

# Supply Chain Management Best Practices



## 10 Warehouse Cost Savings Tips

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Modern Warehouses are becoming more complicated as a result of both increase customer requirements along with complex supply chain environments. However, cost savings can be realized by taken a step back and surveying your warehouse procedures along with implementing “best practices” to help streamline inventory flow in the most efficient manner.

The below suggestion are from my years of working with clients and observing what serves as the “best practices” in warehousing management. A common theme in my suggestion is the incorporation of “lean” initiatives. By utilizing lean suggestions you can dramatically reduce waste, therefore saving costs, while also bringing value to your customers.

**1. Communicate Effectively and Often:** By clearly communicating to workers your organizational goals, key performance indicators, (KPIs), and the processes to achieve them is one key to effective warehousing operations. When managers fail to create an environment of open and clear communication, employee productivity suffers, resulting in high turnover and wasted resources. Effectively managing labor cost in an area that should not be overlooked.

**2. Standardize your Processes:** Another best practice suggestion is reducing potential variation in areas such as unloading, accounts payable, shift scheduling, and facilities management. Standardization saves time and money, and reduces errors. *Remember: There is always a better way to do anything.*

**3. Measure what matters:** For continuous improvement in your processes, measuring what matters is appropriate. If an outcome is not important to customers and shareholders, don't waste time measuring it. A third party logistics, also called 3PL, managed distribution center I have had experience with for a major U.S. manufacturer adopted a work measurement program to gauge and report warehouse performance at the employee level. *The facility increased productivity by 10 percent and reduced labor costs by 11.3 percent.*

**4. Outcomes and Enablers:** Determine what drives processes to ensure the proper connection between outcomes and enablers. Key performance indicators (KPI's) reflect the past; standardization and error proofing are the answer to productivity now.

**5. Use the 5 Step Approach:** This simple approach can yield much to understand the "why" of your operations, not just the "how." This approach: Define, Measure, Analyze, Improve, and Control reduces costly process variations. The backbone of Lean Six Sigma methodology, DMAIC ensures sustained, defect-free performance and highly competitive costs.

**6. Involve, Align, and Empower your Associates:** Listen to the Voice of the Employee (VoE): The people who do the work every day are process experts who know how to reduce or eliminate waste. Aligning your managers and staff to a company culture committed to inquiry, responsibility, partnership, and customer satisfaction can significantly impact warehouse productivity.

**7. Educate your Leadership:** Another suggestion is to always be asking the right questions, gather necessary information, make decisions, and take appropriate, corrective action. This is vital to improving processes, products, and services. *Leadership should visit the shop floor often, and work together with their people to improve processes and solve problems.*

**8. Create a Strong Training Program:** Cost Savings can also be realized through training programs that incorporates cross-training. Break a job down and present the operation to new associates. Allow them to test their performance before releasing them to the process. Try having your employees "shadow" tenured employees to gain valuable hands-on experience.

**9. Look at Variation:** To increase productivity, boost efficiency, and cost control, a careful look at variation is warranted. This is the heart of Lean Six Sigma: reducing variation to make a process more stable and predictable. Find a significant measure that reflects your process, then reduce the variability of that process as much as possible. The results could yield very useful insights.

**10. Finding the right level of automation and systems:** Return on Investment (ROI) analysis could put automation into your planning for cost improvement. The wrong material handling equipment can be creating hidden lost time and inefficient product flow, impacting cost and customer service. *Ask yourself if you are using the correct technology to its potential to reach companies goals for efficiency, waste reduction, and cost savings?*

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