



WAREHOUSE OPERATIONS DEVELOPMENT PLANNING: GETTING IT RIGHT

In our latest report Nik Pamplin and Tom McClinton, consultants at Hatmill explore how to optimise your warehouse operations with an Operations Development Plan.

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INTRODUCTION

You've decided the answer is more automation and space. But are you answering the right question?

The most important warehouse projects this year are about enabling the future, not immediately delivering it. As Nik Pamplin and Tom McClinton explain, a structured approach to improving your warehouse operations starts with understanding what the business is trying to achieve.

The pain points of your operations may be well understood and there is some well-established thinking on how to fix them. The pains need addressing, but first you need to listen to the mechanical hum of the business and develop your Operations Development Plan in step with that.

Aligning your operations development to the business strategy is key to really knowing where your operations are now and where they need to be. Development of people, systems and data are as critical as each other to getting the most out of cutting edge technologies and ways of working. Get your teams together and deploy independent expertise to draw in the greatest breadth of opportunities you can. Ruthlessly prioritise and make your best and brightest accountable for delivery.





As a business leader you expect your operations to facilitate trade through resilience, flexibility and cost-effectiveness

Your warehouse operations are tried-and-tested, they get the job done to budget and service is almost always exemplary. But surely the explosion in advanced systems, automation, robotics, AI and Big Data in warehousing should be unlocking a step change for the business? And if so, where are the business cases to support them?

Technological advances and innovations may not be the silver bullet you're looking for... yet

A vital first step is to sequence the development of your warehouse operations through an independent Operations Development Plan, ensuring your operations continue to facilitate trade. This enables evolution, not kamikaze revolution. The Operations Development Plan defines a set of projects which together form a plan to improve quality, service or cost - supporting the business's strategic objectives.

| PHASE 1: Where are we going?

Everyone knows the plan, right?

“We’re growing this channel ‘aggressively’, we’ll take on new sales staff in that region and we’ll launch those new products too.”

Reality-check: your operations leaders and the people accountable for the planning and daily execution of your operations aren’t in the loop as well as they could be.

Giving your operations teams a remit to develop operations must begin with articulating what the business needs them to do. Otherwise the Operations Development Plan will move straight into solution design and you’ll be seeing plenty of warehouse software and physical infrastructure suppliers on-site to ‘take a look’ at your operations.

It’s oh so tempting to explore automation first

It’s tempting to investigate what all those automation acronyms posted on LinkedIn mean, and how they will prove to be the key to unlocking tranquil, best-in-class operating bliss. It’s tempting, but you’ll be losing – and wasting – precious time and potentially the goodwill of enthusiastic vendor business development teams. This approach is saying “I don’t know what the questions is, but the answer is automation” and that’s wrong.



Define and agree the business strategy as it applies to operations, not to shareholders

Start by discussing and quantifying the answers to questions like these with your operations leaders:

- ✓ How will our planned sales growth translate to the supplier base, stock holding and range?
- ✓ What will change in our customer proposition?
- ✓ Which new markets are we launching into?

Determining the business strategy, through an operations lens, will start to guide your teams thinking:

- ✓ How will we adapt to the SKU range doubling over the next three years?
- ✓ What impact will an extra 75 suppliers being introduced have?
- ✓ Where will we store the raw materials that won’t fit in our existing storage system?
- ✓ How will we need to operate to service a midnight for next day order cut off?

The business strategy won’t be just about sales growth though. Business objectives linked to sustainability, the environment, business continuity, cyber security, etc. should be captured and considered in every subsequent phase of the Operations Development Plan’s development.

Document the business strategy for operations in clear, unambiguous terms

It doesn't need to mean a 100 page strategy briefing that has been passed under every senior and not-so-senior executive in every office across the globe. For the purposes of an Operations Development Plan, that's too much detail. Your operations leaders want concise, quantified plans, not wordy, lyrical star-gazing re-cuts of "the corporate plan".



HERE'S WHAT WE RECOMMEND:

- ✓ Focus on what the business will do at high-level, in a sensible time horizon (3-5 years). This allows business cases for investment to be built into the Operations Development Plan.
- ✓ A cash sales forecast is a useless Unit of Measure (UOM) for your operations team – convert forecasts, with operations' input, into their preferred UOM (units / cases / pallets / tonnes, etc.). Jointly own these numbers and the method of conversion from cash to operations UOM.
- ✓ Focus on the required future scale and complexity of operations. Two key areas:

STORAGE REQUIREMENT:

- How much will need to be stored?
- How will stock holding vary throughout the year?
- How many unique products will we stock?

THROUGHPUT REQUIREMENT:

- How predictable will the flow of inbound goods be?
 - What will customer demand be?
 - What will customer orders look like?
 - What is the planned breakdown by customer and service type?
 - How will our customer offer change in the future? When?
- ✓ Document this in a simple format, avoiding huge spreadsheets or ambiguous language
 - ✓ Critically, take the time to make sure everyone gets it – everyone understands the vision, what it means and what's most important.

PHASE 2: Where are we now?

Now you understand what's important to the business, the customer and what the future holds it's time to step back and assess what your operations look like, whether they're fit-for-purpose now and whether they will be in the future. It's extremely difficult to objectively assess your own operations.

An independent assessment will help you:

- Gain an entirely unbiased, fresh set of eyes view, unscathed by nightmares of the past
- Draw on experience from competitors, the wider sector and non-competing sectors and incorporate innovations and best practice
- Expert knowledge on how to methodically approach operations assessments
- A neutral party to engage openly and honestly with your teams



Self-assessment doesn't have to be taxing. . .

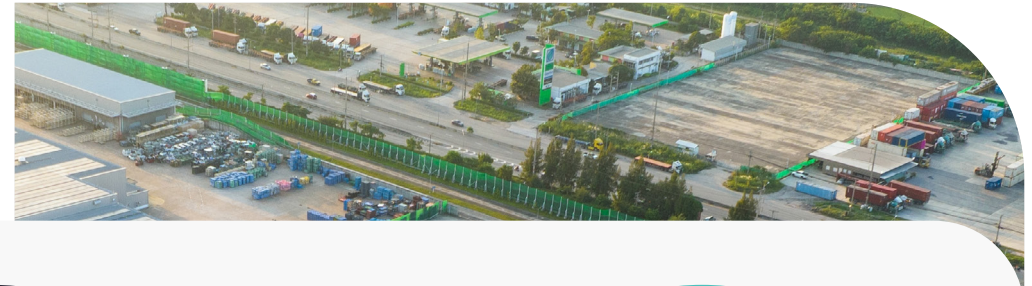
A starting point is to score the level your operations are against our seven key operations indicators. Get others in your teams (and out of your teams!) to do the same:

	1 Poor or not applicable	2 Basic but working	3 Solid and reliable	4 Innovative and cutting edge
Operating foundations				
Throughput and storage capacity		✓		
People and culture			✓	
Systems	✓			
Working with the wider business			✓	
Using data effectively	✓			
Strategic thinking				
Use of mechanisation and automation	✓			
Operations development strategy	✓			

This type of assessment may reinforce your thinking, but mostly it will sharpen focus and open discussion on neglected areas and blind spots. Critically, if your Operating Foundations haven't evolved to at least a solid and reliable level, wholesale automation should almost certainly be out of scope for now while you reap more accessible benefits by developing your operating platform.

An independent assessment of your operations, combined with an understanding of your documented strategy begin to point to areas of important focus. Independent automation advisors, not suppliers, should be asked to assess the suitability of your operations for automation.

For your longer term aspirations of investing more deeply in technology – whether basic mechanisation or full automation – see the image below. To prepare for the world of automation consider that your data accuracy must be managed forensically, used proactively and with curiosity, on systems that enable the handling of large data sets. Your integrated business systems must be reliable, supported and able to be integrated with other systems.



Data excellence

Robust data sets with mature processes and systems in place to enable interrogation and data led decision making



Tailored solution design

Assessment of manual, partially automated and fully automated options to ensure a tailored fit



Best in class operations

Mature, sophisticated and reliable operations

Having reliable data with appropriately skilled people and systems in place to interrogate and inform data led decisions is a must and should be the ambition of all operations teams. However, having the most sophisticated and cutting edge automation is not necessarily a requirement to ensure you have the capability to deliver your business strategy. Manual or partially automated solutions have just as much of a part to play. It's all about applying the right solution to maximise productivity, ensure reliability and provide the right level of flexibility to deliver outstanding operational results. An independent advisor can help to identify the best solution for each area of your operation ensuring a tailored solution that meets your exact requirements.



PHASE 3: Generating opportunities and taking the right ones forward

By now, your operations team have a clear understanding, articulated in their language, of what the business strategy is. Plus, they have the output of an objective assessment of the condition of the operations against its peers, competitors and complimenting sectors best practice. So how does the team get together and find solutions to the now fully understood exam questions?

In our experience, there's no better way of getting ideas flowing than to bring together a working group of people with a shared appreciation of operations, alongside an unshared set of experiences. The more diverse the working group, the more divergent the ideas will be.

Use an impartial facilitator to run a concise workshop or set of workshops (ideally a warehousing industry professional). The facilitator will ensure everyone gets heard and they will detect the big ideas thanks to their objectivity, industry experience and being removed from the day-to-day running of the operation.



PHASE 4: Prioritising opportunities and building your Operations Development Plan

So now your operations team have enough projects to build business cases to last a lifetime, how do you prioritise those that best deliver the business strategy? Is it ones that can be done fastest and cheapest, or those that have the best return on investment?

A scoring approach that tests each opportunity based on the criteria that are most important to your business is a great place to start. Typical criteria that start to weed out the least valuable projects and begin to create a must list rather than a wish list are; business risk, difficulty, capital cost, return on investment, systems development, business disruption, customer impact, safety implications, etc.

Each criteria can be estimated quickly by those most in-the-know in your team, but taking the draft Operations Development Plan to a final version should involve desktop modelling undertaken by a data analytics expert, some initial supplier engagements and an independent voice on the merits of each opportunity.



Build your plan with a healthy menu of tactical improvements, strategy enablers and strategy deliverers

Delivering short and medium-term wins on quality, service and cost should feature heavily in the plan. These projects will almost immediately positively impact productivity and cost. They'll change the look and feel of your warehouses and promote a revived culture with a positive buzz.

Alongside the short and medium-term, projects that enable the future (remember people, systems and data?) are totally mission critical and cannot be overlooked or deprioritised. These projects will explore what skills need developing, or recruitment is required, to revolutionise the way systems and data are used, and how confidently cutting edge technology projects can be approached

All plans are likely to quickly fail without quality resource in place to implement pragmatic and practical project management to ensure delivery on time, quality and within cost. A 'generic' project manager with little or no logistics industry experience is never going to cut it and will at best leave you underwhelmed, and at worst with the failed delivery of your well-considered Operations Development Plan.

Consider how the value of your Operations Development Plan can be fully realised by having the right Project Management resource in place to ensure you deliver in full, first time, with zero business disruption.

| SUMMARY

Every warehouse or warehouse network can have a successful Operations Development Plan that is integrated to the key priorities of the business strategy. By adopting a structured approach you'll ensure you deliver the warehouse operations of the future - evolving rather than revolutionising. A vital first step to getting it right is ensuring a solid foundation for future delivery. By aligning your whole organisation - people, systems, and data - to achieve your business goals and make objective assessments for automation requirements you can optimise your warehouse while maintaining a seamless service for your customers and ensuring a rapid return on investment.



| HOW WE CAN HELP

Independent supply chain and logistics experts

Hatmill provides end-to-end supply chain and logistics support to deliver improvements to warehouses, transport, forecasting and inventory, so clients become more profitable and transform their customers' experience. We're proud of our track record, working with some of the UK's leading and most trusted brands.

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