ZOHO Inventory

# Best Practices for Efficient Warehouse Management

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# Introduction

Warehouse management is the process of organizing and managing all the operations that occur in a warehouse, so that everything runs as efficiently as possible. This includes arranging the warehouse, maintaining the equipment, organizing and accounting for inventory, managing and tracking orders, and also keeping an eye on how well the warehouse is performing.

As the owner or manager of a warehouse, one of your primary goals is to make sure that your storage space is operating efficiently. An ideal warehouse is one that:

- Has enough space, not too much or too little,

- Makes use of the given space in an economical and well-structured manner,

- Reduces your business's overhead and warehousing costs, and

- Helps you save time during processes, instead of being the cause for delays.

While this is how every business would like their warehouse to operate, in reality, things are not always as smooth. Warehouses can face all sorts of productivity-reducing issues, depending on their type, size, and the operations that take place in them. Some common warehouse management problems include:

- Ineffective use of a given storage space. A disorganized warehouse can appear to be full even though it isn't being used to its full capacity. So when the business is in need of more space, the only solution seems to be to rent or purchase another warehouse. This is a waste of both space and money.
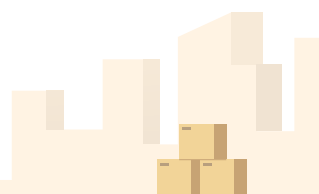
- Difficulty finding and storing inventory. Poor inventory management and not having an accurate account of what products you're storing and where can result in wasting a lot of time looking for inventory. This leads to longer picking and putaway processes, and can mean delaying or entirely denying orders because you can't find enough stock to fulfill them.

- Having a tough time making needed changes to the way your warehouse processes are carried out, or having trouble adjusting to these changes, as your business grows.

- Mismatches between your physical inventory and accounted inventory (when the inventory count in your system is different from the inventory count on hand). This may be a result of miscalculations during the receiving and putaway processes, which is a problem since accuracy is essential in a warehouse. But it could also mean that you're losing stock because of theft or other warehouse attrition, which is much worse.

  - Accidents that cause injuries to employees or damage to equipment and inventory. Besides the injuries and damages themselves, the expense of recovering from the incidents can become a nightmare, and you may need to pause certain parts of your warehouse activity depending on the severity of the accident.

If your warehouse has experienced any of these problems, then you know that overcoming them is one of your top priorities. If you haven't come across these issues yet, then you might be looking for ways to prevent them. Either way, this guide will discuss some best practices that you can implement to maintain your warehouse as an ideal storage space.

# Organize your warehouse layout

Just like any other space that is rented out or purchased, every square foot of your warehouse is costing you. So the best way to get your money's worth is to use this space as effectively as possible. But sometimes this is easier said than done. Maintaining an organized layout can be a tricky task, especially if your warehouse is one that's constantly buzzing.

Before actually moving things around in your warehouse, come up with a sample layout for how you'd like your warehouse to look. It may take a few tries, but your final plan should be the most optimal layout for your warehouse. Here are some tips to get things in order:

- Consider everything that you're currently storing in your warehouse, or will store eventually, and allocate space for all of it. Make sure to leave enough room between your racks for your employees and equipment (trucks, forklifts, carts) to move through, which can help prevent damage and accidents.

- A common suggestion from warehouse managers to improve your space utilization is to store all of your fast-moving items in an easily accessible location close to the entrance or exit of your warehouse. This way you won't have to handle the items extensively during putaway, you know just where to find them without having to refer to a list of item locations, and most importantly, you can retrieve them quickly to speed up your order fulfillment.

- Making the best use of all of your given space refers to both horizontal and vertical space. Typically, when setting up a warehouse, you would consider the horizontal space first. This is the spaceyou have to store your heavy equipment, storage racks, containers, machinery, and everything that needs to be stored on the ground. After this, what's left is usually smaller and/or lighter items. So once you've got the horizontal layout sorted, consider these remaining items and how much vertical space you have left. Is it possible for you to store them all in vertical spaces within racks and shelves? If you don't have enough shelves, are you in a position to invest in more? You may also require equipment to retrieve items that are stored at a height, like a ladder or reach truck, so can you invest in one at the moment? Vertical storage can help you save horizontal space, and can also allow you to rearrange when you need more space instead of paying for a bigger warehouse.
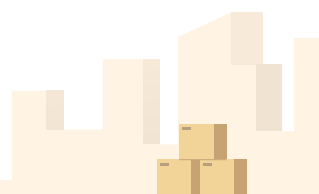
# Use warehouse labels

A warehouse, or any type of storage space, requires a high level of order and organization for it to be used to its fullest potential. This is especially true for warehouses that work with a large variety of products and SKUs. But more often than not, inventory and products end up simply being placed in the nearest open storage location, which makes them very difficult to find later.

An underrated but highly necessary solution is warehouse labeling. This is the practice of providing some form of identification for everything that is stored in a warehouse, with reference to its exact storage location. Labels can be in the form of color-coded name tags, barcodes, RFID tags, et cetera. It is not limited to items and products alone; everything in a warehouse that is used in some way to store or retrieve stock can be labeled. This includes the areas within your warehouse, like rooms, the floor, bins, containers, shelves, and racks, and of course the inventory (raw materials, finished goods, unfinished goods). In the case of inventory, once it has all been labeled, the data is added to a manual or automated tracking system like an IMS or WMS.

Warehouse labeling doesn't have any strict rules, which makes it a very flexible option that can suit different warehouses, depending on the availability of space, as well as the type, volume, and variety of inventory that they store. The benefits of warehouse labeling include better inventory management, clear visibility of what you currently have and how much, and reduced chances of mistakes while picking and putting stock away.

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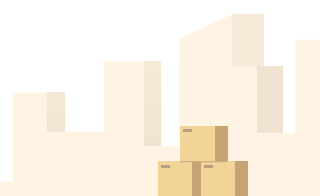
# Get a cloud-based WMS

Over time, a warehouse may stop operating with as much efficiency as it once had. As the warehouse grows, the processes that take place in it may also grow or change in some way. Factors that drive changes or growth in a warehouse include seasonality, SKU proliferation, sales, purchase orders, employees, vendors, customers, and space.

Some warehouses take years before they see any drastic changes in their operations, whereas others, like ecommerce warehouses, notice changes sooner. The ability of a warehouse to smoothly modify its operations in order to adjust to the changes caused by growth is referred to as the warehouse's scalability. A lack of scalability, or the negative effects that scaling back and forth causes, can lead to a few problems:

- If you need to move or add warehouse locations, using a manual or on-premise warehouse management system may make it difficult to transfer data. You may need to manually make copies of the original warehouse's data and then enter the information into the new systems. This can be time-consuming and highly susceptible to errors.

- In cases of a sudden surge in demand, using a manual system can be trickier than usual, since the fresh data will have to manually entered and processed one at a time. This can be very time-consuming and tedious. An on-premise WMS on the other hand comes with strict restrictions as to how much data it can accommodate, and upgrading this may require additional hardware updates which you will have to spend for.
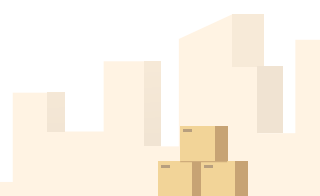
One way to overcome these issues is to use a cloud-based warehouse management system. A cloud-based WMS offers several benefits over a manual or on-premise solution, like:
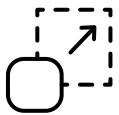
**Scalability**

**Better security**

**Availability**

**Real-time updates**

**More storage space and memory**

**Quick implementation**

**Ease of use**

With a cloud-based warehouse management solution, you can quickly access your warehouse management data using your security credentials on any smart device that is connected to the internet, without any lengthy manual lookup processes. This will be a lifesaver when setting up a new or additional warehouse. Additionally, your cloud-based solution comes with a large amount of memory storage space that helps you scale back and forth in times of changing demand. But if more space is required, then all you'll need to do is enable extra licenses at the time, since there won't be any hardware updates to worry about.

# Conduct frequent audits

As your warehouse grows bigger, you may not be able to pay as much attention to your inventory as you did in the beginning. If you have your inventory processes under control, then this is perfectly all right. Unfortunately, however, this is not true for all warehouses; inventory shrinkage is a very real possibility that every business should consider. Inventory shrinkage is when there is inventory shown in your accounts that is physically unavailable in your warehouse due to reasons like theft, damage, miscalculations, misplacement, or supplier fraud.

Running frequent warehouse audits will help you prevent such losses, or at least identify the cause behind them so that you can work on fixing them. A warehouse audit is a way to retrace your steps and figure out what's working for you and what isn't. It doesn't necessarily have a strict set of rules; warehouse audits can be customized based on what qualities each warehouse is looking to improve, and can be performed as often as necessary. A typical warehouse audit might look like this

- Start by putting together a clear objective for the audit. What are you trying to achieve or look for with this audit? For example, let's suppose that you're working on improving the overall efficiency of your warehouse processes. In this case, your objective would be to look for aspects in your warehouse that can improve your efficiency, as well as what factors may be bringing it down.

- Next, collect an accurate physical count of the inventory you're storing in your warehouse. Use whatever system you would normally use (but we recommend that you use an inventory tracking system to help you with your physical count). Once this data is collected, compare it with the inventory counts recorded in your inventory software. Both sets of data should show you the same numbers, and if they don't, then you are experiencing inventory shrinkage.
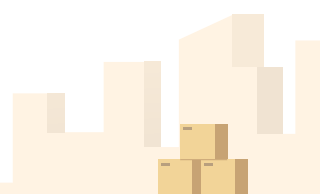
- Inspect all of your warehouse processes, starting from the receiving line where you're bringing new stock into your warehouse, all the way up to order fulfillment or shipping where you're moving stock out. Check how the processes, equipment, and employees are operating: do things seem to be working smoothly? Or are there any hiccups along the way? Do you notice any processes that can be improved? After you've looked at each warehouse process in person, also make sure to check your WMS for any unusual activity or discrepancies in your transactions, storage, receivables, and deliverables.

- Now speak to your employees across the entire warehouse. They spend a large amount of time with your inventory, so ask them for their thoughts and feedback. Do they feel like something could be improved? Are all the rules, policies, and regulations being followed? Does anyone have any concerns with the way things are working? You should also ask them questions that shed light on your warehouse's procedures. For instance, if your warehouse uses manual picklists to pick items for orders, you could speak to your employees about the average time it takes per order to find all the items, and hear their thoughts on how this time can be reduced.

And with that, you have collected enough data for your audit and can now flag areas that need to be improved or overhauled entirely. Discuss your findings with your managers and employees and consider their suggestions, so that you can come up with solutions to overcome each issue you've spotted.

# Follow safety standards and regulations

Warehouses are not really known for gentle and delicate work. From handling large containers and storing them at heights, to operating heavy-duty equipment, a warehouse poses many risks to employees, equipment, and inventory. But luckily, there are several ways to prevent accidents:

- Make it a point to conduct regular mandatory training sessions for your employees to educate them about:

    - How to correctly and safely use equipment

    - Safety protocols and regulations that are prescribed by the government

    - The specific areas in the warehouse that are hazardous.

Since employees' own safety is involved, it's reasonable to be very strict about this by making the sessions and the rules mandatory. If it seems like this may not be enough, then consider applying fines or other similar consequences for not following the rules. Another approach is to encourage employees to report any unsafe conditions or behavior, such as by providing an anonymous tipline and/or responding positively when employees report something unsafe.

- If your warehouse has particularly dangerous areas, then add some form of identification so that people can tell once they've entered such an area. You can do this by painting that area in a different color, or taping it off. If appropriate for your warehouse, you can even make that area into a separate room by adding a door or barrier with a lock so that not everyone can enter.

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# Conclusion

Every warehouse owner wants to improve their warehouse's efficiency, and thereby their business' performance. But hurdles like disorganized storage, poor inventory management, scalability issues, missing inventory, and accidents can make that difficult to achieve. Fortunately, there are ways to troubleshoot these challenges. Warehouse labeling, reorganizing your warehouse, using a cloud-based WMS, conducting warehouse audits, and following safety regulations are all good ways to give your warehouse operations an efficiency boost.

# About
# Zoho Inventory

Zoho Inventory is a cloud-based solution for your end-to-end inventory and warehouse management needs. With Zoho Inventory, you can monitor multiple warehouses, check up on their inventory from any location, manage sales and transfer orders, view real-time data about your inventory, and track orders and inventory across the entire network. All of these features will help you ensure better efficiency in your operations. Check out our free trial to see how Zoho Inventory can make a difference in your warehouse management routine.

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