



Cost Documentation for a WMS

We have found a Warehouse Management System that fits the bill; now we have to justify the investment and ensure its successful implementation.

After many months of hard work, after examining all the automation, storage, and distribution systems available, after visiting installations where you saw them in real-life and under a full workload, and ensuring that other customers were satisfied from the systems as well as from their technical support to the bidders; and finally after your technical consultants have worked with you on selecting suppliers, you have the final bid on system installation.

You can congratulate yourself, as you have successfully completed 50% of the project-choosing the right system and supplier, that is. But don't rest. You will also need a similar moral reward to keep you excited and motivated for the next steps. Since you got here, you already have a pretty specific idea of the benefits of the system: Return on Investment, Increased Productivity, Better Customer Service, Minimized Warehouse Costs, and the competitive edge it provides you with.

In general, we could list the benefits under two categories: Hard cost savings such as space, machinery, labor; and soft cost savings, such as increased customer satisfaction and getting ahead of your competition.

The benefits of the first category are usually given the highest weight; and it makes sense, because it is easy to measure and convert them into money.

After all, these are the ones you mainly used to persuade the Board of Directors or the one who authorizes the budget to approve of the project. If the budget for the project has already been secured, then things are even easier. Otherwise don't lose your enthusiasm, which is the key to success. Unburden yourself and re-evaluate the weight of your arguments on the indirect benefits, what it means for your company if a competitor makes the investment, what the impact of not installing a system would be for your customers, and finally use tables like the one below to give numeric examples of the improvement you will achieve.

AREA OF IMPROVEMENT	CURRENT SCORE (b1)	POST INSTALLATION SCORE (b2)	WEIGHT FACTOR (K)	CURRENT RESULT (b1*K)	POST INSTALLATION INDICATOR (b2*K)
Customer Service	2	5	40	80	200
Stock Accuracy	4	5	30	120	150
Use of Space	3	4	20	60	80
Productivity	3	5	40	120	200



Use of Machinery	4	5	20	80	100
Safety	4	5	10	40	50
Facilities	5	5	10	50	50
Barcode - RFI Systems	0	5	30	0	150
PERFORMANCE INDICATOR				550	980
IMPROVEMENT					78%

Now all that remains is to ensure the successful implementation of the project. The recipe is simple and proven. It contains five components, which should be followed in time, in the order listed and contributing equivalents to success:

- Site preparation - Hardware installation
- Trial installation of software -Data entry
- Personnel training
- Trial system-Tuning mode with parallel operation of the old system
- Run physical inventory - End the old system operation

When the complexity of the project phases and the involvement of various sub-vendors requires it, feel free to use a project management tool (e.g. Microsoft Project) so that you can immediately intervene with the slightest suspicion of deviation. Do not underestimate any of the five phases, and training in particular. Do not assume some basic knowledge, which probably does not exist. Start training your staff by switching on an off the PC and demonstrating mouse and keyboard control, and move on only when the first parts are adequately assimilated. Demand for the presence of vendor engineers for the first days after introducing the new system. Develop a troubleshooting procedure, and specify a troubleshooting process in collaboration with the supplier.

Finally, do not assume that the tables you made a few months ago to justify the expected benefits of the system are useless anymore. After a reasonable period of time with the new system, replace the number of columns -which back then referred to anticipated goals-, with the actual numbers you have achieved, and inform the management of the goals that justified your decision.