Transform Warehousing into a Sales Enabler

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About Author:

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Introduction

Warehouses and distribution centers have traditionally been looked upon as cost centers. However, the rise of multichannel sales and the increasing pressure on service levels are making supply chain executives rethink the role of the warehousing function.

The Logistics Management magazine's 2014 Warehouse/DC Operations Survey revealed that while cost efficiency is still the primary concern, companies are now more willing to invest in transforming warehouse operations to meet new business challenges.

A multitude of tools and processes are readily available to increase efficiency and ensure lean warehouse operations. Technology is also keeping pace, with best-of-breed warehouse management systems offering advanced features that allow warehouse managers to control almost every aspect of daily operations through the system.

But, the rise in multi-channel sales and increasing pressure on service levels are making supply chain executives rethink the role of the warehousing function. The Logistics Management magazine's 2014 Warehouse/DC Operations Survey revealed that while cost efficiency is still the chief concern, companies are now more willing to invest in transforming warehouse operations to meet new business challenges. The change in direction is expected to herald a mindset shift in recognizing warehouse operations as a strategic sales enabler rather than a necessary cost.

The Three Hurdles

The Discrete Execution Approach

While planning exercises such as network design or sales and operations planning (S&OP) take an end-to-end supply chain view; at the execution level, the warehouse operates as a black box, with little seamless integration with upstream functions and external operators. Given the increasing pressure on fulfillment due to multichannel challenges, warehouses can no longer afford to operate as discrete black boxes, but need to become an integral part of the throughput cycle.

The Efficiency Yardstick

Efficiency is the most common yardstick with which warehouse performance is measured. Handling productivity, fill rates, space utilization and picking accuracy are popular metrics used to measure and monitor operations in a warehouse. What gets missed in such an approach is the final impact of warehouse performance on fulfillment. The time has come to recognize that fulfilling orders in time, accurately and in full, and prioritizing allocations in a manner that impacts the top line is a crucial lever that puts warehouse transformation on the top of the list of measures to increase the effectiveness of the supply chain.
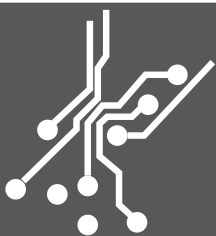
Over the years, supply chain software has evolved in silos, with different vendors well known for different supply chain functions. No single ERP could boast of being comprehensive enough to cater to end- to-end supply chain needs. This has resulted in the supply chain technology landscapes of most companies being a complex mix of ERPs, best –of-breed products and home grown applications. With the advent of digital platforms and the increasing popularity of automatic data capture solutions, a holistic view of the technology landscape has more to offer than the sum of its parts can offer.

Transforming Warehouses into Sales Enablers

Thinking Customer-Centric: Customer impact should be the guiding principle in measuring warehouse performance. The on-time in-full fulfillment (OTIF) rate for each customer is the ideal metric to evaluate how effectively a warehouse/distribution center is enabling the organization to grow. OTIF indicates the orders that are delivered to the customer on time and without any errors or damages, and bears a direct relation to customer satisfaction. As customer satisfaction increases, so does the cost to serve them. Although efficiency levers remain as crucial as before, better business outcomes are triggered when the levers are expressly used to improve OTIF.
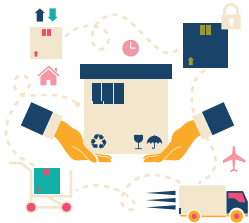
Integrated Approach to Supply Chain Execution: Taking an end-to-end view of daily supply chain operations, right from order receipt to fulfillment, eliminates inefficiencies and reveals opportunities for creating a competitive edge. In most organizations, at least four actors are involved in the entire journey—the sales team managing order receipts, the S&OP team managing order allocations, a warehouse manager dispatching the goods from the warehouse, and the transportation team managing the fleet. Additional actors such as the field service team may also be involved. The output from one team needs to seamlessly fed to the other team to ensure that inefficiencies are removed, for example, automatically converting delivery orders into warehouse pick lists.

Maintaining the integrity of data: Lean thinking advocates inventory as a waste, and countless studies and approaches have emerged to remove excess inventory and free up cash flows.
Inventory optimization starts with accurate inventory information. Technology options such as auto capture of data, recording every movement as a transaction, hands-free transactions using wearables, and voice and light activation technologies minimize chances of errors and maintain the integrity of inventory data, thereby enabling meaningful approaches to optimization.

Ensuring Visibility: The advent of multichannel sales brings with it higher volume fluctuations and increasing SKU complexity. Managing this challenge requires optimization exercises on a daily basis and complete visibility of available resources. However, the existence of technology silos hampers end- to-end visibility across operations. Integrating warehouse management systems with the internal and external ecosystems through RFID technologies and track-and-trace platforms, increases visibility and significantly reduces manual intervention.

Applying the Right Fix: Based on their root causes, order losses can be broadly classified into the following three categories:
- Logistics Inefficiencies: Instances where certain orders are not fulfilled because the logistics network throughput is not sufficient to meet the order on time.
- Allocation Inefficiencies: Instances where orders are not mapped to the right supply sources and hence remain unfulfilled.
- Supply Inefficiencies: Instances where the total supply at a certain point of time is lower than the total demand to be fulfilled.

It is critical that organizations devise a mechanism to identify the correct cause of a problem and apply the right fix. Often, they end up needlessly flogging the "productivity horse" for what is an allocation or supply bottleneck.

Putting the Pieces Together

True transformation arises out of a holistic approach, and the secret lies in putting all the discrete pieces together and creating a picture that makes sense. To be successful, warehouse transformation initiatives must be managed by a council of leaders representing upstream and downstream functions that are impacted by warehouse operations.

Keeping the Momentum of Change

The best improvement programs are those that are perpetual, that is, there is no discrete point that signifies that an ideal state has been reached. Organizations that adopt lean thinking have on-going improvement initiatives. A theory of constraints based approach that targets one problem at a time gives a prioritized focus to these improvements. Changing the technology landscape in a dynamic market environment with changing customer needs provides the impetus for continuing such initiatives.

Global Textile Major Reaps Rewards through an Integrated Warehousing and Fulfillment Solution

Key Challenges

- Low OTIF of 47% and poor visibility of the resulting order and opportunity losses
- High level of manual intervention in warehousing and fulfillment processes
- Absence of a well-defined business rules configuration for order allocation
- Low warehouse productivity
- No automatic data capture mechanisms

The Solution

- Dynamic business rules configuration for order allocation with an objective to achieve the highest possible OTIF
- Process re-engineering with a view to improve warehouse productivity
- Implementation of warehouse management systems with an integrated automatic data capture solution

Business Benefits

- OTIF increased to 99.2% from 47% in 45 days
- Inventory turns improved by 0.7 turns per annum

About Hexaware

Hexaware is the fastest growing next-generation provider of IT, BPO and consulting services. Our focus lies on taking a leadership position in helping our clients attain customer intimacy as their competitive advantage. Our digital offerings have helped our clients achieve operational excellence and customer delight by 'Powering Man Machine Collaboration'. We are now on a journey of metamorphosing the experiences of our customer's customers by leveraging our industry-leading delivery and execution model, built around the strategy— 'Automate Everything, Cloudify Everything, Transform Customer Experiences.'

We serve customers in Banking, Financial Services, Capital Markets, Healthcare, Insurance, Manufacturing, Retail, Education, Telecom, Professional Services (Tax, Audit, Accounting and Legal), Travel, Transportation and Logistics. We deliver highly evolved services in Rapid Application prototyping, development and deployment; Build, Migrate and Run cloud solutions; Automation-based Application support; Enterprise Solutions for digitizing the back-office; Customer Experience Transformation; Business Intelligence & Analytics; Digital Assurance (Testing); Infrastructure Management Services; and Business Process Services.

Hexaware services customers in over two dozen languages, from every major time zone and every major regulatory zone. Our goal is to be the first IT services company in the world to have a 50% digital workforce.

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