

Top ten tips on how to reduce warehouse costs!

By Gwynne Richards

A recent question on Linked-In asked Group members for their top three warehouse cost reduction strategies.

There were over seventy replies and I thought it would be good to consolidate them into a top ten list of suggestions.

The top ten are as follows based on their popularity.

1. Training
2. Labour Management
3. Process improvement
4. Staff involvement and incentives
5. Warehouse layout
6. Provision of equipment
7. Utilities management
8. Use of technology
9. Damage reduction
10. = Fixed cost negotiation and reduction (Rates, Insurance)
= Health and Safety
= Use of tools such as 7S, Six Sigma, Kaizen, ABC and Gemba Kanri
= Good Housekeeping

As labour is the largest cost area in a non-automated warehouse it is not surprising that the top four suggestions hone in on labour related issues. Training was mentioned regularly within the discussions, both in terms of improving productivity, reducing errors and damage and understanding the importance of health and safety within the warehouse environment.

Labour management followed closely with many suggestions concerning matching labour hours to activity and work flow. This can be achieved by employing both part time and full time staff, supplemented by fully trained agency workers, utilising the concept of annualised hours and multi-skilling the current labour force.

The continuous review of processes also scored highly. The often heard phrase of “we’ve always done it that way” was definitely not part of the vocabulary of those who suggested reviewing warehouse processes regularly, observing staff closely in order to identify bottlenecks and idle time and as a result improve productivity and potentially reduce overall labour cost. Their mantra was more likely to be “record, understand and improve”.

The involvement of the warehouse staff in improving processes and reducing idle time was also seen as being crucial to attaining better productivity rates. Transparency, communication, accountability and incentives were all seen as enablers to achieve improved performance and reduced costs.

Excessive travel time can increase labour costs within the warehouse and therefore the use of slotting techniques to ensure that fast moving items are in the most accessible locations and are close to the shipping area are essential to reducing unnecessary movements. The efficient layout of a warehouse can be instrumental in reducing travel time, improving space utilisation and reducing accidents.

Allied to this is the provision of the most appropriate equipment, at the right cost and maintained to the highest standards. Equipment downtime or worst still equipment obsolescence can increase costs and adversely affect warehouse operations.

With significant increases in energy costs over the past couple of years, companies are now looking closely at their utility bills and trying to find ways of reducing these costs.

Large savings can be made by introducing low energy technology to reduce heating and lighting bills. These include:

- Increasing the amount of natural light in a warehouse
- Turning lights off in an unoccupied area
- Replacing existing lights with energy efficient lighting
- Replacing or cleaning roof lights
- The control of space heating systems
- Regular maintenance

Other areas include recycling water and burning waste to produce energy.

At number eight in our list we have the introduction of technology. Within this area I have included Warehouse Management Systems (WMS) and picking technologies such as voice picking and pick by light. There is no point in introducing technology for the sake of it. Companies must calculate the return on investment to ensure that their introduction will save cost over time.

The introduction of a WMS and an associated Labour Management System can, in the right circumstances significantly improve productivity and as a result reduce overall costs. A real time WMS can assist managers with achieving improved picking performance and accuracy, produce effective warehouse layouts and produce productivity reports enabling managers to identify areas for improvement.

Damage within the warehouse can be a large cost area. This includes damage to the fabric of the building, damage to racking and equipment and also product damage. The latter can result in many additional costs and the potential loss of a client if it occurs frequently.

The remaining cost reduction suggestions include improved health and safety within the workplace, better housekeeping, negotiation on fixed costs such as rent and insurance and finally the use of tools such as an ABC analysis to lay out the warehouse and identify the crucial cost saving areas and the use of lean management tools such as Kaizen, 7S, Six Sigma and Gemba Kanri to identify potential waste within the operation.

These thirteen suggestions are much as I expected them to be. The concentration on the people aspect is essential as labour is a significant cost factor within the warehouse.

One area which wasn't put forward was the design of the product packaging, including its size, weight and durability. Get this wrong and this can have a very significant effect on warehouse storage and handling costs.

Glen Vincent summed it up brilliantly when he mentioned the importance of the letter P in reducing warehouse costs. His focus is on "People, Products, Packaging, Pallets, Planning, Productivity, Processes and Procedures".

The full discussion can be found at

http://www.linkedin.com/groupAnswers?viewQuestionAndAnswers=&discussionID=48717904&gid=1069337&commentID=49100290&trk=view_disc

Gwynne Richards is a Director of Apprise Consulting Ltd, a supply chain consultancy and training company. He is also author of 'Warehouse Management – a complete guide to improving efficiency and minimising costs in the modern warehouse' published by Kogan Page.