



Addressing The Impact of Growth on Distribution

Tips on how to Advocate Distribution as a Frontline Business
Strategy | www.FORTE-Industries.com



DELIVERY IS THE MOMENT OF TRUTH FOR ANY BRAND

Ordinarily, impressive sales growth makes the CEO, sales executives and stakeholders very happy. But sales growth does not always translate into additional profits. Depending on your warehousing operations, you may be the one responsible for fulfilling increased demand with the same distribution system that was at capacity before demand increased.

It is not unusual for the boardroom to commit resources to the front end of the business—sales, marketing, product development—only to rely on a fulfillment system that is already at capacity. Delivery is the moment of truth for any brand. Increased market share and sales growth can be quickly undermined by neglect on the back end of the business. It is for this reason, distribution should be advocated as a frontline business strategy—as a way to increase profitability and brand equity while sustaining growth.

A growing company running an undersized, suboptimal warehouse needs to embrace growth and resist the temptation to simply throw labor at the problem. There are already a multitude of pressures being put on the warehouse brought by the on-demand environment that has facilitated SKU proliferation, value-added services and more customization. On the flip side, the procurement department is probably buying in bulk for cost savings, potentially creating rising congestion, inefficiencies and safety issues. As a result, accuracy and productivity levels decline. In the end, adding labor alone will simply increase labor costs and congestion with little to no productivity increases – and, it may not be appropriate or cost-effective in the longer-term.

A decorative graphic consisting of three horizontal bars of increasing length, stacked vertically, with a blue-to-green gradient.

ARE YOU RUNNING OUT OF ROOM IN YOUR FACILITY? CHECK THESE AREAS FIRST:

Slotting - Do some housekeeping by re-slotting your inventory to better utilize the cube of your warehouse. If you pick primarily from reserve, you may need to slot the higher-velocity items into an additional pick line. An evaluation of order profiles may suggest modifying certain carton sizes, i.e., manufacturers should pack product that is ordered frequently but in smaller quantities, per order in smaller cartons.

Reserve storage area - If reserve space has completely run out, you may consider moving pallets of slower moving product to public storage or a leased warehouse. In this case, the inventory with the most days on hand would be shipped to the outside warehouse. A small staff for loading and unloading product will allow you to maintain control of the inspection and flow processes. Unfortunately, outside warehouses, especially if located a distance away, are often uneconomical since transferring product between facilities costs time and money.

A decorative graphic consisting of three horizontal bars of increasing length, stacked vertically, with a blue-to-green gradient.

ARE MATERIAL HANDLING OPERATIONS INEFFICIENT?

Insufficient throughput rates are not always related to lack of space – sometimes they're due to inefficient materials handling operations. Smaller scale distribution systems improvements may give you the processes you need to cost-effectively stay ahead of demand.

Small warehouses are typically manual operations requiring their operators to be creative problem solvers. Installing a small amount of automation or making a change in process could do wonders for productivity rates, such as:

- Semi-automatic tapers, mechanized void-fill systems, scales and manifest systems can increase packing efficiencies.

- Installing gravity conveyor throughout the pick lines may increase picking rates.
- Pick-and-pass picking may be a natural consideration for picking up the pace with high-velocity items.

When retrofitting your existing system, consider more than just your current facility. For example, install equipment that is cost-effectively moveable in case you do need to relocate it in the future. Powered conveyor is expensive to move because of the labor costs associated with tear down and re-installation.

Some growing companies are able to accommodate up to five years of growth and drastically increase productivity in a well-planned facility. Despite your best efforts, there may come a point when building a larger facility or expanding your existing one is the right thing to do. Becoming a medium-sized warehouse or even a large warehouse requires operational and technological advancements. It's important to know the operating differences between a small, manual system and a larger, more advanced system as well as the required steps in making the transition. Be prepared.

The expected costs of building a new facility include:

- Network analysis to determine the size and location of the facility;
- Initial purchase of the land;
- Cost of building construction;
- Research and procurement of system equipment;
- Implementation of material handling equipment and systems;
- Transfer of labor, office supplies and inventory;
- Time investment for the entire project, and more.

We're talking about a multi-million dollar capital investment. You must do your homework to make sure that such an investment is justified. Additionally, the planned and designed

solution must be flexible and scalable enough to meet your future needs while achieving a return on investment.

Small warehouses usually don't have strictly defined, formal processes and procedures. Larger warehouses tend to have set procedures to keep control and tasks more efficient. Since you will need commonality of process no matter the worker, formal processes and strict guidelines for activities will be necessary even though your work force may not increase. While growing, set procedures and create standards and training material to do so wisely. You will need to change over time, so plan for it.

Small warehouses are primarily run with paper pick lists and refer to routing guides on hard copies or CD. These warehouses are not prepared for sophisticated routing guides and compliance programs required by most large customers. Medium-sized warehouses will potentially move to an ERP or mid- to lower-tier WMS. These can provide the necessary level of control, tracking and compliance for label formats and shipping procedures.

Small warehouses sometimes use compliance software for appropriate shipping labels and advanced shipment notices (ASNs). Larger distribution centers have more sophisticated electronic data interchanges and the WMS is usually directing the carton sortation according to shipment rules and instructions.

Parcel shippers typically use a manifesting system to generate labels for the carrier. A minimum number of parcels per day are defined by the parcel carriers, who do not allow manifesting for amounts that are below this specified minimum. The small warehouses that don't have a high enough volume of throughput for a manifesting system may use an online pick-up log or carbon paper for parcel processing.

Growing companies will naturally evolve to more complex and sophisticated distribution environments. Once an operation reaches the point where functions can't be handled well, a warehouse management system (WMS) should be adopted. Not all WMS are created equal. You need to investigate a number of offerings and perform a gap

analysis. This involves identifying the required system functionality for the new operation to support the new throughput requirements. A gap analysis simply identifies the functional requirements you need but do not currently have. At this point a warehouse control system (WCS), the software that sits between the WMS and the automated equipment, should be considered.

If you're growing quickly, get a handle on the growth by effectively implementing low-cost modifications for short-term improvements and adding labor wisely. Build a business case through data analysis and future forecasts for projected growth. Most importantly, use this business case to advocate distribution as a frontline business strategy so that you can get the resources necessary to meet customer demand, maintain competitive advantage and sustain long-term growth.


A decorative graphic consisting of three slanted, parallel lines in shades of blue and green, similar to the FORTE logo.

Why FORTE

A decorative graphic consisting of three slanted, parallel lines in shades of blue and green, similar to the FORTE logo.

Single-Source Accountability

Whether we're helping you develop a strategic plan, design and build a distribution facility, or optimize a distribution operation through performance metrics and analytics, FORTE provides a true single point of contact responsible for the complete performance of your distribution network. No finger pointing. No fragmentation of responsibility. No multiple suppliers for technical support. You have performance goals, and it's our job to make sure they're met on an ongoing basis.

A decorative graphic consisting of three slanted, parallel lines in shades of blue and green, similar to the FORTE logo.




Total Objectivity

We don't manufacture equipment. We don't develop WMS software. We don't have commercial arrangements with any suppliers for expected volumes of business. We're simply interested in delivering the most efficient distribution solutions at the lowest total cost. Our client-side service approach means our only allegiance is to our customers. So with every engagement, you know we'll choose the most

appropriate level and blend of technologies integrated into an effective operational system.

Expertise

Our team is deeply rooted in the hands-on implementation of distribution center design and warehouse automation. FORTE's engineers and technicians integrate today's best practices in supply chain management and distribution center operations while developing next-generation technologies. As a result, our solutions employ the best combination of practical advice, data-driven analysis and technology-enabled systems. With FORTE, you get:

-  More accountability than a consultant
-  More experience than a systems integrator
-  More objectivity than a manufacturer

That's why the world's fastest-growing companies are making distribution their FORTE.

FORTE
6037 Commerce Court
Mason, Ohio 45040

www.FORTE-Industries.com
(800) 796.5566 Toll-Free
info@FORTE-Industries.com

6037 Commerce Court / Mason, Ohio 45040

MAIN (513) 398.2800 / **FAX** (513) 398.2837 / FORTE-Industries.com

