SUPPLY CHAIN

WAREHOUSING & PROPERTY FOCUS

AUTHOR
Gursh Atwal

Warehousing in a downturn

Following the Chancellor's 2012 UK budget in March, the UK Office for Budget Responsibility (OBR) published its predictions for our future economic landscape.

Unsurprisingly, things seem likely to get slightly worsebefore they get better. This includes unemployment, currently at 8.1%, which is expected to rise to 8.6% over the next year, before falling to around 6.3% by 2016, as well as public sector net debt, currently at 65.8% of GDP, which is expected to peak around 76.3% by 2014/15,only falling again thereafter.

So, how does this affect the business strategies of supply chain managers, whose continuously tougher annual targets include improving sales figures while driving significant cost savings in ever expanding global networks? Ideally, they are aiming for sustainable business growth, eliminating waste, ensuring global compliance and, importantly, reducing costs. According to the Chief Supply Chain Officer Report 2011, 88% of respondents considered supply chain improvements either important or very important for ensuring operating cost reduction. Looking at the entire cost table from procurement to fulfilment, inventory is a key component in total supply chain spending. Unfortunately, the crucial business area of the warehouses or distribution centres (DCs) – often referred to as the heart of the supply chain – is also often isolated from the rest of the supply chain and not fully integrated with operations and systems from other areas, such as procurement, despatch, customs, transport and service providers. Such isolation inevitably results in a loss of transparency and, consequently, missed optimisation potentials.

Many companies do not use warehouse management solutions to their full potential. Optimised utilisation of resources, proper inventory management, automation of billing and accurate stocking are just the first steps in reducing costs and improving efficiency within the warehouse. Unfortunately, for many companies, the buck stops there. With the warehouse as the central hub of the supply chain process, it is integral that companies use their warehouse management system (WMS) along with other agents in the supply chain to get the best return on investment. The potential benefits of a WMS system are tremendous.

With labour costs typically representing the predominant expense in warehouses and distribution centres, the immediate benefit an organisation notices after implementing a WMS is that many tedious processes are automated. Once an order comes in, the system immediately readies the legal guidelines for the export and generates all the bar codes, picking the necessary tickets and transportation documents.

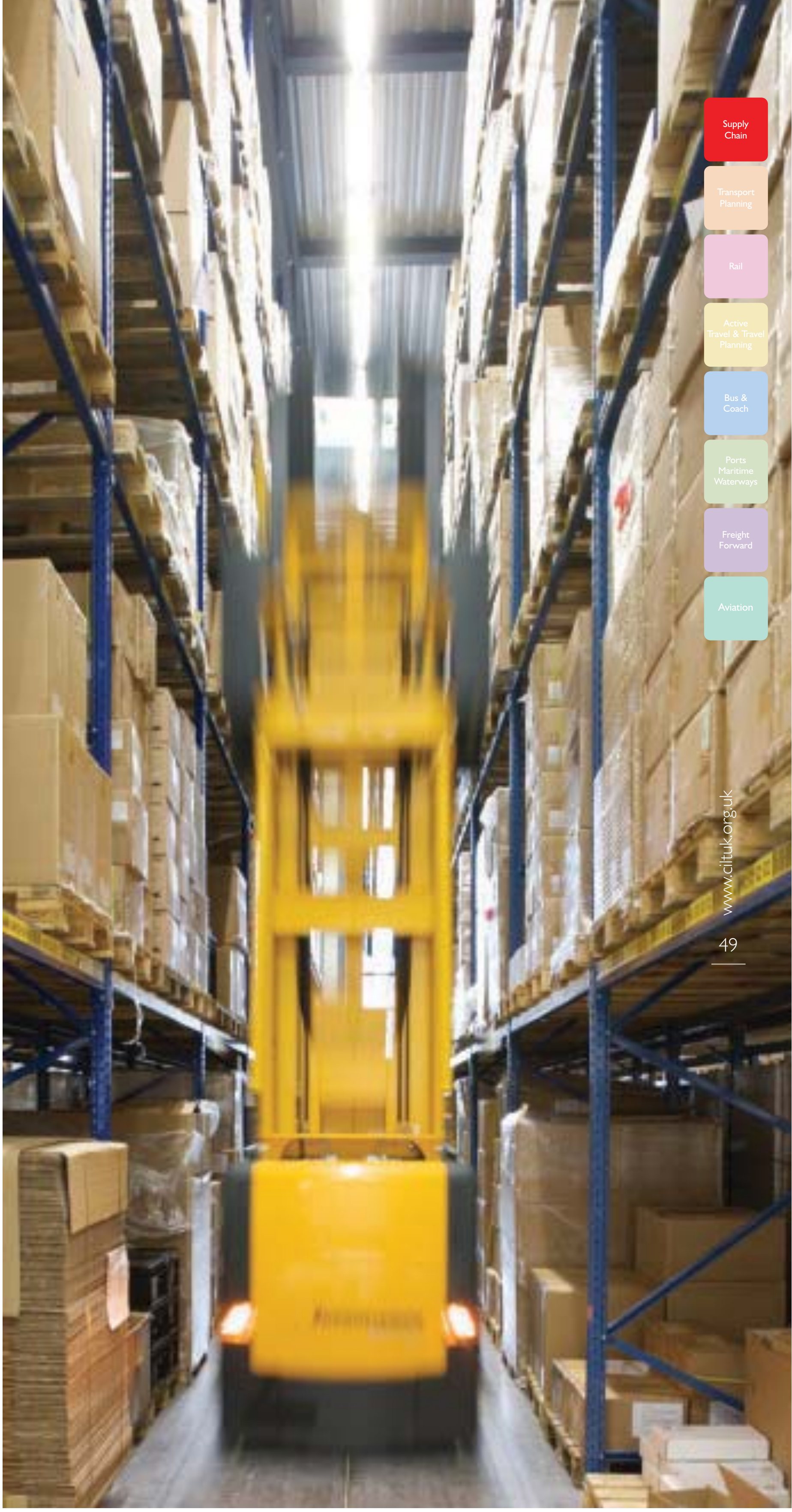
Furthermore, the system is able to calculate the time required for packing orders and assign labour to oversee the work, based on a master manpower schedule. As a result, companies can adjust their human resources requirements accordingly, reassigning staff to different jobs and departments.

After implementing a WMS, clients sometimes find that there is only so much that can be optimised and that there are still some inefficiencies and bottlenecks. This generally means that they need to restructure their warehouse – for example, by creating buffer zones in front of some packing stations for heavier consignments, shifting certain goods around to improve access to the picking stations or even creating an additional loading bay for smaller consignments. Such improvements can have a major impact on the supply chain, as they enable organisations to respond to orders quicker, sometimes even days earlier, depending on the original warehouse condition and layout.

The most powerful part of a WMS is having complete visibility of inventory levels in the warehouse. By tracing what goes in and what goes out on a daily basis, companies will be able to reduce inventory levels, keeping only the minimum amount required in order to respond to emergencies. A good WMS is able to send immediate notifications to suppliers and carriers when inventory levels are close to falling below the minimum requirement, resulting in a continuous flow of goods and fewer bottlenecks. It is vital to have these basic best practices in place before looking at how the business intelligence can be applied to other areas of the supply chain.

Once complete visibility is established, the business is aware of exact inventory levels of each item in each warehouse, of how long it takes to process orders and ship them to respective customers, or what lead-times suppliers and partners need and how long it will take them to provide goods for picking. Using the information obtained from the WMS, companies can assess the productivity of each warehouse in operation and, depending on the maximum capacity and utilisation, may reallocate resources and the scope of work for each site. Moreover, using simple projection and analysis tools, they can create hypothetical warehouse distribution networks – for example, one large central warehouse to replace three existing small warehouses – and analyse whether it would be more efficient and cost-effective. This is an essential tool when it comes to making significant operational decisions, especially during peak seasons and in economically challenging times.

Warehouse management systems have a staggering impact on improving supply chain dynamics and performance, and ultimately on realising savings. To create further value for customers, suppliers and partners, any visibility gained should be shared – for example, by giving a customer access to how quickly its products are being assembled, whether the delivery will be on time or how much inventory is available – while restricting access to products or information not intended for them. In today's economic environment, with its ever increasing service and delivery demands, it is important to create glass wall for your warehouse, giving partners and suppliers the visibility they require and gaining an even more competitive edge, while ensuring that shifts in peaks or budgets can be managed in a transparent and flexible manner.



ESSENTIALS

ABOUT THE AUTHOR

Gursh Atwal is Sales Manager, AEB (International) Ltd, which provides software consultancy and services for global trade and supply chain management. Website: **www.aeb-international.co.uk**

FURTHER INFORMATION

For more information about the issues raised on this article, why not join our Warehouse & Materials Handling Forum? See our website **www.ciltuk.org.uk** for more details.