



Distribution Center MANAGEMENT

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Managing people, materials and costs in the warehouse or DC

Facility Management

Practical solutions to your top challenges in 2010

In our annual Looking Ahead survey, we asked distribution center and warehouse managers what challenges they face in the year ahead. Accuracy, picking productivity, space utilization, employee morale, and value-added services topped the list. Here, our editorial advisory board provides advice on how to deal with each of those challenges.

New technology and revamped processes boost picking

When asked what areas of their operations DC managers would most like to improve in 2010, many chose both picking productivity and inventory management as areas that need some work. It's not surprising managers are concerned about both these areas, since they are closely linked. If your inventory is properly managed, you're likely to see improvements in the picking process.

To start making improvements, you must have the right tools in place, says Jim Tompkins, president and CEO of Tompkins Associates. That includes having segregated and locatable inventory, as well as a pick engine that is designed for your order mix. Redesign your pick engine and the pick document — whether that's paper or system driven — to start improving picking productivity.

Reducing stock-outs is another way to improve picking productivity, says Frank Camean, president and CEO of 4Sight Supply Chain Group. Sound forecasting that takes order history into account is a good way to avoid stock-outs. He also recom-

mends moving to a batch or wave picking process, especially for single-line and two-line orders.

Fred Kimball, principal of consulting firm Distribution Design, recommends slotting products by velocity to reduce travel time for your most frequently picked items.

Remember that your picking system must minimize travel time and product handling, says Tom Tanel, president and CEO of CATTAN Services Group and chair of the Institute for Supply Management's Logistics and Transportation Group. Also try to eliminate bending, stretching, and reaching to improve productivity.

Ron Grove, vice president at TZA Consulting, recommends you have end-to-end visibility of your labor force. You don't want any holes where labor can hide. "If you don't have engineered standards, you need them — it's as simple as that," he says. "It provides a more objective yardstick to measure performance than a case per hour or line per hour rate."

Finally, properly use your employees. Are people coming back from break on time and ready to work? What about at the start or end of their shifts? "Review your current processes with a critical eye," Grove recommends. "Any time you see staffing levels or processes justified with a reason like 'We've always done it that way,' dig in. Challenge it."

Top challenge: Improving accuracy

- Invest in the right technology
- Communicate goals
- Create job aids
- Enhance accountability

Reducing stock-outs is another way to improve picking productivity.

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Find space with narrow aisles and racking

In 2009, the recession forced many companies to consolidate DCs, which meant managers were faced with increased inventory, resulting in space issues. Other DC managers saw sluggish sales lead to increased inventory, so clearly space utilization is a key challenge on survey participants' minds.

Start by taking a fresh look at your space, says Susan Rider, president of Rider & Associates. She recently reviewed a facility and because she was looking at it in a fresh, new light, was able to increase space by 40 percent by removing obsolete inventory, reslotting, and redesigning the layout.

How do you justify removing dead inventory? Start by quantifying how much dead inventory costs you, both in hard costs and opportunity costs, recommends Grove. Once you show executives just how much that obsolete inventory costs, you will get buy-in on a disposal plan.

Geoff Sisko, senior consultant with Jack Kuchta LLC, says that once the dead inventory is gone, review your rack layout and aisle space. "Maybe your aisles are set up for trucks you no longer have," he says. For example, do you have 12-foot-wide aisles? Perhaps nine feet is enough.

Norm Saenz, assistant vice president with TranSystems, agrees that one of the best ways to get more capacity is to narrow your aisles, then use the full vertical space. Those changes could increase your storage capacity by as much as 40 percent, he adds.

Top tips for improving accuracy

In our annual Looking Ahead survey, we asked readers about the biggest challenges they face in 2010, and accuracy topped the list. We asked the experts what one strategy they think is necessary to improve accuracy. Here are their best tips:

- Of course, new technology is always a good way to boost accuracy, according to Frank Camean, president and CEO of 4Sight Supply Chain Group. Whether it's a new WMS, upgrading your current WMS, or deploying RFID for better data collection, technology is a big factor in improving accuracy.

- You can also improve accuracy just by consistently communicating with your staff on individual and team performance, says Mike Coronado, director of distribution for The Container Store. Be creative in the ways you communicate goals with staff and they'll get the message that accuracy is important.

- Fred Kimball, principal of consulting firm Distribution Design, advises that you perform cycle counting based on SKU velocity, with more frequent counting of SKUs that have a higher frequency of movement. For example, try counting high velocity items monthly, medium velocity items quarterly, and low velocity items semi-annually.

- Don't overlook the importance of training and having "cheat sheets" in the right language for workers, says Susan Rider, president of Rider & Associates. "It's amazing to me that some facilities have more than 50 percent Hispanic workers, but nothing is written in Spanish. We just assume everyone understands," she says. "With training and training cheat sheets, you add accountability and accuracy goes way up."

- Norm Saenz, assistant vice president with TranSystems, recommends introducing bar coding and scanning. If you already have that in place, why not try to lower inventory levels to reduce confusion and the chance for mis-picks?

- Try slotting items differently, adds Geoff Sisko, senior consultant with Jack Kuchta LLC. For example, if the DC has several different colors of pants, don't group them together by color. That introduces more room for error; the picker might be looking for blue pants and choose the 34 waist instead of the 38 waist. Instead, group them together by size, with all the size 34 blue, green, brown, and gray together. Then it's harder for pickers to make a mistake.

- Tom Tanel, president and CEO of CATTAN Services Group, says the most effective thing you can do is introduce some form of automatic data collection to reduce data entry errors whenever possible.

- Finally, after you've invested in the right systems and technology, don't forget accountability, advises Jim Tompkins, president and CEO of Tompkins Associates. Understand who is making the error and why they're doing it, and hold them accountable. Systems can make it easier to understand accountability, but in the end, it's the people, not the systems themselves, who improve accuracy.

Finally, evaluate your fixture configuration, adds Grove. "I frequently see operations with racking beam levels at several different heights, or openings." He adds: "While this is good in that it provides specialized slots for 'short' pallets, it is not very flexible. What if you have a large influx of conventional height pallets? Those will typically end up in the aisles. Instead, take a critical look at your storage equipment and configuration."

Communication and leadership can improve morale

The economy took its toll on employee morale last year, so this year, many survey participants plan to focus on improving morale and keeping the workforce happy. The best way to start, agree the experts, is by stepping up as a leader.

Better leaders will get better results, says Rider. She gives an example of two DCs in the same company. In one, the manager didn't know the employees' names, focused on what they did wrong, and barked out orders. Morale was low and turnover was high. In the second facility, the manager not only knew the employees' names, but also knew their spouses' names, their childrens' names and even what activities the kids were into. The facility had a lot less turnover.

"Creating a great place to work where people have pride in what they do begins with you," adds Tanel. "Provide a positive work environment amid all the uncertainty and turmoil, and keep people informed."

Communication will go a long way, agrees Mike Coronado, director of distribution for The Container Store. "It's so important that each employee hears news directly from key management," he says. "Employees have to have complete trust and understanding."

You can also make a huge impact on long-term morale with the way you handle payroll cuts. If you must cut payroll, consider reducing pay across the board rather than cutting head count. And that

means taking a pay cut yourself. "Entertain a 15 to 20 percent salary reduction for the short term to save jobs," Camean says. "This is a great exercise because it reveals two things: First, it shows who is committed to the success and survival of the company. Second, it demonstrates to your subordinates that you care about them and are doing everything you can do to save their jobs. In return, employees will be more loyal."

If you don't have engineered standards, you need them.

Planning ahead brings value to value-added services

There's an old adage that says it's easier to keep existing customers than it is to find new ones. With many customers now demanding value-added services, survey participants are paying attention. The key, says Kimball, is to make sure you can do it profitably.

How can you find the value? Start by taking a proactive approach, says Sisko. Don't wait for customers to come to you wanting value-added services. Instead, go to them and ask them what they need to ensure you design the processes perfectly.

Make sure you understand the magnitude of the services your customers require, adds Tompkins, and give that area the support it deserves. That includes scheduling, management's time and commitment, equipment, space, and technical support.

But remember, value-added services can also significantly increase the workload and limit the throughput of distribution operations. "The answer to every request by customers cannot be yes," Tompkins says. "You must know the cost associated with each value-add function to fulfill increased customer expectations."

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