LOGISTICS AND 3PL

Seven steps for choosing the right warehouse management system

Innovation in logistics services

Innovation in logistics services is critical to maintaining competitive advantages. Companies of all sizes and all industries are recognizing that outsourcing their supply chain execution to third party logistics providers (3PLs) delivers the responsiveness that customers expect from their suppliers.

3PLs offer locations closer to the customer than most companies can afford to build and operate on their own. They can be added, subtracted, or relocated rapidly to offer suppliers the adaptability they need in today's quick-changing markets. And, 3PLs can give their customers the flexibility to scale up or down based on volatile market and economic conditions. Simply put, the opportunity for 3PLs has never been greater; however, it has also created a highly competitive market.

Service, quality, and value differentiation has never been more critical to 3PLs to attract, win, and retain customers. At the heart of their competitive advantage is the supply chain execution information technology, and more specifically their warehouse management system. Customers are seeking strategic, vested outsourcing relationships. Demonstrating comprehensive supply chain execution capabilities is critical to an 3PL's competitive advantage. Yet, many 3PLs find themselves struggling with aging applications, lack of mobile transaction and automatic identification (barcoding) capabilities, inefficient labor management, lack of support for multi-client workflows and inventory/space management, billing issues, and any number of critical capabilities to win in this highly competitive market.

Many companies simply don't know or have the resources to define their strategy and requirements for selecting and implementing new supply chain execution systems or extending or upgrading the capabilities of their existing applications. So, here is a practical roadmap for assessing, defining, and selecting the capabilities to compete and establish strategic relationships with new and existing customers:

1. Develop and communicate the business strategy to managers and employees.

Many companies have not developed, documented, or communicated their strategy to the people who are charged with executing it. Strategically aligning operating resources with your workforce makes it easier to execute on the processes and activities that keep your company competitive and productive. A strategically aligned organization with performance metrics that are aligned to the strategy is more likely to have a motivated workforce that will work efficiently and productively to achieve desired results.

2. Identify the steering committee and two full-time internal or external process leaders to manage the project.

This is not a part-time assignment. Subject matter experts (SMEs), process owners, management, operators, and other participants can be hired on a part-time basis as required by project managers. The project itself, along with documentation and communication with the steering committee throughout the selection process is a full-time assignment.

3. Assess and document current supply chain execution processes (workflows), metrics, and information technology.

This is especially critical to an 3PLs that serves multiple customers—even if facilities are dedicated to a single customer. Each customer will have different requirements, systems, workflows, and costing/billing requirements. It's crucial to be able to stand back and review each of the different supply chain execution processes in detail in order to identify areas for improvement and innovation—and determine system requirements. Fuzzy requirements are the number one reason implementations go wrong or fail.

4. Conduct secondary market research on supply chain execution systems and technologies.

Information technology has matured over the years and is increasingly being delivered as industry-specific tools and capabilities. Many providers have years of industry-specific experience and comprehensive applications. Take advantage of that experience. Investing time in reviewing the functionality, underlying platform technology, future roadmaps, and industry experience offered by solution providers will create a base understanding of how technology can help build a competitive advantage and world-class operations. The more experience a provider has in the industries you serve, the better their technology will fit your requirements.

5. Map your findings (functionality and features) to existing processes, metrics, and strategy.

Building off of the guidance in step three, it's also important to match the functionality that is available in the market to your specific processes to rapidly identify any gaps in functionality. This also helps identify and quantify how the new technology can improve operations. By defining standard functionality, identifying gaps that are critical and unique to your processes, and identifying which providers have the greatest fit, you'll be able to create an RFP and a shortlist of providers to evaluate.

6. Conduct primary research on a shortlist of references.

In addition to the references provided by your system candidates, identify users of the applications that are not references. Prepare a comprehensive set of interview questions and conduct as many interviews with users of the applications as possible. Let them explain the selection process they went through, the implementation experience (good, bad, and ugly), experience with ongoing operation and maintenance, new functionality adoption, ease of integration, and support for multi-customer workflows, billing, and operations. It's important to conduct this research before the RFP and selection process is conducted; it can help solidify your requirements and validate your shortlist. It can also alert you to new considerations that you may not have documented.

7. Release an RFP to qualified vendors, conduct a thorough selection process, quantify the value, and evaluate the solutions available.

During the course of this process, you'll likely identify areas for improvement and innovation within your current operations. You may also find that your existing systems can be upgraded or extended with new functionality or new technology, and you don't really need a new system. The key is engaging in a comprehensive strategy, people, process, and technology review and documentation to determine your solution requirements.

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