**Is it time for a WMS?**

**Top three questions to ask.**

# How a warehouse management system can help optimize operating costs, inventory visibility and customer satisfaction.

July 10, 2015

Editor's Note: The following column by Eric Allais, President and CEO, PathGuide Technologies, is part of Modern's Other Voices column. The series features ideas, opinions and insights from end-users, analysts, systems integrators and OEMs.

Say your company, warehouse or distribution center has enjoyed several years of positive revenue growth, your staffing has increased accordingly and you think your customers are happy. However, you find yourself drowning in paperwork, your legacy business processes can't keep up with rising customer expectations, you suspect that your warehouse workers are inefficient and you spend countless hours trying to track down missing inventory. If this describes your current situation, it may be time to consider deploying a warehouse management system (WMS).

You've probably thought about investing in a WMS before now, but it might have seemed like it would require an overly complicated analysis due to the many questions that needed to be asked and answered before talking to vendors. Here are the top three questions that should be considered to best determine whether it's time to invest in the WMS.

**1) Is your warehouse costing you (and your company) money?**

This is arguably the most important question. If your warehouse is having a negative impact on your bottom line, your problems may run deeper than inefficiencies alone. Here's what you should examine:

Labor: Labor costs represent the largest expenditure in warehouse operations, and they are the most difficult to manage. At the top of the priority list of key performance indicators (KPI) should be productivity in terms of revenue per employee (RPE). Do you know who the most efficient, accurate and speedy workers are, and can you prove it? Is there is a training issue? Are your workers relying on tribal knowledge? How long does it take for a newly hired worker to become productive? If current processes are so convoluted that weeks of training must be calculated into the cost of adding labor, this may justify the purchase of a WMS.

Errors: Examples include reduced profits due to resending orders, and the time and cost of issuing and processing RMAs. Just the lost revenue around mis-picks could be enough of a reason to purchase a WMS. According to a survey conducted in 2013, mis-picks cost the average distribution center nearly $400,000 annually. That same survey found that a mis-pick costs anywhere from $22-$100 each, resulting in an overall industry loss of up to $4.8 million annually.

Efficiency: Is your stock organized to maximize put-away and pick efficiencies? If not, your business is being financially impacted. In the same survey stated above, the average 50-person warehouse or distribution center lost 3,000 annual labor hours due to inefficiencies. One way to address this loss with a WMS is to institute optimized work flows that reduce product handling, eliminate unnecessary travel, simplify the number of steps in any process and eliminate paperwork.

**2) Do you control your inventory, or does your inventory control you?**

Do you regularly over-buy stock because that's better than living in fear that you might run out? This practice will lead to an increase in inventory carrying costs, space constraints, and result in a loss of profits—not to mention the risk of obsolescence or expiration. Do your workers waste time looking for inventory? A WMS will track every single item to speed picking and reduce errors that occur with paper-based inventory programs. Product will never be lost again. A WMS will also save money by eliminating manual labor involved when tracking things like expiration dates or bin movements in a spreadsheet.

How many inventory turns are you getting and how does that compare to your competitors? Since you're likely using paper-based data at this point, to understand annual turn rate, simply take your average cost of goods sold divided by your ending inventory.

To find out how your organization compares to competitors, do a little digging on the internet or go to industry associations such as the Warehousing Education and Research Council (WERC) for help.

**3) What do your customers say about you?**

You think your customers are happy, but how do you know? If your customers tell you your service is poor, or they simply disappear, perhaps it's time for a WMS. Maximizing customer satisfaction leads to increased profitability, increased customer loyalty and repeat sales. An average business loses 10% of its customers annually, according to DestinationCRM.com. Cutting that number in half could significantly boost profits, in part because of the expense required to acquire a new customer.

A WMS can help identify those areas in the warehouse impeding exceptional customer service and establish the controls necessary to turn that around. By offering better organization and streamlining warehouse processes, it can enable the business to ship and deliver every order on time (one of the biggest customer complaints). And in this day and age, a customer who isn't receiving notifications regarding the progress of his or her order will be left with a less than stellar impression of your business. Do your customers and suppliers need to see a well-managed warehouse in order to maintain confidence in your business? For almost every company, the answer is a definite yes.

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