



A Comprehensive Guide to Warehouse Management Systems

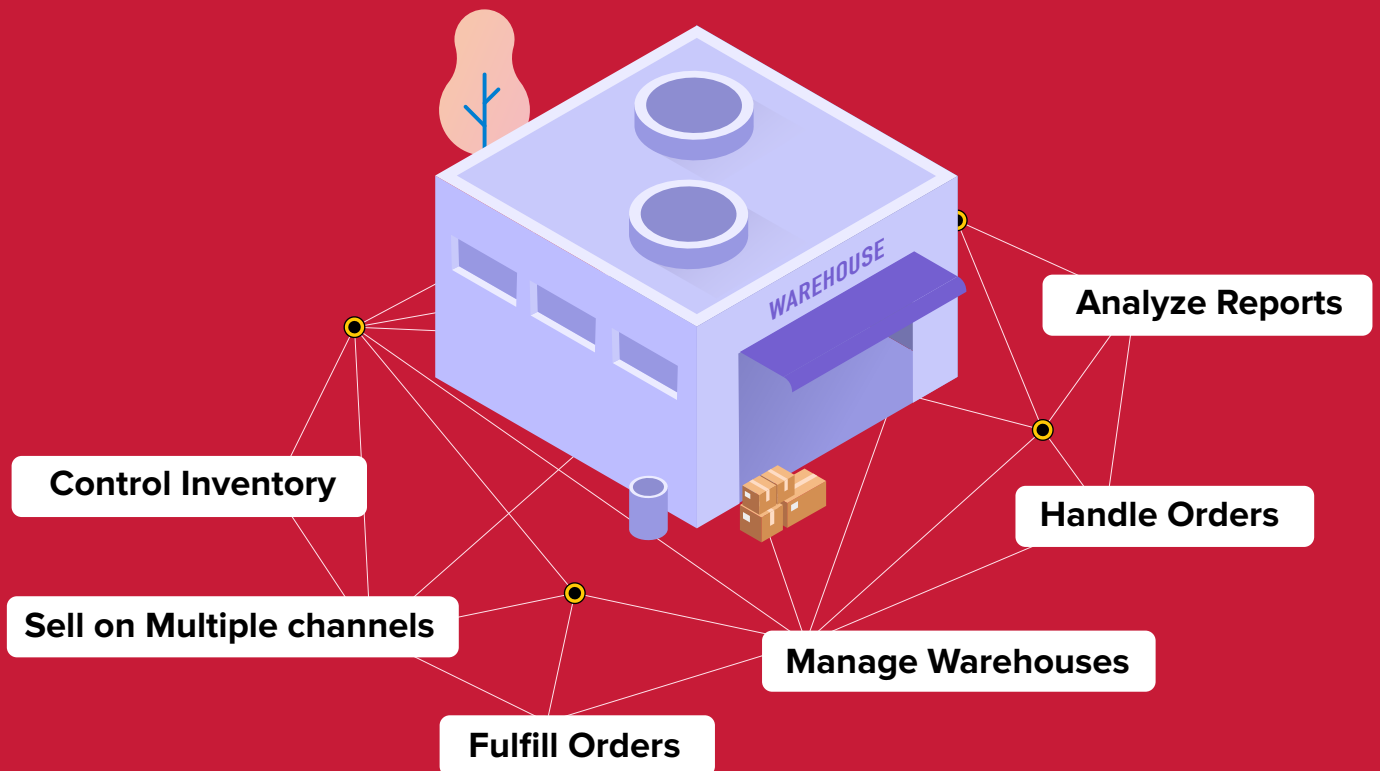


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Introduction

At any given point in a day, a busy warehouse will have several operations and processes running within it simultaneously. In order for all these operations to run on time and stick to their schedule, it's important that the warehouse itself is organized and well-structured. To ensure this, most businesses incorporate warehouse management techniques.

Warehouse management is the process of organizing, maintaining, and managing all the processes that occur in a warehouse, so that everything runs as smoothly and efficiently as possible. It includes everything from the way the inventory is arranged to maintain the equipment used inside the warehouse, organizing the new stock that comes in, managing orders, and even keeping an eye on how well the warehouse is performing.

To simplify all of these processes and ensure their efficiency, many large enterprises prefer using a *warehouse management system* (WMS), which is software that helps businesses manage and track their daily warehouse operations. WMSs allow businesses to check on their warehouses' inventory from any location, and manage supply chain operations for their manufacturers. They are commonly compatible with other solutions like transportation management systems (TMS) and inventory management systems.

Warehouse Management Systems vs. Inventory Management Systems

Warehouse Management Systems vs. Inventory Management Systems

While a warehouse management system is based on managing all of the processes that happen in a warehouse, inventory management systems stick to organizing and storing the inventory that is stored in the warehouse.

Among businesses that are new to warehousing or coming from different industries, warehouse management is often seen as the same thing as inventory management. This is because both practices include monitoring product levels, managing and tracking orders, running cycle counts, and receiving orders into existing inventory. Although they share similar operations, they are actually very different and completely independent of each other; a warehouse management system cannot be used as a replacement for an inventory management system. Here are some of the differences between the two:

Complexity

The most significant difference between inventory management systems and warehouse management systems is the level of complexity that each involves. Inventory management systems are generally very simple—they monitor surface-level data for an entire warehouse, rather than complex, specific data. They are generally used to keep track of the total amount of inventory in an entire warehouse or storage location. Warehouse management systems, on the other hand, take care of a more extensive list of tasks. They can categorize a warehouse into bins and compartments and monitor each one individually, so that the warehouse owner can manage every part of the storage system

individually, instead of looking at it as a whole. You can also manage multiple bins of the same SKU and distribute them to different areas of the warehouse.

Integration

Although inventory management systems are essential in managing a warehouse, the tasks that they cover do not necessarily need to synchronize with the other processes that happen in a warehouse. This means that they cannot always be integrated with the other software being used. Warehouse management systems, on the other hand, are associated with other warehouse operations like production supply, sales, distribution, and quality management. This makes it easier for you to integrate them with other systems that you use.

Clarity

An inventory management solution is not as transparent as a warehouse management solution, since it doesn't share as much information as the latter. Warehouse management systems can tell you exactly what processes are going on in your warehouse at any time. For instance, an inventory management solution can only tell you whether or not a product is present in the warehouse, whereas a warehouse management solution will be able to tell you exactly where that product is located in the warehouse.

Importance of warehouse management systems important for businesses

To be perfectly candid, implementing a warehouse management system can be costly and may increase the complexity of your current processes. But the benefits that an automated solution brings can make the expenses and intricacies worth it. Here are all the different ways a warehouse management system can change your business:

Reduced labor costs

An automated warehouse management system considerably reduces the need for manual work, which also brings down the amount that you spend on wages.

Improved inventory accuracy

Warehouse management systems aid in demand forecasting, which can give you an estimate of how much inventory you're going to have to purchase. This can keep you from being caught with too much extra inventory, or too little.

Smooth order management

When manually dealing with your customers' orders, you have to answer questions like *what items do I need to pick? what is the most efficient way to pack them? and who do I need to ship this order to?* Even a slight mistake in one of these processes can cost you a lot. With a warehouse management system, you can get answers to all these questions and more, so that you don't have any trouble managing your orders.

Efficient customer service and tracking

Getting a potential customer to buy from you and then eventually retaining them, both depend on several factors, including how efficiently and accurately your warehouse operates. A warehouse management system can help keep your warehouse organized and running smoothly so:

- The products your customers are looking for are in stock.
- Customers receive the correct order that they ordered.
- There are minimal chances for error.

Types of warehouse management systems

No two businesses are an exact replica of each other. Every business follows separate workflows and has different requirements. It wouldn't make sense to expect the same software and solutions to suit every business type which is why there are three types: Stand-alone WMS, Supply Chain Modules, and solutions that have been integrated with ERP. Let's take a look at each in detail:

Standalone WMS

A stand-alone WMS is an on-premise software, which means it can be installed and run on computers used in physical warehouses. It can take care of tracking expiration dates, barcode scanning, cycle counting, slotting, and all tasks under order management. This type of system specializes in warehouse management, but cannot be used for any other supply chain functions. Instead, it can be integrated with your other business solutions. However, this comes with some setbacks like duplicate data entry, delays in data updation, problems with the interface, and additional expenses for customization. Since stand-alone WMS are cost-friendly, they are perfect for SMBs that could benefit from using a solution but have not necessarily set aside a large budget for one.

Supply Chain Management Software

Some businesses choose to use an all round supply chain management software that takes care of everything from their relationship with their vendors to automating processes like inventory management, material sourcing, and product cycles. Since warehouse management is a subcategory under supply chain management, using a supply chain management solution for

your business will also take care of all warehouse management requirements. With a supply chain module, all your solutions will be integrated with one another, which keeps your data consistent and makes sure that the different parts of your business are working together. A supply chain module is suitable for 3PL businesses.

Integrated ERP solutions

Integrated ERP solutions can take care of supply chain planning, accounting, customer relationship management (CRM), and human resources (HR)—of which some solutions also include warehouse management abilities. Not all integrated ERP solutions offer warehouse management solutions, so make sure to look into that before purchasing. Integrated ERP solutions are recommended for enterprise-level businesses looking to improve ROI.

What you should look for in a WMS

With the demand and need for warehouse management systems growing every year, businesses now have an extensive variety of options to choose from. While most systems can be customized with add-ons to suit specific requirements, all solutions should be able to handle a standard list of functions on their own. Here are a few important features that you should look for in a warehouse management system before purchasing:

Warehouse layout

Businesses that deal with several products from different SKU's may have trouble figuring out what goes where when putting away items or picking them for an order. With a WMS in place, the solution should be able to keep track of the exact location of every product you've stored in your warehouse. Additionally, some systems can compute the shortest and easiest possible route to take to pick them. This feature can definitely be considered for large warehouses where taking a shorter route can save you a considerable amount of time.

Receiving and putaway

Quick receiving and putaway processes are essential for every warehouse hoping to operate efficiently. For this reason, your warehouse management system should help you identify and categorize your received inventory according to product type or however you store them so that your putaway process is accurate. Once that's taken care of, the system should be able to automatically match your received shipments to the original purchase order, and reconcile them. This way, you can eliminate the need for paper documentation and the errors that accompany it.

Tracking inventory

Top inventory management systems typically come with built-in inventory tracking systems like an AIDC (Automatic identification and data capture), RFID (radio frequency identification), and barcode scanners. With all these advancements, the system will be able to:

- Monitor serial numbers, expiry dates, and other similar data.
- Stay notified with demand forecasting and real time stock updates for every product in your warehouse. You don't want to overstock and end up crowding your space, but you also don't want to under stock and run out too quickly.
- Ensure you are being careful and effective about using all the space that your warehouse provides. With time this can even help you save costs.

Managing labour

Most warehouses are operated by multiple people making it difficult to keep a constant eye on what everyone's working on and how they're performing. A built-in labour management tool can give you real-time updates on their work, let you monitor your staff's productivity, and help you manage them more effectively. And using KPIs (key performance indicators) can give you even more detailed information like which employees are performing above or below a certain standard.

Integrations

The bigger your warehouse grows, the more complex it becomes to manage it. In such cases, having some extra help (integrations) could do wonders. By integrating your main warehouse with all your other warehouses, online stores, marketplaces, shipping partners, and 3PL providers, you can have access and visibility to everything through a single platform.. This is why solutions that already have all the necessary integrations in place or allow for customized integrations, are more desired than solutions that don't.

Questions to ask before upgrading or replacing your WMS

Over time your business may outgrow your current warehouse management solution. At this point, you can either choose to upgrade your current solution or replace it with a completely new one all together. In recent times, the top three reasons why businesses purchased or upgraded their system was because:

- 01 The business was previously not using any sort of system for their warehouse management needs.
- 02 Their existing system was outdated.
- 03 They needed new functionalities taken care of.

When evaluating your own business' needs, first figure out if you even need to make a change in the first place. If you do, then work out whether you need an upgradation or a new solution. Here are some questions that you can ask yourself to help you make an informed decision:

Is your current system having trouble handling large quantities of data? Are you experiencing delays?

If you face any of the following issues with your current system or process then it's time to upgrade or switch to a new system:

- Your current system is finding it difficult to handle high amounts of data making it harder to use your system during busy times because of the heavy influx of data.

- Every once in a while, your system slows down and causes delays while you track goods in and goods out.
- Your system is incapable of processing orders for fulfilment.
- You often feel the need to reboot your system.

Are you facing a substantial amount of errors when processing orders? How high are the losses that these errors result in?

It's important that your current system can process orders efficiently and then fulfil them accurately. If the right products haven't been picked or the relevant shipping labels haven't been attached then your customers will not receive the correct order. If this happens repeatedly it can greatly affect profitability.

Does your present solution have high lag times in-between processes?

Do you feel like you or your employees spend more time waiting for your system to start up and get work done than you spend actually using it? If this is the case, your current solution is old and outdated, and it's time to get a new one.

Would it be cost-effective for you to update your system?

Another important question to consider is, will changing your current system help you save costs? A WMS should be able to track your inventory which can tell you exactly how much of each product you are storing and also where they are located. This can help you avoid:

- Understocking or running out of products and having to turn away orders or delay fulfilling them.
- As well as overstocking products and not selling them quickly enough, so they end up taking up valuable and expensive space for too long. This could contribute to high carrying costs and inventory holding costs.

At the end of the day, you don't want to spend money on a new system or an update just to have to spend more money later on. One of the reasons to get a system is to reduce your expenses, not create more.

Are you confident about how secure your data is with your current system?

Like all software solutions, your warehouse management system is also at risk of several security, specifically cyber security, issues. Cyber attacks, or having your system hacked into, can affect your data privacy and result in temporary or permanent data loss. And since your solution deals with your business' confidential data, it's extremely important that you protect your system. Typically, systems that are old and outdated face a higher chance of being hacked since they may not be compatible with security software. If you feel like your system is susceptible to viruses that can threaten the security of your data, and the preventative measures don't seem efficient, then it's time to make the switch.

How to prevent an upgrade from becoming a new system implementation

Although owning a warehouse management system is very advantageous to your business, maintaining it can be tricky and put a strain on your expenses. Anything from a basic maintenance service to a complete upgrade can easily cost you a lot of money.

The easiest thing to do is to start using a system that won't require frequent maintenance services and is up-to-date with all the newest features.

Unfortunately, the warehousing industry, like most others, doesn't work that way and is constantly evolving. To make sure your upgrade doesn't end up feeling, costing, and becoming a whole new WMS implementation, follow these guideline:

- Evaluate your existing solution and compare its performance with competitors or other similar businesses to set a benchmark or standard for yourself.
- It's easy to get carried away when thinking about an upgrade, but it's important to stick to your budget. Be realistic and practical about what you expect from the solution while keeping in mind the price. Prioritize features and updates that you need over the rest.
- Enforce and promote accuracy when calculating ROI.
- This upgrade definitely won't be your last.. Plan your future upgrades, modifications, and maintenance fees.
- Get a 3PL to manage the entire upgradation process.
- Identify your solution's flaws before and after the upgrade, so that you know what needs to be changed immediately and what to expect from it after.

Switch to cloud-based warehouse management with Zoho Inventory

Zoho Inventory is a cloud-based solution, that offers advanced warehouse management capabilities. It allows businesses to manage multiple warehouses, check up on their inventory from any location, and track and manage orders across their entire network, all through the cloud.

Manage multiple warehouses

As mentioned earlier, when a business grows, their warehouse tends to grow with them. This is usually in terms of inventory size, and to store all of this incoming inventory, they may have to expand to other warehouses as well. While physically moving and setting up a new warehouse is a whole headache by itself, a major challenge faced here is moving the data. A typical on-premise warehouse management solution can only store data for one particular warehouse. So when a new warehouse enters the picture, the existing solution will not support another warehouse or its data which pushes the business into purchasing a whole new solution.

That's why Zoho Inventory gives you the option to manage and monitor your inventory across multiple warehouses and storage spaces, all through the same platform. This gives businesses that have several warehouses the freedom to segregate and individually manage all of their inventory across their warehouses. Therefore even with all your stock spread out, you can still keep an eye on what is being stored and where.

In addition to managing more than one warehouse, you can also fulfil your customers' orders from the warehouse that's closest to them. This is perfect for businesses that have regional, strategically placed warehouses, since it's a way to save time and transportation costs by delivering sales orders faster, which leads to better customer satisfaction.

Employ real-time tracking

Say a customer places a bulk order for a certain product with a business. Things are fine, until the business realizes that they don't have enough stock in their warehouse to fulfill the order. So now they're faced with two choices, they can either cancel the order entirely or inform their customer that there may be a delay in fulfilling their order, both of which do not sound good for the business. This type of situation is a result of poor inventory tracking, which can be caused by delays or a complete lack of communication regarding updated stock counts, between a warehouse and the business.

With Zoho Inventory, you can track the movement and location of stock in each warehouse in real-time, so that your stock levels are continuously updated to give you an accurate count every time. This helps you ensure that your warehouse has sufficient quantities of stock, so that you can avoid not having enough stock or even stockout situation. Tracking can be done within your own warehouses, such as internal inventory transfers from one location to another, as well as external, such as when you make sales and would like to track your shipments.

Accurate business reports

Analysing and keeping an eye on your performance is essential to know whether your business processes are moving flawlessly, or if they could use some help. Without this information, you may feel a little lost when it comes to how to run your business, which could lead you to make uninformed decisions.

To tackle this problem and give you better visibility of how exactly your business is doing, Zoho Inventory offers detailed business reports on your sales, purchases, expenses (payables and payments received), inventory, and other business activities, in the form of numbers and graphs for quick understanding. The information that business reports provide, can be used in demand forecasting, trend identification, business budgeting, business audits, as well as tracking your overall progress and shortcomings. You can also check your stock and manage your sales and purchase orders across multiple warehouses, all from the same platform. This way you can check each location to see how much stock you have and what orders have been fulfilled or are pending. Additionally, besides viewing your business reports under the Reports section inside Zoho Inventory, you can also view selected reports on your Dashboard on the home screen, to receive faster insights in real time.

Conclusion

As new developments materialize in the warehousing industry to help simplify and optimize processes, businesses that operate with warehouses will have to keep up in order to have an edge over their competitors. Having the right tools in hand, is a good place to start.



About Zoho Inventory

Zoho inventory is an integrated software solution for your end to end inventory management needs. With Zoho Inventory, you can check stock levels, manage activity among multiple warehouses, and generate reports within seconds. Warehouse management, at the ready.



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