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Alarms Bells or Opportunity for Change?

As Consumer Spending Cuts Hit Grocery Retailers Jez Tongue of @logistics Reply Explains why food producers need to review warehouse management processes.

Until last month the grocery retail sector had largely escaped the tightening of household budgets with big ticket items, such as cars and electricals taking most of the hit.

However, the rising cost of ingredients and the utilities needed to run production plants and delivery fleets has pushed the price of essential food items and day-to-day consumables beyond the means of many people. As a result consumers are looking carefully at the products they purchase and the retailers they buy them from.

In May food sales fell by 3.5% according to the Office of National Statistics, the biggest decline in grocery sales since June 2008. The Retail Price Index paints a similarly gloomy picture and research published by Kingston University this month revealed that consumers are no longer prepared to accept low quality goods and poor customer service from retailers. As an immediate result, online grocery sales have taken a major hit, largely the result of failures in picking processes and missed delivery slots.

The warning signs are here. Without significant process reviews along the supply chain, the next big casualties of the recession will come from this market. Customers - whether retailer or consumer - want quality, value-for-money and optimum service. Neither is prepared to accept mis-picked or poorly substituted orders any more.

However, this "threat" to the profitability and survival of businesses supplying the white-label food producers behind the own-brand products of Britain's retailers, should actually be seen as an industry call to action; a time for the food production and distribution industry to review its processes, and ensure that profit margins can be maintained while quality and price integrity for consumers are protected.

At the heart of this potential efficiency lies an often inefficient warehouse, usually a monolithic electricity guzzling building packed to the rafters with perishable goods. It is in the warehouse that the greatest cost savings and efficiency gains can be had.

Manual warehouse management processes no longer suffice. There are too many suppliers; storage areas – dry, ambient and frozen - and distribution channels to be managed by pen and paper. Perishable stock items need to be rotated, seasonal items factored into put-away processes, and now, with Next setting the precedent for next day order guarantees, highly demanding picking and distribution schedules overseen.

The solution is a flexible warehouse management system (WMS), one that can be switched on or off in line with demand. This need not be a major capital investment nor require major day-to-day maintenance overheads.

Following a simple, low-cost 'connection to the grid', or in this case 'the cloud', WMSs align warehouse needs to the number of functions activated on the system so only the capacity used is paid for.

What makes a cloud-based WMS an even better option for businesses is the bare minimum of IT system management or maintenance. This is all done behind the scenes by the solution provider. All the warehouse team needs to do is use the intelligence provided by the WMS to achieve an ultra-lean warehouse. Shift patterns can be reviewed and picking accuracy improved with the introduction of RF or voice picking applications that deliver fulfilment instructions and best picking routes directly to the picker.

Automating a warehouse using a Cloud-based WMS is low-risk and low-cost. It guarantees financial simplicity and control and, with minimal start-up costs, the return on investment is immediate.

Automating a warehouse using a Cloud-based warehouse management system, such as Side-Up from @ logistics, is quite literally fool-proof and could be the root of change needed to save grocery retailers from the grip of the recession.

@logistics Reply