



Distribution Center MANAGEMENT

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Managing people, materials and costs in the warehouse or DC

From the Golden Zone

Know your operation well enough to move beyond tactical management to strategic management

By Geoff Sisko, senior consultant, Jack Kuchta LLC

Do you really know your operation? What are your key numbers?

I'm not talking about your Key Performance Indicators (KPIs) — I hope you have already determined what you want to measure to effectively manage your day-to-day operation. That's tactical management. I'm talking about a higher level of understanding, strategic management. The numbers that relate to processing goals.

One way to think about this issue is to look at your operational processes as if you were designing a new facility. What will drive the design? Not only are today's demands to be considered, but what would you plan for the future?

Some questions you might ask yourself, as a starting point, are:

1. What functional areas are at or near capacity today?
2. What functional areas have excess capacity today?
3. Where do I have constraints on my busiest days?
4. What comments, or complaints, do I get from customers, and how can they be resolved?
5. What do the associates and mid-level managers feel are constraints?

6. What else can I do to provide increased services to my customers without substantial cost increases?
7. What changes do I and my company management (including sales and customer service) see as likely or desirable in the future?

Answering these questions might require some discussions or phone calls with your staff and your customers, but that's something you should already be doing.

Once you can answer these questions, you can identify the areas that need further attention. Some key, fundamental areas and questions include:

1. Shipping and receiving

- a. What are my peak volumes?
- b. How many pallets an hour do I have to put away?
- c. How long does it take to load/unload a truck?
- d. From that, how many dock doors do I need for each function?
- e. Can I have some "swing doors" that can be used for both functions if the schedules permit?
- f. What should I do and how long will it take to handle the freight (particularly on the inbound) to prepare it for the next step? How much space is really needed for that function?

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2. Storage

- a. Do my pallet racks fit my needs?
 - i. Are the openings sized to take the loads as they arrive without re-palletizing?
 - ii. Do I have the right mix of single, double, pushback, and so on?
 - iii. Are my aisle widths appropriate to the types of lift trucks I should be using?
- b. Do I have flexibility in the storage area?
 - i. Do I need some pallet openings configured for taller-than-usual or half-pallet loads?
 - ii. Do I have enough locations so I don't slow the entire operation in order to find adequate locations in the correct zones?
 - iii. Do I do re-warehousing to optimize storage capacity?

3. Order picking

- a. Do I have the correct number and sizes of picking locations to handle the product mix?
- b. Do I re-slot products based on cubic velocity often enough to reflect the ordering patterns?
- c. Am I replenishing too often, or do I frequently have "shorts" because the replenishment is not timely?
- d. Are there picking errors that are caused by the "system" as opposed to operator error? For example, is one unit a single piece or a single sleeve of three?
- e. Is the order picking methodology appropriate to the operational need?
 - i. Zone picking
 - ii. Batch picking
 - iii. Single order picking
- f. Is my picking process timed correctly?
 - i. Do I know the status of any order at any time?

- ii. Are order completions frequently late?
- iii. Do picked orders sit too long before the next process?
- iv. Are rush orders a result of customer needs or operational inefficiencies?

4. Value-added services (VAS)

- a. Do I have the flexibility to respond to a variety of requests?
- b. Is there sufficient space to do what is needed in a timely manner?
- c. Does my system allow for planning enough lead time to get VAS done on time?
- d. Is there sufficient volume and standardization to justify mechanizing or automating some of these processes?

These are only a few of the areas that can be reviewed. The important thing is to define the need, quantify the need, and quantify the existing capacity to meet the need. By comparing the requirement to the capacity, it will be clear where to put your efforts. By keeping this information up to date, it will be possible to answer questions such as "Can we do XYZ to support this new (product line, customer requirement, growth projection, and so on)?"

Having this type of information available can also help the distribution professional justify requests for upgrades, additional space (or added DCs in the system), additional labor, or system upgrades.

It's a higher level of understanding than the useful, but limited, list of KPIs. It's called managing!

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