutinize an operation, he looks for telltale signs of poor organization such as deadhead trips (when a picker or lift truck operator is traveling without product). Another giveaway: Workers climbing up and down ladders to reach product on high shelves.

**Strategy 2: Start small.** Smart inventory management can yield huge savings. Yet many DC managers claim to be too busy to take the

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simple step of organizing product so that pickers can work more efficiently.

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

If this sounds like you, Schreiberfeder 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,” Schreiberfeder 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.

**Strategy 3: Invest in technology.** DC managers often object to the cost of warehouse management system upgrades or new material handling equipment. But choose wisely, and these costs quickly pay for themselves.

A WMS is a crucial part of any lean operation, and simple cloud-based systems provide efficiencies with low cost. To find the system that’s right for you, make a list of your frustrations, then ask a variety of WMS vendors how they’d address your problems.

Conveyers, voice picking, and other material handling systems can also yield big savings that make them virtually free.

“It is amazing how quickly state-of-the-art material handling equipment will pay for itself, because labor is so damn expensive,” Schreiberfeder says.

**Strategy 4: Examine your slow movers.** If your DC is full of items that sell only occasion-

ally, take a hard look at the SKUs to determine which you could live without.

Schreiberfeder asks, “Why are you carrying it? Everything you carry should be profitable or should lead to a profitable sale.”

**Strategy 5: Consider zone picking and cross-docking.** If a picker’s shift takes him from one end of the warehouse to another, it might make sense to divide the facility into zones and assign pickers to specific areas within the warehouse. That’s what Schreiberfeder suggested at the consumer goods DC.

“They had been going to remote corners of the warehouse,” Schreiberfeder says.

Of course, zone picking can add the extra step of consolidating orders after they’ve been picked from their zones. That means you need to study the situation in your warehouse to determine whether the shorter travel times in zone picking will offset the added step.

Schreiberfeder also suggests cross-docking as a way to eliminate double handling and to reduce errors.

**Strategy 6: Forget physical inventories.** Full physical inventories have fallen out of favor because they’re time-consuming. And while full physical inventories are ideal for counting slow-moving items, they’re not as good for analyzing fast-moving product.

Schreiberfeder prefers cycle counting and suggests counting fast movers six times a year. Because the focus is on fast movers, cycle counting can help you identify accuracy problems in your most important SKUs earlier than a traditional full physical inventory.

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