



Finding the Warehouse Edge

Most warehouses support either a shop floor or a retailer — that is, a cash register. So warehouse choices can contribute significant competitive advantages. Consider these examples:

- After improving its picking, staging and shipping routines, a distributor offered twice-daily deliveries, allowing customers to reduce their own inventories.
- By negotiating mixed pallets and cross-dock deliveries from vendors, a warehouse reduced inbound and outbound handling costs. Its new on-time guarantee won preferred-vendor relationships.
- A distributor with a strong reputation for accuracy — in picking, assembly, shipping and billing — shifted to premium pricing.

How can a company exploit its warehouse systems for competitive advantage? Software, hardware and reams of tactical advice are available, but let's look at foundations.

Define a position. A sharply-defined position lets you align and focus your efforts. At one end is low cost for acceptable service; at the other is stellar service for an acceptable price. Starting from warehouse-cost-per-unit, figure out where you can best compete.

Encourage quality thinking. Achieving and maintaining high accuracy on a fast cycle is hard work. Success factors include:

- A continuous improvement program with concrete goals.
- A focus on causes, not symptoms. Don't inspect every outgoing shipment — instead, find errors in picking, packing and labeling and fix them through training and automation.
- A team approach, involving and rewarding employees' attention to quality.

Build partnerships. Look to your upstream neighbors for cost savings. The bar-coded batch labels, mixed pallets or cross-dock delivery that your vendors or manufacturing plant may provide can dramatically improve your own operation.

Be flexible. Customers need different services, inventory levels, transport options and price structures — but many distributors offer only a one-size-fits-all option. Classify your customers into groups, and focus your logistics on meeting the needs of each group. Be open to special handling requests, because many can be accommodated with a bit of planning.

Measure performance. Track pounds, pieces or picks per hour. Tracking dollars isn't as helpful — you store items, not dollars. Keep your measures simple and focused on what *individuals* can control. And assess them over time for trends.

Incorporate technology. Try this: Cost out your shipping errors, reduce that figure by 99 percent (the prevailing barcode accuracy rate) and compare the result to the cost of a bar-code or radio-frequency ID system. Be sure to include one bar coder for your receiving department — to label inbound freight from technophobic vendors.

Most likely, there's hidden value in your warehouse. Contact us to see if we can help you find it.