



## 4 Signs Your Warehouse Needs a Barcoding System

Picture this...Employees are wandering the aisles of your warehouse, trying to find an inventory item to complete a shipment that must go out today. Unfortunately, the item appears to be either out of stock or has been placed in the wrong section of your facility. The problem is your manual records are incorrect — so you have no way of knowing.

The bottom line...Quickly locating and picking inventory is a challenge. And your current equipment and processes are not helping matters.

If this sounds all too familiar, you are not alone. In fact, a recent research study has shown that inefficient workflows cost companies nearly 3,000 productive hours and \$390,000 in mispicks every year. That's a lot of time and money down the proverbial drain.

In addition, improper warehouse management means you could be missing valuable business insights, which could help you make more informed decisions to improve the overall health of your company — and avoid the above scenario.

That's where a barcoding system comes in; it empowers you to put away the pencil and paper and forget about spreadsheets. A barcoding system is a powerful tool that reduces the piles of paperwork, decreases user error and provides critical information in real time. And it doesn't matter whether you are a small single-store business with a warehouse in the back or a large



manufacturer with several distribution centers — barcoding fills in accuracy gaps that can significantly improve inventory control.

Not convinced? Your operations might be experiencing the following challenges that a barcoding system can solve:

### 1. Too many inventory-related anomalies

Inventory is the heart of your business. So why are you still using a spreadsheet — or worse yet, pencil and paper — to track your inventory? These methods are outdated and most likely tainted by data entry errors, which can cost you money and customers.

By not leveraging advancements in technology, you are probably suffering

from potentially detrimental issues including:

► **Missing Items**

As your company grows, so does your inventory. Keeping track of where products are can become a daunting task. How often does an inventory item get moved from one spot to another – with no record of the move? When you utilize barcode labels, transfers are as simple as a quick scan. The lot or serial number of the transferred inventory is stored, as well as the identity of the location to which it is being transferred. It's easy to use, accomplished in seconds, and results in an accurate location of the inventory for future reference. You can easily and accurately count thousands of inventory items and update warehousing information.

► **Inventory Shrinkage**

According to the 2014-2015 Global Retail Theft Barometer, shrinkage cost the retail industry more than \$123.4 billion globally last year. That's a big hit to your bottom line, especially if your company handles items that are high-risk for theft like fresh meat, candy, alcohol, cheese, seafood, electronics or clothing. Shrinkage, or the loss of products between point of manufacture or purchase from supplier and point of sale, comes in several forms:

- Administrative errors
- Employee theft
- Employee or supplier fraud
- Organized retail crime in the supply chain

So how can your company combat shrinkage? Keep accurate counts of your inventory.

Ideally, companies will have built-in checkpoints as part of their processes that trigger an inventory count. Having employees conduct a physical count of every item in your warehouse, or a cycle count where only certain items are counted periodically until you cycle through your inventory, is a great preventative measure to identify and reduce shrinkage. However, the reality is that asking employees to perform these functions manually is not feasible from a time and resource standpoint. Plus, manual counts are often error prone.

By investing in technology like a barcode system, companies can leverage technology to automate warehouse operations, reducing time and improving the inventory accuracy needed to reduce shrinkage.

► **Routine inventory issues:  
Overages, shortages & stock outs**

At one point or another, most warehouse managers will experience challenges with inventory overages, shortages or stock outs. However, when these issues become the norm, it is a sign you should consider leveraging technology to automate your distribution operations. A variety of factors can cause these issues -- from theft to inaccurate receiving and shipping records. However, routine issues with inaccurate inventory counts are no laughing matter. While having a low amount of inventory can improve profitability, if there are interruptions or demand changes in your supply chain, shipments can grind to a halt.

For companies with inventory issues, a barcode system will help:

- Accurately count inventory on hand to minimize the inventory carrying costs.
- Monitor inventory levels to increase inventory turns.
- Effectively set reordering alerts to reduce or eliminate stock outs.
- Set safety stock levels to insure you don't run out of popular inventory items.

### ► Frequent mispicks

Mispicks, as highlighted earlier, cost companies hundreds of thousands per year. Your organization's part of that total could be avoided if the right technology is put in place. Once implemented, a modern barcoding system would not only improve picking accuracy but also deliver transparency in your warehouse operations.

Although it's no secret to warehouse managers that mispicks are a big issue in the industry, it's important to note that each mistake is magnified as the supply chain becomes more complex and demands on distribution operations significantly increase.

And let's face it, one of the best ways to deter customers is to send them the wrong items; it might make them think twice before shopping with you again. And that could mean a loss of future revenue.

## 2. Increasing Labor Costs

For many companies, one of the biggest cost centers outside of inventory is often payroll. In today's competitive economy, companies are continually challenged to produce more with less human capital. And

as your operations grow, so does the labor needed to track inventory.

If you are considering implementing a barcode system, it is critical to justify the cost. Implementing a barcode system in place of manual operations eliminates the need to manually enter data on a spreadsheet or with paper and pen. This automation drastically reduces the labor needed to track inventory.

For example, if it currently takes two employees 1,000 hours each per year at a rate of \$10 per hour to perform data entry, then your company can generate a savings of more than \$20,000 per year by using an automated barcode data collection system in place of manual efforts.

While reducing labor costs is one of the most obvious savings, it is often overshadowed by greater savings in other areas.

## 3. Falling speed and accuracy rates

In a typical warehouse with a "paper system," count sheets are printed; a worker gets a sheet, finds the product location, manually counts inventory, writes down the count and turns in the count sheet where it is again manually entered. Employees then repeat this process thousands of times for each inventory item in your facility. As your business grows, the need to accurately and efficiently track inventory only intensifies eventually making this manual process insufficient.

For warehouse managers, tracking key performance indicators are essential to determining if operations are up to par. Downward trends in order fulfillment, inventory accuracy, order accuracy or shipments sent are signs that your distribution operation has efficiency issues.

By implementing a barcode system, warehouse managers can set and monitor

key performance indicators to ensure that operations are meeting goals for speed and accuracy.

#### 4. A lack of real-time visibility

When you run any type of business, it's vital that your processes provide valuable data concerning your operations, such as:

- Immediate updates that are a true reflection of current inventory
- More precise estimates on delivery times because of a more accurate inventory system
- True inventory costs
- Resources such as human labor and time

All these points are guaranteed to help you make better informed business decisions, resulting in increased productivity, gains in efficiency, repeat customers and improved profitability.

The aforementioned issues might seem routine to your organization, but they can add up quickly as today's supply chain demands increase. Customers expect quick and accurate delivery service, and missing or lost inventory translates to late deliveries and unhappy customers.

Add barcoding to your operational processes across the enterprise: picking, shipping, manufacturing, mobile sales orders, route delivery and you'll find that the operational and fiscal benefits outweigh the upfront cost — making the investment well worth it.



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