



Distribution Center MANAGEMENT

Managing people, materials and costs in the warehouse or DC

Inventory Management

Talking to your planning department can be a crucial cost saver

Communication between planning departments and distribution centers is never more important than now, with the holiday rush in full swing.

Yet too many companies have unwittingly erected communication barriers between their forecasting departments and their warehousing operations, says Ralph Cox, a principal at Tompkins Associates.

He recalls working with an auto parts retailer that planned a motor oil promotion. Three dozen truckloads of motor oil were to arrive in the DC in one week and be shipped to stores.

There was only one problem, Cox says: “Nobody told the DC.”

This was a dramatic example of a communication breakdown, but smaller misunderstandings happen all the time. DC managers often don’t understand the planning process, and planning departments often don’t grasp the challenges faced by DCs.

Logistics managers typically come from the warehousing, transportation, or purchasing departments. While managers are well-versed in their area of expertise, they often don’t know other areas well.

“Typically they understand one area or maybe two, but not the whole thing,” Cox says. “That’s

why you end up with warehousing operations disconnected from planning departments, and vice versa.”

If you’re feeling the effects of that sort of disconnect at your DC, Cox suggests making an effort to fix it. The simplest, most straightforward solution is to ask your planning department to sit down with you and explain the demand-forecasting process. While you’re at it, make certain the planners understand how their decisions affect the DC.

Some areas to consider:

- **Receiving.** Lean inventories are all the rage, but you need to make sure planners understand how labor-intensive shipments affect the DC.

Ideally, you can order the challenging shipments less frequently. “If it’s cheap and it’s a whole lot of trouble to receive, I don’t want to order it every two weeks,” Cox says. “I don’t want to torture myself like that.”

- **Labor costs.** Light inventories can mean more work in the receiving department, and therefore more overtime and higher labor costs. If planning decisions are causing overtime to spike in the DC, you should communicate that

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reality. “The planning department is geared to keeping inventory down,” Cox says. “Keeping inventory down in and of itself is an incomplete objective.”

- **Space utilization.** An empty warehouse isn’t efficient — but a full one isn’t, either. Once a DC exceeds 90 percent of capacity, waste

skyrockets. You’re storing items in aisles, and workers can’t find SKUs. Make sure your planning department knows that cramming too much inventory into the warehouse is a bad idea. “That space thing is not well understood over in planning,” Cox says.

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