



What is Bar Coding REALLY Worth?

David McMahon, Senior Consultant

I just finished visiting a client that I see semi-annually and wanted to share with you how we answered an important operational question, "What is bar coding worth?".

Let me give you some background. This business is a two store operation, has projected sales for 2006 of \$3.5 million, has 35,000 square feet in recently expanded showroom and operates a relatively small warehouse of 7,000 square feet. They are pursuing an aggressive sales growth and local market domination strategy.

They have five above average performing warehouse employees, which include a warehouse manager, a driver, two helpers, and one part-timer. They all pitch in on duties such as receiving, transfers, delivery routing/scheduling, picking, delivery, customer service, and physical inventory.

So, here is the dilemma: they want to become more efficient without hiring extra employees premature of their expected increase in sales.

Solution: Bar Code.

Fine, prove it. What is bar coding REALLY worth?

To do this, we looked at where time was spent doing manual tasks that bar coding will improve on.

Here is our conservative break down:

Receiving preparation – efficiency savings: 15 minutes per day; 65 hours per year (5 day week)

Manual: Printing receiving tallies and labels are necessary on a manual inventory control system because they show what is ordered, give a checklist, and identify what is received for customers.

Bar code: Now all they will need to do is print and sort the bar code labels ahead of the merchandise arriving. The customer names are on the bar code labels.

Physical receiving – efficiency savings: 30 minutes per day; 130 hours per year

Manual: As the merchandise comes off the truck, they check off the bill of lading, fill out the receiving tallies, and apply the non-bar code labels to the merchandise.

Bar code: With bar coding, they will scan and apply the bar code labels as the merchandise enters the warehouse. This is their check and balance. If there are any labels remaining, they would be short shipped. If they do not have enough labels, they would be over shipped. Any discrepancies will be noted and the bill of lading signed.



Computer receiving – efficiency savings: 45 minutes per day; 195 hours per year

Manual: From the receiving tallies, a data entry person enters all information into the software one purchase order at a time. It is then edited and posted.

Bar code: Significant time will be saved since all their items will be uploaded from the scanner either via batch or wireless systems. They will only check their piece count for missed scans.

Transfers – efficiency savings: 1 hour per day; 260 hours per year

Manual: To be able to find merchandise after they receive it, they need to assign it to a location. This involves their warehouse employees writing down each item and the location every time they move it. Then a data entry person transfers each location move in the computer. Timeliness is crucial and they are always behind.

Bar code: They will simply scan each item as it is moved and upload to their system. This can also be done automatically with wireless technology.

Picking, prep, and Customer pick up – efficiency savings: 1+ hour minimum per day; 260+ hours per year

Manual: Over and over, warehouse employees look around for merchandise prior to delivery or when a customer comes to pick up their furniture. This is embarrassing. Item locations need to be correct.

Bar code: This will enable them to find their merchandise FAST, vastly improving their customer service. The value of this alone was found to be worth it!

Physical inventory – efficiency savings: 160+ hours per year

Manual: To do a proper manual inventory, it involves many people and several teams writing down each item in their area. Then, a data entry team must reconcile and fix quantities and locations in the system. They might even shut their stores down. This kind of inventory is NEVER accurate and takes a huge amount of time. This hated practice is done once per year.

Bar code: They will never need to take a full inventory again. WOOHOO!!! They will schedule and perform proper cycle aisle and location inventories. There won't be any more hand writing and the reconciliation process will be automatic!

Selling – savings: unquantifiable, it's MASSIVE

Is there a more important time to know exactly where merchandise is than when a customer wants to buy it right now? How many times do designers call the warehouse to physically check for the availability of merchandise? Are there sold tags in the warehouse? These were our questions. Ask them of your operation.



Theft – savings: unquantifiable

Simply put, it is much easier to steal merchandise if the quantities and locations are wrong. People who commit this crime know this. Bar coding effectively closes this door. Do you know how much shrinkage you have?

The WOW CUSTOMERS bonus – become a retail leader, not a follower!

New features with RF bar coding will enable the sales associates to perform merchandise lookup and add items to a sale using a shopping cart feature. Do you want to stay ahead of your competition in the WOW factor?

So, what is bar coding REALLY worth?

For this growing \$3.5 million company, the gain in efficiency will be at least 1,070+ hours of labor or over \$14,980 each year. The other gains in sales advantages, minimizing theft, and wowing customers are even greater!

My biggest piece of advice is IMPLEMENT PROPERLY to get the most and the fastest return on your investment. Feel free to contact us at info@profitconsulting.net if you would like expert guidance and advice with this important project.