ShipHawk

Fulfillment Management
WMS Buyers' Guide

Introduction

The world of fulfillment solutions is vast, with many end-to-end solutions and point solutions. Keywords like Warehouse Management System (WMS), Transportation Management System (TMS), shipping, wave picking, audit, multi-carrier rating, dimensioners, are thrown around by solution providers but often confuse a company looking at investing in improving the speed, accuracy and costs of their fulfillment process. In this guide we'll focus on one main component of a fulfillment process: a Warehouse Management System (WMS).

In addition to WMS, the other major component of fulfillment management solutions is focused on the shipping of products from a warehouse, a Transportation Management System (TMS). Though there are many other related concepts and point solutions, these two solutions, whether leveraged together or independently, are the heart of all fulfillment goals: getting more orders out of the warehouse with greater accuracy and less labor. We have an accompanying guide for TMS linked here.

This is not a guide to ShipHawk solutions, but rather one that aims to help you figure out what your company needs, and when. ShipHawk's goal is to help companies 'Automate the World Behind the Buy Button.' We enable this through a suite of solutions including WMS and Advanced Shipping aimed at improving throughput, accuracy, and labor efficiency. If you'd like to discuss this guide, please contact us.

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WMS Buyers' Guide

This Buyers' Guide is designed to help you ask important questions and understand how a solution will align with the unique aspects of your warehouse operations. It's crucial to understand the distinctive features of your warehouse workflow, including but not limited to aspects such as the integration capabilities with other systems, inventory tracking methods, warehouse layout optimization, picking and packing strategies, real-time monitoring capabilities, and compliance requirements. Getting the most holistic image of your company's unique features begins with making sure the right people are at the table.

How to Involve Key Stakeholders

In the process of buying a WMS, involving key stakeholders is crucial for a successful and effective buying process. The engagement of the right individuals and the timely inclusion of essential perspectives will help at every phase of the WMS journey, from pinpointing growth opportunities to implementation.

Key Recommendations:

- **Identifying the Right People:**
  - The success of the WMS buying process depends on involving individuals who bring the right expertise and perspectives.
  - Having a group of only essential roles, including both functional (operations leaders) and technical (IT, CTO) experts, is essential for a comprehensive understanding of requirements.
- **Avoiding Overcrowded Meetings:**
  - When there are too many participants (e.g., 10 people) on an evaluation of a solution, the efficiency of the discussion may suffer.
  - Streamlining the involvement of a focused group helps in maintaining a productive and purposeful dialogue.
- **Documenting Requirements and Features:**
  - Documenting the top 10 requirements and features is a proactive step to guide and structure discussions during the buying process. This documentation serves as a reference point, ensuring that key considerations are addressed systematically. The importance of this step cannot be overstated, as it is the result of you and your team having done a thorough analysis of your own fulfillment and logistic growth points.

- **Early Leadership Involvement:**
  - Getting leadership involved early in the buying process ensures alignment with organizational goals and prevents wasted time and repeated efforts.

- **Early Operations Involvement:**
  - Some customers make the mistake of not involving their operations team until a week before going live.
  - Timely involvement of operations in the buying process is essential to address operational requirements and avoid last-minute challenges during implementation. In addition, your operations team can often offer the best perspective on how processes actually work, rather than hypothetically. Make sure their voices are heard both during the self-evaluation and buying phases.

Understanding Your Business Needs

As a logistics leader looking to drive efficiency, it's critical to conduct a thorough analysis of your operation's needs before making an investment in new technology. Many buyers aspire to enhance their operations, yet find themselves uncertain about the path forward. We strongly recommend considering your long-term objectives – envision where you aim to be in one year, three years, and five years. This forward-thinking approach not only empowers you to make decisions that drive your business forward but also addresses the common challenge many buyers face: the desire to improve without a clear roadmap. Take a moment to reflect on current challenges. By doing so, you ensure that the chosen WMS aligns seamlessly with your business goals, offering a transformative solution to those seeking improvement.

In addition to a thorough analysis, pay close attention to potential mistakes and meticulously examine the time spent at each operational step. It's crucial to quantify the benefits in terms of both time and cost savings before reaching a purchasing decision. Think of collecting these key metrics as an evaluative "homework" process. This exercise is essential for you, as a buyer, to build a solid foundation of exactly what your business needs, and doesn't need, based on accurate data. With that knowledge, you can make informed decisions that lead to a successful selection and implementation of a WMS solution tailored to your specific needs and goals. The biggest rule of thumb here is that you should never utilize a fulfillment strategy in order to not do something internally, but rather to proactively seek partners who can help you achieve concrete goals. In other words, outsourcing a problem is not going to fix it!

Essential Metric and KPI Considerations

When considering WMS options, it's essential to focus on relevant metrics and Key Performance Indicators (KPIs) that align with your business goals. Many buyers, unfortunately, dive into the process without a comprehensive understanding of their own operational benchmarks. For instance, expressing a need to "ship orders faster" is a common goal, but without defining how much faster and assessing the current time it takes to pick an order, the path to success remains ambiguous.

By proactively gathering and defining your metrics before entering the buying process, you not only identify areas that require improvement but also equip yourself with a solid foundation to pose informed questions throughout the evaluation. This strategic approach not only streamlines the selection process but also ensures a clear roadmap towards achieving operational excellence.

Essential Metrics:

Availability of Warehouse Workers:

- How many warehouse workers are on the floor?
- What is the potential impact if a person responsible for a crucial role calls out sick?
- How might the implementation of this WMS influence both your team dynamics and the efficiency of the hiring/training process?

Seasonal Fluctuations in Order Volumes:

- Can this WMS solution handle seasonal changes in order volumes? What about slow-moving or overstock products?
- How does this solution handle warehouse staff that is seasonal/temporary?
- What do user licenses look like?

SLA Adherence:

- What does the Service Level Agreement (SLA) adherence to meet customer expectations regarding order processing and delivery times look like?

Travel Time:

- What is the time taken for goods and workers to move within the warehouse?

Picking Efficiency:

- Evaluate the efficiency of the picking process by analyzing the speed and accuracy of item retrieval, minimizing delays in order fulfillment.

Current Operational Practices:

- Assess existing workflows, understand how tasks are performed today, and identify areas for improvement.

Order Processing Times:

- Determine the number of units picked per worker, helping to gauge productivity levels and optimize labor allocation.

Essential KPIs:

- **Inventory Precision:** Match between tracked and physically present inventory.
  Formula: Inventory as tracked by system/Physically present inventory.

- **Shrinkage:** Value of missing inventory due to theft, damage, or miscalculations.
  Formula: (Cost of recorded inventory – Cost of physically present inventory)/Cost of recorded inventory.

- **Carrying Cost of Inventory:** Total cost of owning, storing, and holding inventory.
  Formula: Total carrying costs/Overall inventory costs.

- **Inventory to Sales Ratio:** Ratio of remaining inventory to monthly sales.
  Formula: End of month inventory balance/Sales for the month.

- **Receiving Efficiency:** Productivity of receiving area work.
  Formula: Volume of inventory received/Number of staff hours worked.

- **Cost of Receiving per Line:** Total cost of receiving per line of products.
  Formula: Total cost of receiving/Total number of items in each receiving line.

- **Receiving Cycle Time:** Average time to process received stock.
  Formula: Total time spent on sorting received stock/Total number of received items.

- **Accuracy Rate:** Proportion of items put away correctly the first time.
  Formula: Inventory put away correctly/Total inventory put away.

- **Putaway Cost per Line:** Cost to put away a line of items.
  Formula: Total cost of putaway/Total line items.

- **Putaway Cycle Time:** Average time to put away a single item.
- **Picking Accuracy:** Accuracy of items picked for customer orders.
  Formula: (Total number of orders – Incorrect item returns)/Total number of orders.
- **Total Order Cycle Time:** Average time for an order to be shipped.
- **Order Lead Time:** Average time for an order to reach a customer.
- **Backorder Rate:** Comparison of backorders to total orders.
  Formula: Total backorders/Total orders.
- **Fulfillment Accuracy Rate:** Number of successfully fulfilled orders.
  Formula: Orders completed without issues/Total orders received.
- **On-time Shipping Rate:** Efficiency of shipping processes.
  Formula: Number of orders that have been shipped on time or in advance/Total number of orders shipped.
- **Cost per Order:** Cost to fulfill one customer order.
  Formula: Total fulfillment costs/Total number of orders.
- **Rate of Returns:** Percentage of items returned.
  Formula: (Items returns/Items sold) * 100.

Key Considerations When Buying a WMS

- **Scalability:**
  - Ensure that the WMS can scale with the growth of your business.
  - Find a solution with the potential to seamlessly expand into additional areas, like incorporating a TMS and/or freight audit solution when required down the line.
- **Integration Capabilities:**
  - Check compatibility with existing enterprise systems and current tech stack (ERP, OMS, eCommerce cart, EDI provider, etc.). Ensuring there will be a seamless integration reduces chances for errors, wasted time and enhances overall efficiency.
- **User-Friendly User Experience:**
  - Opt for a WMS with an intuitive interface and user-friendly experience that matches the work being performed.
  - Training requirements should be minimal for both warehouse staff and management.
- **Customization and Flexibility:**
  - Assess the system's ability to accommodate unique business processes now and in the future.
  - Look for customization options that align with specific industry requirements.
- **Real-Time Visibility:**
  - Ensure the WMS provides real-time visibility into inventory levels, order statuses, and overall warehouse performance.
- **Automation:**
  - Automation can enhance accuracy, speed, and overall efficiency. Ensure that the solution you choose effectively targets and eliminates the key bottlenecks currently impeding your operations.
- **Barcode Technology:**
  - Evaluate the WMS's capabilities in handling barcode scanning. These technologies play a crucial role in accurate tracking and traceability.
- **Cloud vs. On-Premise:**
  - Decide whether a cloud-based or on-premise solution aligns better with your organization's strategy. Consider factors like cost, maintenance, and accessibility.

- **Total Cost of Ownership:**
  - Calculate the total cost of ownership, including upfront costs, ongoing maintenance, customizations, and potential hidden expenses such as additional user licenses in the ERP to use a WMS.
  - Evaluate the Return On Investment (ROI) over the long term.
- **Vendor Reputation and Support:**
  - Research the reputation of the WMS vendor.
  - Assess whether they have reliable and documented customer support policies.
- **Mobile Accessibility:**
  - Check if the WMS supports a variety of mobile devices for on-the-go access. Mobile capabilities can improve the agility of warehouse operations.

How to Select a Vendor

Selecting the right vendor is a critical decision that can significantly impact operational efficiency and long-term success. As of this year, the trend leans towards the unification of systems, emphasizing the importance of a seamless integration that accommodates future growth.

Cost Considerations and Effective Management:
Delving into the financial aspects, it's crucial to carefully examine the cost considerations associated with both the purchase and implementation of a WMS.

Scalability for Future Growth:
Scalability emerges as an important consideration, emphasizing the foresight required to plan for future growth. This aspect ensures that the chosen WMS can adapt and expand along with the evolving needs of your business.

Unification of Systems:
In the current landscape, there is a trend towards the unification of fulfillment systems. This shows the importance of seamlessly integrating various systems, prompting buyers to pose essential questions about the management of different systems, technical debt, and the unification of TMS and WMS.

Challenging Vendors for Transparency:
Buyers must pose essential challenges to vendors, asking them to substantiate their claims with live demonstrations and customer references. The market is flooded with software providers claiming to offer solutions that don't stand up to their promises. Ensuring vendors show exactly how their solutions will work with your exact use cases will guarantee you won't make a costly mistake. This will ensure transparency and practicality in the capabilities asserted by vendors during the selection process.

Cloud-Based Solutions for Efficiency:
Exploring the benefits of a cloud-based solution adds another layer of consideration. This includes easier management, streamlined maintenance, and reduced IT costs, offering potential efficiency gains for your WMS implementation.

Clearly Defined Training Time:
In the comprehensive approach to WMS vendor selection, one often overlooked element is the significance of training time. Emphasizing this aspect highlights its importance in the overall implementation process, ensuring a smooth transition and adoption of the selected WMS.

Features and Functionalities that Matter

A common misconception in the buying process is that an available feature automatically translates to a suitable solution. Make sure that you and your team don't rush through the solution consulting stage, but instead dive deeper to discern if a feature aligns with both your functional and available requirements. If they have a feature you need, make sure to ask and see how it will work specifically for your business use case.

Key WMS Features

High Level Features

Warehouse Mobilization: enabling workers with access to up-to-date information on handhelds

Visualization: insightful visualized real-time analytics that can show high and low performing workers, processes, shipments, carriers, and more

System Direction: advises warehouse staff of steps to minimize the movement of people or inventory

Channelization: support for various omnichannel workflows' diverse order profiles and sales channels

Mechanization: ability to adapt to conveyor belt and carton sortation functionality that enable the transport of goods

Customization: the ability to customize and configure orders with pre-packing steps or kit customization

Specialization: tailoring shipments to the exact needs of the customer, including customer-branded documentation, specialized UCC label with unique serial number (SSCC) and communication to the customer via electronic transaction (EDI)

Globalization: support for cross-border options that consolidate and distribute shipments to regional delivery networks, declared value, HTS codes, countries of origin, delivery and duty prepaid options to expedite customs

Ease of Use: Intuitive navigability means ease-of-use requires minimal training and no workers frustrated by complexity or errors

Access: works on any browser/device

Specific Features

- Lot tracking and serialization capability
- Intuitive receiving and directed putaway
- Adaptive omni-channel picking
- Cross docking
- Continuous wave optimization
- Dynamic scan-pack verification
- Advanced real-time cycle counting
- License plate best practices for inventory traceability
- Task sequencing and scheduling
- Eliminate exceptions
- Efficient order consolidation

How to Prepare for Implementation

The WMS implementation process is a critical phase that demands a well-defined plan and active engagement of key stakeholders. To ensure a seamless transition and avoid common pitfalls, it is imperative to emphasize best practices. Buyers must grasp the differentiation between the WMS buying process and the subsequent implementation phase. The latter involves a broader spectrum of individuals and demands that the right questions have been posed during the selection process.

Best Practices:

Timing Considerations

Caution should be exercised against choosing busy periods or peak seasons for implementation, as this may lead to inadequate resources.

Support Collaboration

Buying a WMS is not merely a transaction; it should be viewed as a partnership. Buyers should inquire about the provider's implementation support and account management to ensure ongoing success after the go-live.

Key Questions to Ask:

To ascertain the level of support and partnership offered by the WMS provider, consider asking the following key questions:

- ☐ Does your support have an endpoint?
- ☐ Do you provide lifetime Account Managers?
- ☐ At what customer level is a named personal Account Manager assigned?
- ☐ What level of technical support is available?

By addressing these questions during the selection process, buyers can establish a comprehensive understanding of the support structure and account management practices, facilitating a more informed decision-making process.

Pitfalls and Mistakes to Avoid

Common Pitfalls and Mistakes:

- **Insufficient Needs Assessment:**
  - Failing to thoroughly identify and understand the specific requirements and operational needs before implementing the software.
- **Ignoring Scalability:**
  - Neglecting the consideration of a system's ability to handle increased order volume or adapt to growing demands and new systems over time.
- **Lack of Integration Planning:**
  - Failing to plan for the seamless integration of the new software with existing logistics systems, third-party services, and other relevant technologies within the company.
- **Inadequate Training and Change Management:**
  - Not providing sufficient training for staff and/or neglecting strategies to manage the transition to the new software, leading to potential disruptions in operations.
- **Ignoring User-Friendliness:**
  - Don’t overlook the importance of choosing systems and interfaces that are easy to use and understand for the end-users.
- **Underestimating Implementation Time and Costs:**
  - Miscalculating the amount of time and resources required for the successful implementation of the new software.
- **Overlooking Vendor Support and Updates:**
  - Always consider the availability and quality of support from software vendors and the importance of regular updates to address evolving needs and challenges in the logistics industry.

- **Neglecting Future Technology Trends:**
  - Failing to anticipate and incorporate emerging technologies or trends that could impact the relevance and longevity of the implemented solution.

- **Inadequate Security Measures:**
  - Not implementing sufficient measures to secure the software and its data from cyber threats, unauthorized access, or potential breaches that could compromise sensitive information.

- **Failure to Plan for Customization:**
  - Try to anticipate the need for customizations of the software to accommodate unique business processes, industry regulations, or evolving requirements within the company.

Don't let common pitfalls hinder your warehouse success—empower your operations with strategic WMS insights!

Ready to delve deeper into why WMS solutions fail? Click here to explore a comprehensive guide that unveils the critical factors contributing to WMS challenges. Equip yourself with the knowledge to make informed decisions and propel your warehouse towards unmatched efficiency.