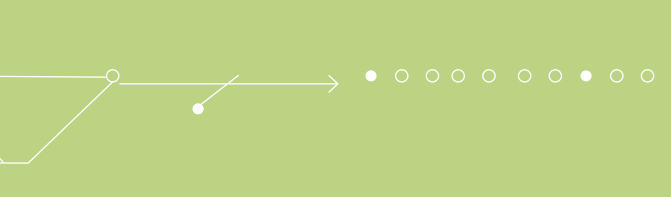


Whitepaper



Nine Telltale Signs
You Should

Replace Your Current WMS



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Introduction

An ever-increasing number of manufacturers, distributors, retailers and others have implemented warehouse management systems (WMS) to drive fast, measurable cost reduction and improve operational efficiency. The benefits of a WMS are numerous, including up to 99.9% inventory accuracy, reduced inventory levels, maximized use of your warehouse space, optimized picking efficiency and accuracy, improved customer order fulfillment rates and increased labor productivity.

While definitions of a WMS run the gamut from Microsoft® Excel® spreadsheets to well-known best-of-breed applications, an inflexible or legacy WMS may be dragging down your productivity and putting your business at risk.



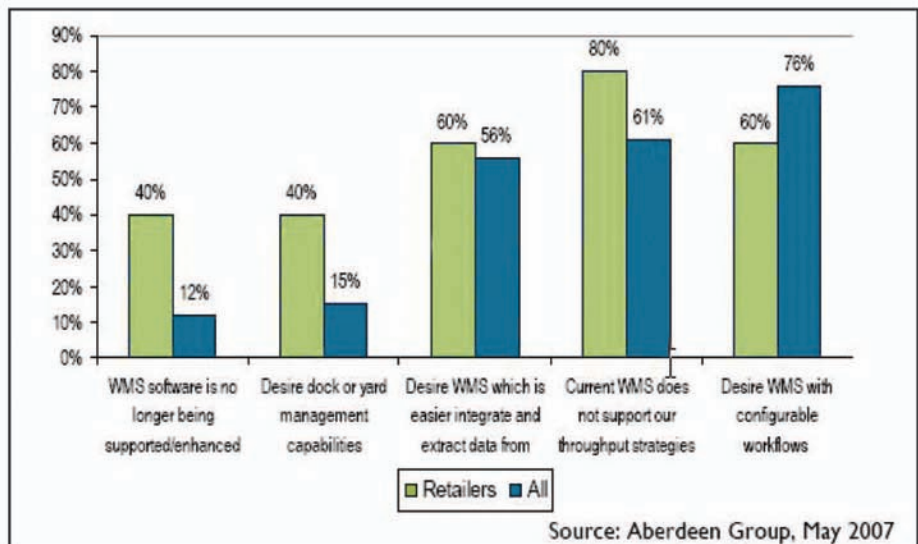
The Critical Role of a WMS

You rely on a WMS to maintain ongoing operations, support changing customer requirements, keep up with new industry regulations and simply get product out the door on a daily basis. A faltering system may also be constraining your global potential. Consider the following examples:

- Do you find yourself creating workarounds for new business requirements that your WMS cannot support?
- Does your WMS support a variety of languages?
- Does your WMS provide the opportunity for robust interoperability of systems worldwide via a services-oriented architecture (SOA)?
- Can your WMS vendor be relied upon to support your growth over the next ten years?

An increasing number of businesses are choosing to replace their ineffective WMS. For example, 58% of the retailers surveyed in a recent Aberdeen Group study plan to upgrade or implement a new warehouse management system in the next 18 months. As the chart to the right illustrates, these businesses often seek this change because they have hit a ceiling with their current system—either their software is no longer being supported, is difficult to retrieve data from, or it simply doesn't meet their current needs.¹

WMS Replacement



1 Aberdeen Group, Inc.: "WMS Solutions for Retailers". May 2007.

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What You Will Learn in This Report

Businesses decide to replace their existing WMS for a variety of reasons. But at the most elemental level, the question is whether your current system strengthens or hinders your ability to execute business strategies that will help you build competitive advantage, respond to constant change, and grow your business.

This report will identify nine telltale signs you should consider replacing your WMS. As a result, you will be better able to analyze the operational factors influenced by your own WMS and gauge how an inflexible or legacy system could be constraining your company's growth and global reach.

“...the question is whether your current system strengthens or hinders your ability to execute business strategies that will help you build competitive advantage.”

The Nine Telltale Signs You Should Replace Your Current WMS

1. Your current WMS has a short-sighted technology architecture.

In today's distribution centers, which are under constant pressure to meet increasing internal performance standards and external customer demands, technology becomes outdated far more quickly than it used to.

You should also consider your use of operational workarounds. If you find yourself creating workarounds for new business requirements that the system cannot support, such as compliance, kitting, visibility or value-added services, you should consider replacing it. The more processes you rely on which the WMS cannot control, the more difficult it will be to track them and maintain the accuracy of your data.

A technology-related indicator may be a slowdown in response times with your radio frequency (RF) network. Do you find yourself sitting around waiting for a “hanging” system, especially when confirming an outbound truckload shipment? If your WMS takes an inordinately long time to respond, it could be because the program can no longer handle the demands on it. This can lead to considerable declines in productivity, efficiency, and order processing time.

2. Your current WMS offers a limited functional footprint.

Does your WMS have the sophistication to allow your business to pursue continuous improvement initiatives? This often involves the addition of related functions such as slotting, labor management, voice picking and yard management. It might also include compliance-related functionality such as RFID. These types of add-on WMS functionality can help improve order and shipment consolidation, value-added service handling and quality assurance procedures. A WMS that provides built-in pathways for adjacent business process improvements will benefit your business most widely.

You rely on your WMS provider to closely monitor the market and its customer base as part of its product development process. Many smaller providers also lack a defined road map for improving and expanding product functionality. Your WMS provider could have a shaky or nonexistent development plan due to lack of domain expertise, funding or other problems. If so, you may be trapped with a functionally stagnant system while market requirements continue to evolve around you.



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3. Support for your current WMS is becoming increasingly expensive (and hard to come by).

If your WMS happens to have been developed in-house, mind-share of the application is limited to in-house staff that will ultimately leave the company for a new position or retirement, taking with them irreplaceable technical know-how. Losing key employees who possess all the knowledge required to operate your system-critical WMS presents—at best—substantial setbacks to your business.

Delaying a potentially complex upgrade to your WMS can require you to maintain older versions of related infrastructure such as databases, operating systems and other software. This means that the support personnel trained to deal with these components are focused on providing assistance for the newest versions and not those that are several years old. In some cases, support for older infrastructure is transferred from the original provider to a third-party vendor, who can then charge a premium to support organizations that elect to maintain older software and infrastructure components.

In addition, if your WMS is running on old databases, you are required to employ staff with specific technical expertise just to run these components. This is a potentially huge drain on expenses and hurts your ability to add new functionality or modules. Ideally, you should be able to standardize employee skill sets and databases across your operation for the greatest staff optimization and interoperability potential.

Ultimately, running on an outdated WMS presents an additional level of risk that may not only hinder efficient operations, but could also decrease the level and quality of support you receive from your vendors.

4. External factors are rendering your current WMS obsolete.

The increasing cacophony of external requirements and compliance issues affecting your business may have become too forceful for you to ignore. This is especially true if your business is undergoing changes due to increased globalization of your supplier network, customer base and/or your own facilities. Many in-house and legacy WMS may be proven incompetent when faced with unforeseen mandates. Larger suppliers, governmental agencies, and even your most important customers may impose regulations that require technology and interoperability your WMS cannot support. These may range from labeling and parcel shipping compliance to unexpected requirements for distributing and transporting goods in a particular market or

geography. If you are unable to comply, you may be subjected to significant charge-backs and penalty fees, raising your supply chain costs.

If your WMS does not allow you to observe the latest industry policies—often legally required to do business—you may be compelled to either replace your business systems or close your doors.

5. It is expensive, time-consuming and risky to upgrade your current WMS (if you can upgrade at all).

Many conventional WMS contain a shortcoming in their design in that most changes can only be accomplished through the addition of inflexible custom coding—coding which doesn't carry forward with an upgrade. This custom code may have been added during the original system implementation to bridge the gap between the standard product and your company's particular needs. As further needs developed, more code was added. In some situations, this reaches an extreme where so many changes have been made that even minor modifications become a major undertaking, effectively reducing or even paralyzing the system's ability to be altered at all.

“Ideally, you should be able to standardize employee skill sets and databases across your operation.”

For you this could mean a never-ending process resulting in loss of competitive advantage and possibly irreparable damage to key customer relationships. At some point it could become impossible to recognize any return on investment because the upgrade process contains nothing but negative outcomes.

Businesses oftentimes find themselves “held captive” by their vendors because they have no other means of altering the code. This type of work typically requires months in development time, which can accrue a hefty bill from your vendor for the necessary coding, testing and debugging. Ultimately, you could lose revenue if shipments are lost, expectations are not met and unhappy customers start exploring alternative distribution options. Worse yet, you haven't solved the root cause of this perpetual problem. In short, upgrading an antiquated, custom code-based system may keep you tied to your vendor for costly modifications.

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6. The rigidity of your current WMS hinders your ability to respond to change by incorporating new operational processes.

A principle weakness of many legacy WMS is the tendency toward rigid enforcement of predefined business processes. This does not allow your business to implement the unique processes that are likely a source of competitive differentiation. Your WMS should have a more modular approach and architecture that supports an evolutionary process in step with your business practices.

A new system that is more flexible will not force you to follow procedures that are not appropriate to your operation. For a WMS to support your growing, changing business, it needs to be configurable and adaptable, supporting and enabling the unique business processes that define your competitive differentiation. If you can map out the business processes you need to operate, your WMS technology should sustain and optimize them.

Make sure your WMS is adaptable enough to not only help enforce common industry best practices but also to allow for innovation. It is innovation that will give you an edge over your competition by allowing you to incorporate the needs of new customers quickly, integrate new industry requirements, and simplify training to keep your business running smoothly.

7. Your current WMS vendor is showing signs that it may not be around in the future.

Recent years have seen a lot of consolidation through acquisition among WMS vendors, and the erosion of viability of others.

With the consolidation among WMS providers combined with an increasing vendor attrition rate, are you sure your current WMS provider will be around in five years? If your WMS provider is acquired by another software business, it may not be able to support, maintain and improve your WMS in the future. When a software provider attempts to support multiple platforms, its product development budgets are often watered down and technical support costs are driven up.

Even if your WMS provider is financially strong, your particular application may not receive adequate development funding in the future if the application has not been identified as a strategic platform for the vendor.

It's vital that you pick a vendor with not only the right solution set and supply chain experience, but one that also has the financial viability to be there for the long haul.

8. Your current WMS makes it difficult for your various applications to communicate with each other.

Are your WMS processes constrained by information silos and your systems' inability to freely communicate? A static WMS may pose severe interoperability problems as the necessity for sharing and synchronizing operational data across business systems increases. Today interoperability is key. Business functions should be designed to work together. To be able to externalize various pieces of your WMS is to be able to share and synchronize valuable operational data across business systems with service-oriented architecture (SOA). Your WMS should be able to communicate seamlessly with your order management, planning, voice, transportation and external supply chain systems, as well as support partner, supplier, vendor and customer networks. This can be done through a combination of SOA and Web-based reporting.

The most important thing to remember is that legacy systems can be migrated to SOA, but this may have little positive benefit other than chasing a technology story or market requirement. A true SOA is actually capable of manipulating the behavior of the system itself. Because of this capability, it will allow you to embrace the changes your business will face over the long term. You won't have to change your business practices to fit your software.

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9. The user interface in your current WMS is difficult to use.

Many WMS have outdated user interfaces and menu structures which make it difficult and time-consuming to complete tasks and access data. While many systems with high usability are also visually pleasing, the benefits extend far beyond the aesthetic. Your business can directly benefit from a WMS with an intuitive navigation format through increases in ease of use, ease of learning, user satisfaction and user productivity. A WMS that is easy to learn and use, and that can be easily configured to adapt to your distinctive terminology, can contribute to a decrease in the rate of user errors, training expenses and support calls.

User-friendly design benefits both the company and the end user. Increased usability of the WMS increases productivity and job satisfaction while decreasing customer support needs and process documentation requirements. When users feel more effective in their work, absenteeism and employee turnover rates can be lowered.

Couldn't I Just Upgrade My Current Packaged WMS?

Carefully consider your options and the potential ramifications before moving forward with an upgrade of your existing WMS. Traditional upgrades can be costly, both in terms of dollars spent and time expended, and ultimately leave you in a position little-changed from where you started.

- The process to upgrade your solution may be difficult and require significant effort if your WMS has been customized.
- Upgrading an antiquated, code-based system may keep you tied to your vendor for costly modifications.
- Some WMS upgrades may cost hundreds of thousands of dollars every few years—even though you receive “free” software upgrades under your vendor’s maintenance contract. Some upgrades may even be mandatory.
- An upgrade on a legacy or custom-code based system may cost as much as or more than installing a new WMS.

If You Don't Currently Have a Packaged WMS?

You may be using an internally developed or paper-based system in place of a packaged WMS. Why should you consider replacing your homegrown system with a WMS?

Does your business have aspirations for growth, domestically or internationally? Is your industry facing increased governmental or customer-driven regulation? Using a homegrown WMS will likely make it difficult to communicate with standardized systems. Larger companies in your supply chain may make technology and interoperability demands that your WMS cannot support. A parent company, or an influential business partner, may force updated technology upon you if you do not have a standard WMS in place first.

In addition, if your business chooses a centralized reporting model due to acquisition or changing business policy, an in-house WMS will cause challenges in synchronizing valuable business data across organizations and locations.

Will the administrator (or original developer) of your homegrown WMS always be around to maintain the system? If mindshare of the application is limited to homegrown staff, irreplaceable technical knowledge will leave along with them. Finally, your customers are not going to slow down to accommodate your outdated or exclusive business processes. Customers will continue to demand better products, more control and visibility, and faster delivery. Will your homegrown system be able to keep up? Can you afford to lose customers due to poor service?



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How Do You Select a New WMS Vendor?

The decision to purchase a new WMS is a critical initiative for your company's future success. What are the key factors to consider when selecting a new WMS?

- **Forecast operational growth and change.** Your next WMS should be the last WMS you need, so it must be able to handle current and future warehouse needs.
- **Make sure top management is involved.** If the effort to select and install a WMS is to be successful, top management must provide the leadership, even if that means educating themselves about technology and WMS.
- **Tighten procedures and controls.** Automating a weak manual system results in an expensive, weak automated system. Make sure key procedures are defined and followed.
- **Estimate costs.** In addition to the cost of software and support, be sure to account for related costs such as hardware and training.
- **Estimate ROI required to justify the project.** How much savings should the WMS be expected to deliver to justify the initial expense?
- **Consider the integration factor.** Make sure the WMS you choose can integrate easily with your existing business systems, such as your ERP. It is vital to integrate all parts of your business with the WMS to make the most of the benefits the software offers.
- **Ask WMS vendors to complete an RFP.** In-depth knowledge of what each WMS provider offers in terms of functionality and flexibility arms you with the decision-making criteria you require to complete a true evaluation of each solution you are considering.
- **Know the vendor as well as the software.** Don't make the mistake of focusing only on the software and not on the value of the partnership with the vendor. Make sure you understand each vendor's implementation methodology and how new software versions are developed and released. Check to see if the vendor has a user group and an annual user conference.

Conclusion

Your WMS plays a strategic role in supporting your business growth, responding to ever-changing and escalating customer requirements, and complying with dynamic industry regulations. As great as the potential for benefit from a WMS, equally formidable is the possibility that a weak WMS is hampering the growth and success of your business. An ineffective WMS may be constraining your potential for adjoining business process improvements, global growth, adding new customers and keeping existing customers happy.

Do you recognize any of these nine signs in your operation? Consider investigating the possibility of replacing your WMS with an adaptable, flexible system that can help position your business to better leverage your supply chain and take advantage of new business opportunities.