



Material handling horror stories

...And How to Avoid Them

By Rick Froehlich, President, NextGen DC Systems

Anyone...no, everyone who has been around materials handling for very long has heard the horror stories, those real situations where the best intentions failed to deliver promised results.

Recent Stories Heard – All True – Not Fabricated – Not Exaggerated

Last week – the conveyor system was designed to handle between 35,000 and 45,000 boxes in a 24 hour work day. The problem, as expressed to me, was that it was handling less than half the promised rate. To date they are still working towards a resolution.

Three weeks ago – a company invested \$3M on a pick-to-light system where the conveyor advanced the totes to the point where the tote was assigned to stop. The design rate was between 800 and 900 totes per hour; the result was closer to half the design rate.

A month ago – an AS/RS system that the customer tried to make work over a period of years until they finally gave up, pulled it out, and went back to paper picking. A huge investment...an astronomical loss.

You may be a consultant, you may be an integrator, you may be an end user – in my mind’s eye, you’re shaking your head side-to-side, reminiscing about a situation where you were either involved, or hopefully, simply close enough to know that what was happening wasn’t good. The nasty truth is that there are far too many horror stories in our industry, far too many Proposals from well-meaning suppliers that are accepted and then, after everything is installed, the customer is disappointed because the solution fails to produce at the rates upon which the investment was determined.

The problem? No one knows what they don’t know! Most often they are simple, sometimes tiny, errors that hide in the best designs.

Here is a perfect example of a simple error. I coordinated with two primary suppliers on a multimillion dollar project several years ago where the conveyor system was to read a bar code located on the back of used books. The bar code consisted of a combination of two sets of bars, the first being 13 bars and the second being 5 more bars...a total of eighteen bars.

We contracted with the conveyor manufacturer to build a prototype to test the read rate on dozens of used books, investing \$50,000 to do it. Prototypes are intended to eliminate the proverbial “gotcha”, right?

The software people were talking with the conveyor people and the conveyor people with the software people. Wouldn’t one assume that the definition of the bar code would be a foundational discussion point?



Not this time...the communication between the two suppliers failed to define the bar code accurately. The conveyor people ignored the second set of 5 bars, the software company programmed everything to use all 18 bars. As a result, the conveyor controls were built around 13 bars and the software was developed around 18 bars. It was a “simple” mistake.

But...it wasn’t simple when over \$1.75M of conveyor was physically installed and it was time to test the interface between software and controls. Not simple at all. Deadlines were missed, code had to be rewritten, our simple error proved to be devastatingly costly for all parties. A Major Horror Story for everyone involved.

Supposedly, “there is a silver lining in every cloud” and “we learn by our mistakes”.

Yes...both are true, which is the reason for writing this article. Let’s be brutally honest. Can anyone afford a horror story similar to any of these? Let’s look at an alternative method that moves a long way toward eliminating horror stories.

NextGen has an incredible idea:

- Define the solution by determining whether there’s a compelling business case...
 - Data analysis
 - Alternative solution modeling
 - Forecast savings
 - Assemble the budget
 - Calculate the R.O.I.
- If there is a compelling business case, implement a “Proof of Concept”, a small piece of the total solution.

The Proof of Concept (POC) implements all the necessary components of the total solution - such as the host software interface, the put-wall and/or picking cart design/build - and then implements a piece of it. The advantages favoring the "POC" are numerous:

1. **No Interruption to Daily Operations** - The customer's daily orders are picked and shipped without interruption and without delay while the system solution is in performance testing.
2. **Personnel Trained** - Warehouse personnel are trained by using the POC so that they can be fully trained and functional when the remaining majority of the system solution is installed.
3. **Minimized Downtime** - Because a handful of software "bugs" seem to show up after Go-Live, the POC offers the End User and all suppliers an opportunity to stress-test the system before it's fully operational.
4. **More Accurate Investment** - Actual productivity rates are validated with the POC. By using actual productivity rates, proposal quantities can be confirmed; and the net result is an investment that is more honest, one without the "CYA" factor that so many Proposals contain.

I started this article with three recent examples of horror stories. Before finishing, I heard another.

Yesterday - during my very first meeting with a new prospect, I learned that they had just moved into a new, larger building. I also learned that their labor costs were severely under water because they weren't hitting the productivity numbers they had been promised by their integrator. As I finished explaining the POC process, my contact emphatically stated, ***"I can tell you this right now! We won't be spending any more money without some kind of proof that any new investment return will be realized!"***

Conclusion:

As stated earlier, there are far too many horror stories in our industry. There are far too many Proposals from well-meaning suppliers that are approved and then, after everything is installed, the customer is disappointed because the solution fails to produce at the rates upon which the investment was determined.

Most materials handling solution providers cannot be as courageous as NextGen. NextGen is highly flexible. That flexibility allows us to offer a **Proof of Concept** on almost all of the system solutions we implement. In fact, the Proof of Concept is a standard business practice for us. It allows us to determine the total investment, maximize worker productivity, prove ROI, and minimize risk. When the dust settles and we finish projects, we shake hands with five star, stellar references. There is no "horror story graveyard address" when our customers take advantage of the POC.

Success Stories:

Stanley Black & Decker

Jeff McKinney, Vice President of Global Distribution, used the Proof of Concept prior to implementation of their order fulfillment system. Jeff says, *"We were able to prove that the system could do everything that was promised before we confirmed the majority of the investment"*.

Salon Service Group

Shane Hanson, Vice President, says, *"I couldn't be more pleased with the way our order fulfillment system was delivered. They don't own a nickel of our business, but you'd think they did in the manner and methods they exerted to achieve what we set out to do with this project"*.

Younique

Randan Manuela, Warehouse Manager, says, *"When the design rate was initially projected, the rate was under estimated. The Proof of Concept allowed us to confirm that it was understated so that the quantities we actually purchased were based upon the Proof of Concept rate. We could not be more pleased"*.

About Rick Froehlich

"Unless there's a business case, our customers are wasting their time," is Rick's no-nonsense approach to innovative picking solutions. Rick has been focused on cost effective, innovative picking solutions for over 30 years and has been instrumental in helping clients realize savings, increase productivity, improve order accuracy, and hire/retain the best workers. He is the founder of NextGen DC Systems. In the distribution solutions world, he is known for his integrity, loyalty, and exceptional performance.

About NextGen DC Systems

NextGen DC Systems develops a *"Return on Investment Business Case"* by helping you with DC Operations, Fulfillment, Technology and Equipment that are integrated with your current business model. We come to you with a "clean sheet of paper" and explore what you have going on, what you want to change, and help you develop a strategy. NextGen is positioned to provide full DC Consulting Services, Design, Distribution and Warehouse Software, Integration Solutions, and Material Handling Equipment through a network of strategic alliances who truly fit the standards of our company."

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