



Management Issues

Even good DCs do dumb things; here are some worst practices to look out for

The modern distribution center is a high-tech marvel, one that uses sophisticated software, state-of-the-art equipment, and adept management to move dizzying volumes of products at stunning speeds.

Even so, foolish and inefficient practices can find their way into warehouses, often because managers don't know any better. Kate Vitasek of Supply Chain Visions in Seattle has been cataloging dumb DC practices, and she has found some doozies, such as a receiving dock on the second floor, an inventory labeling system that relied on Post-It notes, and a receiving shift that ended just as deliveries arrived.

In each case, Vitasek says, warehouse managers thought of an inefficient practice as a legitimate solution to a challenge.

"People don't know they're bad," she says.

Even some sophisticated, big-name companies fall victim to bad practices. That's why Vitasek recommends conducting a warehouse audit through the Warehousing Education and Research Council or bringing in an outside expert to look at your facility.

"Every warehouse needs to step back and take a look at their operations and procedures," she says.

Here are some dumb DC practices identified by Vitasek and others:

Dumb idea: Receiving dock on the second floor. This sounds unbelievable, but Vitasek says she saw it with her own eyes. The receiving dock

had a second-story mezzanine, and warehouse managers reasoned that they had so little space that they might as well use the second floor to receive product.

The result, Vitasek says, was an efficiency nightmare. Product left the truck, was placed on a pallet, put on a forklift and moved to the second floor, taken off the pallet for receiving, then put back on the pallet and the forklift to return to the main floor.

Smart solution: Shoot for a steady and efficient flow into and out of the facility. The more times your workers touch the product, the more efficiency and performance suffer.

Dumb idea: Out-of-sync shifts. Vitasek saw one warehouse where the receiving department worked 6 a.m. to 2 p.m. But the inbound trucks didn't deliver to the warehouse until after lunch.

This meant the DC had to pay overtime to receiving workers every day.

Smart solution: Look at your shift scheduling to make sure you're operating efficiently.

Dumb Idea: Using sticky notes for labeling items in the warehouse. Vitasek says she once toured a 3PL facility that used Post-It notes to label product in the warehouse. This company counted Fortune 500 companies as clients, yet it seemed satisfied to use this ridiculous labeling system instead of barcodes, RFID, or another sophisticated method.

What if a sticky note fell off? The company kept digital images of every item in the warehouse.

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So someone would have to look up the SKU information and then create a new sticky note.

Smart solution: Have a recognized vendor product ID or your own SKU printed or molded on the product, and printed on the case and pallet.

Dumb idea: Weighing product even though the weight never changes. Fred Kimball of Distribution Design once saw a warehouse that assigned two workers to weigh inbound canisters of a raw material. One would recite the canister serial number, weigh the canister, and check off the receiving document. The second person would confirm the serial number and weight.

Sounds good until you consider that the weight of the canisters never changed, not even by a fraction of an ounce. Neither employee could remember ever seeing a canister that varied from the standard weight.

Smart solution: Look for tasks that don't accomplish much, and find a better way to put your people to work.

Dumb idea: Letting your inventory walk away at the end of the shift. Theft is a problem in many DCs. Petty pilfering is one thing, but some warehouses are victimized by wholesale looting.

Kimball once saw a government-operated pharmaceutical warehouse in another country that lost product worth \$600 million in one year, mostly because of employee theft.

In another case, Kimball saw a 3PL that handled a precious metal worth \$125,000 per pallet — without the processes and security systems to protect it. Sure enough, the inventory began disappearing. Each brick was worth \$4,000, and an employee could get \$1,200 at a scrap yard.

Smart solution: If you're handling valuable product, invest in employee background checks, drug testing, surveillance cameras, tip hotlines, and security guards.

Dumb idea: Swastikas in the men's room. At an Albertsons DC in Aurora, CO, the swastikas and white supremacist graffiti in the men's room were so offensive that some employees left the building to relieve themselves. After an Equal Employment Opportunity Commission lawsuit,

Albertsons paid \$8.9 million to 168 current and former employees.

Race-baiting was so common in the DC that managers and supervisors knew about it and sometimes even participated, the EEOC says.

Smart solution: Train workers, supervisors, and managers not to engage in or tolerate discrimination.

Dumb idea: Leaving refrigerated goods on the forklift during lunchtime. Some DCs take their lunch breaks a little too seriously.

"I did a project for a company where everyone in the distribution center takes lunch at the same time, leaving product mid-pick on vehicles and no loading occurring," says one consultant who asked not to be named. "Sometimes this practice took temperature-controlled product out of its zone."

Smart solution: Stagger lunch breaks, or at least coach employees to move temperature-sensitive product to a temperature-controlled area before breaking for lunch.

Dumb idea: Silly putaway procedures. Jeroen van den Berg, author of *Highly Competitive Warehouse Management*, recently saw a WMS that automatically assigned putaway locations alphabetically. The warehouse is divided into sections E, N, R, and S.

Locations in section E, aisle 01 are assigned first — even though they're in the back of the warehouse. In another misstep, locations in other sections are never assigned unless the other sections are completely full.

Smart solution: A putaway procedure that distributes inventory evenly across all aisles.

Dumb idea: Sending forklift operators out in the rain and snow. Vitasek heard a tale from a forklift driver about a warehouse that was so overstuffed that a separate building was used for storage. Forklift drivers had to go back and forth between the main DC and the overflow storage area, even in the rain and snow.

The drivers solved the comfort issue by stretch wrapping the overhead guards of their lift trucks to protect themselves from the elements. That fixed one problem, but it did nothing to

address the related problem of exposing inventory to the elements, or the larger issue of inefficiency in a warehouse that was overflowing with product.

Smart solution: Too much inventory slows down everything. Get rid of obsolete inventory and invest in racks and storage systems, or, if that fails, find a larger facility.

Dumb idea: Picking from the bottom of the stack. Tom Speh of Miami University in Ohio once did a consulting stint at a warehouse that had a bulk storage area but no picking area or permanent storage. Pallets were stacked up to 28 feet high.

That would have been fine if forklift operators were picking full pallets from the top of the stack. Instead, drivers often grabbed cases from the bottom of the stack — leading to inevitable collapses.

“They had a hell of a lot of damaged product,” Speh says.

Miraculously, there were no injuries that Speh knows of — although he once saw a pick performed by a worker standing on the forks of a lift truck as the operator raised him into the air.

The design of the warehouse “stimulated people to do dumb things to speed up the picking process,” Speh says.

Managers said they didn’t have enough room for a saner pick area.

“They felt they were going to lose too much space,” Speh says.

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