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DISTRIBUTION AND MATERIALS HANDLING FOCUS

With the continued strong growth in the adoption of Labor Management Systems in distribution, more and more companies are evaluating potential vendors and solutions.

When considering LMS, companies have two basic paths.

First, do you already have a WMS from a current supply chain execution vendor that now offers Labor Management? If you do, the reality is that, for most, the logical decision is to go with that provider for LMS, though certainly a good amount of due diligence should be performed. For these companies, the primary decision is whether to adopt LMS or not, rather than which supplier to choose.

There are many companies, however, that fit into another camp. They have homegrown Warehouse Management Systems, or a WMS that was provided by a vendor that is no longer in business or really viable. ERP is another case, with the large ERP providers not yet really doing much in Labor; if you are using the ERP WMS it may make sense to find a best-of-breed LMS to drive enhanced distribution performance.

The next key decision is how much engineering and standards work you want or need. You will drive more total benefits from a fully engineered solution, but it will add cost, time and complexity. Strong improvement can be achieved from a reporting system that focuses on so-called "Key Volume Indicators" and less on engineered or discrete standards.

Finally, if you want a fully engineered solution, including methods and standards, you then need to consider whether to go with the engineering team of the LMS software provider, or to use a third party. Again, there is no right

Selecting Labor Management Solutions
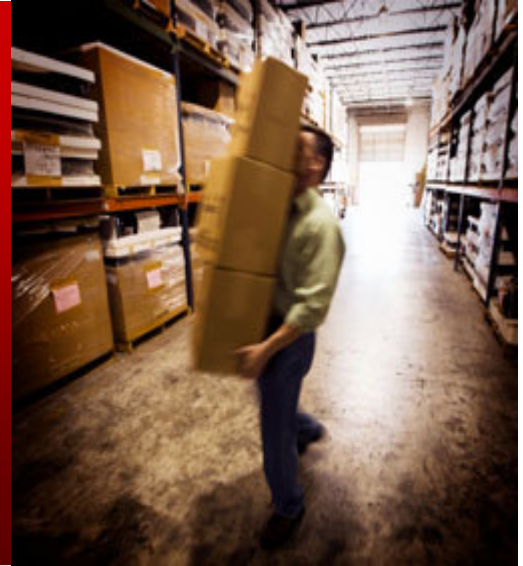
SCDigest Editorial Staff

answer. Third parties will, in general, tend to be a little cheaper on an hourly basis, and may offer significant distribution expertise.

On the other hand, there are advantages to going with a "single solution," and not having to worry about finger pointing later.

In either case, ensure the engineers have experience with your specific type of distribution processes. For example, if you deal with "garment on hanger," or use a significant amount of postponement activity in the DC, you will want to ensure the engineers you contract have specific expertise in these areas.

Software Differentiators

Labor Management software historically was focused on generating reports about individual worker productivity against standards. That capability remains the core of the

LMS solutions which delivers much of the value, but LMS software as a category has expanded the capabilities have expanded significantly in recent years.

Below are some of the key factors you will want to consider:

- Flexibility to support a variety of standards development methods: Both to meet immediate needs/plans, and to support potential changes to how standards or goals are developed over time.

- Flexibility in building a standard for the specific steps in a task, and the "algorithms" for calculating total time: Each operation and how companies think about the right grouping of steps and standard time calculations is unique; compare the level of flexibility for building these groupings and rules.

- Support for labor planning: What capabilities are available to estimate labor requirements by area and time period?

- Simplicity of the User Interface: Is the UI simple and easy to navigate? Can the LMS be easily used by many levels of supervisors without the need for "Super Users"?

- "Analytics": What tools are available to analyze labor costs and trends besides the straight reporting functions? Is "event notification for exceptions" supported? How well does it work?

- Support for annual budgeting processes: Is data easily rolled up to support annual staffing and budgeting needs?

- Support for incentive pay systems: Is it available? How robust are the capabilities?

- Integration strategy and tools: How will the LMS software integrate with your existing WMS and other execution systems? How much knowledge does the vendor seem to have about integration with your specific operating environment (e.g. legacy platforms, SAP)

- Support for simulating the impact of distribution decisions on labor costs: There is a growing interesting in being able simulate the labor impact of changes to warehouse design and equipment, operating strategy, and other variables to improve decision-making.

- Deployment options: Is the labor software web-deployable? Can a single "instance" of the software support multiple distribution centers?
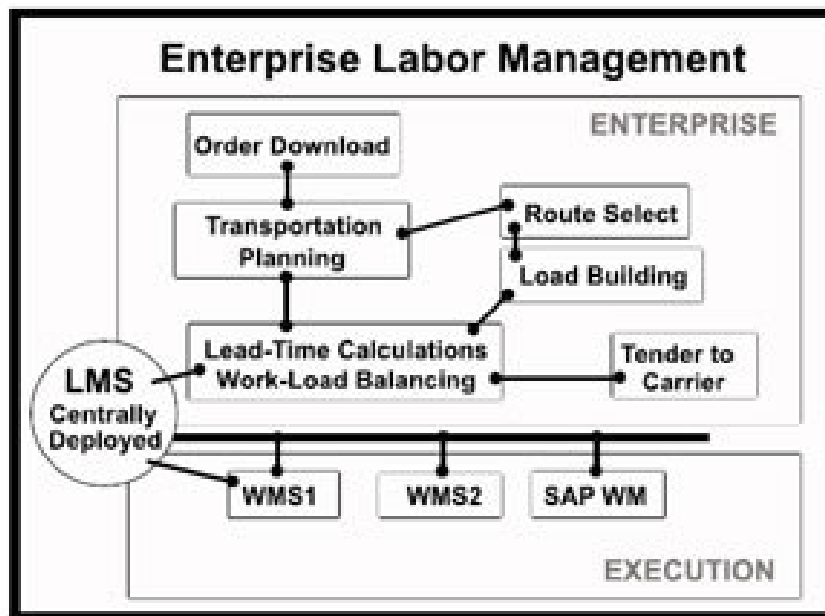
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If you are looking at labor management in conjunction with the purchase of a new WMS, it is important to not only consider these factors, but how well in fact the LMS is really integrated with each potential vendor's WMS. In general, you will still find a considerable amount of difference between vendors in what areas and how deeply this integration has been built.

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