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Warehouse Optimization: Get Your Warehouse in Order



Warehouses and distribution centers. Stuff goes in. Stuff goes out. What exactly happens inside is a mystery to many executives. It's worth taking a closer look.

Executive Summary

TBM's supply chain experts share some of the hidden opportunities for reducing costs, boosting productivity and improving customer service in your company's warehouses and distribution centers.

There are two main reasons why your company's warehouses and distribution centers are worth your attention. First, having escaped the scrutiny applied to other operational areas, these facilities offer significant untapped opportunities for efficiency and productivity improvements. And second, as the final internal touch point before customers receive your products, it's an area where quality and performance have an outsized influence on customer satisfaction and future business.

From a sales and marketing perspective, warehouses are places to store anything and everything customers might need until they need it. The overriding objective is to avoid any stockouts and lost sales. While such inventory is tallied as an asset by accounting, it's really a cost in terms of space utilization and reduced flexibility. The demand for product availability must be balanced with an ongoing drive to optimize cubic warehouse space and get the best return on the investment.

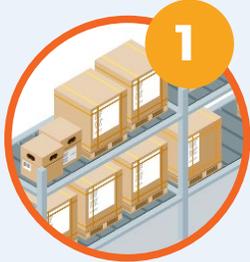
Seeing the Opportunities

Business executives and lean proponents alike frequently talk about warehousing and distribution operations as a necessary evil, or as an uncontrollable cost of doing business. Such narrow views can overlook the opportunities to optimize the type of inventory, the quantity of inventory, how it's stored and handled, and how it flows. All of these factors and more contribute to exactly how high those costs of doing business will be.

Over time, even the best storage configurations will become less efficient if not refreshed. Some of the factors that reduce efficiency include new product introductions, changes in customer demand patterns, and acquisitions. The hottest products in your DC today may be among your slowest moving items or even be obsolete 12 months from now.

This is why warehouse optimization efforts almost always start with slotting. A typical warehouse worker spends up to 60 percent of his or her time traveling between storage locations. Storing products according to sales volume and velocity can reduce travel distances and time, cutting labor costs significantly. Of course, those variables are in constant flux.

TOP 5 Productivity Issues in Most Distribution Centers



Slotting



Associate travel time



Picking, packing and shipping efficiency and flow



Put-away efficiency and flow



Logistics management (carrier selection, routing, product marking, etc.)

Re-slotting products based on current demand patterns should be done at least once a year, or more often if there are major changes in your product mix or sales volumes. The benefits include:

- Increased picking labor efficiency
- Increased picking accuracy
- Reduced replenishment labor costs
- Increased speed and flow of goods through the distribution channel
- Safety and ergonomics (by storing high-volume and heavy products in the best ergonomic positions)
- Reduced damage and shrinkage

As mentioned [in our case study about FleetPride](#), “**You Need Your Customers More Than They Need You,**” reducing labor requirements by reducing travel times can be achieved in other ways as well, especially when you take your customers’ processes into consideration. FleetPride is now shipping products from its distribution centers to its retail branches according to targeted storage

zones at the branch locations. The change of approach only takes a few extra minutes on the shipping side, but it saves a tremendous amount of put-away time and labor on the receiving end, which has freed up employees to spend more time with customers.

This initiative, like the typical re-slotting project, did not require significant investments in new equipment or information technology to realize the benefits. That’s not to say that IT solutions and automation don’t have their place. Even in long established facilities, pick and pack, voice picking, pick-to-light, and automated material handling equipment can offer dramatic productivity and accuracy gains that easily justify the sometimes substantial investments.

Regardless, as with any mature process or operation, improvement starts with someone who asks why things are being done a certain way. Operations executives need to look at how their distribution and warehousing operations are currently being run, and keep encouraging site managers to consider and test alternatives.

SPEED WINS EVERY TIME

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