The Ultimate Decision
Traditional ERP vs Next Generation WMS

8 Tips for selecting the right WMS
Introduction

Few supply chain decisions impact your company’s day-to-day business, financial health, and customer relations more than selecting and implementing a warehouse management system (WMS). The million-dollar question is whether to choose your enterprise resource planning (ERP) system’s warehouse module, or a specialized, best of breed WMS.

Today, the lines between traditional ERP and best of breed WMS vendors are blurring. ERP providers are expanding the capabilities of their «within the four walls» functionality, and WMS providers are adding supply chain visibility and order management capabilities.

Making the Choice

If CFOs are debating whether to invest thousands, or even millions, in a new WMS or stick with existing ERP functionality, you can bet they’ll pick the latter. COOs, however, look for systems that are adaptable, risk-averse, and multifunctional—which often means a best-of-breed WMS. And when CIOs are in the driver’s seat, they are most concerned with their IT staff’s skill set and current workload, as well as existing hardware investments. But the ERP/WMS decision is not as simple as who owns the budget —it is a collaborative effort to balance the goals of finance, operations, and IT. The selection process must focus on delivering key performance goals and enhancing business value. Two considerations are key: clearly and completely defining your long-term business objectives and functional requirements; and balancing the objectives against implementation and integration costs.

Many companies falsely assume that implementing an existing warehousing module in their ERP is inexpensive. Not true – ask anyone who has been through the process. You also can’t assume the warehouse module will integrate securely with the rest of your ERP, let alone other touchpoints such as materials handling equipment. Consider these reality checks: What is the cost of workarounds to compensate for missing functionality? What is the potential impact on customer satisfaction? You may discover that the «free» warehousing module you received with your ERP isn’t really free after all.
An advanced solution

If you invest in a WMS, however, you may have a tough time selling your CFO on the initial license and modification fees. And, as with ERP implementations, do not assume a WMS will integrate seamlessly with other systems—you may find hidden costs there. Also, consider the up-front costs of supporting hardware and technology, as well as ongoing maintenance and support fees.

So, what's the best way to answer the ERP vs. WMS question?

Evaluate:

**Functionality.** ERP warehouse modules traditionally force significant operational compromises in complex operations. Some ERPs are also light on in-depth product tracking capability. If your operation is less complex, you may not need the enhanced functionality a best-of-breed WMS offers.

**Flexibility.** ERPs are founded in transaction-based logic, such as in financial and order management systems. A linear environment with sequential activities and limited exceptions is best suited for ERP. If your business is prone to frequent priority changes, you may lean toward a WMS, which is focused on real-time operations.

**Technology.** What can your IT group support? What hardware investment is required? Can you use existing RF hardware or do you need to upgrade? How painful was your last upgrade?

**Value.** Ultimately, the value of the system is what should drive the final decision. By sticking with your ERP module, you may see shorter term value, but what about the value of the solution as your business grows. In your ROI analysis, consider a difficult question: How much do you gain or lose by investing or not investing in a best-of-breed solution?

This White Paper gives you the opportunity to evaluate key questions when it comes to deciding which type of solution is best suitable for your company:

1. Which company strategy needs supporting by the system?
2. What does your overall cost look like?
3. Does the solution have sufficient functionalities to meet your strategic goals?
4. How well does your software provider know the supply chain industry?
5. Could you build a partner relationship with the supplier?
6. Do you have the right technical tools at hand?
7. How was the solution built and how did it evolve?
8. Are you being supported by a professional team during implementation?
8 Concrete tips for selecting the right WMS

1. Which company strategy needs supporting by the system?

First you need to define the operational demands and goals the solution must meet. A best-of-breed WMS offers different options when compared to an ERP-module. This obviously has a great influence on the project’s success. The solution you choose needs to have the ability to influence your KPI-goals in a positive way, thus improving your business results and driving a higher ROI.

So don’t just consider the technical arguments but sketch your strategic goals. Only then you can make the right decision. Crucial criteria in this process are:

- What are your customers expecting from you?
- What does the competitive landscape look like, and how will you differ from the competition?
- How experienced are you in supply chain execution and warehouse & fulfillment activities?
- How deep is your company’s technical experience?

2. What does your overall cost look like?

The main measure for the project’s success is questioning whether the WMS capacity can really maximize the business results. This can be defined by comparing the advantages with the costs required for generating those benefits. Weigh this added value against the costs and risks for implementation and time management. Even if the WMS-functionality of an ERP was to be free of charge, there’s still no guarantee that it would generate the same ROI as a best-of-breed solution. Chances are that important functionalities are simply not present, and the supplier can’t solve this through customization.

Functional fit, operational effectiveness, costs for order fulfillment, customer satisfaction and integration with existing modules/applications all contribute to that comparison. However, many companies just focus on initial costs when buying the software, without considering the implementation costs. The complexity of the implementation, as well as the specific expertise and duration need to be taken into consideration.

Other factors that shouldn’t be underestimated are: the functional fit of the solution, the possibility to meet any functional demands - without adding time and costs for modifying the product - the training fees and the learning curve end users could expect.

3. Does the solution have sufficient functionalities to meet your strategic goals?

Functionality is without a doubt part of a successful implementation. The functionality of the solution you choose must meet the requirements as defined in your business strategy - or even exceed them. Moreover, it is essential that the solution can be adapted quickly and profitably to your changing needs and swiftly upgraded to the latest version.

Suppliers often exaggerate the breadth of functionality in their solution, so it’s important that their solution demonstration addresses your specific business needs. This will quickly expose any critical gaps. There’s no denying that ERP-modules are known to have limited functionality and adaptability. The warehouse module as part of an ERP also has a shortfall in the complex warehouse environments where real-time control and management is crucial. Although transactions are updated, it’s the order in which these transactions are carried out that’s typically not in line with the specific activities in the warehouse.

However, in some cases these limitations are not an issue. In many warehouses smaller, less complex activities occur, so in these cases the ERP module should certainly be considered.
4. How well does your software provider know the supply chain industry?

Insight into the expertise of the supplier's warehouse management and logistics is a fourth and critical factor in the decision making. Best-of-breed suppliers regard their warehouse and logistics as their core business. They therefore have a tendency to invest heavily in R & D and support programs to strengthen their offering. It is thus essential to determine whether the selected supplier can really commit to providing the solution you need both now and in the future.

5. Could you build a partner relationship with the supplier?

When you are on the verge of buying a product that is crucial for your company, it's necessary to consider your supplier as a possible partner. The reason is simple: a system implementation is no simple task. You need to define potential problem areas before your activities and your relationship with your customers are impeded.

Moreover, the requirements of the customer are constantly changing. It is extremely important that your supplier can meet your expectations in terms of new technology, support, etc. when changes in the system are required.

6. Do you have the right technical tools at hand?

The technological capabilities of your internal resources cannot be ignored in this decision making process. Having extensive technological skills definitely makes it easier to support a best-of-breed solution in contrast to having a limited skill set. Additionally, in some organizations the WMS system is required to interact with other applications that already have been implemented (e.g. TMS, CRM, etc.). In such cases, ERP alternatives will fall short compared to the best-of-breed WMS applications. Best-of-breed solutions must provide an interface with other business applications (including ERPs) and communicate with trading partners by EDI or other electronic means.

The motivation within an IT organization to choose a monolithic infrastructure (ERP) is simple. The integration of various business applications is very complex and the risk of failure is high. The single vendor approach assumes that the seller actually has executed the integration. Unfortunately, this is not always true. Therefore it is imperative that you get your supplier to prove this statement. An ERP can only be the correct infrastructure if it can interact or be integrated with the applications already installed.

When it comes to this integration matter, the architecture of an ERP usually provides its own approach that leads to limited interface definitions. Trading partners must comply with these definitions, by means of an EDI middleware solution. Best-of-breed WMS solutions tend to be more flexible in how they integrate with other applications. Remember that integration with disparate applications has always been required for best-of-breed solutions.

In addition, many warehouse operations, particularly those with a high picking volume and strict requirements in terms of packaging and shipping, cover advanced material handling equipment. Such equipment includes conveyors, sorters, A-frame picking systems, pick-to-light systems, etc. Most of the best-of-breed WMS suppliers do have extensive experience integrating their solutions with these types of equipment. This level of complexity is usually handled by a third party whenever a warehouse module of an ERP is used.
7. How was the solution built and how did it evolve?

Understanding product maturity and future strategy must be a part of the evaluation process. Is the technology robust? Is there room for growth and evolution? Can the solution grow in line with your company? If you don’t pay the necessary attention to this, you might choose a solution with a limited service life. Commonly IT departments will choose the application that best suits the IT infrastructure and technology strategy - technologies that they are comfortable with - and these are not always best for the business. Choosing a total package doesn’t automatically require you to learn new technologies. This issue is easily solved by means of outsourcing, maintenance, etc. even allowing you to often save a considerable amount of money in terms of internal IT costs.

Having a mature product is the result of the number of times the product was tested by end users, how often the solution was implemented, in which specific sectors and for what varied business processes. For many ERPs, the warehouse module is actually a new module with sufficient functionality but for less complex business processes. When looking at other ERPs, the module has been available for years but falls short on functionality. This is a result of a lack of focus and investment required to further develop the solution. Many of the best-of-breed solutions have several ways of solving functional requirements, while the ERP module only has one.

An additional indication of the product maturity is how the application supports the visibility of the supply chain. What is the status and location of a certain transaction at a particular time? A good solution always provides all the details of an order, shipment and available inventory. Moreover, one must respond quickly to the customer demands. An ERP, WMS or best-of-breed solution for that matter will fall short when they do not feature such capabilities.

8. Are you being supported by a professional team during implementation?

A prerequisite for successful implementation, whether it’s an ERP module or a stand-alone WMS, is the support by knowledgeable staff. It’s essential to a successful implementation that a plan is established to handle the configuration, hardware implementation, effects of any adjustments, testing and on-site user training. The development and implementation of this plan thus requires experience and authority, and even the support of top management. For this, many organizations rely on integrators or consultants, which is a suitable working method when choosing either ERP or best-of-breed WMS.

The ability and availability of supportive staff is an important consideration. Does the supplier have a solid, experienced and professional team to assist you during implementation? The supplier must succeed in performing short term backups, carrying out amendments to the implementation when necessary and managing the overall process - whether it’s code, supporting applications or modifications to the configuration.

ERPs that consist of a centralized model usually require off-line time to execute those tasks whereas the suppliers of best-of-breed solutions have developed techniques to perform these tasks whenever the demand arises. When your organization or your supplier does not feature the necessary skills, it may be necessary to turn to an external party, which can lead to additional costs and delay of the selection process.
Conclusion

To summarize, the main criteria to focus on when selecting a WMS are as follows:

1. Does the solution maximize business results?
2. Does the functionality comply with the set KPI goals?

In that selection process you should:

1. Define your requirements with attention to the future, not just the here and now.
2. Evaluate all options against the same criteria and compare results.
3. Ask the vendor to demonstrate the actual capacities of the solution.

Remember that the outcome of this selection signifies a crucial impact on your business, your activities and your customers for years to come. The added value of the chosen solution lies in meeting your business needs efficiently with a view to the future, not the costs you could potentially save on a solution that ultimately has little impact on the competitive advantage of your company or that yields a low total cost of ownership.
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