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Warehouse Operations Best Practices

To get the most out of the operation, several best practices can be adopted to improve productivity and overall customer satisfaction. Although best practices vary from industry to industry and by the products shipped some best practices can be applied to most companies.

Definition of *best practice*

a procedure that has been shown by research and experience to produce optimal results and that is established or proposed as a standard suitable for widespread adoption



WAREHOUSE OPERATIONS BEST PRACTICES

By Rafael Vela

March 2020

Warehouse managers are tasked with ensuring the efficient flow of products in and out of the facility, optimizing the building's layout, making sure orders are fulfilled and products are in stock, ensuring profitability and minimizing overhead and labor costs.

With so many factors to balance, considerations to weigh in every decision, and pressure from stakeholders on all sides to be more productive, minimize expenses, and maintain a smooth supply chain flow, it's no surprise that there are many articles and resources outlining best practices for warehouse operations.

Following you will find a relatively short list of best practices. You can find hundreds of best practices around, some more fitting to your warehouse situation than others, but the ones shown here are proven to help produce the best results possible for your companies. The thing about best practices is that when you implement a few of them the dynamics of the operation will show you which best practice to implement next to further optimize your operations.

The best practices shown here are not ranked in any order of importance but in my experience I recommend these be implemented if you want to see a rapid positive change in productivity, control, and visibility in your warehouse.

1. **Implement a warehouse management system.** A good ERP system will allow you not only to track in real time all material movements in the warehouse but will also keep the warehouse linked to procurement, logistics, sales, etc. for maximum efficiency, increased accuracy, reduced costs, and improved customer satisfaction.
2. **Develop and implement lean processes and keep them updated.** Ensure your processes cover all aspects of the operation and make them as simple as possible. The less steps employees need to execute to complete a task, the better. Avoid waste of movement and time.
3. **Prepare and maintain a Procedures Manual.** Keep it updated, make it easily available to all employees. Audit and evaluate all procedures frequently to ensure they are aligned with changes and requirements of the operation. Procedures must include:
 - a. Receptions
 - b. Inspection
 - c. Storage
 - d. System recording
 - e. Storage location identification

- f. Picking
 - g. Packaging
 - h. Dispatch
 - i. Inventory takes
 - j. Damage/lost reporting
 - k. Slow moving / dead inventory management
 - l. etc.
4. **Communicate effectively and frequently.** Clearly communicate to workers your organizational goals and the processes to achieve them is one key to effective warehousing operations. When managers fail to create an environment of open and clear communication, employee productivity suffers, resulting in high turnover and wasted resources
 5. **Implement a robust storage location system.** Assign a storage location to each product and make sure location are adequately registered in your warehouse management system. This will expedite the storage as well as the picking process and will facilitate audits and physical counts. Ensure ALL locations are properly labeled so they are visible and can be conveniently scanned.
 6. **Keep like inventory together in a single location.** Bring like inventory together into a single storage location. The same part should not be in several storage areas unless physical size dictates a limitation.
 7. **Assign a unique inventory control number to each product.** Do not reuse the number even if the product is no longer used. Do not use the identification number on several products.
 8. **Go paperless.** Warehouse technology has changed data entry processes. Gone are the days of Good Receipt Notes, Storage Receipt, Dispatch Notes, etc. Paperless not only represents a huge contribution to sustainability, it also means reduction in operating costs, less human error, and real time registry of all movements.
 9. **Focus on visibility.** Visibility helps all parts of the supply chain function as a single unit. Reports, dashboarding tools, key performance indicators and metrics, created and analyzed via big data and analytics, can help managers stay aligned with enterprise-wide and customer needs, fulfill more orders, and avoid disruptions or repercussions from violations of regulatory measures.
 10. **Maintain your warehouse clean.** A clean warehouse reduces the likelihood of safety hazards and accidents and increases productivity and morale. A disorganized and dirty warehouse leads to control mistakes, misuse of storage space, obstruction of movements, etc raising your cost of holding inventory. I recommend using the **5S** approach of **Lean management**
 11. **Keep unauthorized people off the warehouse floor.** No one should be in the warehouse area without a purpose and authorization. You only want people who know how the warehouse stock is organized to access the space. Unauthorized people in the warehouse represents a security risk for everyone.
 12. **Put strict safety measures in place.** Use adequate protection gear (helmets, gloves, back support, safety goggles, noise protection, etc.). Train the staff properly and establish who is authorized to operate heavy duty equipment such as forklifts. Make safety protocols visible to everyone in the

warehouse. Ensure availability of adequate fire extinguishers and provide extensive training on the use of all safety equipment.

13. **Put high rotation items close to shipping areas.** This reduces operation time and cost. Constantly review product rotation to ensure that the items stored close to the shipping area are still the most frequently picked.
14. **Use all your space effectively. Go vertical.** Warehouse space is expensive, so maximize the use of all your vertical space, even if it requires an investment in additional equipment. You will reduce operational costs and inventory carrying costs and increase the efficiency of picking and packing operations.
15. **Report on obsolete products.** It costs money to maintain products in the warehouse, in fact maintain an obsolete product may cost as much as maintaining a critical, high/rotation product. Do your best to report these products indicating last movement date and push for a decision to get rid of them to free valuable storage space and facilitate product control.
16. **Supply workers with quality hardware.** This will ensure continuity of operations. Replacing hardware constantly is expensive and causes delays in operations.
17. **Use forecasting in your budgetary planning.** Inventory forecasting is a crucial part of a business's budgetary planning. Forecasting tools use historical sales data to predict future performance. This prediction is used to determine quantity and type of products to be purchased as inventory. Knowing the level and type of inventory that will arrive enables the warehouse management team to determine the type and level of resources required to process the incoming product flow. Will you require more personnel? More material handling equipment? More space? Overtime?
18. **Do careful auditing of your inventory.** Set up a robust cycle counting program and implement root cause analysis process. Select products randomly for counting and measure accuracy of count results vs system data. Analyze differences, find the problem, set corrective measures. Repeat the process.
19. **Watch your inventory levels.** Keep an eye on your inventory levels to avoid overextending on slow-moving items or under buying your best sellers. Although inventory management systems will be crucial here, they must work in real-time to ensure goods coming in and out of the warehouse are recorded instantly. You also must keep an eye on your reports to ensure you only stock your best sellers and fade out your worst sellers.
20. **Put quality control processes in place.** Starting quality control procedures can be as easy as making a checklist that provides all procedures employees need to follow when checking the goods they receive. This is linked to customer satisfaction and business growth.
21. **Perform continuous analysis of your warehouse design.** If your company's sales are increasing each year, you will eventually need a new warehouse design layout or even a whole new warehouse to relocate to. It is recommended that this space evaluation takes place about every three to five years, depending on the rate at which your company notably increases sales.

22. **Put safeguards in place during shipping.** Ensure that the inventory being shipped out of the warehouse facility is secured until it is loaded onto the carrier's truck.
23. **Make sure everything is visible.** Items blocking other items from view means workers take longer to find what they need. Sometimes they just do not find the item, and this triggers an unnecessary purchase for something you already have but just cannot see in your warehouse.
24. **Keep worker stations organized.** Organizing workstations improves productivity because workers do not have to search for tools or equipment. Use the **5S** method from lean manufacturing to ensure your workstations are as organized as possible.
25. **Keep transit areas clear of obstacles.** Productivity falls and the potential for errors increase when materials moving equipment cannot circulate freely around the warehouse. If products that are not being required need to be moved to reach the desired products or to allow a lift truck to reach its destination, something is terribly wrong and must be corrected immediately and measures taken to prevent this from happening again. Clear aisles make for an efficient flow of inventory.

These best practices can help drive efficiency and provide your organization with a competitive advantage.

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