



## HOW TO SAVE ON WAREHOUSE RENT

One way to reduce your warehouse lease cost is to use less space! How obvious is that!

But how can you do that when the warehouse is increasingly full, and busier than ever?

### **One Answer: improve cubic utilisation**

(There are other obvious answers of course, like reduce the level of your inventory, but that's a story for another day!).

Our firm, Supply Chain Services Australia, provides consultancy services in the specialised discipline of supply chain & logistics. We have clients who have achieved dramatic reductions in warehouse rent by looking differently at how they store and handle their inventory. Here are a couple of (anonymous) examples .....

#### **EXAMPLE 1**

The business is a major WA-based resources company, which planned to develop a new lease-hold distribution centre / supply base in Perth.

The client's internal resources developed a concept design of the facility, which had the following highlights:

- Warehouse building footprint of 13,600m<sup>2</sup>
- Yard laydown area of 22,400m<sup>2</sup>
- Total site area of 36,500m<sup>2</sup>
- Total annual lease cost of \$3,020,000

The client commissioned an external logistics design consultant to develop an alternative concept design, which had the following highlights:

- Warehouse building footprint of 7,897m<sup>2</sup>
- Yard laydown area of 16,155m<sup>2</sup>
- Total site area of 24,500m<sup>2</sup>
- Total annual lease cost of \$1,968,000

The direct benefit to the client through the reduced footprint was a **saving of 35%** on the property lease cost.

#### **EXAMPLE 2**

The business is a global mining services company, which planned to develop a new lease-hold distribution centre in Perth.

The business commissioned a logistics design consultant, which introduced innovation to the project in the method of storing small / medium sized parts.

Previously, the company stored these parts in wooden crates, which had the footprint of a pallet, in pallet racking up to 6m high. Cubic utilisation was poor, and order picking productivity was very low. The operators needed to forklift each crate to floor level, select the inventory item required, and then return the crate to its racking location. The process was very slow and inefficient.

A new storage method was introduced, and also different materials handling equipment, which:

- Eliminated the crates
- Introduced compartmentalised long-span shelving in a narrow-aisle configuration up to 8m high
- The operator travels at height in a “person-up” machine to select the required inventory items and place directly onto a pallet on-board

The direct benefits of this new warehouse design were:

- **Increase in cubic utilisation of storage space by 100%**, and
- Increase in order picking productivity by 50%

## THE MESSAGE

**Don't assume that your warehouse rental costs are fixed in relation to the level of inventory that you hold. Look for innovative ways to improve cubic efficiency and watch your property costs come down.**

