

## CUSTOMER SERVICE AND WAREHOUSE LAYOUT

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Lately there has been a lot of interest in optimal warehouse layout as well as obtaining and maintaining positive customer service ratios. These two things really go hand in hand.

Imagine yourself at your local grocery market. There is a science to how the store is laid out. The market has a plan for you to spend money. That said, the teams behind a retail atmosphere are hard at work to get you to the back of the store to purchase milk and bread passing paper plates, laundry soap, and of course that pint of ice cream you swore off last summer. The goal of the retailer is to have you remember what else you need to buy. In distribution this is both the same and also different. If you have counter sales in your establishment, then yes, you have to be retail minded as well as warehouse minded. In this article I really want to cover the warehouse mindset. The people who work with and for you in the warehouse will appreciate your attention to detail in this area. However, so will your customers. Unlike the retail universe, you might not want to put the most sought after items in the back of your warehouse, or just wherever they fit today. This is a serious drain on your labor dollars. Remember that labor dollars can be largely unseen, and easily wasted. What would take a picker 5 minutes to do in a properly laid out warehouse, a poorly laid out warehouse can cost him or her 3-8 more. Divide that amount of time by what they make on average per hour down to per minute and multiply by the amount of times that happens in a day, and then by how many employees you have in that function. Can your company afford whatever amount you just came up with? If so, for how long? The best way to avoid these types of

hidden costs is to understand how to stop them from happening in the first place. I have written about the HITS report many times concerning purchasing, but I want to tell you that this can be used for warehouse layout as well. Your software more than likely has a way to identify your company's top selling items a.k.a. HITS report. This is great information for your purchasing team, however it is also a perfect report to help your warehouse managers.

Whoever is responsible for deciding what shelf/bin houses what items in your warehouse needs this report. This person needs to be able to see what items are hot and fast movers and which items are not so hot. The HITS report will clearly show what items should be closest to the shipping area and which items should be further away.

The reason you would want this information in your warehouse management hands is to reduce the steps of your pickers, thus reducing lost labor dollars. You can do this by coupling HITS with another function more than likely available in your software, pick path. This may be a more manual function depending on how your warehouse is currently numbered, however still a viable and useful spend of your time to figure out.

First, make sure that your warehouse is laid out in a logical fashion. The best one I have ever worked in was expandable. If you walk out to your warehouse find the closest aisle of racks to the shipping area. This would be the area that you want your pickers to end up when they are done picking. Your software will want to use logic and

start your picker off at an A location and end at a Z location. This process will seem less tedious if you think like your computer software.

An alphanumeric system is easiest to use and expand upon as you grow. For example, start with Z (if you have 26 aisles, ZZ if you have more). The second character is the rack (typically an 8' span). So on that aisle #01 (on the ground) and then the next one up #02, then #03...all the way up to #435, if you have that high of ceilings. The third character is the shelf in that rack. So start with A for floor or bottom shelf. The ideal designation would be, like an address (odds on one side, evens on the other), Z01A (first aisle, first set of shelves, floor). The next set of uprights would start at: Z03A...(the Z aisle, the 2nd set of racks, and the shelf is on the floor). Now you have a basic bin locating system. You can even add another number in there (or letter) for the location on each specific shelf if you need to be so specific.

The reason for going up with your numbers and stopping at the top is that this system helps future potential expansion. What if you need to add another shelf for smaller items and now you have 436 locations on the Z01 rack? There would be less work involved to add a location in this type of numbering system than trying to add a shelf if you just numbered the Z aisle starting at one and going all the way down the aisle in order each shelf with the next sequential number.

Now you will need to decide what goes on those shelves/bin locations. This is where you bring in the HITS report. This report will tell you and your warehouse management what

items the customers are buying. The highest hit items should hang out around where the shipping department is located (your newly designated Z aisle). Sometimes, depending on what you are selling, you may have some size restrictions to this rule. In most cases, this should be a feasible system.

Finally, we get to: customer service. 100% customer service is of course your goal as a sales oriented company, however should you really have 100% customer service on every single item in your catalog? The answer is, no. (Wait did you say yes? I won't tell.) The reason you cannot have 100% customer service on every single item in your catalog is because your purchasing department will be spending money on items that do not sell as quick, or as often thus tying up precious inventory dollars. That is why you can never have enough money, or for that matter space, to reach 100% customer service rates.

The only items with 100% customer service levels should be your top hit items. Run a customer service report on each item and add it to your HITS report in a separate column. This would mean that the high hit items you just moved to Z0101-Z09436 (as an example) should never be out of stock. They should have high safety stock numbers and always be available. No back orders, unless something out of the ordinary happens. These are the things your customers are ordering and desire. Back orders are ok on items that are further away in the warehouse that are less frequently purchased and are in the lower ranks of your HITS report. The reason it is ok: in most cases, your customers are not expecting you to have those items. I reiterate, you cannot have 100% customer service on every item in your catalog, period. So now imagine you combined your HITS report with the customer service levels of each item

you sell. Then you smartly added a new pick path for ease of picking and, all hot and fast movers are close to your shipping area for faster picking. Think of the money you are saving on invisibly spent labor dollars, increased customer service, and I would say you are probably owed at the very least a pint of your favorite ice cream! As always I love ice cream, people who share, and look forward to hearing your favorite flavor and help you employ this idea in your warehouse. So be sure to send me an email or give me a call or an email. [danah@distributionteam.com](mailto:danah@distributionteam.com)