What's Working In WMS

The Newsletter for Warehouse Management & Control Systems Users

How to justify a WMS upgrade

The DC Expo was a hotbed of activity for WMS vendors announcing new software and systems upgrades again this year (see "WMS System Updates" on page 7). But while the benefits of implementing a WMS for the first time are well established, how do you justify upgrading your current WMS? Marc Wulfraat, partner with Kom International, a supply chain consulting firm headquartered in Montreal, spoke with *What's Working* about systems upgrades.

The main reasons that companies implement a WMS system in the first place are almost always customer-driven: customer compliance requirements, labor productivity, poor inventory accuracy, growth

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Cascades Fine Paper achieves better service, improves efficiency with WMS

When a new distribution center, Y2K compliance Issues, and a transition from full-pallet handling to piece picking forced Cascades Fine Paper Group Inc., then known as Rolland Inc.. to re-evaluate its distribution and converting center operations. it decided to implement the Maestro WMS from Application Solutions Inc. (ASI).

"We had always been a service-oriented company, but the pressure to be so was increased when we transitioned from full-pallet to split-pallet shipping, as customers put in their own automated systems, requiring faster and more responsive service from us." says René Goguen, general manager of the converting center.

Based in Saint-Jérome Quebec. the paper product distribution/converting center and adjacent paper mill implemented the system in 1999, with almost immediate results.

Eliminating shipping and inventory errors

"Evervthing we %%ere doing before was being done manually," says Goguen. "We needed to stabilize our process to create better service. The WMS eliminated all of the paper work and improved our operations significantly.

In the past, the order-picking process was error prone. While customer order by number of sheets, the paper is picked and shipped by carton. The number of sheets per carton varies by product. For each order, the employees would have to consult a reference list to see how many sheets per carton for that particular item, and then determine how many cartons they had to ship. The WMS eliminated those errors because it does all of the calculations for employees.

Now shipment errors are almost zero. "We have a few now and then," says Goguen, "but they are basically due to problems that we have created ourselves. Someone will go in and pull out a carton for a sample and not adjust the inventory, so when the pallet is shipped to the customer, a carton is missing."

Inventory errors were also common under the old system. The facility had to perform a physical inventory count twice a year, finding about 300 tonnes (331 tons) of misplaced inventory each time.

With the WMS, the physical inventory is no longer necessary. Instead, employees perform sporadic spot checks during slow periods. Although the WMS offers a cycle count option, Goguen says it isn't used. "The spot checks are enough to cover us. We rarely find anything out of place. In fact, when we

Justifying a WMS upgrade

exceeding capacity, manual operations not able to keep up, and cost cutting, says Wulfraat.

"A few years after the initial implementation, however, your vendor is knocking on your door saying 'Look at these great new features and our new user interface, it runs on a better technology, it's faster now's the time to upgrade.'"

Reasons to upgrade

There are three main reasons why companies typically choose to upgrade their systems:

•Vendors only support so many versions of their software going back in time. For example, a vendor may support version 5.7 of a system, along with older versions 5.6 and 5.5. But when the new version 5.8 is released, the vendor stops supporting the oldest version, 5.5.

"Support is of great importance," says Wulfraat. "WMS systems are what's known as mission critical systems, and if the system goes down. your operations   can come to a halt. So when the vendor says, 'We no longer support version 5.5,' it's time to consider making the upgrade."

•The upgrade offers a new feature, functionality. or stability that is dramatically new and better than the version the company is currently using, such as support for cross-docking or voice recognition technology.

•The upgrade is bundled with a completely new product such as a transportation management system, slotting program, or supply chain visibility application. If the new product is compelling, then it may make sense to upgrade rather than attempt to buy yet another standalone software system from another vendor that requires further time and cost for building more software interfaces.

Costs and obstacles

"In my experience, people are reluctant to upgrade an installed WMS application," says Wulfraat. The main obstacles to staving current are cost, time, and risk.

Typically, the most complex aspect of implementing a WMS is building the interface bridgework between your host system and the WMS, he explains.

To migrate modifications from the original software to the updated version is about one third of the original cost.

"This is not because of the WMS per se; rather it relates to the complexities of changing the host system to abdicate all inventory control responsibilities to a third party application that will control all warehouse-related inventory transactions and, in turn, feed them back to the host system," says Wulfraat.

The vast majority of resource planning systems or business systems were never constructed with this in mind. "Once the bridgework is in place, you don't want to touch it. It's the 'Why fix it if it ain't broke'' mentality," he says. At becomes a mental obstacle to upgrading."

Vendor support agreements often include access to feature releases, but the real cost of the upgrade, says Wulfraat, is moving all of the modifications from the version you are cur-

rently using to the upgraded version, then rebuilding the interface to the host system if required. His rule of thumb is that to migrate modifications from the original software to the updated version is about one third of the original cost of the modifications.

Having complex interfaces between a host software system and a WMS application can be not only a hindrance to upgrading your WMS, but it also affects the ability to upgrade the host system. "It's not uncommon for a company to be running on a 20-year-old home-grown business system interfaced to a WMS application and they are reluctant to make changes because it means tinkering w ith the inter-face." says Wulfraat.

The more stand-alone systems you have bolted together, the more complex upgrading any of those systems becomes. The challenge is further magnified if you have systems that were developed in-house, because no one is really certain of what happens when you start changing the code, he says.

Technological stagnation

In addition to the cost factor, you have to consider the time it will take to update the interface between the various systems. and the risk that the new systems may not meet expectations. "The ageold dilemma is do you stick with an old system that you know w orks or take the chance on something new?" says Wulfraat

On the other hand. reluctance to upgrade will usually lead to technological stagnation and obso-lescence. "At some point, you have to move forward to new systems and new platforms," says Wulfraat. When you upgrade one system, use the opportunity to determine if you need to upgrade any other systems at the same time.

In the end, most companies upgrade every second or third release, he says. "It usually takes about a year and a half before you really begin to see the benefits of a new WMS system SO upgrading every few release,, allows you to stay reasonably current, take a breather in between. but still enjoy the full benefits of the software. *Marc Wulfraat can be reached at marc.wulfraat@komintl.com; 514-849-4000, ext 226.* ■ ■ ■

Cascades Paper achieves results with WMS *–continuedfrom page 1*

ran the year-end inventory last year, the auditors didn't find anything wrong."

"Most of the employees have realized that the discipline of using the system gives you the results, so you don't have to go and correct everything he adds. "They realize the errors that they make, and now they avoid producing them in the first place."

Improving customer service

In addition to eliminating ship-Ping, errors, the WMS has also increased the speed of delivery. Approximately 40-50 percent of orders are same day orders that ship the evening they are received. The distribution center also receives orders until six in the evening and delivers them the next morning.

"We can handle that very easily without any problems at all," says Goguen. "In the past, last minute orders were always a problem because we had to get the order into the systems, then print it out, get it to the right person, then fig-ure out what cartons were needed and where they were. All of those things are automated now.

If the facility receives a rush order. Go2uen can assign it as soon as the order is entered into the system, a huge improvement over the previous method.

"We can 'blitz' an order if necessary, picking a complete load in 15 or 20 minutes if the trucker comes early. Before, the trucker had the bill of lading and would have to wait for hours for the load. Now, he has the load and is waiting five minutes for the bill of lading." With about 60 percent of the

company's orders crossing the bor-der, the WMS has been invaluable in preparing those orders for quick delivery.

One of the challenges the facil-ity faces is constantly fluctuating demand. Orders may be 200 tonnes one day. and 500 tonnes the next. The WMS helps Goguen better manage that demand.

"The problem is making sure that you have enough people there to ship the product on the heavy days," he explains.

"The WMS allows us to have a better vision of what is coming down the road, so we can see two or three days ahead what orders are in the system. We can do a lot of preparation for the heavy days and pull the product ahead of time to even out the peaks and valleys."

"We can plan or-ders in advance, make accurate forecasts, and alert customers as to what to expect."