Warehousing challenges and opportunities for the middle market

Prepared by:

Nick Bova, Principal, RSM US LLP
nick.bova@rsmus.com, +1 470 307 3022

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Middle market companies face a host of warehousing challenges that can limit growth and potentially hamper sustainability. Your organization must work to understand these issues and develop solutions to store, manage and move goods more effectively and therefore increase efficiency and productivity. With competition growing and new enhancements reaching the market on a regular basis, your company must be proactive to build and retain a competitive advantage.

While each company is different, with unique issues and goals, the following four struggles are common across companies and their warehouses.

Inventory management

Many middle market organizations struggle with inventory management. Why? The primary culprit is a lack of visibility. It is common practice to look in the rearview mirror for stocking and inventory insights, rather than trying to project what customers will want and demand next. Inventory accuracy can suffer, as can tracking processes for items that may be outdated or expiring.

The problem is commonly twofold with inefficient internal systems and an arm's length relationship with customers and suppliers. Many organizations simply do not see the demand until the last moment, resulting in lost sales and an improper inventory mix. More effective sales and operations planning (S&OP) can bridge the gaps between customers, sales and operations, providing more reliable and actionable visibility into inventory levels.

In addition, materials requirements planning (MRP) systems are often an important element to increase visibility. MRP solutions enable your organization to set stock policies, forecast demand more efficiently, and establish more effective plant and run schedules. When run strategies are level, and linked to better demand communication, your organization can reduce the amount of expediting and costs while enhancing service.

Warehouse costs

Organizations need to store their goods somewhere, and many middle market warehouses are at capacity or close to it. Many companies instinctively react to capacity issues by storing goods in aisles, block stacking pallets and ultimately storing multiple SKUs in a single opening. Unfortunately, these practices often prove to be counterproductive, stifling productivity by increasing handling times and creating poor visibility while creating accuracy challenges.

Many companies have implemented warehouse management systems (WMS) in an effort to control costs, but improper implementation is a common pain point. Overeager companies or implementation partners can try to jump to advanced functionality too fast without first creating basic, foundational controls. For example, a company may implement directed put-away or directed picking before establishing the location accuracy and level of control necessary to support directed activity. By not taking the right initial steps with your WMS, your productivity and inventory accuracy can suffer greatly.

Furthermore, organizations often utilize incorrect master data, such as wrong pallet size or tie heights. Therefore, the WMS is operating on the wrong data and potentially telling employees to put items in the wrong location. Employees often react by overriding the system or turning off some functionality, ultimately losing some key features and not utilizing the system correctly. You must make sure that your layout and procedures are effective, and that your people are properly trained.

Properly balancing labor resources is also an ongoing challenge for middle market companies. Warehouses are usually either short-staffed, struggling to get shipments out the door and paying overtime, or overstaffed with more people than required. Several modern labor management systems can provide valuable insight into operations, assigning labor grades and developing metrics such as how many pallets and items are picked per hour. If you have a view into your outbound demand, you can size your labor correctly—a significant step to controlling costs.

Third-party logistics utilization

In an effort to expand business, organizations frequently add new service lines or adjust their corporate strategy. For example, companies often add a retail element to a previously direct-to-consumer framework. These organizations often attempt to integrate this new demand into their current operations, but the processes and WMS system may not be equipped to manage a new channel.

Instead of pulling this new demand into your warehouse, you can likely utilize third-party logistics (3PL) providers to optimize areas where you may not have the required depth or experience. 3PLs are also a key strategy to manage an overflow situation or occasional spikes in demand. Many 3PLs have specific industry specializations from food to footwear and can supplement your existing capabilities, but you must understand who they are and how they can align with your strengths and weaknesses.

Your organization can also leverage 3PLs to minimize harmful chargebacks. For example, working with large retailers often involves a higher amount of chargebacks especially with less-than-truckload (LTL) deliveries, and 3PLs can utilize pool trucks and provide load consolidation and fulfillment to a group of companies to limit any added fees.

In addition, many companies do not know that some 3PLs can provide a higher level of white glove delivery service to customers. You may currently leverage UPS or FedEx for shipments and drop-offs, but there may be a market advantage to enhanced service. An additional cost may be involved, but it could represent a potential growth opportunity.

Key performance indicators

Many middle market companies and their warehouses face unnecessary challenges due to inadequate measurements, such as labor time for unloading, put-away, replenishment, pallet picking and piece picking. They do not know the components or have the right level of detail to make effective comparisons and understand how certain factors affect their performance.

Your organization needs to have some level of benchmarking, and luckily several avenues are available. You can leverage several database and benchmarking tools that can draw comparisons to other industry peers—showing where you are effective and where you may be deficient, and where new processes, layouts or systems may be beneficial. Projecting to the rest of your industry is critical to optimize processes, manage costs and increase performance.

Conclusion

While this list of challenges is far from exhaustive, developing solutions for these four common issues can go a long way to establish a foundation for warehousing success. Seemingly small or unchecked issues can become significant concerns quickly, so your organization should act swiftly to increase productivity and transition your warehouse into a significant asset to the company. The warehouse can then provide a competitive advantage at an acceptable cost.

+1 800 274 3978
rsmus.com

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