

"EXPENSIVE EQUIPMENT IS NOT ALWAYS THE ANSWER"

People involved with material handling and warehousing often like to show off the latest sophisticated material handling hardware. However, material handling equipment must be justified on hard economic and operational improvement grounds.

Before you can make intelligent decisions on equipment systems, you must assemble all data pertinent to the performance requirements to be met. Typically, the information gathering process includes collecting data on:

1. Peak, average and seasonal requirements for both throughput and inventory.
2. Physical handling and storage characteristics of each Stock Keeping Unit planned for the system
3. Order characteristics information in terms of number of orders, lines per order and pieces per line.

After the design year performance criteria have been established, alternative methods of accommodating these requirements must be developed. One of the alternatives is a well designed "low-tech" method which may require more manpower but significantly lower capital expenditure. Another alternative is a "mechanized" method, reducing the manpower input significantly but stopping short of full automation. Where feasible, full automation may also be examined.

In addition to the obvious "labor reduction vs. capital expenditure" analyses performed to evaluate the relative merits of the alternatives, other factors must also be quantified as well as qualified. Before seriously considering sophisticated technology, a company needs to ask itself if it has the discipline to handle that technology. If a company is not doing a good job with a conventional system, it is a pretty safe bet that it is not ready for mechanization and certainly not for automation. The readiness question covers several operational areas.

Among these areas, a logical starting point is the data processing department. Most sophisticated material handling and warehousing equipment requires data processing support. If your data processing department does not have the hardware, software or personnel required to ensure the operation of higher level technology, the costs and difficulties of coming up to speed must be factored into the decision.

The next area to be considered is your operations workforce. Are your present management and hourly personnel ready for a higher level of technology? If not, the company should analyze how long it would take and how much it would cost to educate, change or upgrade the personnel. Examination of personnel should also take into account the capabilities of the maintenance staff.

Flexibility to accommodate future changes in operating requirements and the risk factors involved in an alternative system need to be evaluated. The impact of future changes in packaging, weights, dimensions and volumes should be evaluated for each alternative. If substantial equipment modification will be required to handle future requirements, the cost and time involved should also be considered.

Quality, consistency and control are factors which cannot be ignored in the analysis of material handling and warehousing alternatives. An automated system may consistently give you the high product quality you need to establish a competitive edge. However, automation is not an absolute guarantee of quality, consistency and control. The finest quality motorcars and hunting rifles in the world are still practically hand built.

Technical Articles/ White Papers

Sophisticated equipment is eye-catching, has a lot of sex appeal and in many cases is fully justified. However, before you "jump in" with both feet, be sure that you have honestly evaluated not just the capital expenditure vs. direct labor savings but these other key areas as well.

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