



HOW TO SELECT WMS

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This material was presented at this year's Distribution Computer Expo in the session, "Ten Lessons Learned on How To Buy WMS Software."

Learn the top 10, most common and risky mistakes companies make when choosing a warehouse management system - so you can avoid them.

It's true. The most dangerous career move you can make is to purchase a major software package. At least that's Marc Wulfraat's opinion, partner with KOM International. And protecting your company and your career requires a disciplined approach so that as you decide on the right software, you can establish a cooperative partnership

with the software vendor. That approach can also give your boss a realistic value for return on investment. To meet those goals, become familiar with these common pitfalls that can torpedo a WMS project.

1. No executive commitment

“This is the kiss of death for half of all I.T. projects,” says Wulfraat. The cure is to have your CEO approve a budget for your project by first developing a business case based on warehousing and distribution problems and their costs. Be sure to involve the finance and I.T. arms of your business to help develop that budget. Include ROI, NPV, cost justification and expected project timeline.

2. Being under-prepared

Not enough preparation is the reason why most companies purchase the wrong software. Steps to avoid this

include thoroughly documenting how operations currently run, and don't forget to include returns handling. Conduct a business re-engineering process review. Avoid the urge to develop a universal wish list, but rather create an RFI and RFP that reflect most of your realistic needs. When you're ready to interview vendors, keep the list short, let's say from three to seven.

Before sending those WMS vendors your RFP, first ask:

- What kind of customer base do you have?
- What businesses are your customers in?
- What kind of order volumes do these customers handle?

This step may require the help of a consultant with material handling software experience, to help document your operations and recommend a short list of vendors that do business in your market.

3. Poorly defining business requirements

This is the prime reason why companies over-modify the software that is eventually purchased — to adapt the software to ever-creeping, add-on requirements that aren't essential to operations. (For more on modification risks and costs, see “Cornering Costs for WMS” on page 50.) To get the best definition, establish a team of “change agents” from all departments of your operation, including sales, procurement, finance and merchandising. Obtain the team's input up front and ask it to identify all exceptions, the frequency of those exceptions and how they are handled.

Here's your opportunity to eliminate outdated and ineffective ways of handling material and information. Consultants and software vendors can be helpful in identifying best-practices. Allow vendors to visit your site to obtain some smart ideas on improving operations.

4. Don't believe everything you're told, and don't buy the future

This is show-and-tell time. The easiest way to short-circuit a long, unfruitful project is to be cautious of what sales representatives say. Take vendors' responses to your RFP as just a beginning point for discussion. The No. 1 rule here is to get everything in writing. Wulfraat suggests you not put much

Rules of Thumb for Selecting a Warehouse Management System

Here are some critical factors to consider from consultant Jeff Ramras, vice president supply chain management for Applied Industrial Technologies.

Cost. Does the cost justify the payback? Software license fees are falling for WMS. It used to be cost-prohibitive for smaller sites to install a WMS, but new, even smaller, Tier 3 warehouses can afford and benefit from warehouse packages today. Look for typical payback in a two-year timeframe.

Personnel. Do you have enough workers to evaluate, purchase and install a warehouse management system? Often it makes sense to look for outside consulting help in selecting and managing a WMS installation project when you have to dedicate your most essential operations staff to the WMS project team. WMS is a full-time effort that can suffer when part-time attention is paid to it.

Integration. Can the WMS under consideration integrate easily with your legacy business software? It is vital to integrate all parts of your business with the WMS to make the most of the benefits the software offers. Consider buying a WMS that has tested and needed functions that your current ERP software does not provide. Doing so can optimize your order fulfillment system.

Applied Industrial Technologies began evaluating WMS for clients in 1994.

faith in promises of future releases. Insist on system documentation before signing the contract.

“The conference room pilot is critical to any WMS proposal,” says Wulfraat. “Though they can cost thousands of dollars to fly in personnel and tie up your staff’s time, conference room pilots remain the most cost-effective way to avoid a costly WMS failure.” Make sure all the promised features are demonstrated one-by-one with real-world examples from your company. Talk with the software engineer who oversees the demonstration, not the recently hired salesperson, Wulfraat advises.

5. Failure to manage the demonstration

At the conference room pilot, make certain the buyer always controls the agenda. Provide your vendor with a scripted demo and with your company’s data. Videotape the demo and take diligent notes, as this evidence may be needed later if the project falters. Err on the side of asking too many questions and assume nothing. Take the time to observe the behavior of the presenters and watch for the telltale sign of multiple software versions being opened simultaneously. The vendor should be using only the version that you are buying.

6. Failure to focus on the vendor

Some buyers focus only on the software and not on the importance of the partnership to be built with the vendor. Take time to study how new software versions are developed and released. Look for and prefer frequent software versions and bug fixes because that reduces the cost of software support. If the software has few versions that fix problems, then you can easily double the cost of the software with a service contract in just a few years.

In addition to versions, check the vendor’s support desk logs to see what problems other customers are reporting. Wulfraat suggests you be especially careful of software implementations performed by value-added resellers rather than the vendor itself. Also check to see if the company has a users group and user conferences. All these factors impact the kind of partnership you’ll be building — or not building.

7. Not test-driving the software

This is the No. 1 reason why buyers end up throwing out their software. To avoid this pitfall, take these steps:

- Insist on the conference pilot held at the vendor’s site and at your expense.
- Enter your data into the software during the pilot.

- Trace a scripted set of processes.
- Document all the bugs that arose in the demo and put those issues in writing into your contract.
- Your staff should be the only ones manning the keyboard during the pilot.

Connecting Tier 3 Warehouses to

MHM last covered warehouse management software in July 2002, “Putting More ‘M’ into WMS,” page 45. That report mentioned how the Fortune 500 list is saturated with WMS. That leaves Tier 2 and 3 warehouses on the market for warehouse software. Pressures by a growing list of vendors all offering this kind of software are pushing down prices for WMS, and that applies to Tier 3 as well.

There are risks for Tier 3 warehouses looking to implement WMS, and consultants are ready to help address those risks. The integration of WMS into the Tier 3’s existing business software may be a complicated task, which can be helped by either a vendor or consultant. Mark Wulfraat, partner with KOM International, has helped with such projects.

There are software vendors like EXE Technologies, which are writing software specifically designed to ease the integration of WMS into Tier 3 host business software. Jeff Perry, vice president for alliances with EXE, says that even the staff of the Tier 3 buyer can handle the integration armed with these special software tools like those that EXE offers.

Manhattan Associates, a WMS vendor, finds that it can handle the integration and software license fee for a Tier 3 WMS with less cost as typically fewer functions are required for the Tier 3 customer.

V3 Systems specializes in the Tier 3 WMS market and offers a product priced at about \$50,000 for fewer than five RF users and about \$100,000 for fewer than 10 users. WMS that uses the easily configured and networked Microsoft Windows 2000 or XP computer platform and server can reduce the cost of the computer hardware to just about \$1 MR

Then there are the low-cost or free WMS options for do-it-yourselfers. If you’re of that mindset, then check out myWMS, an open-source WMS product that is comparable to other open-source projects like LINUX. You can obtain this WMS free by e-mailing info@myWMS.de or visit www.myWMS.de.

“You wouldn’t consider buying a car without first test-driving it. The same goes for software,” says Wulfraat.

8. Lack of due diligence

This is a reason why buyers develop weak partnerships with vendors. It’s time to investigate the vendor carefully. Ask about open litigation against your vendor and for detailed company financials. Study the vendor’s revenue as a percentage of sales and a percentage of service. Do a head count at the vendor’s site and meet the company’s executive team at the head office. Keep in mind that any site visit might be loaded, so perform many reference calls and be detailed and prepared.

9. Under-budgeting

This is why so many WMS projects are shelved or delayed. To avoid this, expect the services budget to be 75 percent, or more, of the overall project cost. It would be

helpful to study the vendor’s revenue ratio of services to license fees to establish a realistic service budget. “I recommend you multiply the vendor’s estimates of service cost and time by three to be safe. Also, don’t always believe estimates in service contract proposals.” Being overly conservative in this area is best.

10. Failure to negotiate enough

This is why companies overspend on WMS projects. Recognize that everything is negotiable. That includes license fees, services, rates, custom enhancements, support costs, warranty, legal, down payment, etc. “You’re only in a position of power prior to signing the contract, so research quarter-end or year-end milestones to increase your leverage. Be aware that you may be able to negotiate the hourly rate of service support by as much as 15 percent,” says Wulfraat. Minimizing your down payment is best in case you need to back out of the deal later.

Contact denise_beamish@komintl.com for a copy of the entire presentation.

To view the complete published article, please visit [Material Handling Management Magazine at www.totalsupplychain.com](http://www.totalsupplychain.com)

Some Features To Look for in WMS

When interviewing prospective warehouse software vendors, ask about these features and whether they come as standard features, can be added later as standard modules or if they require custom coding.

Information Analysis

- Web-based reporting
 - Date/zone/worker/task reporting
 - Key performance indicators (KPIs)
 - Real-time and historical analysis
- Event management alert: KPIs are not met

Labor Management

- Performance measurement by worker
 - Engineered labor standards
 - Workforce level forecasting
- Event management alert: workload imbalance, need for overtime
- Logistics management: zone picking, task management

Facility Analysis

- Mapping inventory locations
 - Continuous and intelligent reslotting
 - Balancing picking activity across zones
- Event management alert: storage use is over a certain percentage
- Logistics management: storage cube utilization, cross docking, carton cubing, a bulk vs. discrete orderpicking strategy

Sources

Contact these experts and consultants on WMS selection:

- Eggenberger, Cornerstone Solutions,
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