

Supply Chain Shelfware

The Asset with an ROI of Zero



In my 20-plus years as a senior leader it is painful to see how many bundled supply chain software purchases turn into Shelfware. Shelfware is a known term used to describe owning or licensing software that you don't actually use and as a result it sits on the shelf gathering dust and is never implemented. This is often the result of supply chain software salespeople discounting licenses of one product to secure the sale of another. A good example may include purchasing a Warehouse Management System (WMS) and bundling a Labor Management System (LMS), Slotting, Parcel, or Web Visibility to enhance your supply chain capability.

All too often, the attention is geared toward WMS, but soon after the implementation is done the spotlight moves elsewhere for various reasons. Suddenly, it's a year later and nobody has used the other purchased applications. Shelfware falls into two categories. There are the SCE applications that are purchased and never used and there are solutions that are only partially implemented.

Three Important Reasons to Dust off the Shelfware

1. *Shelfware is an asset with an ROI of zero.*
2. *Shelfware solutions may be a hidden opportunity for improvement.*
3. *There is a cost to Shelfware beyond the initial investment; you may also be paying maintenance every year.*

Read on to determine how to conduct a true cost/benefit analysis of your Shelfware to decide if you should implement the solutions or shelve them deeper. You'll learn about ROI estimates for commonly shelved applications, like LMS, Parcel, Slotting, and Web Visibility. Plus examples of companies that have gone through this process and the results they have achieved.

How do you determine if you should dust off the Shelfware?

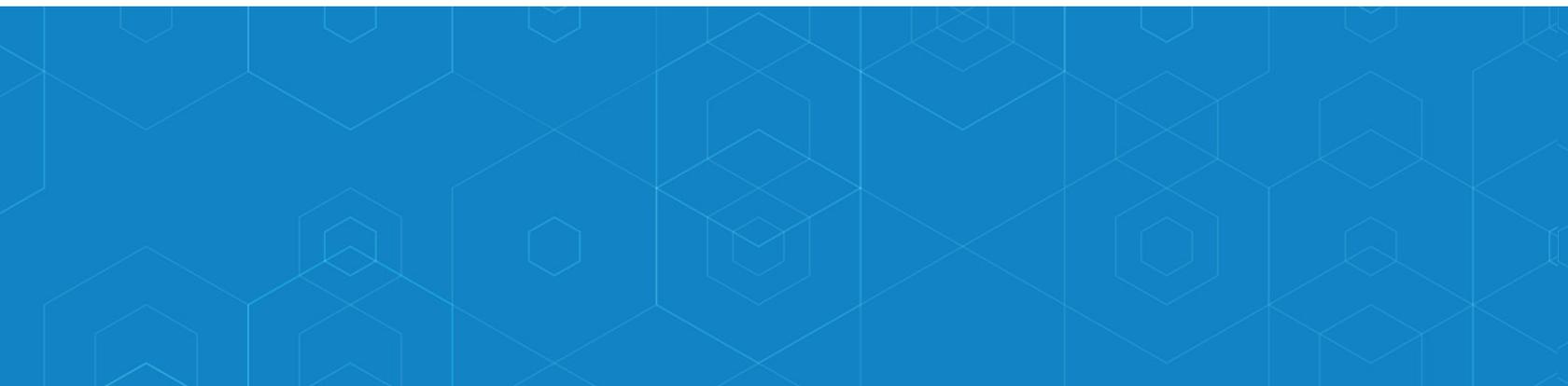
The next key steps in the process come from assessing the need, use, and benefits of your current Shelfware. What does it cost you today to let it sit on the shelf? What is the business potential? The best place to start is to pull the cobwebs from the original proposal and cost justification used to secure all of this unused software. This may quickly refresh your memory and also uncover the original commitments made to your organization. If this exercise fails to help uncover the lost treasure, don't worry, all is not lost. It is then time to build your business case.

In the pursuit of understanding the potential of your Shelfware, it is important to understand that improvement usually means doing something that you have never done before. It is time to gather your subject matter experts to aid in uncovering your pot of gold. The best approach involves forming a small team consisting of IT, Operations, and Finance to help build your Shelfware ROI.

The following table provides a high level summary of how you can benefit from your Shelfware applications.

Shelfware	Potential ROI
<i>Labor Management</i>	<i>A reasonable expectancy is a 5%-20% savings annually which typically translates into a 6-8 month ROI.</i>
<i>Slotting</i>	<i>In a traditional warehouse, the time spent traveling from one location to another is often greater than the time spent on actual productive work such as unloading, stocking, picking, and loading. Improper placement of product within the facility can contribute to this inefficiency. Slotting helps you achieve proper slotting of items and locations, thereby reducing travel time and increasing the efficiency of your warehouse operations. Slotting typically results in a 4%-8% savings annually which translates into a 12-24 month ROI.</i>
<i>Parcel</i>	<i>Parcel is a shipment processing tool that provides carrier rate shipping and parcel manifesting at both carton and shipment levels. At the heart of this solution is the ability to control costs through carrier rating, maximizing available discounts through centralized submission, and shipment consolidation. Parcel typically results in a 10%-15% savings annually, which translates into a 6-18 month ROI.</i>
<i>Web Visibility</i>	<i>In today's high velocity logistics environment, end-to-end visibility to inventory, assets, orders, documentation, and shipments across the supply chain is essential to logistics effectiveness. Global visibility enables logistics professionals to reduce network-wide inventory levels, maximize fulfillment rates, ensure secure shipments, and respond dynamically to events that occur during the execution process. The value of this tool can be priceless when used by a best fit organization.</i>

Shelfware should be ranked according to what it can achieve and the speed of the return on investment. Using the guiding information in this table, your team can start to mobilize both



business data and team knowledge to assemble the supporting business case. The goal is to quantify the potential improvements and translate each Shelfware application into an ROI. This means considering labor savings, cost of implementation, and ongoing support costs.

Once this is completed for each application, you can quickly rank the potential and measure the results around a quick ROI of 18 months and the total expected cost savings. This approach will aid you as a guiding principle in pursuing your newly found source of increased efficiency and profit.

Case in Point

Barry is responsible for a well-known CPG distribution center. He reached out for help to determine the potential of his Shelfware. With some guidance the opportunities were quickly assessed and Barry found that Labor Management provided the best ROI. He was surprised to learn that a 15% improvement and an ROI of less than six months could be achieved. Barry was a firm believer that if you cannot measure it, how can you improve it? The bottom line result was a \$250,000 labor reduction and the capability to measure the performance of his team.

Case in Point

Cathy wanted help understanding the feasibility of her slotting Shelfware to support her consumer electronics operation. She recognized that in her business there was a tremendous number of new parts being introduced and old ones being retired. With help of a detailed analysis, Cathy's suspicions were confirmed that a slotting solution could bring a valuable ROI. Slotting provided Cathy with an 8% improvement in her productivity just by keeping the fast moving inventory in the most efficient locations, thereby reducing unnecessary employee travel. Slotting provided Cathy with an \$80,000 improvement and an ROI of less than 14 months.

Typical Supply Chain Selfware Applications

1. *Labor Management (LMS)*
2. *Slotting*
3. *Parcel*
4. *Web Visibility*

Uncover the Potential of Your Shelfware

For Shelfware to serve the original purpose for which it was purchased, it must deliver a business goal or solve a problem for you. This is a good time to revisit the original requirements and cost justification used to support why you purchased this software. These untapped solutions could be transformed into fully functional, contributing members of your supply chain execution strategy. Outside consulting firms can help with this analysis to base your software investment decisions on the number of features a product has and also with maximizing the utilization.

About the Author

Albert Furtado, President and Chief Operating Officer, Longbow Advantage

Albert has more than 20 years of supply chain experience in operations, systems, and project management. His operational background provides strong supply chain experience in groceries, consumer electronics, and apparel. His previous experience includes positions with tier one organizations like Old Navy, Wal-Mart (SCM), Loblaw's, Future Shop, and Dylex. While at 3PL Metro Canada Logistics, Albert was responsible for RedPrairie implementations and upgrades.

About Longbow Advantage:

Longbow Advantage is a leading supply chain consulting services firm with deep expertise in warehouse and labor management systems. We put a premium on customer experience, and we value the trust customers put in us to deliver the highest quality in the industry. Our customers are industry leaders who turn to us for our industry experience, faster implementation, and lower total project cost.

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