

## Replacing your WMS: how to build a good business case

If there really is no alternative to replacing your old WMS you will probably find yourself in competition for scarce funds and must produce a convincing business case.

You can probably think of many advantages to a new system but most of them look like soft rather than hard, money saving benefits.

How can you identify all the good reasons to invest in a new WMS and then cost up the benefits in a way that you can have confidence in. You'll want to get it right, after all you may find yourself accountable for the savings.

We've made a comprehensive list of the benefits and suggested how you can set a value against them. Take care to do a sense check on the overall result, you may have double counted some benefits.

### Warehouse Operations Efficiency

Improvements in warehouse operating performance resulting from:

	Benefit	How to value it
1	System optimises travel around the warehouse.	What you are anticipating here is a reduction in the process time which would be fairly easy to measure if you could do a before and after evaluation. But you don't have that luxury so you will have to estimate savings, ideally based on engineered standards or synthetic times plus you'll need to build a before and after resource model.  For specific improvements such as elimination of paperwork, you could make a detailed comparison of the change and estimate the reduction you believe you will get. The answer is probably a range rather than a definitive number.
2	Time saved searching for stock in incorrect locations and/or out of stock.	
3	Time saved in manually updating paperwork.	
4	Time saved returning to warehouse office with paperwork and/or queries.	

5	Improvements to scheduling of work by allowing projections of work volumes against resources available.	Best done by activity sampling to measure the amount of time spent in delays to the process. Estimate the improvement you believe you will get and express the answer as a range rather than a definitive number. Calculate the before and after process times and build the results into your resource model.
6	Faster turnaround for receipts to putaway	
7	Stock available for pick as soon as put away.	
8	Replenishments initiated as soon as stock falls below minimum.	
9	Pick statistics allow stock to be located in most appropriate location in warehouse for maximum efficiency.	To estimate this with any accuracy, you'll need to do a before and after model of the layout or at least a sample of the layout. You'll also need engineered standards (or estimated times at least) to evaluate the reduction in travel time. Build the results into your resource model.
10	Put aways more efficient as system chooses best available location.	

## Staff Efficiency

Improvements in staff efficiency and monitoring:

	Benefit	How to value it
1	Analysis of staff performance by job type so staff can be allocated where they are most effective.	Can be done on a units per hour basis but not accurately. Ideally you will have a labour management system as part of your new WMS to realise the full benefit. The benefits can be considerable but you will need to build performance improvement into your resource model and the level of improvement will be determined by a number of factors with the most important being whether you have got labour management.
2	Analysis of staff performance so remedial action can be taken if unacceptable.	
3	Damages and mis-picks can be traced to operative for remedial action if unacceptable.	Benefit will depend on how good your present WMS is in this respect. Record all quality failures and set a target for improvement. Labour benefits only are dealt with here. Wider benefits of quality improvement are found below.

## Timeliness & Accuracy

Improvements in accuracy of despatches and stock:

	Benefit	How to value it
1	Despatches made on time	Use existing quality records to find the level of failure. Be prepared to revise your numbers after talking to customers. Look up and down the supply chain to see the full effect of failure. The benefits of improvement will probably be found in other parts of the business. You'll need to get your (internal and external) customers to agree to the benefit.
2	Despatches are correct to customer order	
3	Reductions in mis-picks reducing paperwork in issuing credits and 'fines' for inaccuracies	
4	Stock take procedures simplified reducing time spent – perpetual inventory	If you are not using PI then you should be. Calculate the benefits by modelling the before and after process using labour standards or estimated times.
5	Obsolete stock – savings from minimising obsolete stock discovered too late	You'll need historical records to calculate the cost and then an estimate of the improvement you can achieve.
6	Reduce out of stock situations	The cost to the operation is covered in Warehouse efficiency 2. Follow the supply chain to find the benefit to other parts of the business.
7	Full pallet traceability	You have probably already accounted for this elsewhere in your analysis
8	Under-picks always reported by customers whereas over-picks are not	This is true of external customers. In which case the benefits can be calculated from a reduction in the cost of replacement items. Internal customers usually experience under delivery.

## Management Information

Extensive Management Information:

Benefit	How to value it
Database holds full details of every task performed.	Better information is at the core of all the savings you will make. Managers will use the information to make better decisions and to target their actions. You are unlikely to make direct savings in the management team. Rather, managers will be more effective and the savings will be made elsewhere.
Exception reporting highlights items not conforming to standards.	
Detailed transaction history allows extensive performance reporting.	
Real time alerts identify issues requiring attention as they occur.	

## Auditability

Full tracking of all movements and tasks:

Benefit	How to value it
Full traceability from receipt to despatch.	Managers will use the information to make better decisions and to target their actions. You are unlikely to make direct savings in the management team. Rather, managers will be more effective and the savings will be made elsewhere.
Full details of every task performed	

## Image & Marketing

Improvements in image:

Benefit	How to value it
Improved customer service.	If you serve external customers, this could be the overriding reason for a new WMS. On the other hand you may struggle to get any value attached to it at all. Talk to internal customers and get them to value an improvement. It may not be easy to get them to volunteer savings on your behalf.
Helps reinforce image of a modern and dynamic organisation	

