



WHITE PAPER

Commit to operational excellence in the warehouse with a modern WMS

DISTRIBUTION

For many distributors, it's been more than a decade since any significant changes were made to their warehouse operations. That means warehouses are running on old technology that has great difficulty meeting the demands of a competitive, technology-enabled business. Legacy systems often mean dated business processes are still being followed, or that new processes must be jury-rigged into old systems that were never designed to support them.

With the speed of business accelerating and margins under constant attack, more and more distributors are realizing that what might have worked fine in the past, might not work in the future—or even the present. The stakes are high: McKinsey & Company **estimates** that companies around the world spend \$350 billion per year on warehousing, a figure that's being driven up year over year as pick sizes shrink and customer expectations shift.

Distributors whose warehouse operations are stuck in the past need to modernize. This means making a commitment to operational excellence, beginning with a modern warehouse management system (WMS) that earns the trust of everyone who depends on it. A modern WMS makes it possible to track and guide every stage of warehousing operations, enabling organizations to boost efficiency, improve productivity and customer satisfaction, eliminate costly failures, and even onboard new employees more easily.

What is operational excellence?

“Operational excellence” means different things to different people, but the **Operational Excellence Society** defines it as:

“...a state of readiness attained as the efforts throughout the enterprise reach a state of alignment for pursuing its strategies; where the corporate culture is committed to the continuous and deliberate improvement of company performance and the circumstances of those who work there—and is a precursor to becoming a high-performance organization.”

Solve core warehouse challenges

A modern WMS is designed to solve challenges that are familiar to virtually any wholesale distributor. Distributors that have yet to modernize likely still deal with many of these age-old problems. Here's how a modern WMS solves them:

- **Inaccurate inventory**—*Current systems and processes simply can't track every product.*

A modern WMS uses barcode scanning to track every incoming item, provides data validation whenever an employee touches a product, uses multistep validation to prevent shipping errors, and bases cycle counts on ABC classification to optimize operations.

- **Inefficient processes**—*Current processes are not optimized, resulting in higher operating costs and decreased customer satisfaction.*

A state-of-the-art, scalable WMS speeds up and boosts the efficiency of every aspect of warehouse operations—with flexible-space layouts and auto put-away to accelerate fast-moving items, fulfillment algorithms and wave picking to optimize order filling, and cross-docking to minimize inventory movement.

- **Higher freight costs**—*Customer expectations for rapid, customized delivery lead to tighter operating margins.*

A modern WMS enables optimized routing, electronic proof of delivery, and optional freight mark-ups—all key elements of earning and retaining customer confidence.

- **Attracting and retaining talent**—*Older systems (or even paper-based processes) can be frustrating for employees who are accustomed to having access to the latest, user-friendly apps when they're at home, and expect the same functionality at work.*

Modern functionality with simple screens, easy navigation, automated workflows, voice enablement, immediate feedback via mobile capabilities, data validation, and alignment of tasks with skill sets and responsibilities has become a basic necessity to meet the expectations—and optimize the performance—of today's workers.

Why modernize now?

Some distributors are still living in yesterday's reality. Innovative, successful distribution businesses have evolved.

A decade ago, records were paper-based or built on basic IT systems that had difficulty keeping up with day-to-day transactions. Today, a modern WMS can provide constant and complete visibility into every aspect of the operation.

Then, warehouse pickers weren't confident of where to find the items they needed, or whether there was enough in stock. Orders could go out incomplete or with costly errors. Now, warehouse workers can rely on precise mapping and optimization tools that not only help them locate stock, but also pre-position it for optimal efficiency.

It used to be that counter staff struggled to create good in-person experiences because their warehouse solutions were not designed to support direct-to-customer service. Today, inventory management is grounded in customer experience, with B2B transactions taking on B2C-like characteristics.

Once there was a time when management had no real-time visibility into the functions at the core of their operations. Now, a WMS can deliver real-time inventory updates that seamlessly integrate with the rest of an organization's enterprise-wide systems.

These essential front-line elements of operational excellence are leveling the playing field for established distribution businesses. Faced with the **consumerization** of customer expectations, expanded competition from Internet **pop-up shops**, and ever-faster **disintermediation** across established supply chains, there is no customer or business line that distributors can afford to take for granted. The new market reality makes it absolutely essential to take advantage of the capabilities and increased profitability made possible by modern technologies, such as the internet of things (IoT), machine learning, and artificial intelligence (AI).

- **Real-time visibility**—Without complete and up-to-date insight into warehouse operations, it's very difficult to optimize workforce efficiency.

A WMS with mobile capabilities puts mission-critical information in the hands of front and back offices alike, helping to improve decision-making and facility planning and keep inventory moving.

- **Managing a complex tech stack**—A distributor's legacy WMS that was built incrementally becomes increasingly difficult to maintain.

A modern WMS that's deployed in the cloud is maintained and regularly updated by the software provider or service, freeing up IT staff to better meet the technical support needs of warehousing operations—while also enabling in-house personnel to focus more on the organization's strategic initiatives.

- **Cybersecurity**—Legacy systems are not designed with protections against modern cyber threats, resulting in greater risk to data and an increased workload for IT staff.

Industry-leading cloud partners have greater cybersecurity resources available than most organizations could ever hope to have on their own. By deploying a WMS in the cloud, distributors can effectively hand off cybersecurity responsibilities and significant costs to a committed cloud partner.

It's important for distributors to take advantage of every tool in the operational excellence toolbox, up to and including **new visualization options**, which allow managers to map out and test the efficiency of different warehouse designs. But best-laid plans are just the first step; successful rollout depends on the systems and processes that translate the theoretical potential into a well-tuned warehouse that meets and exceeds customers' expectations.

All of which makes a modern WMS an essential step in tapping the transformative opportunities for distributors to thrive in a business environment that's more complex and competitive than ever before.

The return on investment

Implementing a modern WMS is a big step in achieving operational excellence. Infor® recently conducted a survey of distributors, in which users of modern warehouse management systems report:

15–20%

reduction in manual data entry

8–15%

increase in warehouse team productivity

8–12%

decrease in the cost of warehouse operations

3–8%

increase in on-time and accurate order shipments

2–4%

reduction in damaged and scrapped inventory

1–2%

reduction in overall distribution costs

0.4–1.2%

increase in revenue and margins

0.1–0.3%

reduction in lost sales

Meet complex omni-channel demands

When distributors first began adopting omni-channel strategies, they focused on front-end operations—on the touchpoints where the business interacted directly with the market. Whether it was counter sales, catalogs, e-commerce, or mobile, customers could choose their own purchase paths.

Omni-channel, however, creates a far bigger challenge when it comes to fulfillment. It forces warehouses to deploy fundamentally different strategies—depending on whether it's a large and complex B2B order, or a small and potentially customized B2C-like request. Fulfillment also takes on an entirely new level of complexity with the variety of value-add services distributors must now offer to differentiate themselves. Fulfillment is far more than volume and speed; it's also about perfectly precise picking, returns processing, and special requests. Success depends on a distributor's ability to give customers the quick turnaround and reliability they expect.

A modern WMS is designed to be flexible enough to serve the different channels equally well. It can support breaking down pallets and cases if and when needed. A modern WMS can predict which items should be pre-staged in a quick-pick area. It can keep accurate, real-time inventories to support value-added warehousing services, such as kitting, bundling, light assembly, compliance labeling, and special packs.

Improve operational agility

Legacy, on-premises warehouse management systems are often heavily modified. It takes continuing support from in-house IT or outside consultants to keep the systems running. And as time goes on, the number of veteran workers still on staff who are familiar with the modifications is steadily declining. They're taking their knowledge and expertise with them as a new generation replaces them in the workforce.

A cloud-based WMS can help combat this loss of institutional knowledge. A regular sequence of smaller, more frequent functional iterations in a multi-tenant cloud puts an end to in-house modifications and keeps the WMS current. The agility of a cloud-based WMS also makes it easier for distributors to implement new innovations such as warehouse automation—which can be prohibitively expensive to install on-premises, but is easier and more cost-effective to deploy in a multi-tenant environment.

Competitive advantage in a customer service world

A deep commitment to operational excellence is essential for any distribution business that intends to survive and thrive in an ever shifting, often brutally competitive marketplace. A key tool in achieving operational excellence is a modern WMS that can act as one of the cornerstones of an integrated, cloud-enabled software system.

A distributor that tries to confront today's market realities without rethinking strategy and retooling systems, starts out at a disadvantage—squeezed by disruptive new competitors intent on reshaping the entire wholesale marketplace. The most innovative distributors know their best defense is to make themselves utterly irreplaceable to their key accounts, using technology to optimize their own systems before embedding themselves in a customer's operations.

In today's business environment, it's no longer good enough to be a superbly run distribution company. Success and survival depend on the ability to reposition as an excellent service organization. That begins with a commitment to engage with customers, understand their unique business needs, and always put them first. But distributors can only deliver on that promise if they've first revamped their own in-house systems with operational excellence as the guiding principle.

Integrate functionality in steps

The transition to a modern WMS is a process, not a single leap. A distributor's immediate priority might be to implement handheld barcode scanners or voice activation to optimize manual picking, reduce errors with RF-enabled data validation, or optimize inventory placement when new shipments come in. Or perhaps a business already leverages that level of functionality, but now needs a WMS that recommends the ideal placement for incoming items and sends alerts when it's time to replenish. Maybe the company already embraces automation and is ready to take the next step and integrate new technologies, such as robotics and AI to improve the efficiency of picking and replenishment. A cloud-based modern WMS can evolve to meet the business's growing needs.

Commit to continuous improvement and innovation

Achieving operational excellence in the warehouse is about much more than just increasing inventory efficiency. It's about optimizing every aspect of the warehouse. This might include assigning the ideal number of pickers and other staff based on predicted business volumes. It could even involve integrating the WMS with the organization's human resource management (HRM) system to ensure the right personnel are always in the right place at the right time. Or it might be a matter of applying AI to maximize physical space usage (constantly reconfiguring to match shifting demand for different inventory items), minimize travel times for staff via zone recognition (especially in larger facilities), or anticipate future channel demand based on social media and other external data sources.

At its core, operational excellence is about a steady commitment to continuous improvement and innovation. A modern WMS empowers distributors with the agility to maintain operational excellence over time as business practices evolve, the market continually adjusts to shifting customer demand, and new technology solutions and opportunities emerge.

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641 Avenue of the Americas, New York, NY 10011

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