

how to

# REDUCE WAREHOUSE LABOR COSTS



A Guide By  **datex**  
Written By Laura Olson

# How to Reduce Warehouse Labor Costs

## Supply Chain Technology and Techniques to Help Your Warehouse Save Money

Typically the largest part of a warehouse's operating expense is labor and it is often the most difficult cost to control. Warehouse operators constantly have to balance workforce productivity with customer service. By lowering and controlling labor costs, your company can maintain margin expectations so that you can gain a competitive edge.

According to a 2014 study conducted by Peerless Research Group for Logistics Management Magazine, 68% of respondents replied that the importance of managing an efficient logistics workforce is more important today than it was two years ago.

Today, the biggest challenges related to warehouse labor include:

- Recruiting, hiring and retaining qualified workers
- Increasing workforce productivity
- Keeping labor costs under control



**Have an expert team examine your facility to evaluate individual worker performance and warehouse layout.**

Start with order picking as it has been found to be a larger portion of the labor tab then evaluate packing, receiving, replenishment and other operations. Making changes to the physical layout of your warehouse can yield positive results for workforce productivity, especially when travel times and ergonomics are carefully considered. By reducing travel time, order picking productivity can be improved.



It may make sense to set up “hot zones” in your warehouse. These areas would house the SKUs that generate the majority of picking activity. In addition, warehouse operators typically see an increase in order picking productivity when it is done at ground level. It is a generally accepted principle that it costs less to pick horizontally than vertically. If your warehouse does not have the space at ground level, position the slowest velocity items to be picked from vertical locations. The fastest velocity items should be positioned at floor level.

**Pinpoint areas of your operation that are less efficient and slow.** Evaluate the organization of products. Consider whether inventory is organized in the most ergonomically sound locations and if adequate storage space is provided.

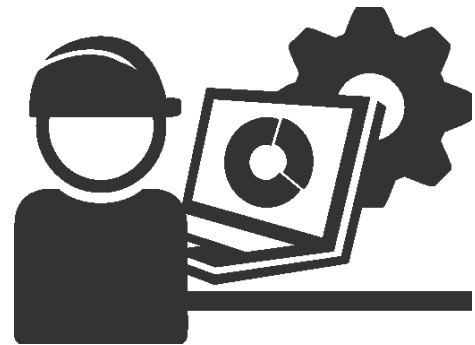
**Determine if your business has any manual operations, processes that are paper based or error prone operations.** Identification of these issues is key to increasing efficiency. Using automated data collection devices can have a dramatic impact on your business and result in time and labor savings and a reduction in errors and processing time.

**Duplicate success.** Select warehouse workers who excel and seem to be the most efficient and productive. Examine the techniques that they apply in their daily work and model these behaviors when training other workers.

**Cross-train warehouse workers.** Improve operational readiness and reduce labor costs by cross-training your workforce. Doing so can help your team by having fully trained warehouse workers ready when members of your team are absent due to sickness, family leave, emergency, vacation or departure. Ideally, your company should develop a master plan to identify which team members will be trained, for what positions and when-throughout the organization. Offering follow up training and support is often the key to success.

**Single touch saves money.** Every time a warehouse worker touches inventory, it costs your business money. By storing items in the appropriate storage media, time and labor can be saved. Make sure your business is using a warehouse management system that can provide data on SKU velocity. Identifying faster and slower moving SKUs can help you ensure that the proper storage media is used. Another issue is mixing multiple SKUs in the same bin location as this reduces picking productivity. Having a bin location that represents a shelf level with 5-10 SKU pick facings necessitates that warehouse workers have to spend the time searching for different SKUs to find the item to be picked. This leads to more errors, which can result in decreased customer satisfaction.

**Get help from technology.** Contact a technology vendor or specialist to get a technology assessment of your business. Evaluate all the hardware and software technology currently in use and consider if upgrades or new purchases would benefit your operation. Engage your software vendor for help. Some [WMS software vendors](#) have highly experienced Business Analysts that can visit your site and provide advice on how you can improve labor productivity and operational efficiency. Make sure that you have an effective training plan in place for your business for your technology. With employee turnover rates and use of temporary workers increasing, it is critical to workforce productivity that all your warehouse workers know how to use the technological tools in use at your business. It is helpful if your WMS vendor provides online videos and training guides and recorded training sessions for software and mobile computing devices. This can reduce the cost of training and help keep your workforce up to date on all the latest features, functionality and devices.



**Produce a roadmap.** Consider your company's existing clients and future operations. Evaluating what your current and prospective clients need in terms of operational processes, labor and technology can help you create a roadmap for the future of your business. This can help you better project labor and other resources and properly configure space allocation, storage media and warehouse locations accordingly, which is important for labor productivity.



**Ergonomics matter.** Think through your processes so that you understand the risks and inefficiencies. Warehouse workers are among the high risk occupations in terms of claims frequency for back strain or sprain and result in a higher incidence of worker compensation claims. Injuries typically occur when warehouse workers manually lift heavy items or cases, or from bending, stretching, awkward movements or overexertion. Performance of highly repetitive tasks is also a frequent cause of injury. Many warehouse workers are older and this creates special concern. Insurance costs, safety and health costs and workers compensation claims are important drivers of improvement in resolving ergonomics matters in the warehouse. Doing so can have a positive impact on the workforce, employee attendance, interaction and retention.

**Implement industry best practices.** Consider industry best practices as they involve operational processes, ergonomics and other factors. Using industry best practices involves doing things correctly, using the proper tools to get the best results. This will enable your company to reduce cycle time, labor and errors and can help meet accuracy and service objectives.

**Evaluate your tools.** Underperforming or non-functioning automated data collection devices slow down warehouse workers and operations and can also be responsible for more errors.

**Consider workflow based WMS software.** Workflow based warehouse management software utilizes sophisticated logic, rules and parameters to automate business processes. This helps to dramatically reduce errors, ineffective decision-making and inefficiency. By automating operational processes, workflow can help boost workforce productivity and reduce wasted time.

**Implement mobile device management.** Selecting a vendor that can troubleshoot, update, maintain and remotely handle the security of mobile devices can increase the uptime of your workforce, resulting in greater workforce productivity.

**Introduce automated label application to your warehouse operations.** By automating label processes your company can reallocate labor resources to other tasks and reduce the risk of improperly placed labels. Improperly positioned labels can cause automated product rejections that necessitate manual intervention and result in costly workarounds and downtime as well as supply chain bottlenecks.

**Utilize a [labor management system](#).** Implementing a workforce management solution can provide the objective means to evaluate warehouse workers and monitor their performance. Using a labor management system will enable you to identify and improve productivity gaps and utilize real time information about your workforce performance. A labor management system can help you forecast, plan and schedule your labor resources and provide you with the real time data needed to make critical decisions.

**Work on reducing your employee turnover.** Utilize a labor management system to help reduce employee turnover. Use the data in the system to develop monetary incentives, recognition and training programs for warehouse workers to help reduce employee turnover. A labor management system can help make warehouse workers accountable for the work they do and help to demonstrate the relative value of their efforts.

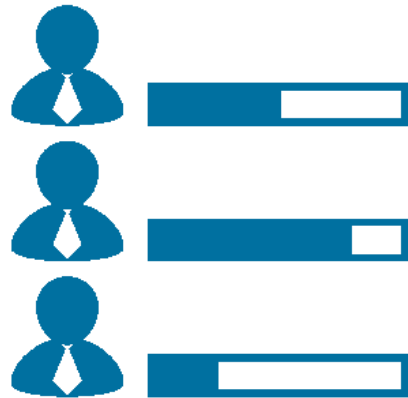


**Invest in effective training for your workforce.** Recognize that not all workers learn the same way. Incorporating a variety of training methodologies can help to train and support your workforce for the duration of their employment.

**Metrics matter.** Establish fair and reasonable standards for your warehouse workforce. Establish quantitative measures to clearly communicate to each employee what is expected of them.

Using a labor management system to track and monitor individual warehouse worker performance can help you develop incentives and “pay for performance” systems, more focused training programs

and adjust processes to reduce labor costs. Many supply chain operations post large bulletin or white boards in operational areas so that warehouse workers can keep an eye on metrics to better focus their efforts on reaching peak performance.



# Conclusion

A 2014 study conducted by Peerless Research Group for Logistics Management Magazine, revealed that 68% of respondents acknowledged that the importance of managing an efficient logistics workforce is more important today than it was two years ago. Major challenges faced by warehouse operators involve the recruitment, hiring and retention of warehouse workers and need to increase workforce productivity while keeping labor costs under control.

Here are some ways your company can reduce labor costs:

- Evaluating warehouse layout, ergonomics
- Alleviate paper-based and manual processes
- Implement industry best practices
- Focus on reducing employee turnover, cross-training your workforce and implementing more effective training

Get help from technology such as:

- Implementing a labor management system
- Utilizing automated data collection devices and automated label application solutions
- Implementing a workflow based WMS



## About Datex

Datex provides flexible, reliable supply chain technology solutions to help make businesses more profitable, including supply chain software, mobility solutions, professional services and mobile device management. In business for over 35 years, Datex has a wealth of experience in helping companies across the world meet these critical business challenges.

Datex Corporation  
10320 49<sup>th</sup> Street North  
Clearwater, FL 33762  
[datexcorp.com](http://datexcorp.com)

For more information on Datex products and services, please contact us.

US Office – 1 800 933 2839  
Canada Office – 1 800 998 8980

