
Back-to-Basics

Part 1: Receiving

This article is part 1 of a 12 part series where we focus on warehouse fundamentals that are critical to success. In any sport, hobby, or skill, a mastery of fundamentals means better performance. And we think warehouses are no different. Read on to learn more, touch up on the basics, or compare your operations to the best practices we'll highlight in each article of the series.

We begin our Back-to-Basics series with a focus on receiving. Why? Because when receiving is out of order, so is the rest of the warehouse. But the good news is that when receiving is operating at the top of its game, you'll see better performance throughout all departments.

Proper inventory accuracy, faster order fulfillment, and an increase in overall receiving productivity are goals that every warehouse can strive for and achieve. Here we discuss 6 areas of opportunity that are specific to your receiving operations:

Require Vendor Receiving Appointments

An easy way to help minimize surprises and plan your dock staffing is to require all inbound carriers to schedule delivery appointments. There are two different methods to schedule and they can be used concurrently.

The first method is to simply assign each carrier or delivery a specific time or window of time to deliver. The second is to assign either a specific or recurring daily, weekly, or monthly schedule to arrive. This allows you to schedule staff accordingly and make the best use of your dock.

Vendor receiving appointments are absolutely critical if you share a dock or ship both inbound and outbound out of the same area. Any advance paperwork or data should be provided before the delivery is made. By requiring appointments and information about incoming loads, surprises are minimized.

Receive and Inventory Non-Sellable Items and Returns

Often, the receiving dock is responsible for accepting all inbound packages. One opportunity to better track non-sellable supplies is to assign each an item number. Along with recording the item and quantity into your tracking software or device, record any purchase order information as well.

All non-sellable items should be located apart from regular inventory. By tracking all items, your productivity numbers will be more accurate and lost supplies will be reduced. It will also reduce typical “hunting and locating” time for supplies, especially on off shifts or when a key receiver is on vacation. There is also an opportunity for accounts payable to trigger payments from the receipts.

Receiving returned product is usually the responsibility of the inbound dock staff and should be tracked. In most cases, there is usually some time before the return product is actually worked on in the returns area. In those instances, a generic returns item number should be established to help track all unprocessed returns. Inventory receipt details should be limited to quantity, RGA number (if applicable), customer name or number, and date received into the warehouse. This allows the proper processing order for returns. If the generic item has some “typical” information associated with it, for example, number of cases on a typical pallet, the returns staff can have an idea of their work backlog. All unprocessed returns should be separated from regular inventory.

Ensure Inventory Issues Are Identified Early

In order to ensure that your inventory stays as close to perfect as possible, consider implementing a quality control plan for receiving. Two easy ways to catch errors quickly are to sample and cycle count receipts.

Set up quality control checks on received inventory prior to being located into stock. Depending on the product and vendor, establish a reasonable percentage of inventory to go to a specific QC area to be inspected. Vary the percentage depending on the reliability of the supplier, item, lot, etc. If your turns are not immediate or cross docking of the product isn't likely, locate the remainder of the receipt. Document occurrences where quality didn't reflect the vendor specifications; you may wish to charge suppliers back for violations if they repeatedly fail to meet quality specifications.

Cycle count a percentage of receipts from a previous day or days. You can vary the requirements by receiver (trainees might have all receipts cycle counted), receipt type, supplier, product type, or location. Check that the inventory was recorded with the correct quantity, inventory attributes, and storage location.

Another alternative would be to simply verify that the inventory was putaway into the correct location. Limit cycle counts to bulk inventory not subjected to cross dock rules. This practice eliminates inventory problems being identified during the pick process where the time constraints to correct are much tighter.

Issue Vendor Specifications

In order to ensure that you receive quality products in the manner that is conducive to your practices, issue vendor specification manuals to all your suppliers. List all shipment, inventory packaging, and quality requirements that your vendor needs to abide by in the manuals.

Examples of specifications you should consider include:

- Quality requirements (amount of acceptable defects, performance characteristics of the inventory)
- Product specifications (versions, lots, value added requirements, case pack or unit dimension requirements)
- Pallet sizes and stacking (floor loaded, slip sheet, pallets, shrink wrapped, over all dimension limits, weight restrictions, pallet sizes allowed, quality of pallets)
- Product packaging (how to group and label loose product, mixed pallets, full pallets, sealing specs, dunnage requirements)
- Carton sizes and types (reusable totes, corrugated, drums, weight and size limits, quality of material)
- Shipping requirements (who, how, when)

By limiting any nonconforming product and associated rework on receipt of inventory, product can be more readily available to fulfill orders. Receipt efficiency, accuracy, and inventory availability can also be improved.

Cross Dock Your Inventory

One sure way to eliminate processing steps in fulfilling orders is to cross dock inventory. Cross docking “short circuits” the standard putaway, replenish, and pick process.

When an order can be fulfilled by inbound inventory, that inventory should be flagged as cross dock eligible. Cross docking involves preallocating the inventory prior to it being received. Then, when it is received, inventory is immediately moved to the shipping dock to be matched up with the rest of the order. In most cross dock scenarios, the putaway, replenishment, and picking steps are greatly reduced or eliminated, allowing quicker fulfillment and higher productivities.

Utilize Electronic Receipt Information

One sure way to improve your receiving accuracy and productivity is to implement Advanced Shipping Notices (ASNs). ASNs contain all shipment information at a line level as the product is shipped from your supplier. Typically, all inventory is bar coded at the pallet and/or case level. Each line item in an ASN contains the barcode along with the quantity and all inventory specific characteristics. Examples of these characteristics include case pack, configuration, item class, and expiration date.

When a system has the ASN before the physical receipt of product takes place, the process of receiving becomes very streamlined. When the product arrives at the warehouse, the receiver simply scans the barcode and confirms the receipt instead of hand entering all information. This practice drastically increases receipt performance and decreases keying errors.

ASNs also allow for future workload planning. If your business doesn't have a system which can import ASNs, there are still advantages to requesting the same information via email, spreadsheet, or fax. By manually entering ASN-type information into your system, you can gain the same benefits of work load planning and receiving efficiencies.

An important point to note is that in order to implement ASNs, your vendors should be pre-certified. When the label is scanned, you must have confidence that the product is as reported in the electronic file. Random sampling of ASN receipts should occur to ensure inventory integrity, even after a vendor has been pre-certified.

Even top performing DCs can improve operations with a renewed focus on the basics, and receiving is the ideal place to start. It is a critical area because receiving mistakes often lead to negative impacts on future productivity and accuracy - keep receiving clean and streamlined, and the rest of the warehouse will follow suit.