

WMS – an essential tool for 3PLs

Part II of three part series

A third party logistics (3PL) services provider looks after other people's stock and therefore he must know accurately how much he has in stock and where it is, according to Stephen Cross, managing director of UK-based atms, a specialist in providing systems for Warehouse Management and Supply Chain Track and Trace.

If he does not accurately know his stock's whereabouts, he will lose the customer and may be financially liable for the lost stock, he says, adding that for this reason a good warehouse management system (WMS), well implemented and well supported (both internally and externally) is normally an essential tool for 3PLs.

"In turn labour productivity, warehouse utilisation and efficient equipment performance is of great interest – as all benefits go straight to the bottom line. These factors are of course important for an in-house manufacturing or distribution operation but are often lower on the list of business priorities," he says.

The 3PL will normally be working to a Service Level Agreement (SLA) with his client, and, again a WMS is normally an essential tool in monitoring perfor-

mance against this SLA.

A WMS is essential in many cases to raise billing and charging information and it will record all transactions that can relate to charging, provided it has been designed as such at the outset for a 3PL environment, Cross says.

Setting up WMS

"Once you have decided you really need a WMS, and you have selected a WMS vendor, then the hard work begins. There is no substitute for good and robust project management, alongside the selection of a good team.

"The WMS project must be owned from the top of the organisation down to the bottom, and a project sponsor is an invaluable member of the project team – someone who ensures that the focus is maintained on delivering business benefits with minimal disruption," Cross says.

A project champion is normally appointed to effectively take charge of the project and this person often comes from a warehousing background rather than an IT background, although an IT personnel should also be represented on the team as well. Increasingly, IT is seen as a business support function as opposed to the main 'drivers' of a WMS project.

Cross's advice is that a company should use the guidance and support of its WMS vendor as much as possible, and that a major part of the selection process should be to identify a vendor that adds value during the implementation process. "This guidance needs to be paid for, of course, so make sure you have budgeted for it," he explains.

Methodology before technology is the key handy reminder for virtually all IT projects – and particularly WMS projects. "Ensure that your warehouse is running in an optimal manner with good people and good processes before trying to implement a WMS – otherwise expect failure!" Cross warns.

"That is not to say you cannot introduce new and better processes whilst implementing a WMS – this is often the case – but if your warehouse is disorganised then tackle that problem before doing anything else," He says.

The scope of the project should be documented and it should just build on the WMS description written for your RFI, i.e. what you want the system to do for your business, he says. "This need not be an arduous or tedious task but it is important to focus on top level business requirements and warehouse processes rather than being proscriptive as to how the WMS should function in detail at this stage."

Cross says that this top level approach is particularly relevant where a well established packaged solution has been purchased – such a solution at the end of the day should be highly flexible and configurable.

The Contract

Cross says a contract should be drawn up between the company needing the WMS and the vendor, and this should be done before the company commits any major finances, but



far enough into the initial stages of the project that so that it can have it scoped, planned and costs worked out.

“Your RFI and scope document forms a key part of this contract as does all documentation received from the vendor. An outline plan should have been produced by this stage, showing key milestones and deliverables. This plan also forms part of the contract,” he says.

“The contract should as far as possible be in plain English. It does not necessarily need to be produced by a lawyer but you should get appropriate legal advice. The contract should in any case be produced by someone with knowledge of the principles of contract law,” he adds.

Infrastructures

“The IT infrastructure needs to be planned around the WMS. Your internal IT department can help with this assuming they have the skills and resources. Alternatively you can contract it out or in certain cases the WMS vendor will take on complete responsibility,” Cross says.

The IT infrastructure will consist of servers to run the applications, PC workstations, network infrastructure and printers. In most cases, radio data terminals (RDTs) will be used for the system. The RDT infrastructure is a mini project in its own right which needs to be planned and specified, Cross says, adding that often the WMS vendor can provide the RDT sub system or the IT supplier will provide the wireless network back bone and then the WMS vendor or hardware vendor will provide the necessary terminals.

Pilot Project

A company interested in a WMS should set up a pilot project, either as a conference room pilot or ideally the warehouse itself, Cross says. Focus on one customer, one product group or one function such as receipting. “Create a testing plan and then test, test and test to ensure the system is operating as required and that operatives are working correctly,” he adds.

“Start working out how you are going to do a ‘data take on’. A data take on is all the data you need to start and run

the system including locations, location maps, product codes, product details, pallet sizes and configurations.

“A lot of this data could come from your ERP system. You can construct spreadsheet templates to compile this data. Also start planning the ‘rules’ within the warehouse, e.g. put-away rules, replenishment rules. If you are moving into a warehouse with existing stock in place then consider how you are going to label and record this stock,” Cross says.

“Remember that you are testing for failure as well as testing for success. This is an ideal opportunity to test the interfaces to external systems; interface testing invariably takes longer than planned.

“Ensure that you train the trainers and then cascade the training down to the users, this way you will build your in-house expertise,” he says.

Going Live

The next phase is the go live stage which needs to be planned carefully. Go live can be a ‘big bang’ or can be phased, according to the nature of a

company’s operation. “You are likely to need extra personnel during this period. Budget very carefully for the on-site support you may need from the WMS vendor, costs can escalate in this area, particularly for out of hours, evening and weekend support,” Cross says.



“It is likely that your performance levels will be pretty low to start with until the operation has moved up the learning curve, for this reason it is best to go live during a quiet season if possible,” he says.

As with all system projects, and indeed projects in general, the more time is put into planning the better, and the better the results will be. Supplier selection is the crux to a successful project along with good project management and good project ownership, Cross notes.

Tips:

- Have a clear long term vision of what your warehouse could look like in the future, this will help you ensure you choose a solution that is sufficiently scalable, flexible and functional.
- Unless your needs are very special and specific (and most times they are not) - go for a packaged, configurable solution – you will not know what your future needs are likely to be so there is little

point in writing long and complex tender documents.

- Keep an open mind about how your WMS will operate - let the WMS vendor listen to your needs and show you different ways of using their solution.
- Choose a WMS vendor who can demonstrate significant track record in your type of warehousing operation, get them to take you to customer sites to see the WMS in action, make sure you talk to the users and the management team at each site.
- Choose a WMS vendor that you get along with – it is about partnership.
- Make sure you involve your IT team in ensuring the WMS vendor can work with you to provide solid interfaces with your other business systems – but do not let them dominate the project – a WMS is a tactical operational solution and as such in most cases the project should be run by logistics people.
- Make sure you identify a project champion in your organization, build a team around them and get them to own the WMS.
- Start simple, crawl – walk –run; get some quick wins and some enthusiasm going.
- The project is an ongoing one; keep revisiting your operation to make sure you are making the best use of the WMS, to make sure you are really optimizing your people, your warehouse capacity and your handling equipment.