



180 Packing Days 'til Christmas

BY BENNETT VOYLES

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Dear Mr. Claus,

We know you see us when we're schlepping, but we wanted to remind you that we are very worried about the 2004 Christmas rush. Every year, we pack more and more boxes, and every year when we tell you we can't keep this up, you tell us to hire more temps, give us the old ho ho ho, and show us the door.

But that solution isn't going to work anymore, big guy. Unless we relocate to Memphis as we suggested last year, it's going to be hard to find the numbers we'll need. Besides, there are always problems: Remember those Icelanders we brought in last year who quit the very first day because of that fight about the music?

This spring, some of the guys and I have been doing a bit of research, and we have some recommendations. First, we think the Icelanders are right. Bjork is cooler than Burl Ives. We estimate that just getting rid of the "Holly Jolly Christmas" song alone will increase productivity 13%.

Second, we believe you should consider switching to straight-to-carton picking. Cleverly disguising ourselves as *Operations & Fulfillment* writers, we did some research and found that you can create a much more efficient operation if you find a way to eliminate the packing tables.

THE OLD-FASHIONED WAY

Right now, most direct-to-consumer retailers are still packing on packing tables the way we do. In fact, Jeff Kline, principal at Kline Management Consulting in Memphis, says that the vast majority of catalog companies pack the "old-fashioned way, which is you get the stuff that you're going to pack and you find a box to put it in."

But bigger and more advanced companies are now picking straight into the box, Kline says. They use a software system that looks at the order, makes a box selection, and then lets the packers know what needs to go inside.

Houseware and gadget retailer Hammacher Schlemmer, which is based in Chicago, is one company that's taken the plunge into direct-carton picking. The company ships 700,000 to 800,000 packages a year, according to Don Rogers, vice president of operations, much of that during the Christmas season. And listen to this, fat man: Since going live in 2000, Rogers says, Hammacher Schlemmer has not only increased its picking and packing productivity by 76%, it has reduced its peak-season temporary hires

by 60%.

Their situation before they installed their system sounded a bit like ours: “We were picking orders to carts and presenting carts to packers, who then decided what box the goods went in, and then hand-packed the merchandise and sent it on over to shipping to ship,” Rogers says.

The huge Christmas-season spike tended to create a lot of problems, he says. They had to run two-plus shifts at Christmas, and hire a huge number of extra people — and they didn't have enough managers to do that, he says.

LOGICAL BOXING

To cope with its high seasonal demand, Hammacher Schlemmer first added a conveyor picking system. Originally, Rogers says, they didn't consider moving to direct-to-carton picking at the same time. After spending a million dollars on the conveyor system, Rogers didn't have \$750,000 to install a system that would permit picking to carton. But then they learned that Ecometry Corp. of Delray Beach, FL, their order management software vendor, had a boxing logic module that they could use without an additional fee, and they decided to try it out.

Rogers is still a satisfied customer. “I can't say that all the results that we got are because of the boxing logic, but without it, we would either have had to have gone another three-quarters of a million dollar investment ... or continuing to work with pack tables, which to me wasn't solving the problem that we had,” he says.

“To be honest with you, the Ecometry tool is very rudimentary,” Rogers says. It just measures dimensions, and doesn't look at three dimensions the way some of the more advanced systems do. However, he adds that it selects the right box probably 95% of the time — especially now that they've been working with it for four years.

So that's one way to go. But if you really want to cheer us up this year, get us one of those more expensive systems that can optimize boxes in three dimensions. Prashant Bhatia, director of product management for Atlanta-based supply chain execution software company Manhattan Associates, says that the kind of 3D-capable software that Manhattan Associates offers as part of its integrated warehouse management system can handle such things as recommending that the packer stack a fourth box of shoes upright to fill a carton. It can even recommend nesting five trash cans one inside the other, rather than suggest putting them in five different boxes.

John Marrah, president of Ecometry Corporation of Delray Beach, FL, says that using a boxing logic system isn't for everyone. For someone packing mostly standard sizes or just a few SKUs, it probably doesn't make sense. But for operations that ship more than a few hundred boxes a day, it can be cost-effective, he says — and I'd say that includes us elves.

3D TO ALL-D

Whatever system we choose, a lot of the effectiveness of the software comes down to good measurements. Rogers says that one of the biggest challenges is making sure that the dimensions are entered correctly into the system. “It's critical,” he says. “It's the old garbage in-garbage out. You give it crap and that's what you're going to get back.”

One way to handle the measurements is machines like CubiScan, produced by Farmington, UT-based

Quantronix, which can automatically weigh and measure anything. Ten billion SKUs are no joke, Santa, and CubiScan or something like that would speed up the process a lot. But if it turns out that people aren't very good this year, and you end up cutting back to, say, a few thousand SKUs, we could do it by hand. Rogers says that for his operation, which generally ships between 2,500 and 3,000 SKUs daily, taking measurements by hand and then entering the details into the system hasn't been too overwhelming. "You've got to get over that initial hurdle of measuring everything that's active, but once you do that, then it's just all the new stuff as it comes in," he says.

I know you're going to ask, can't we just use the vendors' measurements? Rogers says don't even think about using them in your distribution center. "Our buying office gets all of that information from the vendors, but you can't trust it, because the dimensions may be as the product is set up or something other than how you actually end up dealing with it once it gets to the DC. I don't think there's any better way than to just, as it comes across the back, re-measure and weigh the stuff," he says.

Bhatia of Manhattan Associates thinks so too. Just putting your thumb in the air and saying, "Well, this looks like it's about two pounds, this looks like it's about 15 inches," isn't going to work very well, he says. The algorithms in the system "are only as good as the data that's provided to us."

Users also need training to use such systems properly, Bhatia says. "A lot of times, people will say, you know what, I've been doing this for 20 years, it can't be that different, I'll just figure it out as I go," he says. But that can lead to problems, he adds.

Hammacher Schlemmer certainly found that to be the case when they went to straight-to-carton picking. "It probably took a year before people were running it the way it was designed to be run and not figuring out their own little workaround every time something didn't work right — they just didn't realize what further impacts were downstream from that," says Rogers.

SUPER USERS

One technique that may help with training: Bhatia says that Manhattan Associates often encourages its clients to designate a "super user" — an employee who gets extensive training on the new system, who can then pass that along to others on the distribution center floor. "What we've found is that a lot of users, especially on the distribution floor, they relate better to one of their own versus looking at a Manhattan consultant," he says.

If you want to buy one of these systems, we need to hear from you soon. Installations of a major warehouse management system can take anywhere from 12 weeks to a year, Bhatia says. Testing the system and training people to use it both take time. "It takes time to tweak the system. It takes time to make sure that the data that you're inputting is being maintained properly and being used properly by the system as they get down on the floor," he explains.

So the clock is ticking, big guy. We hope you'll make the right choice. I don't think we've got much time. I know those guys from Wal-Mart who drove by on snowmobiles the other day said they'd just gotten lost, but they were taking a lot of pictures and I'd say they have something else in mind. Then there's that fellow Bezos who keeps showing up. I know he says he's just ice fishing, but trust me — he's up to something. He only looks like an elf.

Sincerely yours, Zig, Senior Distribution Elf

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