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BUSINESS GUIDE

Complete Guide to Selecting a Warehouse Management System

Part 3: Storage and Warehouse Utilization



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Read Time: 2 minutes

Complete Guide to Selecting a Warehouse Management System

Part 3: Storage and Warehouse Utilization

The cost of warehouse space has leveled out from the record highs of 2022, when businesses were holding extra inventory to ensure they could fulfill customer orders — a “just-in-case” inventory management strategy.

Still, warehouse space remains at a premium, and because those costs are part of overhead, they directly affect your bottom line. Efficiency is essential to profitability — especially during peak sales times, such as the holidays, when inventory levels are higher than normal and as some businesses add products to their portfolios.

Manual mapping and management of warehouse space makes it difficult to track and update usage. This leads to underutilized space or running out of room for incoming inventory. A manual process also makes it hard to identify fast-moving stock that should be located and stored in a way that minimizes lengthy trips in the warehouse when fulfilling orders.

Four Growing Challenges

Because warehouse space is a critical and ever-changing asset, businesses that rely on manual processes to plan and manage their warehouse layouts are at a disadvantage. That's because manual space management provides a static warehouse layout, but in real life, a warehouse is anything but that.

Items go out and new stock comes in, so the warehouse layout must constantly evolve. When that doesn't happen, problems arise in four areas.

1. **Not enough space to store inventory.** A shipment arrives and is processed, but doesn't have anywhere to go. Items may be left on the receiving dock, causing backlogs and delays. Or they may be shoved into aisles or a far corner of the warehouse, which not only causes hazards and delays for staff, but also makes it difficult to find those items when you do need them.
2. **Lost items.** When items are not stored in their designated spots, due to lack of space or poor practices, the item location will be incorrect in the inventory record. This results in fulfillment delays, inaccurate inventory records, wasted time, and overall confusion. The lasting effect is reduced efficiency.
3. **Inability to fulfill orders or overstocking.** To maintain accurate inventory records, warehouse staff must make manual adjustments to the inventory record to correctly reflect items that are not in their designated locations. If these items are, in fact, in the warehouse, shoved in a corner or on an empty shelf, customer orders may go unfilled because no one realizes the inventory is actually there and just can't find it even as additional items are purchased to replenish the empty bins. The result? Excess carrying costs and inefficient inventory utilization.

4. **Inefficient picking processes.** If items are not in their designated locations, staff may traverse the warehouse trying to fulfill an order only to find the bin empty. That means more time spent looking up or asking others where these products are. Furthermore, top-selling SKUs stored away from the fulfillment location means staff will log excess steps, multiple times a day, to retrieve items. This slows fulfillment and puts strain on employees.

Optimize Storage With a Warehouse Management System

A warehouse management system (WMS) considers the number of SKUs, quantities, warehouse space, top-selling items, and other key data to dynamically lay out the warehouse in the most efficient way.

NetSuite WMS optimizes warehouse space, storage for different items based on their specific characteristics, and ensures the warehouse has space available for new shipments coming in. Additionally, it identifies fast-moving inventory so it can be stored conveniently to minimize the distance pickers traverse the warehouse when filling orders.

Other benefits of WMS:

1. **Warehouse and zone definition features** allow users to optimize warehouse space to ensure items are stored appropriately and the warehouse has adequate space when shipments arrive. NetSuite WMS not only considers the warehouse floor space but maximizes vertical space to store overstock or slower-moving items. Furthermore, it proactively manages the warehouse layout, prompting staff to move items to make way for new stock or shuffle items for ease of use due to seasonality.
2. **An optimized warehouse layout** identifies fast-moving inventory and stores it near fulfillment areas so pickers don't need to trek to the far corners of the warehouse to pick top-selling items multiple times a day.
3. **NetSuite's WMS mobile app** allows workers to initiate bin transfers and replenishment orders as well as conduct cycle counts directly from the application.

This ensures all item movements are tracked and actual storage locations recorded so pickers can find stock quickly.

4. **Bin management functionality** tells workers where to store each product, minimizing the chances of misplaced or lost items. As a result, your staff can save time during warehouse operations, such as receiving purchase orders, transferring items among warehouses, and returning products to stock after issuing a refund. Bin management tracks items by bins to help organize receiving and simplify picking to fulfill orders. Users also have the option to receive, transfer, and pick goods inside a location without bins, making it ideal for retailers and small businesses.
5. **NetSuite Smart Count** is an inventory cycle counting solution that helps organizations improve efficiency and accuracy by automating inventory counts without freezing transactions across the entire location. An inventory level is taken at the time the count starts for each individual item. Smart Count keeps track of transactions that happen for the items being counted, and if there is any activity during the count, NetSuite automatically alerts counters so they can react appropriately. Preferences allow administrators to choose what happens if the on-hand quantity changes for an item during the count process.

Because warehouse space is at a premium, companies must be as efficient as possible. Reliably tracking items as they enter, move through, and exit the warehouse is essential for accurate inventory records. Because NetSuite WMS is part of a unified ERP, as orders are received and fulfilled, the inventory record is not only updated to reflect changes in quantity and status, so there's always a real-time view of stock on hand, but those changes are reflected in the GL so your financial records are always a real-time representation, and in CRM and ecommerce systems to avoid oversells and potential fulfillment issues.

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