

January 2013

www.cedmag.com

# CONSTRUCTION EQUIPMENT Distribution

HELPING DEALERS BECOME MORE PROFITABLE

Business Outlook 2013:

## Taxes, Uncertainty Heading Higher

Washington's cliff hanger has equipment dealers on the ragged edge of hopetimism.

Plus:

- OSHA's crane certification interpretation
- Are you leaving money on the table?
- AED directors discuss regional conditions

Since 1920  
Official Publication of



www.aednet.org

# Smart Warehousing

TECSYS helps dealers turn their warehouse into a competitive weapon.

BY JOANNE COSTIN



**Visual Logistics delivers visual cues and images to workers directly on their RF unit or handheld computers.**

**Parts go in. Parts go out. It's so routine that** perhaps you've overlooked the opportunity that exists in the box you call your warehouse. When customers are waiting for parts, time is critical. But how do you ensure customers have what they need without driving up inventory and personnel costs?

TECSYS provides the answer with a warehouse management solution that raises the bar on service while reducing costs. It's your same warehouse, only smarter and more efficient.

"For construction equipment dealers, the warehouse is a pretty strategic box," said Robert Colosino, vice president of business development for TECSYS. "If you get the wrong part, you lose customers. If it takes too long to get the part, you lose customers. If it costs you too much to get the part, you may go out of business."

The nearly 30-year-old company provides warehousing solutions for many industries, but has been focused on construction equipment dealers for the past 10 years. "We look for the industries where the functioning of warehousing is a strategic advantage to your organization," said Colosino. There is no doubt construction equipment distribution fits that criteria. When expensive machinery goes down, dealer response time is critical. For many customers, dealer support is the most important consideration when purchasing.

TECSYS has earned the business of 16 Caterpillar dealers including Milton CAT, Cleveland Brothers, Fabick CAT, and Riggs CAT. In addition, they have provided warehouse management software for Mitsubishi, Honda, Cardinal Health and DB Schenker.

TECSYS provides the software that instructs people and machinery where to go and what to do. In addition, it provides a wide range of data collection options to suit the needs of the user – from simple bar code printing to radio frequency (RF) data collection and signature-capture systems over wide area networks. It does not manufacture the conveyors, sorters, and bins that also can be part of a technologically advanced warehouse.

## **Improve Order Accuracy and Reduce Labor**

In a traditional dealer warehouse, orders are usually filled one at a time. In a technologically advanced warehouse, multiple orders are filled at one time, and items are sorted into totes as they are picked up. The technology knows where everything is, and keeps an adequate supply available. "The TECSYS system is the brains for everything that goes on in a facility," explained Colosino. In addition to controlling where the people will go, it also controls the equipment, such as conveyors, carousels and handheld devices used by parts personnel to find parts and track the movement of parts through the system.

The system is smart. Programmed into the database are the sizes and dimensions of every item in the warehouse. "This ensures you will never have a cart that is too small or too big," said Colosino. Several important features of the system improve order accuracy over traditional warehousing.

For example, TECSYS uses its patent pending Visual Logistics to process parts picking faster and more accurately than with text-based technology. Visual instructions on tablets or RF devices eliminate the need to read and interpret text, thus reducing search time. Colosino says visual logistics helps operators quickly determine what an "each" is. For example, is an "each" five boxes of 50 screws or five screws?

"Visual cues help ensure that parts personnel get it right every time," said Colosino. Similarly, voice cues can be used to improve accuracy. TECSYS' software ensures that when the parts person gets to the conveyor, the right part is waiting. The system has a 99 percent accuracy rate and can sort manually, as described above, or automatically, utilizing labels and a machine to sort boxes.

The ability to handle more orders with fewer people is the end result. Cleveland Brothers installed the TECSYS system in its new centralized warehouse and was able to reduce the labor by 40 percent, despite increasing the number of parts in the warehouse as well as the number of daily orders.

"The biggest gain is that we don't have to administratively manage our orders," said Darlene Pursley, product

support parts operations/systems manager at Fabick CAT. It automates and prioritizes about 415-500 orders per day at Fabick, minimizing wait times for customers. Fabick uses the TECSYS system for picking, packing, put-back and cycle counting.

### Reduce Inventory and Improve Fill Rates

Using a centralized warehouse management solution allows dealers to reduce inventory, while ensuring the right parts are in stock. The more locations you have in your system, the more money dealers can typically save, because branch locations tend to stock more than they need. "Our system tracks inventory usage so we know what needs to be there," said Colosino. "We reduce the inventory, but we better serve the customer."

Because actual parts inventory is visible to the entire team and branch locations, fulfillment rates rise. According to Colosino, dealers using the TECSYS system have typically seen fill rates rise from approximately 80 percent to 98+ percent. Automated communication with manufacturers allows for rapid delivery of parts from the manufacturer (four hours), increasing fulfillment through a process called cross-docking.

Customers who meet with Colosino often think they need more warehouse space but in most cases he argues against it. "They don't need more space, they just haven't effectively managed their space," said Colosino. This is because in a traditional warehouse, items are typically stored in a set location, and rarely changed despite changes in usage, he says. In a "smart" warehouse, items can be placed wherever open slots are available. The system determines optimum product placement based on pick frequencies, facility layout and other product characteristics.

"In our solution, you can have one product in five different places. It doesn't matter because the system knows where everything is," explained Colosino.

### Return on Investment

Can most dealers afford a warehouse management system? Colosino asks, "Can you afford not to have it?"

To demonstrate to equipment dealers just how much money they are losing through an inefficient, paper-based system, he asks dealers to track mistakes and the cost of those errors: primarily labor and shipping costs. For construction equipment dealers those costs range between \$250-\$500 for each mistake, he says. Most dealers are surprised at the cost of warehouse mistakes. By comparing the cost of their errors to the 99 percent accuracy rate for the new system, dealers are able to calculate their potential savings. "Typically, recovering those costs alone will pay for a system within six months to a year-and-a-half," said Colosino.

Colosino believes the warehouse management solution makes sense for construction equipment dealers with

## Self-Service Kiosk Reduces Wait Times

Dealers know that long wait times at the parts counter don't help customer satisfaction scores. That's why when Milton CAT envisioned their new warehouse management system it included a self-service kiosk that would let their busy customers get in, get the parts they need, and get out, without waiting or interacting with staff. The ability of TECSYS to customize its system to meet this key requirement was one of the reasons why the Caterpillar dealer selected it.

Similar to automated airport check-in, customers simply swipe their credit card to pull up the information about their orders. They then can retrieve their part in a specially assigned pick-up area.

According to Colosino, the need for a kiosk is really determined by the amount of will-call a dealer has. At Fabick CAT the initial kiosk was met with skepticism, particularly from parts counter personnel. "They thought no one would like it," said Pursley. That didn't prove to be the case. "Now there are a lot of people using it, including our own warehouse people," added Pursley.



more than a 20,000-square-foot warehouse and three or four people picking orders. The more store locations you have, the more likely it is that you are carrying too much inventory. Because of the wide variety and volume of products in a typical dealer warehouse, Colosino cautions dealers against investing in automated picking devices such as carousels – these devices take an order and deliver the product you want. The types of automation that do work well for dealers are sortation devices and conveyors that save steps for parts pickers.

Dealers have the option of purchasing the system, hosting it on their own servers, or having TECSYS host it. Most dealers have opted to host it themselves. Dealers can purchase by user or opt for an enterprise license that is unlimited. To date, the enterprise license is most popular among dealers. In addition to the initial purchase price for the license, there is also an annual maintenance fee equal to 18 percent of the cost of the license.

### Implementation

During the three- to 12-month implementation process, dealers should expect some resistance from employees.

*(continued on page 79)*



**“Smart Warehousing” continued from page 67)**

However, a TECSYS team provides on-site support to ensure a smooth transition. Fabick CAT worked with both a technical and process person when the TECSYS system went live. According to Pursley, they said, “Look, we have been through this before and this is what is going to happen. Everything we taught them they are going to forget and they are going to freak out.”

“They were right,” added Pursley, “but they stayed with us through the go-live and it worked out.”

At Fabick, there were service department personnel who liked being able to walk down and hand a piece of paper to someone and ask them to retrieve a part. To win them over, after six weeks, the warehouse team sat down with the service department to discuss how the system was working and made some changes that allowed technicians to access the system to track their parts orders. That helped to get them on board. When orders are entered, technicians choose from three priority levels, specifying delivery in 15 minutes, one hour or the next shop run. Similarly, when a customer is in the store waiting for a part the system

prioritizes the order based on that information.

For Fabick CAT a key consideration when selecting a warehouse management system was compatibility with their proprietary Dealer Business System. The TECSYS’ technical services team provides answers to questions about compatibility and more. They will forecast hardware needs; manage software set-up, testing and training; as well as PC and network configuration, disaster recovery and routine system maintenance.

**TECSYS Smart**

Colosino believes that experience matters when it comes to selecting warehouse management software. “We know the dealer environment. We have the documentation, workflow and tests modeled specifically for their business,” he said. The company calls this collection of road maps “TECSYS Smart,” short for Supply Chain Modeling and Reference Tools. It brings best practices to all the processes that are used in the dealer operation – and it’s here where a dealer can learn how to use the software to out-execute the competition. ■

**ADVERTISERS’ INDEX**

Ajax Tool Works . . . . .	35	Leading Edge Attachments . . . . .	36
B4 Consulting . . . . .	34	LiuGong Construction Machinery . . . . .	40-41
BidSpotter.com . . . . .	51	Lowe Manufacturing Company, Inc. . . . .	18
Breaker Technology, Inc. (BTI) . . . . .	29	Machinery Trader and Auction Time . . . . .	43
Briggs & Stratton Corporation . . . . .	27	Manitex . . . . .	IFC
Charter Software Inc. . . . .	78	Okada America, Inc. . . . .	10
Coneqtec Universal . . . . .	37	PFW Systems Corporation . . . . .	1
Construction Equipment Guide . . . . .	77	Ritchie Bros. Auctioneers . . . . .	2
Cranes Today . . . . .	72	SANY Heavy Industry Co., LTD . . . . .	9
DIS Corporation . . . . .	30	Sentry Insurance Company . . . . .	6
Dispatching Solutions, Inc. . . . .	58	Sullivan-Palatek . . . . .	57
EPG Insurance, Inc. . . . .	13	Terex Construction Americas . . . . .	70
Federated Insurance Companies . . . . .	59	Toku America, Inc. . . . .	78
FRD Furukawa Rock Drill, USA . . . . .	25	Towmaster Trailers . . . . .	48
GE Capital . . . . .	23	Vacuworx International . . . . .	49
Glynn General Corporation . . . . .	44	Wacker Neuson Corporation . . . . .	15
Gorman-Rupp Co. . . . .	68	Wedgelock North America . . . . .	OBC
HKX, Inc. . . . .	21	Werk-Brau Company, Inc. . . . .	IBC
HydraulicCircuit Technology . . . . .	45	Woods Equipment Company . . . . .	61
Hydrema Exports A/S . . . . .	31	WTP Advisors . . . . .	74
Infor . . . . .	11	XAPT Corporation . . . . .	4
ITR North America LLC . . . . .	19		
Knapheide Manufacturing Company, The . . . . .	55		
LayMor . . . . .	60		

As the official magazine of Associated Equipment Distributors, this publication carries authoritative notices and articles in regard to the activities of the association. In all other respects, the association cannot be responsible for the contents thereof or the opinions of contributors. Copyright © 2011 by Associated Equipment Distributors. Construction Equipment Distribution (ISSN0010-6755) is published monthly as the official journal of Associated Equipment Distributors. Subscription rate — \$39 per year for members; \$79 per year for non-members. Office of publication: 600 W. 22nd St., 220, Oak Brook, Ill. Phone: 630-574-0650. Periodicals postage at Hinsdale, Ill. 60521 and other post offices. Additional entry, Pontiac, Ill. POSTMASTER: send address changes to Construction Equipment Distribution, 600 W. 22nd St., Suite 220, Oak Brook, Ill. 60523