



Facility Costs

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Lesson 01 - Internal warehouse managed by yourself

Facility costs lesson one internal warehouse managed by yourself. Hosting an own warehouse can make sense in case you want to ensure that you have always direct access to your products and see the processes as one of your core competencies. Another reason could be that you want to have full control about those processes and don't want to connect your ERP with an external system. But as usual this flexibility comes with a price. It comes with a high starting invest, requires many resources, takes a lot of time for planning till construction is completed and is therefore cost intense. It should be considered carefully. You will also need to recruit the full warehouse team to operate it, which is time consuming process by itself. Once you have them, the training and education will need to follow to ramp up the new building and bring it into operation. Big benefits is that you can plan the warehouse according to the projected needs and you can install internal transportation between the warehouse and the manufacturing floor customized to your operations like conveyor belts or industrial robots feeding the lines. Projecting the future needs might be one of the most tricky challenges as you might have a business growth plan, but reality might look a little bit different. We will deep dive those points to consider in the next lesson. A healthy warehouse. Fill level is somewhere in the 80 85% range. But again, depending on your industry and variety of products and components, if your fill level gets too high, you lose the flexibility, you get long waste and will most likely not be able to store the goods in the designated area anymore, which will negatively impact the benefits you had from implemented zoning. You can also rent an existing warehouse which is more or less nearby and run it with your own staff. This would at least take the time argument out of the list I just mentioned. Cost saving in this constellation should not focus on the facility itself first as it is mostly not as efficient as in other areas because spend analyzers prove that for every dollar spent on rent you have costs of five to seven dollar for labor and ten on transportation depending on your contract and the service level which the facility can offer. Therefore the lever is bigger if you start to consider cobots, autonomous vehicles, automation or alternative fuel sources. Thank you for watching this video and I would be happy to see you in the next lesson.
