**Best Practices for Warehouse Receiving**

At its most fundamental level, receiving is the process of confirming that you received what you ordered. Does the material received match your purchase order? Do you place it in your warehouse quickly?

When you consider that the average warehouse receives, counts, and inspects thousands of items of varying shapes and sizes from hundreds of vendors whose picking, packing, and shipping practices are all different, it is not surprising that receiving can be one of the most complicated functions and warehouse processes. Errors in receiving, unlike most other errors in your warehouse, have a ripple effect. If you can’t get your receiving process working smoothly, you’ll run into near-future scenarios where product will be sitting on your receiving dock, or on pallets in a corner. Your pickers will waste time looking for them.

If you think my emphasis on the importance of receiving smacks of hyperbole, consider this: data from your receiving department determines what your accounting department pays vendors. If receiving doesn’t highlight when pallets are missing a few cartons, you will overpay for the actual goods received as well as incur backorders. If the received items differ from what was expected, you’ll unnecessarily expend time and money to correct the problem.

* **Tip:** Success or failure in receiving determines what you pay for your receipts and their errors can be very costly.

Everyone working on the distribution team should understand that outbound success and efficiency depends on the success of inbound efficiency and performance. (This is particularly important if you are talking about receiving and processing returns). Ideally, the best practice on receiving is to move items to their storage location with as few touches - few movements and barcode scans, etc. - as possible.

Good receiving is critical because when you move product faster with fewer employees, employee productivity is higher, you use less warehouse space, and you reduce the number of touches on items, which reduces opportunities to inadvertently damage them.

**Will Work for Labels**Good receiving starts with good labeling. Get your suppliers to correctly label materials before they arrive at your warehouse. Make sure the labels can be read by both human and data capture devices. It goes without saying that you need to ensure that your warehouse has the proper data scanners in the receiving locations where you need them.

Depending on your receiving system, the labeling standard you use and your vendors’ willingness to customize printing for you, here are some of the data that you may want to include on your labels:

1. Shipper/supplier information (company name, tel. number)
2. Purchase order number
3. Pallet labels and quantity
4. Case labels and quantity
5. Product number and description
6. Package count
7. Part/unit labels or markings (each item in the case should have a unique product ID)
* **Tip:** With labeling, stick with an industry standard. Vendors will be more likely to comply or, better yet, already use one of the standards with some of their other customers. In this case, your request will be easier to meet.

An effective labeling component of your receiving system also includes a well-labeled warehouse. Identify areas, aisles, rack bays, and shelves with large, easy-to-read location labels. Use large barcode-readable “license plate” labels viewable from 30-40 feet to identify warehouse locations. Create and adhere to some rigid labeling policies in your warehouse and you will reduce you error rates. Here are a few of the policies which will help you:

1. Require that vendors (or your staff) label every case and pallet to identify it.
2. Scan the label to confirm that you are moving the correct product.
3. If products are not labeled by your supplier, you need to enable the receiving team to handle printing on your end. This means having the correct information, and output devices so they can print and apply the labels as needed.
4. Mark all storage locations.
5. Replace damaged location tags.
6. Make sure labels are readable when shelved. Train putaway staff to shelve with labels facing outward.
7. If you remove items from cartons or change their location or quantity, print new labels with the updated information.

Sure, the above ideas are all good ideas. Good ideas mean nothing if you don’t implement them. When it comes to labeling, you need to build good relationships with your vendors

**Vendor Compliance Standards**Before a shiny new and correctly labeled carton ever arrives at your warehouse, you need to collaborate with your vendors and map out a plan for efficiency and success.

Your vendors can help or hurt you. How your vendors ship product to you strongly affects the fate of your receiving operation and even the profit of your company. For example, when a shipment arrives requiring extra handling, its receipt is slowed and you have to spend extra time completing the process. Your profit decreases while the chance of a receiving error increases. Consider these time-wasters; do your vendors ship multiple items in one box? How much extra time do you need to account for so that someone in receiving can open a box, sort the items, count and rebox them?

Vendors’ shipping decisions can really impact your business. Consider the following examples:

1. Has a vendor ever used the wrong freight method or carrier? (Given the crazy rise in diesel costs since the start of 2008, the wrong freight method can find its way to your bill in the form of fuel surcharges)
2. Do your vendors pack multiple items in a single carton?
3. Do they omit packing lists with their shipments?
4. Are items incorrectly packed or marked?
5. Has defective or damaged product ever arrived at your warehouse?
6. Are shipment counts incorrect?
7. Have vendors ever missed delivery dates?

Too many “yes” answers to these questions and you’ll find your gross margins shrinking and your profitability drying up.

Sure, it takes time, effort, discipline and two-way communication to develop - and refine - a system with your key vendors. You are the customer and you have to set the standards and compliance procedures. You also should aim for a system that you can apply to all of your vendors.

* **Tip:** As a standard of compliance, specify to the vendor how you want to receive the product (pallets, cartons). Make sure your Warehouse Management System (WMS) can accommodate various units of measure for each product.

Create, adopt, publish, and enforce vendor compliance procedures internally within your organization as well as with vendors. Decide the details (how, what, and when) and require vendors to sign off on your playbook. Some of the things that you may want to specify include: Request that vendors label the outer carton with the PO number, product or style number, carton count, and bar code. Request that vendors add pallet tags that be easily scanned to identify pallets, boxes or individual products. Figure out what you want and formalize it in a written document. For example, if you want single-SKU cartons whenever possible, specify this in your manual.

Think of your compliance procedures as an End User Licensing Agreement. Every consumer software user has experience clicking on a button acknowledging that they have agreed to whatever terms of use agreement a software developer has created. Obtain written acknowledgement from vendors that they have read and will adhere to your compliance procedures. Part of your procedures should include details on the penalties and remediation steps should things goes awry. This includes creating and instituting a charge-back program that is acceptable to both you and your vendors.

Things will go awry so you must document repeat problems. Is the vendor shipping you goods without a purchase order? Are you continually receiving defective items? When orders are imperfect, you need to record the invoice number, the non-conformance issue, and the shipment quantity.

There are a lot of scorecards in life and you should be regularly tracking your vendor’s performance or lack thereof. If they fail to follow the mutually agreed upon procedures, you need to track and record shortcomings. Work with vendors to solve problems. If they are reluctant to improve and unwilling to eliminate or otherwise reduce the error rate, you might just have to fire them. Remember, you are in business to make money; not throw away some of your gross margin because a vendor isn’t doing what they agreed to do.

* **Tip:** Vendor Quality Tracking

You need to make vendor quality assurance a regular practice. One idea is rank them on a dependability scale. Knowing that certain vendors will be less dependable, receiving staff will be able to give their shipments more attention.

**Receiving Technology Options**Receiving in modern warehouses assumes that you have a warm and pleasant relationship with technology. If your current and projected business volume calls for it, the only thing stopping you from integrating technology is your capital investment budget. The technology blueprint that you ultimately install, from docking technology and material handling equipment, to data entry and data management systems, should be both flexible and efficient.

For example, while I’m assuming that you have the basic ability to scan bar codes (on pallets or in cartons), you should also have the flexibility to capture different common bar code conventions. Radio Frequency (RF) terminals and systems have evolved at a rapid pace in recent years. Prices have dropped sharply and you have a wide variety of basic as well as advanced options for scanning readers and transmitting stations. If you aren’t currently using wireless, you might want to revisit next year’s capital budget and see if you can insert a “system upgrade to RF” line item. Label printer prices have similarly dropped. You can buy lightweight portable printers and distribute them throughout your warehouse so staff can print on-demand and avoid returning unnecessarily to the office. Your material handling technology can range from basic equipment like lift trucks and pallet jacks to fully automated systems comprised of customized conveyor systems, automated guided vehicle and storage systems. It all depends on your operations and budget.

While I’ve talked a lot about capturing data, you’ll need a system for managing and sharing it. Warehouse Management Systems have dropped in cost as their functionality has risen. Some of the things to look for in a WMS as far as receiving are the ability to:

1. Receive against multiple purchase orders simultaneously.
2. Receive by purchase order, by product, or without a purchase order.
3. Assign inventory to a location for put-away.
4. Store products in unique or multiple locations based on bin/inventory characteristics.
5. Update inventory levels automatically upon receipt.
6. View receipt details for single receipt or all receipts from a single vendor.

**How to Implement Receiving Best Practices**So how can you emulate companies that you’ve read about in the trade magazines who seem to have their receiving act together? First, understand that your main receiving priority is to move cartons and pallets as fast as possible from trucks to the storage areas in your warehouse. Every stop, every move, and every item that your staff places in a temporary staging area requires space and time. The opportunity for product damage, difficulty in locating stock, and errors all rise as do your labor costs.

Paperless tracking management and communication is the most accurate, error-free method of receiving of goods into your warehouse. Anything that you can scan or communicate electronically in the receiving operation (with as little human data entry as possible) will magically appear on your company's bottom line. To maximize “electronicification” of your supply chain, analyze each step that brings your received goods from the truck to the storage shelf. Begin with your labeling process. While it may sound exceedingly simple, the rewards of reduced receiving time and errors are excitingly high.

A good way to reduce many bottle necks in your warehouse is to optimize the physical layout. Design the space to account for:

1. Receiving locations designated for tracking product.
2. Organized use of dock, receiving and staging spaces for putaway.
3. Sufficient space when and where bottlenecks occur.
4. Delivery capacity. Do you have enough bays/doors?
5. Dock door levelers.
6. Availability of conveyors (if your automation system requires them).
7. Availability of pallets for receipts and the material handling equipment to move them.

Think about scheduling your deliveries at times when your order picking operation is quiet, rather than at peak periods. Discuss this option with your parcel and full truckload carriers. When shipments arrive, inspect them immediately. You’ll find it easier to fix problems rather than wait. If there is damage and the driver is still on site, you’ll have a witness from the delivery company or vendor. Make sure the quantities on the shipping list match the invoice. Also, it is a good idea to have a special area for incorrect shipments. You may not be able to easily read carton labels, for example, and have to revisit them when the receiving rush is over for the day.

* **Tip:** If you think there will be any confusion about receiving items, include photos in the paperwork so that staff can more easily recognize and identify them.

Once you’ve designed or redesigned your warehouse layout, installed the necessary hardware and software technology, trained your staff appropriately, and created procedures with the (enthusiastic) participation of your vendors, you’ll discover that effective supply chain management leans heavily on proper delivery scheduling. If you want to optimize your labor and physical resources — and reduce congestion in your delivery areas — schedule as many receipt deliveries as you can. Collaborate with vendors so they will send you advanced shipping notices (ASNs). Using ASNs will enable you to manage your shipments and potentially implement more sophisticated receiving and shipping operations like cross docking.

**You’ll Hit Singles Before Home Runs**You’re not going to get it right without a bit of trial and error. If you’ve read the other chapters in our Best Practices series, you’ll have learned that warehouse management is a never-ending process improvement slow dance. (An extended Stairway to Heaven remix if you prefer). Receiving is an area where benchmarking and productivity measurement are particularly important. To begin correcting your receiving problems, you have to identify them, their source (particularly if the problem is caused by one or more of your vendors), their frequency, and – most painfully – the amount of money they are costing you. Think of receiving inefficiency as a profit strainer; your margins steadily passing through the holes in drops and streams. To plug them, start tracking productivity using benchmarks. Some of the ones you might track are:

1. On-time receiving
2. Vendor quality control (quantity, labeling accuracy, etc.)
3. Worker productivity
4. Units received (can be tracked per hour/day/week/month).
5. Receipt to putaway time

Collins, K. (2008). Best practices for warehouse receiving. SmartTurn, Inc. Retrieved from http://www.smartturn.com/forums/blogs/kevin-collins/13-best-practices-warehouse-receiving.html