

# WMS – Price Alone Comes First

We could hardly expect to find warehouse management operators who do not aim for economic independence and the generation of profit. On the other hand, everybody who wants to put through implementation of a WMS system must present a budget that would be acceptable for the investor, so the price issue often becomes a dominant aspect when selecting the appropriate solution. The need to minimize costs leads to compromises, and one question which often arises is whether to implement a full WMS or to simply extend the company's existing information system (referred to as Enterprise Resource Planning system – ERP) by an extra module that would cover the warehousing functions. Hamburg search for the cost-efficient solution, it is necessary to consider not only the costs contained in the vendor's proposal but also other relevant costs, risks and benefits that affect the final return on investment. Let us now take a closer look on a number of elements that should be analyzed for each WMS implementation project.

## License fee

Often one of the two most closely watched items, though not by any means the most important one in terms of the total budget. Warehousing modules of ERP systems often have a license fee significantly lower than a full WMS system, while sometimes a warehousing module is even contained in the license for the ERP, making the fee itself zero.

## Implementation cost

This amount should be in proportion to the overall functionality and consistency of the solution, and the level of customization to specific operation. Full WMSs contain many more advanced functions and are more customizable, thus the implementation costs tend to be higher. This higher price is, as a rule, compensated by a more sophisticated solution with faster return on investment than for the less customizable and functionally poorer ERP warehousing modules.

## Costs of customization and additional modifications

There is no solution that would, in its basic configuration, correspond to all detailed requirements of the operations once and for all. Classical WMSs mostly offer multi optional solutions for each process, assuming that the most suitable one will still be modified, so that the system is really "tailored" to the operation's needs. ERP modules on the other hand contain a process only in its basic form, assuming that the warehouse operations will be adjusted to adopt, to the system. With each change of time-tested and well-assimilated procedures, however, there is a temporary or even permanent decrease in efficiency, which leads to employee dissatisfaction and negative attitudes towards the changes being made and the project as such; underestimating a situation of this sort may eventually even result in sabotaging the entire project. It is, of course, also possible to modify the ERP modules, but the cost is un-

reasonably high - and there is a risk that modification will have to be repeated with upgrade of the ERP.

## Interface between WMS and ERP

We have often seen managers worrying about the coexistence of two separate databases, with the different inventory records. As a matter of fact, no truly efficient solution of warehouse management, even if contained within the ERP system, can do without its own record-keeping of inventory balances and data exchange with the warehousing records kept for sales / financial reporting purposes. In our experience it is perfectly possible to establish a reliable link between ERP and WMS, with a long-term functionality and no need for special maintenance. What is crucial is the sophistication of the solutions applied, and the availability of well-tested, even certified data interfaces.

## Benefits

The benefits of WMS implementation are proportionate to its functionality and the level of customization. Under-dimensioned solution may, instead of benefits, bring limitations with no return on the investment at any point. On the other hand, where the optimal WMS design is used, with a number of sophisticated features,

the benefits achieved make a return on the investment possible within one year from the system going live. The long-term benefits are clearly crucial: performance improvement, faster processes, fewer errors, higher customer satisfaction, better use of warehouse capacity and better visibility of logistics; these are usually the reasons for having implemented the WMS in the first place. Last but not least, implementation of a best-of-breed WMS is often connected with gaining valuable know-how from the vendor, who has many years of experience with WMS implementations in similar operations in the field.



## WMS or ERP warehousing module?

This question has to be answered individually, depending on the expectations from the system. If you own an ERP system, do not plan its replacement or upgrade, do not expect changes in operations or major growth, do not have performance issues in warehousing, find the basic functions sufficient and are ready to accommodate your operations to the system, then an ERP module may be just the right solution for you. In all other cases it is appropriate to contact vendors of stand-alone WMS systems and to carry out a thorough analysis and comparison of available solutions. The vendor or a professional consultant should be able to quantify the return on the investment based on specific detail data, which may be used as a strong argument in your effort to gain sufficient budget for the project. ■

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