

How does your warehouse grow?

For many years now logisticians have been preaching the case for businesses to reorganise along cross-functional, process lines rather than the more traditional, vertical, departmental approach. One area in which the consequences of this are often felt is the warehouse and particularly when new products are introduced or new markets being served.

In manufacturing one of the first questions we ask ourselves when designing a new product is how are we going to make it? Do we have the right machine tools? Do we have sufficient capacity? This is because successful manufacturers have become much smarter at managing new product introductions and have integrated many of the processes needed to bring a new product to market.

And yet in many organisations, whether manufacturers or retailers or from some other sector, the warehousing and distribution function gets ignored in this process. If you are one of these organisations ask yourself how often you check on the capabilities and capacity of your warehouse before introducing a new product. In fact the problem is even worse because most companies do not even know what the capabilities and capacities of their warehouse are and have no means to measure them. Sure we may know how many pallet or shelf pick positions we have but no warehouse can function effectively when 100% full. So what is its practical capacity? And that's only in terms of unit loads. How does that translate into number of items or products and do we know what the handling and storage characteristics of our new product are?

Even more importantly do we know the capacity of the warehouse in performance terms? Most companies only get to know the performance capability of their operation when it runs out and something goes wrong. Even then you have to be sure it was really a capacity rather than say a process problem. What makes such measures difficult is that warehouses tend not to suddenly stop when they reach their limits. More typically efficiency will tail off and service failures or errors will start to increase. And because we have some very talented warehouse managers in this country who thrive in such situations we manage to temporarily overcome the problems, masking their impact on the business and making capacity statements difficult to support objectively.

At The Logistics Business we have developed a range of modelling and capacity calculation tools designed to answer these questions and enable companies to plan new product introductions to the warehouse. Every organisation must develop an understanding of its capacities and capabilities and use this to drive development, ensuring that the warehouse is always ready to contribute to the growth of the business. Not an accident waiting to happen.