

Overwhelmed by your WMS choices?

By Susan Lacefield, Associate Editor -- 5/1/2005

The thing that baffles so many people about the market for warehouse management systems is how there can continue to be so many vendors of that category of software. Although the market has seen a large number of mergers and acquisitions recently, a surprising number of providers still remain active.

"I've been predicting—and analysts such as Gartner have been predicting—the demise of all these companies for years, but they're still out there," says Chris Barnes, a partner in the consulting firm Mercer Barnes Associates and author of *Warehouse Management Systems: Assessment and Selection*. "I don't know how. There's about 300-plus companies, and about once a week I'll talk to someone who has a new package that they're trying to get promoted."

While this variety means that WMS buyers aren't locked into working with one or two big companies, it can leave them feeling a little like a grocery shopper in the cereal aisle: overwhelmed by all the choices.

With so many options—and more coming all the time—how can you ensure that you're selecting the very best product for your company? Here are nine considerations that can help you shape your decision.

1) Functionality

The perception in the market is that all WMS providers basically offer the same capabilities, and to a degree that's true, says John Pulling, chief operating officer of WMS provider Provia. "There are some situations where one of us will have just a killer solution for a key vertical, and it's obvious that the product's better. But in a lot of situations, it's just not," he says.

Buyers need to seek out differentiators—that "killer solution," perhaps, or some function that solves a specific problem. For most buyers, the main consideration will be whether a product includes features that meet their particular business needs. Kirkland's, a Tennessee-based home décor retailer, for example, has a unique system for downloading orders and building picking waves. When the company was selecting a WMS, the ability to accommodate that system was critical.

Most solutions these days can be customized or modified to handle just about anything. With that in mind, Vice President of Logistics Todd Weier's selection team looked at each product's basic functionality and chose the one that came closest to meeting Kirkland's requirements. "I felt the closer you could get to their base functionality, the better the transition, the better the implementation, and the lower the cost would be," he says.

One way to assess the gaps between your requirements and a WMS system's capabilities is to run "scripted demos"—the warehouse equivalent of a dress rehearsal. These trial runs can identify a system's shortcomings, and what it might cost to address them. "A gap could be as small as a pinhole or as large as a sinkhole, and the only thing that can cover the gap is dollars," says John Sidell, principal with systems integrator ESYNC. "Is it a \$1,000 modification or a \$300,000 modification? Demo scripts can flesh some of that out."

Conventional wisdom says "best of breed" vendors offer the best functionality. But ERP providers say they've greatly improved the functionality of their WMS modules. "The reason why people bought a bolt-on WMS was because the WMS capabilities in ERP offerings were weak," says Jon Chorley, senior director at Oracle Logistics. "Well, that is absolutely not true anymore."

2) Integration

Buyers are no longer looking just at the functionality of the WMS, they're also assessing how well it integrates with other solutions, such as transportation management, order management, and labor management applications. "It's very rare today that we will sell just a WMS," says Chris Heim, president of HighJump Software. "Normally we are selling in conjunction with a visibility system, supplier-enablement system, or MES [manufacturing execution system]."

Buying several solutions from a single provider does cut down on integration and customization costs. Oracle and SAP argue that one advantage of working with an ERP vendor is that both supply chain execution software and back-office solutions will be operating off of the same data, so there are no worries about integration. That's why many shippers are putting their ERP providers on the short list of potential WMS vendors. "We're finding more companies are revisiting what we have to offer, even if they had made a previous decision for a best-of-breed vendor," says Tillman Estes, director of business development for SAP.

Ease of integration was a determining factor for specialty sporting-goods retailer Sports Giant when the startup selected Radio Beacon as its WMS provider. Of all the solutions the company considered, that one integrated best with Sports Giant's MAS 500 system from Best Software, says Sam Simkin, executive vice president and chief financial officer.

3) Technology Environment

Sports Giant isn't unique; all companies must consider both the operational and the technological sides of an implementation. Every selection team, therefore, should include representatives from both operations and IT.

Have your IT people decide what type of technical environment the application should run in, says ESYNC's Sidell. "It may be your current environment or one that you're moving toward.... It's important to spell out some of those requirements."

The future was very much on the minds of Kirkland's team. While the company isn't involved in radio frequency identification (RFID) right now, it was important to Weier's group to know that a WMS vendor would be able to support RFID if the retailer decided to implement it later.

4) Flexibility

Keeping future needs in mind goes hand in hand with flexibility. When your business changes, will your WMS continue to support your operations? How easy will that transition be?

Site visits and scripted demos are two great ways to get an idea of how flexible a solution is, says Provia's Pulling. "People invariably want to see operations that are exactly like theirs for a reference or a site visit, but you should also look at things that are completely unlike yours to see the flexibility of the system," he says.

Pulling recommends asking the WMS vendor to vary the business process you're testing at a later stage of the evaluation. "Don't necessarily communicate every little thing that you want to see beforehand," he suggests. "That helps demonstrate the solution's ability to adapt."

5) Industry Knowledge

Buyers should also consider how familiar a WMS provider is with their particular industry. Industry expertise was a factor for Wisconsin-based Sargento Foods when the manufacturer of cheese products decided to replace its WMS, says director of logistics Dennis Roehrborn.

"When we would bring an operating requirement to the table, the WMS vendor could relate to it without us having to spend lots of time explaining what we were trying to accomplish," says Roehrborn. "In many instances they had experienced a similar requirement within their client base."

6) Realistic Cost

Before entering into a WMS purchase, you should have a good idea of what kind of price tag you're looking at. The cost of basic warehouse management systems has dropped, but they're still not cheap. After adding in all the licenses, hardware, printers, integration, and more, most companies are still looking at a project costing half a million dollars or more, says Tom Kozenski, product marketing leader for RedPrairie. Even for a small operation, the overall price probably will run around \$300,000. "You need to understand what you're getting into," he says. "This is not a \$50,000 project."

Kirkland's selection team carefully considered the total cost of ownership when it evaluated WMS packages. "What a lot of WMS vendors like to do is, they'll give you a good deal on the initial software and implementation, and it will seem like you're getting away on the cheap. But then you're hit with additional charges if you want to change a process a year from now," says Weier.

That's why Weier recommends studying potential vendors' financials. "You will find that some companies derive the bulk of their revenue from aftermarket services and to me, that throws up a red flag," he says. "You have to wonder, what's this going to cost down the road? If I'm spending a million dollars on the software and implementation, am I going to be spending a quarter-million every year with changes?"

There are some low-cost providers, but they haven't made a major impact on the market, says Barnes. "You know the old adage, 'no one got fired for hiring IBM'? It's the same thing for WMS. There's a handful of core companies that do it and do it well, and they're [frequently] getting the nod," he says.

7) Financial Viability

If you buy a WMS based on price, give equal weight to the vendor's financial viability. Heim tells of several former customers that selected a vendor based on price. "Now that company is out of business, and they're out a fair amount of money," he says.

Even more common is what happened to Sargento Foods. The manufacturer watched as another company bought its original WMS provider and then failed to continue investing in the product. When it came time for Sargento to replace its WMS, potential vendors' financial viability became a key consideration, says Roehrborn.

8) Internal Operations

Before you even approach a WMS provider, you need to have a solid understanding of your own operations. Often this will require mapping your warehouse operations so you can provide potential vendors with an outline of your business flows.

While such maps can be very helpful, there are dangers in sticking to them too closely. "You could run the risk of mapping what could be a bad process," says Heim. "So while it is very important to understand your business, you also want to allow for some flexibility to change your practices and gain more efficiencies."

This is especially true for companies that are implementing a WMS for the first time. Consider the case of Kirkland's: While the retailer was selecting a WMS, it also was consolidating from three facilities into one and introducing new conveyor and sortation systems. Mapping processes in a yet-to-be-opened facility would have been impossible. Instead, the company gave its potential vendors a document showing what the processes might be, then considered the solutions' scalability and flexibility, says Weier.

9) Internal Strategy

Finally, don't focus entirely on your operational needs. You also need to take into consideration your company's broader vision and strategic direction, recommends Kozenski. "You can expect that when you buy a WMS today, it is going to last you a good ten to fifteen years," he says. "It's realistic to think that way. Therefore, understanding what logistics means to your company and where it is going is very important."