Don't let add-ons become turn-offs

Minimising the risk of value-add comes down to a balancing act between efficiency and flexibility says Eric Carter, solutions architect at Indigo Software.

Value-add, the practice of tailoring a generic product for individual sales channels, is an important element of the picking and dispatch process and an increasingly widespread marketing strategy. It is common in the apparel and footwear industries, especially where manufacturers are selling through independent retail channels, but unless it is carefully managed, this stage can add a high degree of extra cost, which needs to be recouped from the additional sales generated to make the value add strategy commercially viable.

There are many ways apparel manufacturers offer value add to retailers.

For example, an outdoor clothing manufacturer supplying retailers will pack replenishment orders in such a way that products can go straight onto the shop floor with no additional sorting required. Pickers work to a set matrix and need to ensure that each product SKU is grouped by size and colour. This way retail staff at the back end of the process don't receive mixed up replenishments.

A lingerie manufacturer offers multiple variants of products within their value add strategy and reworks products sold in the marshalling areas of the warehouse to up to 5 configurations. Generic product lines are customised for up to seven customers, to create a product offering that is unique for each sales channel. These include lingerie sets, individual item sales, custom hanger displays, sleeve protection and unique drop-tag with barcodes.

Suppliers to the PPE industry typically use a process known as a 'man-pack' to group all items for a particular new 'individual' together therefore making a simple package to be given to the new employee.

A beer manufacturer may offer 50 different varieties and bundling different bottles of beers in one selection pack gives customers a chance to try out less well known beers. Since high speed production lines don't have the capability to pack selection boxes automatically, they have to be created manually in the marshalling area at the end of the production process.

The desire to 'add value' very often originates from a marketing department seeking to differentiate products; offer value multipacks to enhance the sales proposition; or perhaps offer a particular retailer bespoke packaging. Manufacturers often go to great lengths to ensure that the required stock is picked and prepared in exactly the right way. In many cases, although they will have made investments in picking systems to help streamline labour costs and improve accuracy, less attention may have been paid to the commercial implications of the value add process. In reality, picking is the 'easy' part and unless care is taken, thousands of hours a day can be burned by a manufacturer during the 'adding value' process.

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Experience has shown that a WMS is critical to operating an efficient value add process because it can automatically control the information sent to the packing stations. This in turn informs the picker of his or her instructions. Using a WMS to manage this process ensures that instructions are presented in the most logical and efficient order, thereby avoiding unnecessary time and labour costs while maximising productivity.

To try and reduce the operational costs associated with the value add process, there may be a temptation to complete anticipated activity in advance. In practice this is rarely viable because of the need to maximise stock liquidity and ensure that inventory is not overly 'personalised' and therefore unnecessarily allocated to a particular customer. Underestimating stock values is one of the biggest challenges a manufacturer has to manage and order cancellations are always a risk. Rather than commit large amounts of inventory to a particular value add process, many manufacturers will instead prefer to split orders, complete a proportion of their value add in advance and leave the remainder to be completed in shorter time scales. Working this way enables a manufacturer to react quickly to unexpected order changes and achieve the right balance between efficiency and flexibility. Ultimately, flexibility wins when it comes to managing the costs of value add. The ability to minimise inventory costs by even a tiny fraction will make a big different to overall profitability.

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