



Distribution Center MANAGEMENT

May 2009

Managing people, materials and costs in the warehouse or DC

From the Golden Zone

Seven ways to optimize efficiency in today's warehouse

By Chris Werling

Thirty years ago, virtually every organization looked at its warehouse as a necessary evil. It was simply a building to keep the weather off of the merchandise. But today's distribution center has become a much different place. To borrow an old expression, this isn't your father's warehouse any longer.

As the warehouse has changed, so has the caliber and skill set of the people needed to run it. Today's distribution center managers must bring a wealth of skills and experience to the operation. Along with relevant experience and exceptional analytical skills, the DC manager of today must be a great communicator with outstanding people skills, have an appreciation and understanding of technology, have the discipline to manage a multimillion dollar annual budget, and be a top-notch project manager to boot.

Nobody can argue that today's DC has a significant impact on the profitability of an operation. By reducing direct costs, the distribution operation can often add millions of dollars to the bottom line. Add in the ability to minimize customer charge backs and garner additional revenue from value-added processes, and the impact of a DC becomes all the more impressive. Today, everyone understands that the ability to execute efficiently and effectively in the DC can make or break a company.

With this in mind, here are seven ways to optimize the efficiency of your distribution operation.

1. Remember the basics

While there are a number of high-profile things that you can do to improve the efficiency of your DC, none of them mean a thing if you don't have a handle on the basics. Automating bad processes simply means that you'll be doing the wrong things more efficiently. Is your building laid out correctly? Is your product flow efficient? Are your processes set up to meet your customers' needs? Is your staff deployed optimally? Do you have the right culture among your staff? Start with the basics and make improvements in these areas first. Once that is done, you can move on to other areas.

Automating bad processes simply means that you'll be doing the wrong things more efficiently.

2. Automate

There are a tremendous number of products available today to automate the distribution of products, as well as optimize the efficiency of your staff. You should look at many of them. If you're not using a particular type of automation, you should have a good understanding of the technology and a compelling explanation for why you aren't using it. A good rule of thumb is that any additional touches are opportunities for disaster, and any information that is manually kept, keyed, or entered is yet another opportunity for error and an obvious inefficiency.

This article was reprinted from the May 2009 issue of *Distribution Center Management*.

Interested readers may subscribe to the monthly newsletter by visiting <http://www.DistributionGroup.com> or phoning (973) 265-2300.

© 2009 Alexander Communications Group, Inc. All rights reserved.

No part of this article may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying or otherwise without the prior written permission of Alexander Communications Group.

3. Analyze

One of the best signs that I've seen in the office of a DC manager read: "Whoever said ignorance is bliss obviously never ran a distribution center!" Be a tireless analyzer and review any and all data that you can get your hands on. How much does it cost to touch a product? How do individual workers stack up to each other for productivity? What percentage of your shipments does your biggest customer represent? What percentage of expenses does freight represent? What is your return on investment for implementing a warehouse management system? A traffic management system? How closely does your organization follow the Pareto Rule (20 percent of the SKUs represent 80 percent of the velocity)? How long has it been since you had orders for your least active SKUs? What is your carrying cost? In a DC, accurate, real-time information provides you with the power to make critical decisions correctly.

4. Don't forget your employees

In all of the talk about analysis, information, and automation, don't forget the folks in your warehouse. While they may not have the most challenging or complex of jobs, they're people with goals, hopes, and dreams like everyone else. For the most part, they want to do well, and will respond positively to training, feedback, and encouragement.

5. Benchmark

You can spend hours of analysis and have the most accurate and timely data in the world, but it doesn't mean much if you have no idea how your operation stacks up compared to the rest of your industry. You need to network with your peers in other companies who have similar operations. See how their automation, throughput, inventory turns, freight discounts, labor costs, and compliance charge backs compare to yours. Visit their operations and invite them to visit yours. Some industries have information service companies

that can anonymously pull your information together with that of other companies and do this data comparison for you. If yours is one of them, you may want to look into this.

6. Seek additional opinions

One misconception that many distribution executives have is the old standby "my business is so unique and unusual that other operations, skill sets, and experiences don't apply." While it's easy to see how someone can fall into this line of thinking, it is totally inaccurate. The most effective distribution executives are not necessarily someone with an individual wealth of knowledge and experience, but are almost always great facilitators of multiple sources of knowledge who can "borrow" and apply the best ideas without feeling intimidated or threatened. Accept the fact that today's distribution centers require so much specialized knowledge that no one person will ever be the definitive expert on every process that goes on within the four walls. If you're a solid generalist and have the necessary facilitation skills, you can make your mark, but if you try to do it all yourself you'll almost certainly fall short of your goals and objectives.

7. Communicate

Last, but certainly not least, communicate with everyone around you. You need to be in constant communication with not just your staff, but also your boss, your peers within the organization (especially finance and sales), and, in particular, your customers. When a disaster comes along with a customer (and in case you were wondering, one will come), nothing helps to smooth things over like the equity that you've built by regularly communicating, meeting their needs, and working with them in the past.

Chris Werling is president and a founding partner of supply chain management consulting firm Cornerstone Solutions. You can reach him at 260-496-8259 or at cwerling@cornerstones.com.



Distribution Center Management

712 Main Street — Suite 187B, Boonton, NJ 07005-1450

Telephone: (973) 265-2300 • Fax: (973) 402-6056 • Email: info@DistributionGroup.com • Website: www.DistributionGroup.com

Distribution Center Management™ is published monthly by Alexander Communications Group, Inc., which provides news, data and information on key distribution and warehousing topics through newsletters, books and website.



© 2009 Alexander Communications Group, Inc. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying or otherwise, without the prior written permission of Alexander Communications Group.