

Third Edition

The Logistics and Supply Chain Toolkit

Over 100 tools for transport,
warehousing and inventory
management

Gwynne Richards and Susan Grinsted



CONTENTS

List of tools x

Acknowledgements xiv

Introduction 1

- 01 Warehouse management tools and guides 4**
- 1.1 Warehouse audit 4
 - 1.2 5S or 5C, also known as Gemba Kanri 7
 - 1.3 Pareto analysis, 80/20 rule, ABC analysis or the vital few analysis 14
 - 1.4 Choosing an order-picking strategy 18
 - 1.5 Choosing pick technology 24
 - 1.6 Cross-docking 24
 - 1.7 Slotting or item profiling 31
 - 1.8 Resource planning 35
 - 1.9 Task interleaving 40
 - 1.10 Selecting warehouse storage equipment 41
 - 1.11 Warehouse location numbering 42
 - 1.12 Selecting warehouse material handling equipment (MHE) 46
 - 1.13 Warehouse space calculations 47
 - 1.14 Warehouse location 52
 - 1.15 Justifying a warehouse management system (WMS) 55
 - 1.16 Selecting a warehouse management system (WMS) 58
 - 1.17 How to implement a WMS 66
 - 1.18 Warehouse maturity scan, by Jeroen van den Berg 74
 - 1.19 Warehouse risk assessments 76
 - 1.20 How to ‘green’ your warehouse and save energy 78
 - 1.21 Hazardous packaging and labelling 82
 - 1.22 Calculating aisle width for a forklift truck 85
- 02 Transport management tools 88**
- 2.1 Transport audit checklists 88
 - 2.2 Calculating emissions in freight transport 88

- 2.3 Fuel adjustment factor formula 92
 - 2.4 How to improve fuel efficiency 94
 - 2.5 Incoterms® 2010 98
 - 2.6 Load and pallet configuration 101
 - 2.7 ISO containers, weight volume ratios and pallets 103
 - 2.8 Calculating road freight transport charges and rates 106
 - 2.9 Transport management system (TMS) selection process 110
 - 2.10 Transport problems – matching customer demand with supplier capacity 113
 - 2.11 Vendor assurance of transport logistics service providers 116
 - 2.12 Drivers' hours regulations, EU and United States 119
 - 2.13 Transportation of hazardous products 122
 - 2.14 Calculating customs duties 123
 - 2.15 How to become an Authorized Economic Operator (AEO) 126
- 03 Inventory management tools 129**
- 3.1 Inventory management audit 129
 - 3.2 ABC Pareto analysis for inventory management 133
 - 3.3 Ballou's inventory-throughput curve 135
 - 3.4 Consignment stock 139
 - 3.5 Cycle counting or perpetual inventory counting 142
 - 3.6 Maister's rule or the square root rule 145
 - 3.7 Measuring demand variation 146
 - 3.8 Periodic review inventory management system 150
 - 3.9 Reorder point inventory management system 153
 - 3.10 Replenishment order quantities 157
 - 3.11 Economic order quantity (EOQ), by Geoff Relph 160
 - 3.12 Combining Pareto with EOQ to enhance group analysis, by Geoff Relph 164
 - 3.13 K-curve (exchange curve inventory planning), by Geoff Relph 166
 - 3.14 Safety stock calculation 171
 - 3.15 Stock counting 175
 - 3.16 Stock turn 179
 - 3.17 Vendor-managed inventory (and co-managed inventory) 182

- 3.18 Identification and disposal of surplus stock 185
- 3.19 Managing spare parts inventory 189

04 Supply chain management tools 194

- 4.1 Supply chain management audit 194
- 4.2 Collaborative Planning, Forecasting and Replenishment (CPFR®) 196
- 4.3 Demand forecasting 199
- 4.4 Factory gate pricing (FGP) 201
- 4.5 Kanban 204
- 4.6 Kraljic matrix 208
- 4.7 Maturity models 211
- 4.8 Postponement 214
- 4.9 Product Flow Path Design, by Fortna 217
- 4.10 SCOR® 220
- 4.11 Supplier relationships 223
- 4.12 Supply chain risk assessment 226
- 4.13 Supply chain risk mitigation and contingency planning 231
- 4.14 Sustainable sourcing 234
- 4.15 Theory of constraints 236
- 4.16 Time-based process mapping 239
- 4.17 Time compression 241
- 4.18 Calculating ordering cost 243
- 4.19 How to calculate stockholding cost 246
- 4.20 Sales and operations planning (S&OP) 249
- 4.21 Omni-channel fulfilment 253
- 4.22 Strategic procurement 256
- 4.23 Supply chain strategy, by Julian Amey 259
- 4.24 3D printing or additive manufacturing ROI 263
- 4.25 Supply chain analytics 265

05 Outsourcing tools 269

- 5.1 Outsourcing 269
- 5.2 To 4PL® or not to 4PL® 273
- 5.3 A risk-based approach to logistics outsourcing 277
- 5.4 Supply chain and logistics outsourcing 279
- 5.5 Non-disclosure agreement (NDA) 282

- 5.6 Outsourcing client questionnaire 285
- 5.7 Logistics services provider (LSP) criteria and decision table 290

- 06 General management tools 296**
 - 6.1 Critical path analysis 296
 - 6.2 Decision matrix analysis (DMA) 300
 - 6.3 DMAIC: a process improvement tool 304
 - 6.4 Flow charts 307
 - 6.5 Gantt charts 310
 - 6.6 Mind maps 313
 - 6.7 The PDCA tool 316
 - 6.8 Radar chart 323
 - 6.9 SWOT analysis 325
 - 6.10 Team selection – building a successful team, by Belbin 327

- 07 Performance management tools 331**
 - 7.1 SMART 331
 - 7.2 Performance measurement and quality improvement 333
 - 7.3 Performance measures for freight transport 337
 - 7.4 Warehouse KPIs 339
 - 7.5 Balanced Scorecard 342
 - 7.6 Benchmarking 346

- 08 Financial management tools and ratios 352**
 - 8.1 Activity-based costing (ABC) and time-driven activity-based costing (TDABC) 352
 - 8.2 Value tree financial model, by Enrico Camerinelli 358
 - 8.3 Calculating return on investment and payback period 364
 - 8.4 An engineered approach to calculate equipment ROI, by Aaron Lininger 367
 - 8.5 Supply chain financial ratios and metrics 372

- 09 Problem-solving tools 376**
 - 9.1 Brainstorming 376
 - 9.2 Cause and effect analysis, or fishbone or Ishikawa 379
 - 9.3 The 5 Whys 381
 - 9.4 The 8-D approach 384

<i>Appendix 1 Useful websites</i>	388
<i>Appendix 2 Imperial/metric conversions</i>	392
<i>Appendix 3 Automatic identification (autoID)</i>	394
<i>Index</i>	399

Additional resources to accompany this text are available at the following URLs.

A selection of tools are available at:

www.koganpage.com/TLASCT3

For a comprehensive set of tools go to:

<http://howtologistics.com>