

## **NO ONE WANTS TO HEAR THEY HAVE AN UGLY BABY**

Gas is up over \$4.50 a gallon, transportation costs are going through the roof, your employees are struggling to keep their homes and your customers are scrutinizing every cost on their invoices. I think it is safe to assume our economy is in trouble. This means your supply chain, which you have been neglecting, is crucial to your organizations success or its imminent failure. It is even more basic than that, "Your warehouse is about to make you or break you!"

I am not an economist but the signs look bleak for those organizations that have not addressed the issues related to the distribution of their product. In other words, "Their Warehouse Operations!" Your inability to provide the customer: what they want, when they want it, on a consistent basis, and at a reasonable price will affect the livelihood of your organization during this down cycle.

Woseley announced plans to close 75 locations and said their profit was down by 23%. Many other distributors are feeling the crunch and will ultimately begin "Right-Sizing". "These are tough times" one CEO said, and I was told by a warehouse supervisor, "It doesn't take a PHD to chop-heads".

It's time to admit you have an, "Ugly Baby!" Or, in distribution terminology, "Admit your warehouse is in shambles!" If your warehouse has returns that sit around for days without being processed, "Your warehouse is in shambles." If your warehouse has receiving that does not get received for days, then once it is received it sits again before it is put away, "Your warehouse is in shambles!" If your customer service personnel spend more time in the warehouse checking stock, because your inventory is so inaccurate, "Your warehouse is in shambles!" If your warehouse appears to be bursting at the seams, which causes your pickers to spend twice as much time searching for product to fill orders and your receivers twice as much time to find putaway locations, "Your warehouse is in shambles!" Now, you will have to admit, "You have an ugly baby!"

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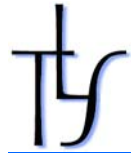
TURN YOUR WAREHOUSE PROBLEMS INTO

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*Total Logistics Solutions, Inc.*

Being in the distribution business, your organization is dependent on two things: “Your People and Your Inventory.” Which is more important to your personal as well as your organizations success?

The value of your inventory can be as high as 20% of your top-line sales. That means a \$100 million company will have approximately \$20 million of inventory on hand. And it cost you between 20% to 35% of its value to stock that product in your warehouse. Now answer this question, how accurate is your inventory, 70%, 90%, 95%? Ninety-five percent accuracy means your personnel lose 1 million dollars of inventory every year. Is that acceptable?

The value of your people is calculated differently but is just as crucial. Labor accounts for 65% of the cost associated with distribution. How much turnover do you experience in your warehouse? Do you have a training program for new hires? How do you motivate your employees? 75% of employees polled are searching for a new job while 20% of employees said they are disengaged. Disengagement is costing American organizations over \$300 billion annually and to prove it, 66% of your lost customers can be traced back to employee disengagement or indifference. Again which is more important, “Your People or Your Inventory?”

Let me answer that question for you, “YOUR PEOPLE!” Your people are more important, because they control your inventory and communicate with your customers. With that being said, what will you do differently to service your customers, internal and external, during this economic downturn? Will you begin to: evaluate your slow and dead moving inventory to free up much needed warehouse space? Will you evaluate your stocking methodology to create a more efficient picking and putaway process? Or will you bury your head in the sand and hope it all blows over? I hate to admit it, but that is what most organizations are doing. In this economy, they do not have the capital to invest in improving their warehouse or supply chain operations. But when business was good, they did not have the resources or the time. So when do you do it? Your organization will suffer because you did not want to hear you had an ugly baby, or an inefficient warehouse. And it will suffer even more because you will bury you head in the sand and do nothing about it.

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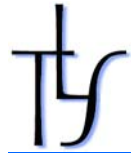
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Your plan cannot simply be to lay people off. The reason that cannot be your only strategy is because you will layoff warehouse personnel but we have already established your warehouse is in shambles. How will you improve it with fewer people? You Won't!

Now is the time to do the things you have been too busy to do. Now is the time to address inventory inaccuracies and picking errors. Now is the time to address the turnover you have been experiencing year after year. Now is the time to motivate your personnel, that are driving long distances to make it to a job they hate. Because in reality they have already begun looking for employment closer to home, which will be a pay increase for them. Think about it, a person making \$10 per hour in your warehouse, can spend as much as \$100 per week for gas. That means they spend as much as one weeks salary per month to make it to a job where they feel underappreciated thus being disengaged. This cycle is about to come to a screeching halt.

Your customers: that are fed up with receiving incorrect shipments, their orders not being ready when they arrive at your will call, and being placed on hold so the customer service person can check stock, are already searching for new more efficient suppliers. Again, now is the time to address your inefficient warehouse which is costing your organization to lose valuable customers. I am telling you, with no hesitation, "YOUR BABY IS UGLY!" Now what are you going to do about it.

### **About the Author....**



Rene' Jones is the Founder of Total Logistics Solutions, Inc. A Warehouse Consulting organization headquartered in Burbank, Ca. Rene' is the author of several books including, "This Place Sucks – What your warehouse employees think about your company and how to change their perceptions!" Rene's is considered one of the most dynamic and inspirational speakers in the supply chain industry. Recently TLS was named one of the, "Top 100 Supply Chain and Logistics Providers" in the world.

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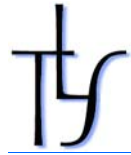
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