



Distribution Center MANAGEMENT

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Managing people, materials and costs in the warehouse or DC

From the Golden Zone

Optimizing warehouse operations will help you succeed in today's tough economic climate

By René Jones

Transportation costs are going through the roof, your employees are struggling to keep their homes, and your customers are scrutinizing every cost on their invoices. I think it is safe to assume our economy is in trouble. This means that not only is your supply chain crucial to your organization's success, but it could be about to make you or break you.

The signs look bleak for those organizations that have not optimized their warehouse operations. If you can't provide your customers with what they want, when they want it, on a consistent basis, and at a reasonable price, it will affect your bottom line.

Take a look around you. Is it time to admit that your warehouse is in shambles? Try asking yourself the following questions:

- Does your warehouse have returns that sit around for days without being processed?
- Does your warehouse have receiving that does not get received for days?
- When you've received items, do they sit again before being put away?
- Do your customer service personnel spend too much time in the warehouse checking stock because your inventory is so inaccurate?
- Does your warehouse appear to be bursting at the seams, which causes your pickers to spend twice as much time searching for product to fill

orders and your receivers to spend twice as much time to find putaway locations?

If you answered yes to any of these questions, then your warehouse is in shambles! What are you going to do to improve its performance in light of the current economy?

Don't cut your payroll

For many companies, the first thing they do when times are tough is lay off employees. But that strategy doesn't work in most warehouses. Why? Because, in the distribution business, your organization is dependent on two things: Your people and your inventory. Which is more important to your organization's success? Let's look at both.

The value of your inventory can be as much as 20 percent of your top-line sales. That means a \$100 million company will have approximately \$20 million of inventory on hand. It costs you between 20 and 35 percent of that inventory's value to stock it in your warehouse. Now answer this question: How well are you keeping track of your inventory? Do you have a good handle on 70 percent of your inventory? Ninety percent? Ninety-five percent? Even if you know exactly where 95 percent of your inventory is at all times, that still means you don't know where \$1 million of your inventory is located. Is that acceptable?

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The value of your people is calculated differently. Labor accounts for at least 65 percent of the cost associated with distribution. Seventy-five percent of employees polled say they are searching for a new job, while 20 percent say they are disengaged. Disengagement is costing American organizations more than \$300 billion annually. So which is more important: Your people or your inventory?

Let me answer that question for you. It's your people! Your people are more important, because they control your inventory and communicate with your customers. Your plan cannot simply be to lay people off. How will you improve your warehouse operations with fewer people? You won't.

Address inaccuracies, errors, and turnover rates

What will you do differently to service your customers during this economic downturn? Will you begin to evaluate your slow moving and dead inventory to free up much-needed warehouse

space? Will you evaluate your stocking methodology to create a more efficient picking and putaway process? Or will you bury your head in the sand and hope it all blows over? I hate to admit it, but that is what most organizations are doing.

Now is the time to do the things you have been too busy to do. Address inventory inaccuracies and picking errors. Address the turnover you have been experiencing year after year. Motivate your personnel, because they might already be looking for something new.

Your customers could already be searching for new, more efficient suppliers. Can you really afford to lose valuable customers? I am telling you, with no hesitation, your warehouse is in shambles. What are you going to do about it? *René Jones is the founder of Total Logistics Solutions Inc., a warehouse consulting organization headquartered in Burbank, CA. Contact him at 888-807-0958, info@logisticsociety.com, www.logisticsociety.com.* **DCM**

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