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**SPECIAL ISSUE  
WAREHOUSE**

## The new El Dorado?

The warehousing segment has almost witnessed an explosive growth in recent years. But as the need to scale it up further becomes more pressing, the issue is how to devise a better structural growth regime for these units? This obviously also includes adoption of advanced operational models.

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# Challenging task



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Globalization has altered the way everyone looks at business. With organizations expanding their businesses across the world, supply chains are becoming more dynamic and complex. The only thing which looks static in today's business environment is change. Further the weak recovery from the 2009-2010 global recession compelled the companies to focus on maintaining the bottom-line and cash flow. Every organization is looking for operational efficiencies to increase the margins and drive down the cost. All this put together is putting considerable pressure on the all facets of a business to deliver accurate intelligence and business trend information necessary for effective decision support.

Warehouse Management Systems (WMS) are a key application in this process. Such systems not only manage the flow and

pace of inventory to ensure efficiency and cost effectiveness, they feed valuable logistics data into business intelligence tools. Increasingly, companies have come to understand the cost of inventory – and the advantages that can be gained when inventory and warehouse operations are managed for competitive advantage.

Technology plays a big role in this process, as technologies become obsolete, companies are faced with upgrading legacy, standalone WMS software and hardware platforms, or purchasing new ones. Early WMSs were limited to handling the basic functionality of storage. Today, more advanced technologies are available which not only manage basics tasks of input, storage and movement of material within the warehouse but also are coupled with complex technologies such as RFID, voicing recognition and pick-to-light.

## WMS applications

These can include standalone versions or as a part of ERP system with WMS functionality. Selecting a WMS for an organization involves a series of complex decisions, balancing cost and functionality against depth, configurability and breadth of capability. These carry both immediate and long-term strategic and operational implications.

While making the WMS selection, it is important to understand the functionalities available in a WMS and relate them to your own needs. A few functionalities which are worth considering while selecting a WMS are wave picking/batch picking/zone picking, task interleaving, automated data collection, integration

with automated material handling equipment, advance shipment notification, cycle counting, cross docking, pick to carton, slotting and labor capacity management.

It is important to understand the WMS technical support available in India. If you have not understood the flexibilities available in system and costs related to the same, it becomes challenging to get maximum advantage from a WMS in a longer term. We have seen organizations struggle with configuration and customization during WMS installation. The challenge can lie with the inability of the WMS to handle new business requirements driven by changes in the business or government policies. In a country

## Selecting WMS

like India with a complex tax structures and regular policy changes, it is important that a WMS should have capability to upgrade these changes within a limited period.

Another big challenge that lies in customization of any WMS is cost and the time involved. Customization costs becomes a roadblock for many organizations, and they decide to live with what they have, augmented with manual work done with excel spreadsheets. Another important constraint is insufficient awareness of system's development issues. This is especially true in organizations that lack IT expertise in the logistics realm.

This lack of knowledge seems particularly apparent because of the frequent problems in terms of developing an accurate requirements specification for the WMS, which ultimately leads to further conflict between the software supplier and the user organization. In many cases it appears that either the organizations have relatively few IT staff, or the IT staffs do not have sufficient expertise in WMS.

From the third party logistics (3PL) perspective, choosing a right WMS becomes more challenging because it needs to be configurable to handle a wide variety of customers and industries. A significant amount of software development goes into 3PL billing, which includes owner preferences, owner billing options, multiple contracts, multiple rates, billing variations, and a multitude of bills of lading. With the increased issues faced by organizations to decide or invest on right WMS, they instead outsource their warehouse operations to a 3PL who utilizes a robust WMS.

Building interfaces between a shipper's order system and a 3PL's WMS can be challenging. The methods available start with a simple flat file exchange to a

fully-automated interface. Integration requires understanding and collaboration between the two companies' IT teams to define the data fields and interface method. Secure data channels ensure that no one other than the shipper and the 3PL are able to access the information. All of these are success factors which must be studied and evaluated as part of

the process of defining requirements and selecting the system best suited for your needs. For many companies, designing, managing and marketing products are core competencies. Running logistics operations often does not receive financial or intellectual support necessary for success. It is into this breach that third party logistics companies have stepped,

with solutions that are both proven and flexible for the needs of different companies in different industries – it is their core competency. Wise business managers and strategists should investigate 3PL offerings and solutions fully to make an informed decision about the right logistics management and execution approach for their business.▼