



# Debunking the Top Eight Myths

## Surrounding Small-Business Warehouse Management Systems

## Introduction

The era of manual warehouse operations is drawing to a close—with good reason. No matter how efficient your employees are, managing space and maintaining inventory with ad-hoc spreadsheets, paper-based operations, or legacy systems doesn't provide the accuracy, or visibility, into the supply chain that your managers need to succeed. Today, as businesses of all sizes grow in sophistication, they are turning to best-of-breed warehouse management systems (WMS) in an effort to reduce costs and boost productivity in the face of increased globalization, regulation and competition.

There are many misconceptions that prevent small businesses from attaining the benefits of a best-of-breed warehouse management system.

For too long, leading warehouse management systems have seemingly been within the reach of only large third-party distributors, or national and international manufacturers and retailers. No more. To stay competitive, mid-sized and small businesses increasingly are turning to best-of-breed warehouse management systems that effectively reduce costs and streamline daily operations, enabling even the smallest companies to adapt quickly to changing market demands.

In fact, research firm ARC Advisory Group's recently published report, Warehouse Management Systems Worldwide Outlook<sup>1</sup>, predicts that the worldwide market for WMS is expected to grow at a 4.8% annual rate, while their projection for adoption of these systems among Tier 3 companies is anticipated to grow at a much brisker rate of 8.2%. Yet, the reality is that many small businesses still believe warehouse management systems are too expensive for their budgets or won't provide the benefits they need to thrive. This may have been true as recently as a few years ago, but as this report will show, WMS for small distributors are now not only within reach and affordable, but they are also a competitive necessity.

# The Top Eight Myths Surrounding Small-Business Warehouse Management Systems

**Myth 1: A warehouse management system will take months, even up to a year, to install, and cost hundreds of thousands of dollars in consulting and services fees.**

**Reality:** Not so. While some larger WMS implementations can take up to a year and require hefty customization with corresponding consulting fees, there are WMS applications specifically designed for smaller businesses. In fact, with the right best practice-based implementation, deployment can be achieved within 45 business days, including quickly mapping your physical warehouse to your logical warehouse. You just need a software vendor with the right solution, technology, and supply chain experience. Software vendors lacking a demonstrated implementation methodology often see delivery timeframes slip, thus raising the implementation cost.

## Warehouse Management Systems: The Operational Benefits for Small Businesses

- o Improve productivity
- o Achieve up to 99+% accuracy
- o Increase on-time shipments and fill rates
- o Optimize warehouse space
- o Slash shrinkage and spoilage
- o Boost customer loyalty by consistently meeting or exceeding expectations

<sup>1</sup> ARC Advisory Group report: "Warehouse Management Systems Worldwide Outlook." May 2, 2007.

## **Myth 2: Any WMS that fits our business now will be too small for us in a couple of years.**

**Reality:** Not always. The trick is to choose the software vendor that can provide you all of the functionality you need today, along with an underlying technology platform that enables future growth. In this way, your WMS should not require extensive new installations or customization. The vendor you choose should be able to provide a straightforward upgrade path to add new functionality or additional modules, such as slotting, labor, yard and transportation management systems—without an entirely new deployment.

## **Myth 3: WMS software is too expensive for small businesses.**

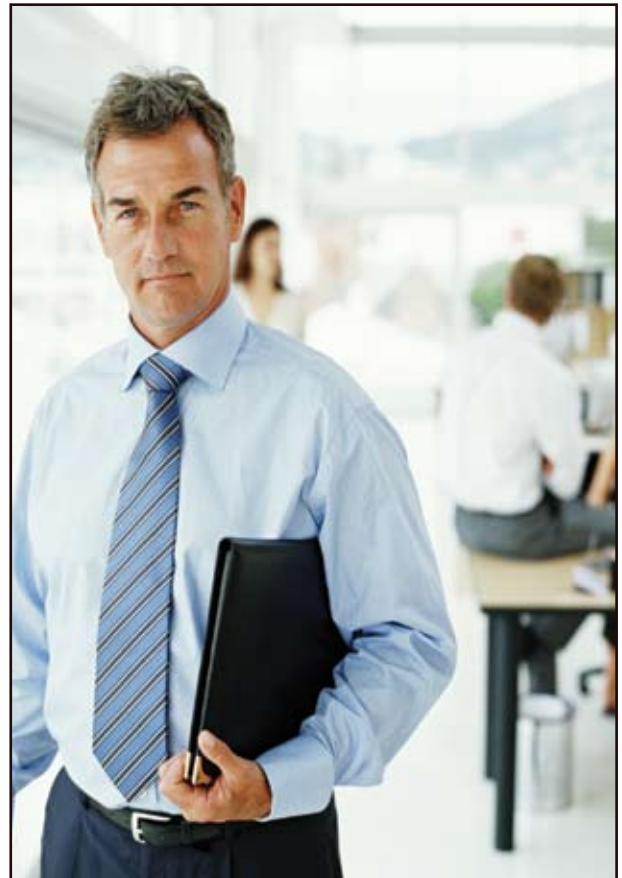
**Reality:** For less than the annual salary of a skilled programmer, WMS solutions are available that provide everything you need to improve the management of inbound orders, receiving, put-away, picking, packing/shipping, replenishment, inventory control and comprehensive reporting. Some software vendors also provide flexible, even subscription-based, pricing plans. This means nearly any company can afford a WMS that will help it remain flexible, competitive and profitable.

## **Myth 4: Any vendor that can give me a decently priced WMS will be out of business in a few years.**

**Reality:** There's no doubt that you have to be selective when choosing your software partners. That's why 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.

## **Myth 5: A low, up-front cost for a WMS will automatically provide a lower total cost of ownership over the long term.**

**Reality:** An unusually low price tag on a WMS should set off a warning signal for prospective buyers. Some WMS vendors may choose to drop their asking price to an attractively low number in order to win your business because they anticipate a much higher cost of implementation services once the project is underway. If the product actually is as inexpensive as the price tag indicates, it is reasonable to wonder how much money the vendor can invest in R&D to continually improve your product over time. Make sure you are not buying a legacy product that has limited future viability.



## Myth 6: I'm too small to reap any benefits from a WMS.

**Reality:** Virtually any company, no matter how small, will save on labor, improve inventory management, attain more accurate shipments, improve space allocation, and notice increased customer satisfaction. Because a WMS will give you a highly accurate picture of your inventory—and increase overall visibility—a WMS should significantly reduce the amount of time employees will have to spend figuring out what tasks and actions they need to perform next. And your WMS will reduce paper-driven processes, so your employees will spend less time moving paper, and more time shipping orders.

While there is no set timeframe in which you can expect an ROI without a detailed cost/benefit analysis, the typical time for return on investment will be 6 to 18 months, depending of the effectiveness of the WMS you purchase and the current details of your operations.

## Myth 7: I don't need a best-of-breed WMS; my homegrown system already works and gets the job done.

**Reality:** Could be. But how much is the ongoing maintenance and customization of this application really costing your company? Over time, as developers leave (along with their knowledge of the system) custom-developed applications become increasingly difficult to budget for and support. The systems get more costly to maintain as they become less adaptable to changing business requirements, and each adaptation grows more expensive as documentation ages and troubleshooting becomes more challenging. The reality is that the right WMS should be flexible, adaptable to changing business and market conditions, and cost less to support.

## Myth 8: Training costs will be too high.

**Reality:** The right WMS should be designed to simplify your warehouse operations, not complicate them. An intuitive and well-built application should make receiving, picking, shipping and other basic warehouse operations flow smoothly without requiring extensive training. And over the long term—because all of the intelligence of your warehouse operations will rest within the system—your business will flow more effectively even in the event of employee turnover. Another aspect to consider is seasonal employment. If you increase head count during certain periods of the year, a strong WMS will direct and control the operations and enable these temporary workers to get up and running more quickly than before.

## Warehouse Management Systems Clearly Benefit Small Businesses



Now you have it. It's clear that a WMS designed for small businesses is affordable and rapidly deployable. Your WMS should provide continuous tracking and visibility into your operation, as well as improve productivity, increase accuracy up to 99+%, reduce inventory shrinkage, and improve customer loyalty with more on-time shipments.

Since WMS and vendors vary greatly, it's crucial that you examine them carefully, invest wisely and pick a software vendor with long-term viability, as well as an application that won't require you to purchase more functionality than you need today, yet provide a straightforward and flexible upgrade path in the future.

## What questions should I ask potential WMS vendors?

Some WMS buyers make the mistake of focusing too much on the software, and don't look closely enough at the vendor backing it. So be sure that the vendor brings strong financial health, ongoing product support, and long-term viability. Also, check to see if the vendor has a solid base of reference customers, training and user conferences. If the vendor has an active user community, it's a great sign that you'll have a healthy partnership.

When evaluating WMS vendors, be sure to look at:

- o Their long-term financial and business stability.
- o The upgrade path for their WMS as your business grows or needs change. Does the vendor provide a straightforward upgrade path, or will you require an entirely new installation, product or platform?
- o Is it possible to add specific supply chain modules, such as yard, transportation or labor management?
- o Does the vendor bring domain expertise and experience helping companies that are similarly sized and in the same industry as your business?

## Conclusion

The days when leading warehouse management systems were available only to large, top-tier retailers and distributors are over. Many small distributors are now turning to best-of-breed warehouse management systems to attain the cost reduction and streamlined operations required to respond to dynamic market demands and maintain competitive advantage.

## **About HighJump Software**

Forward-thinking companies entrust HighJump Software to power their supply chains. HighJump Software simplifies the art and business of creating, selling and moving products across global networks. HighJump Software helps more than 1,300 clients worldwide drive growth and manage change.

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