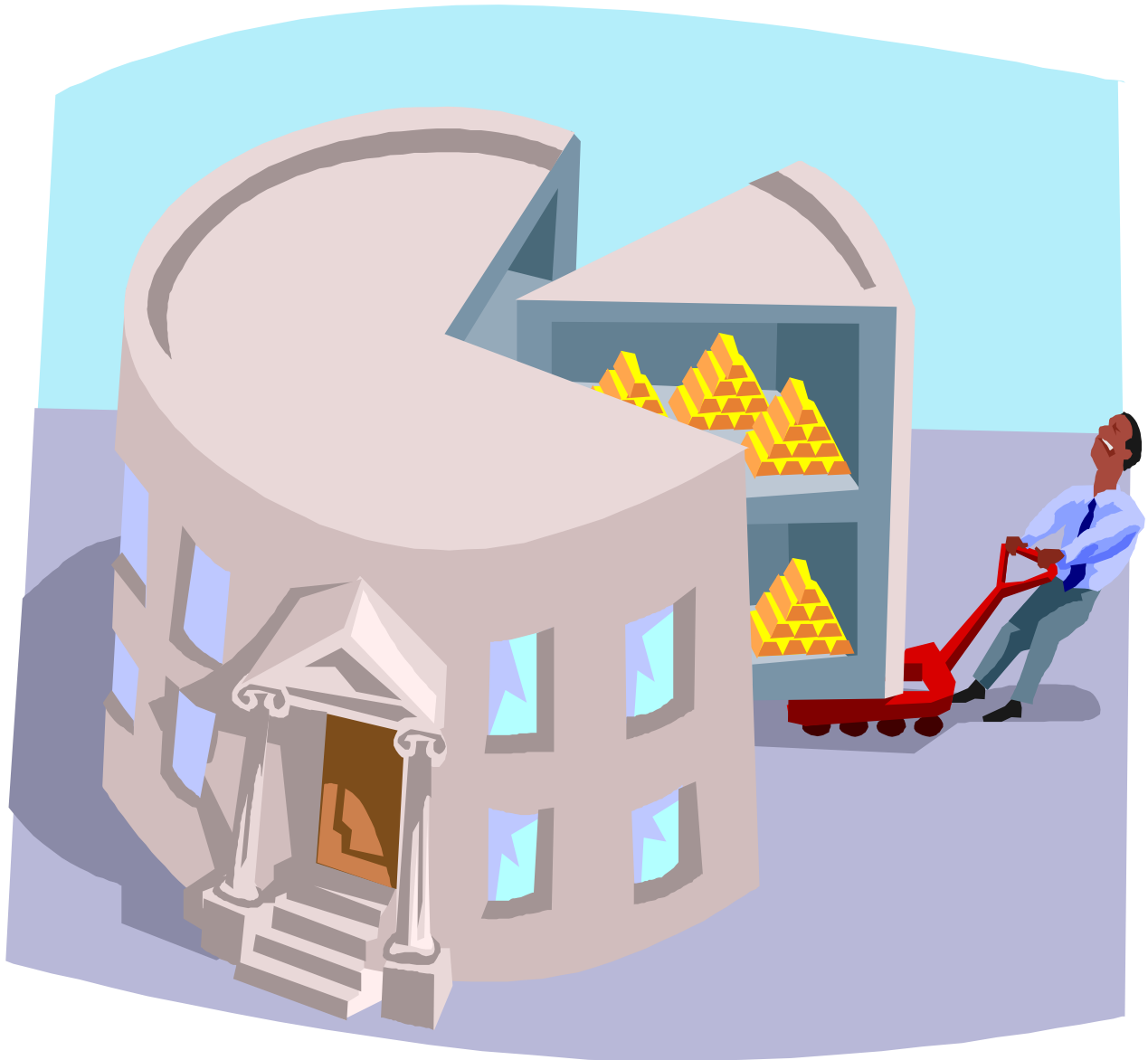


# Warehouse Management Systems- “Pie in the Sky or A Floating Bakery”



AHN Corporation  
“What Are You Looking For?”  
[WWW.AHNINC.COM](http://WWW.AHNINC.COM)

[www.ahninc.com](http://www.ahninc.com)

I just returned from a week long conference and as one of the speakers/vendors of the conference I was not looking to receive the same thing out of it that the attendees were looking to receive. Being the CEO of a WMS systems provider we obviously wanted prospects but found “Patients.” I found most of my time was spent psychoanalyzing what people had been told by competitors and other logistics company’s, instead of telling them about the features and functionality of our product. Many of the people I spoke with were confused about what was available to them. They had question after question with regards to the systems on the market, the ROI they could expect to receive, the time it would take to implement a system and of course whether a system was for their company or not. But those are only a few of the questions I was asked about.

Well after leaving the conference and feeling like Dr. Phil, I began writing on the plane ride home. Obviously these conferences are good, but only if you have a plan of attack going into one. Most of the people I spoke with did not which prompted the therapy I had to provide.

Understand this paper is not meant to bash the conference organizers or the attendees. Because, I personally felt it was the best conference I had been to in years. This white paper is meant to be more of an education about what you should look for when searching for a Warehouse Management System or any new technology for your warehouse. Also, you can send an email to [info@ahninc.com](mailto:info@ahninc.com) and request the article, “Attending a conference is an important and expensive way to learn.”

[www.ahninc.com](http://www.ahninc.com)

## **The Myths---**

You have to know what features and functionality you are looking for when you begin your search for a Warehouse Management System. There are some good systems on the market, just like there are some good cars on the market. However, would you go and look at a \$320,000 Rolls Royce knowing you can only afford Toyota? Of course not! You also would not look at a Volkswagen Beetle if you have a family of six. These are all excellent motor vehicles that serve a specific purpose. The same holds true for a Warehouse Management System and your warehouse. You have to know what your current needs are and what your future requirements will be before you begin your search, not just what Bells and Whistles are available.

### ***Myth #1 Huge Staff Reductions----***

Everyone I spoke with at the conference said they were told they could expect to reduce their warehouse staff by as much as 30% in the first year. The first time someone said they had been told this my initial response was disbelief. After that I had to respond to what I considered to be, “A Lie!”

The very first system I implemented (as a customer) we had a major staff reduction in specific areas of the warehouse, mainly receiving and picking. We had 4 Receivers working to complete the day’s receipts by 4:00 pm. On our manual system the product arrived at 8:00 am and each receiver would process their paperwork then putaway the product they had received. It seemed to work well for the

[www.ahninc.com](http://www.ahninc.com)

manual process but once we implemented the WMS system we realized that process would not work. So we began our transformation by having the delivery drivers arrive an hour earlier. This helped our receivers by giving them an hour of uninterrupted work. We also divided the department into receivers and putaway people. This allowed the receivers the opportunity to process paperwork and answer receiving questions, while the other people focused on the putaway. The net effect we reduced the staff in the receiving department by one person while simultaneously completing the same amount of receipts by 2:00 pm. That means we reduced the staff by 25% and completed the work in 21 man hours instead of 32 man hours. Was the WMS system the sole cause of the increase in productivity? “OF COURSE NOT!” But you would not know that if you were a prospect speaking with the WMS vendor. They touted on every site visit that their system reduced our staff by 25% and allowed us to process the same amount of work in less than 60% of the time.

**→ Important**

***You have to be able to separate, “Fiction from Fact,” when speaking with a: Software Vendor, a User and even your own people!***

### ***Myth #2 Quick and Easy to Implement***

Another person at the conference mentioned, they were told, they can have the system up and running in about three to six months. Again after my look of disbelief I had to respond. I have worked with several

[www.ahninc.com](http://www.ahninc.com)

different companies' implementing WMS systems and have yet to see someone properly implement a system in less than a year. Obviously these were larger warehouses, but even the ones that were 30,000 sq. ft. with 15 people. The problem was not that the systems were that complex, but that the companies implementing them had problems that needed to be addressed prior to the go-live date. Most people I speak with think that (barcodes) have been sent down from heaven. Once they purchase the software and begin dealing with the consultants and the software vendors, not to mention their own Purchasing and Customer Service Departments, they realize it will take divine intervention to get it up and running. Then as we are all aware of, day-to-day takes over and before you know it a year has passed. But looking back, the time to implement is not the problem; the problem is the frustration level gets higher and higher the longer it takes. Because, upper management was expecting to receive an ROI within 18 months and it has taken 12 of those months just to get the software working. So what happens as the frustration level begins to rise? The implementation team begins throwing the once detailed plan out the window, in an effort just to meet the new "Go-Live" date. A date that has now been pulled out of thin air by their frustrated manager. "Paralysis by Analysis" it is called. "You guys are trying to over analyze everything and aren't getting any real work done. Get out there on the warehouse floor and get this thing up and running."

[www.ahninc.com](http://www.ahninc.com)

Now fear sets in and they work like hell to make the date, only to have problem after problem after problem. Now the once demanding manager begins to wonder why no one seen these problems coming and asks, “What were all of those meeting for?” No one wants to say they did see the problems and that was why it was taking so long, but for the sake of time they chose to overlook the potential problems and get the system up and running.

**→ Important**

***You have to set a “Go-Live” date and work backwards. This is not a barcode system it is a Project that requires a lot of attention to details. The smallest seemingly insignificant thing can cause a major problem. By working backwards from your date you can see what is reality and what is “Pie in the Sky!”***

### ***Myth #3 Fast and Big ROI***

As I listened to one vendor tout an ROI in 18 months or less I walked away from the conversation before I opened my big mouth and was forcefully removed. Understand this, “You will receive every penny you invest in your system back.” Will that be in 18 months or 36 months, “THAT DEPENDS?” Every vendor I spoke with talked about, “Metrics!” It was almost as if that was the new Reality Show on television. “Metrics! Thursdays at 8:00 on NBC.” Obviously this is the new buzzword. Well maybe not new, but at least it was getting used as if it was new. Even the prospects used it in Roundtable discussions, “The Metrics we use are really good!” or my favorite, “What are Metrics?” That was someone being honest and they

probably walked away more insightful than anyone else that attended the conference, including myself. The problem I have with ROI in your warehouse I explained in an article I had published several years ago titled, “ROI in your warehouse! (Real or Imagined?)” You have to know what something is costing you before you can expect a return on your investment. When you first started reading here today, I began talking about cars so let’s go back there. Think back to the old car you used to own before you became the success that you are today. And if you are still driving an old car like myself believe me there is no pun intended. But think about the conversation you had with your friends as well as with yourself to rationalize getting a new car. Your friend probably said, “That car is costing you a fortune: it is always in the shop and it’s a gas guzzler, why don’t you just get rid of it?” You heard this over and over at dinner parties and eventually you thought they’re right. You probably said to yourself, “I just had a new Alternator put in, I had a new Oil Pump installed and now it needs new Tires and a new Starter.” You then came to the conclusion that it was time to “Invest” in a new car. So you went to the dealership and the salesmen told you about the gas mileage you would get, the warranty it came with, the Vanity mirror, the Lumbar support in the driver seat and of course the Air Conditioning. You went home read the brochure, told your family and friends, you later went back for a test drive then you signed on the dotted line. A little while later something started rattling that was not included in the warranty and as you were paying to have the dealer fix it for you, you started to think

[www.ahninc.com](http://www.ahninc.com)

did I really need a new car? Now you ask yourself, how much was I really paying to maintain the car I had? And you have no idea because you never tracked the expenses. But with the new car your DMV renewal fee was higher, your insurance was higher, it probably got better gas mileage but the tank was bigger. Well I am here to tell you it is the same with your warehouse.

You have to know what you are spending to expect a legitimate ROI. And when the vendor says that ROI will come in 18 months that is based on what you are currently measuring. They never tell you the cost to implement is not included in that 18 months. They never tell you the cost to have the system interfaced to your existing, possibly outdated ERP system, is not included in that 18 months. And, they never tell you that the cost for the consultants, the overtime you will spend, and the loss of customer orders because this new system has a learning curve is not included in that 18 month ROI. These are all questions that must be asked prior to the purchase. You can't just walk out of a site visit with the vendor and be consumed by the "New Car Smell," then ignore what the true costs will be to get your warehouse from manual to automated.

"Every penny you invest into the overall process will be returned to you!" But when a vendor says the ROI is 18 months ask them, "Is that Real or Imagined?"

**→ Important**

***Determine what tangibles your promised ROI is based on. Then include the intangibles. Remember there are positions that your new system may require that are not required in a manual warehouse. "You don't know what you don't know!"***

***Myth #4 Features and Functionality (Bells & Whistles)***

There are a lot of great systems in the marketplace. There are probably some systems out there that will cook breakfast for your warehouse personnel as they arrive to work. But do you need that? Do you need to Cross-dock your orders when your fill rates are low, causing backorders that have to be received then putaway to stocking locations so the order can be shipped complete. Do you need a function that will re-slot your warehouse based on product movement when you can't even get your warehouse personnel to complete their replenishment instructions and clean the warehouse with regularity? Do you need an overseer of all of the processes, someone that sits at a terminal and can see every transaction being made, when your warehouse has been right-sized down to the bone? These are all excellent functions that provide quantifiable value to some, and extra maintenance payments to others. I am not saying you don't need the extra bells and whistles, but how often do you cool your soda in you're the glove box of your car? Or, how often do you think the nice petite woman driving the, "Hummer," actually drives it under water? Probably Never! And it will be the same with your warehouse. You will say those are features you are looking for just like you said you would get to those boxes in your basement, attic or garage the last

[www.ahninc.com](http://www.ahninc.com)

time you moved into a new house. They are probably still sitting there with your name written on them like mine, “Rene’s Stuff!” My wife just shakes her head every time she passes them, just like your distribution manager will when you ask him about implementing one of those extra bells or whistles. All you need are the basics to operate your warehouse effectively and efficiently. You have to determine what those basics are then begin your search to find them and implement them in a timely manner. The Pareto Principle applies in all walks of our life.

In 1906, Italian economist Vilfredo Pareto created a mathematical formula to describe the unequal distribution of wealth in his country. He observed that 20 percent of the people owned 80 percent of the wealth. While gardening, he later observed that 20 percent of the peapods in his garden yielded 80 percent of the peas that were harvested. We now know that a minority of input produces the majority of the results. 20% of your customers produce 80% of our revenue. 20% of your vendors are responsible for 80% of our receipts. 20% of your product is shipped on 80% of our orders. And, “20% OF YOUR SOFTWARE WILL RUN 80% OF THE COMPANY!” What 20% do you need to get you the biggest return the fastest?

**→ Important**

***JTB “Just-the-Basic” is all you need to efficiently and effectively operate your warehouse. Your additional processes add a level of complexity that must be implemented, maintained and more importantly “Paid For!”***

[www.ahninc.com](http://www.ahninc.com)

I know you must be wondering how I can talk so strongly against an industry and a product that I have made a living off of for several years. It is because I have changed the lives of the people, who work for the organizations, I have assisted and they thank me from the bottom of their hearts for it. They may have been shocked by the harsh reality that I brought to their warehouse in the beginning, but that reality gave them a sense of accomplishment that could have only been gained by telling my customers the truth from day one.

1. **“It’s not going to be easy!”**
2. **“It’s going to take a lot of time!”**
3. **“It’s going to cost you a lot of money!”**
4. **“You, your customers and your bottom line will be happy you did it once it is complete.”**

When I wrote my recently released book, “This Place Sucks! (What your warehouse employees think about your company and how to change their perceptions!)” People said I was crazy! Everyone said, “I like the title but do you think managers and owners want to hear that their company “Sucks?” The marketplace says emphatically, “YES!” You show me a perfect company and I’ll show you, “Wonka World.” That is the fictional place from the movie “Willie Wonka and the Chocolate Factory!” You show me an organization without a few disgruntled employees and I will show you an, “OOMPA LOMPA!” They are the little people who worked in the Chocolate Factory. We all know our organizations aren’t perfect, if they were we would have 100% market share. If you have that, 100% market share, I am

[www.ahninc.com](http://www.ahninc.com)

sorry to have wasted your time by reading this white paper. If you don't, then this is what you need to do when you are speaking to a WMS vendor about the "Pie in the Sky or the Floating Bakery!"

1. Take a blank sheet of paper and write down the top 20% of your customers that are producing 80% of your revenue. Look back at their accounts five years ago and see what they were doing then that they aren't doing now. Or, what they weren't doing then that they are doing now. Next, talk to those customers and see what their requirements will be 5 years from now. Obviously no one has a crystal ball but they have to plan for the future just like you do. Get them intimately involved from the beginning of the process because your future is determined by how well you manage their accounts. So, any disruption of service will warrant an unhappy buyer to jump ship when you are early in your project. If too many jump ship, then you will feel the system is causing the company to lose money and you will think about scrapping the system. You have to have buy-in from your biggest customers because ultimately you are trying to service those customers better than the competition.
2. Get some more blank sheets of paper and at the top of each page write down all of your processes. Such as: Receiving on one sheet, Picking on one sheet, Putaway on one sheet, Inventory Control on one sheet, Will Call on one sheet, Order Entry on one sheet, Purchasing on one sheet, Accounts Payable, etc. Most people wonder what Accounts Payable has

[www.ahninc.com](http://www.ahninc.com)

to do with a Warehouse Management System until I tell them this story. I remember implementing a system and my customer was upset that their inventory was so inaccurate. They could not understand why things were being received in the morning and lost in the afternoon. After further investigation we found that the warehouse was not completing a “Days work in a Day!” Simply put, “What comes in today is processed completely today!” So, a delivery company would drop merchandise off on Tuesday. Only to find that it might not get inspected until Wednesday, then entered into the system on Thursday. That was if things were going well! This meant, sometimes the invoice would arrive from the vendor prior to the product being received. Well, AP knew how screwed up the warehouse was so instead of having the warehouse personnel look for the product, they would simply ask the vendor for “Proof-of-Delivery!” Once they got the POD from the vendor they would receive the product themselves. I am going to leave it at that. You know all of the problems this caused but AP was really upset that they were losing percentage points on their invoices because the warehouse took so long to receive merchandise.

You have to put all of these processes on a sheet of paper and document how they work now. Then once you have them documented ask your people to come to the conference room and explain all of the reasons why they don’t do them the way they are documented on your sheet of paper. You are going to find out some interesting things about your processes, your customers, your vendors and your people.

[www.ahninc.com](http://www.ahninc.com)

3. Take your processes with all of the variables and reduce them down to their simplest form. “With the help of your people in the trenches of course.” Then show this to your people and let them tell you why these new processes won’t work. Once you have modified them again let your people know there is now only one way to perform these processes. Understand, with an automated system, there is the right way and the wrong way. There is no longer ten different ways to pick an order because you have ten order pickers. There is the right way and the wrong way.
4. Train all of your people on the right way and hold them accountable. Yes I am saying to retrain your people on the new manual processes prior to selecting a system. Many people think this is a waste of time since the processes will be changing again but this step is two fold.
  - It instills discipline and allows you to evaluate your people on their ability to change and follow new instructions.
  - It allows your people to begin to accept the fact that the organization is going through a process of improvement. Before you try to implement radical change you are able to gradually step through the idea of change.
5. Put dollar values on what each process is currently costing the organization. If a picker can pick 50 orders an hour and their hourly rate is \$15.00, then each order cost .30 cents to pick. That does not include the cost to have it packed, the cost of the packaging material, nor does it

[www.ahninc.com](http://www.ahninc.com)

include the customer service personnel to process the order over the phone. Perform this process with every function in your building but especially in your warehouse. Now benchmark your findings with other company's in your industry. Should your pickers be picking 75 orders per hour and should they be making \$17.00 per hour? Or, are your pickers the highest paid and the fastest in the industry. Do you currently have too many people in your warehouse to process the amount of transactions you have? You have to know these things in order to talk intelligently about true ROI. If you are about to invest several thousands of dollars in a system you have to know at which point it is going to be worth it.

6. Certify your vendors. Make sure you compare apples to apples. Don't just purchase a system because it has the most bells and whistles or because of the price. You have to purchase the system that will meet your current needs and future requirements. The only way to do this is by completing the first four steps. Your potential vendors will bombard you with all kinds of data about their product and how it is perfect for your company. You have to sift through the minutiae and determine what is best for you and your company. It is not a race to get the system purchased fast! Remember you are purchasing a relationship that will last for many years and you have to make sure that relationship is based on a solid foundation and not on the company with the best salesman and marketing material.

[www.ahninc.com](http://www.ahninc.com)

7. Evaluate your personnel! This is crucial because if you find your people are under paid, why is that? Is it because you don't think they are capable of being cross-trained therefore they are paid accordingly. Or is it because you have not taken a good hard look at the salaries in your warehouse in a long time. Whatever the reason, understand these are the people that will be running this more complex automated warehouse. If they do not have the skill sets that will be required in the future and are not capable of learning your new system, will that be the vendors fault or the company's fault when you begin to experience problems? I have seen many examples where the people were perfect on a manual system but as soon as an RF device was placed in their hands it was too much for them to handle. Especially on the west coast where there are a lot of Spanish speaking individuals in the warehouse. Is the system multilingual?

In a lot of cases people have worked with the company for several years and could tell you everything you would ever want to know about the current placement of the product, the current pick ticket, the customer demands, the vendors, etc. But when the system took over and instructed them to put the product in a place that did not make sense to them, they put it where they thought it should go. Now they are overriding a millions of dollars in brain power not just a new system they don't like. You have to evaluate the current skill level in your warehouse personnel and begin cross training them in several different positions. Because someone that is a receiver in your manual warehouse may end up being a picker in

[www.ahninc.com](http://www.ahninc.com)

your automated warehouse. Now if they were getting paid Receiver money what do you do?

8. Evaluate your Warehouse Supervisor! Speak with companies that have implemented a similar system and see what duties changed with the warehouse supervisor. I have yet to go to a company, which is in the process of implementing a WMS system, and have them say they are happy with their warehouse supervisor. They assume the system is going to handle a lot of the duties that are not being handled by the supervisor. This is not the case! Your warehouse supervisor has to be ready for all of the issues that arise from this new software. Issues such as: customers not being happy that their orders that are stuck in the gun (RF Device), people not following the system and creating workarounds, customer service personnel leaving their seats to pick orders themselves because the productivity in the warehouse is now at an all time low, and people leaving because this new system, “Sucks!”

One company we were implementing had a warehouse supervisor that quit on the third day. He was, “Old School,” and was accustomed to; coming in at 4:30 to check the paperwork, find the items that could not be found on nightshift, organize the next day’s orders, and then begin yelling at people once they arrived. Well the system and new processes were now handling all of those things, except the yelling, so he felt like he was about to be replaced and simply quit before it happened. Then two days later, after he had the time to think about it, he came back as if

[www.ahninc.com](http://www.ahninc.com)

nothing ever happened. That was not the problem; the problem was that they let him come back. Now, he began telling the warehouse employees, that looked up to him, if they did not do the work the way the system instructed them to, the company would be forced to turn it off and go back to the old way. He obviously was not prepared to move forward with the company. You have to make sure **“Your”** warehouse supervisor is.

9. Organize your warehouse! The foundation of a WMS system is organization. Everything has a place and everything must be in its place for the system to work properly. If you are having problems keeping your warehouse clean now, don't think a million dollar WMS system is going to clean it for you. Your warehouse supervisor is the catalyst to a successful implementation and that begins with a clean and organized warehouse. Your people must understand the magnitude of this or you will fall flat on your face. Everything you do after the implementation will be based on the locations of the product. If the product is putaway to the wrong locations you will have problems with picking. If product is not putaway properly, the efficiencies you were expecting will not be recognized. Because your pickers will not be utilizing the designated pick path. How well you perform this step will determine how fast your ROI is received.

10. Market the new system. Your people do not fear change, “They fear the unknown.” Most organizations make decisions in the conference room

[www.ahninc.com](http://www.ahninc.com)

and assume the middle level managers are communicating the information down the pipeline. Some do but most don't! By the time it gets to the people what is communicated is, "Automate and Eliminate!" This means, you begin losing people you can't afford to lose. This can be eliminated by marketing the system just like you would a new product.

Tell your people:

- a. Why the system will be purchased and implemented. (What problems you are expecting to eliminate.)
- b. When you are planning on going live with the system. (Don't be afraid of missing a highly published date. Your people will respect the fact that a date was set and communicated. More than they will respect not being told about a date, then letting their minds wonder about why the system is not up and running.)
- c. Who will be involved and why. (They need to know there are key points of contact for questions. They will filter all of their concerns through these people and the myths can be dispelled by someone they respect not just the person that is being paid to say the right things.)
- d. How it will affect what they are currently doing. (Remove the unknown! They assume some of the craziest things only because the mind is so remarkable. If you don't connect the dots for them, they will connect the dots themselves and who knows what picture is being formed in their minds?)

[www.ahninc.com](http://www.ahninc.com)

11. Train your people. If I need to elaborate on this, “You need to stop reading!” Nothing you do will be more important than training your people. Enough Said!
  
12. Select “Super Users!” These aren’t just the people who pick the system up the fastest, but the people who understand the system and can articulate it to other employees. They are the people everyone will go to when they have a problem and you want to make sure it is someone you designate not just the person that thinks this is a cinch.
  
13. Document your processes. This means your new processes! Your people need to see in writing what they are to do for every problem and in every scenario. This prevents having multiple versions of the same process. Your “Super Users” need guidance and the documentation will give it to them. Without adequate documentation you will end up doing things wrong faster. I call this, “Automating your inefficient processes!”
  
14. “TEST! TEST! TEST! TEST!” This is probably the second most laborious part behind the documentation process. Testing your interface, testing your processes, testing your modifications, testing your assumptions. The conference room pilot is good but what assumptions have you made about the system that you now find are not true. I have seen company’s scream and yell at a software vendor about something that was assumed. It is the, “Users,” responsibility to identify the assumptions and remove them from the process. If you do not have a

[www.ahninc.com](http://www.ahninc.com)

documented testing strategy you will uncover issues after you go live. Most software companies are “Dentist!” They know you don’t want to see them because that implies there is a problem. You also know their solution is going to be painful. The bad thing is their solution is not a one time pain (getting your teeth pulled only hurts for a little while). A WMS implementation will cause you pain for months and even years to come. Testing will eliminate *some* of the pain. You have to provide your people, your company and your vendor the best opportunity to succeed. If you do not thoroughly test your system, your processes and your assumptions you will suffer like you have never suffered before. Think about the car analogy again, once you pick a vehicle you like don’t you take it on a test drive? Of course you do. Here are a few keys to testing your new system:

- a. Have all of your processes documented.
- b. Have all of your enhancements to the system documented.
- c. Have all of your answered questions documented. *(These are the issues you asked in the conference room that you were told work a certain way.)*
- d. Have your vendor provide you with their notes from all of your discussions about the system. *(This will give you the opportunity to see if they are keeping good records before you go live. If they do not have this it is a, “Red Flag,” being raised.)*
- e. Keep accurate records of what you test. *(You want to make sure you don’t miss something because it did not work correctly. If you test it and it fails it needs to be retested.)*

[www.ahninc.com](http://www.ahninc.com)

I hope this information proves valuable to you and it is actually put to use. I know our tendency is to not read the information that seems too long because of our busy lives but I felt these were things that needed to be said.

You and only you know all of the intricacies of your organization. However, bringing in a consultant to help answer some of the questions and separate fiction from fact is always a good idea. When I founded, “Total Logistics Solutions, Inc. ([www.logisticsociety.com](http://www.logisticsociety.com)),” we allowed people the opportunity to focus on their customers as we focused on separating the fiction from the fact. Pay for the experiences you have not yet had and it will save you a lot of money in the end. Also, use the consultants you have within your organization, “Your People.” They are the ones that will make your new system work or not work therefore their brain power should be utilized from the beginning.

If you have a consultant, vendor or customer telling you something you don’t think is possible get a second opinion. Just like major surgery you would never go under the knife until several other doctors have told you it is absolutely necessary. Get as many opinions as you feel comfortable with but in the end remember you are ultimately responsible for the decision you made. “SO MAKE IT WORK AND DON’T LOOK BACK!”

*Rene’ Jones*

President  
AHN Corporation

*Visit our website for several of the tools mentioned in this white paper.*