

Essay on the importance of warehouses in supply chain management

[Business](#), [Company](#)



A warehouse is a business related building that is used by the concerned business organization for storage of commodities. Mostly, the warehouses are situated in industrial areas of towns and cities. Manufacturers, exporters, importers, transport businesses, customs and even wholesalers often possess warehouses for the storage of their goods. A common feature around warehouses is loading docks used to load and unload goods from trucks. The importance of warehouses cannot be overlooked. They are grossly vital for the smooth running of various businesses. There are numerous benefits and importance of warehousing in businesses in regard to the supply chain management (Stuart, 2005, p 1).

The onset of supply chain inefficiencies are often likely to feature in the business life of a given firm. These inefficiencies are dangerous to the concerned businesses in terms of profits realization. The likely hood of low profits or even big losses for a business experiencing inefficiencies in the supply chain is high (Roussel & Cohen, 2004, p 57). Warehouses come in handy in reducing such kind of inefficiencies. Storage of business commodities in the warehouse ensures there is a continuous supply of the goods. Therefore, the warehouses substantially help in reducing the risk of full-fledged supply chain inefficiency. This attribute of the warehouse therefore helps businesses in a big way.

Businesses are sometimes faced with various issues that can make outsourcing of selling points crucial (Stuart, 2005, p 212). Such is the overflow of demand and consequently customers during certain business seasons. The large number of clients in need for particular goods may bring

along with it cramming and crowding in given business locations. With this in mind, most clients are bound to let go their purchasing requirements. This negatively affects the given business considering it has obviously stocked more goods in response to this new demand. Warehouses may come in handy at these situations. Businesses can make certain warehouses as their sales branch for the effective and efficient distribution of given commodities (Roussel & Cohen, 2004, p 76). Further, the warehouses can also be utilized in the crucial service rendering of customer service relations. Therefore, the warehouses are vital in stepping in to curb and effectively satisfy large and sudden unplanned demand.

Final packaging and finishing of commodities from a given business are often done in the warehouses. The warehouses therefore come in handy in effectively handling the goods at their final stages of production. This ensures that there is continuous production of other goods in the relevant production avenues. The warehouses therefore act as burden relievers for the other manufacturing points. This undertaking allows businesses to efficiently produce other commodities. The warehouse activities on the goods at their final stage may also include their respective packaging and branding. Therefore, with the continuous supply and production of other goods, the chain of supply is not interfered with.

Regulation of prices of commodities in the market is very essential. Though warehouses have been negatively perceived by others as avenues for hoarding goods to ensure high profits margins, the opposite actually happens at certain instances (Stuart, 2005, p 75). Though there exists

unscrupulous business personnel who use warehouses for the purpose of stopping the supply and flow of goods and thereby increasing costs without adding value, the positive side cannot be overlooked as it exceeds the negative. Warehousing activities are crucial in the steadying of prices of commodities in the long run for some businesses. When there is low demand for goods at a given season, businesses may opt to store the surplus production in the warehouses. During low demand, the prices of the given goods may tend to be lowered to enhance and revitalize their respective demand. When businesses store the excessive supply of the commodities to the warehouses, the effect is that the prices of the given goods during times of normal demand will be sold to the public at relatively fair prices in relation to their normal prices. This is possible if the businesses involved are the actual owners of the given warehouses; therefore, the cost of storage will not be high, therefore no price increase reflections on the commodity will be experienced.

When businesses are anticipating a deficit of certain commodities in the market in the future, the use of the warehouses is very crucial. The expected shortage may be in terms of raw materials used in the production of given goods. When there is such an expectation, the involved businesses often tend to ensure that they are well prepared for this shortage. This is done by the production of the given commodity and consequently storing them in the warehouses. This is a very crucial process in the supply chain of given goods especially when legitimate businesses are concerned (Hugos, 2006, p 101). Therefore, during the onset of deficits in products or raw materials for the

production of the said good sets in, all the businesses have to do is to outsource them from their warehouses. The fact is that the goods were produced and/or manufactured during times when there was no deficit; their prices consequently will not be affected in relation to their normalcy. This process is therefore very important in the offsetting of high price hikes possibilities. As a result, the process endeavors in ensuring that there is normalcy in the supply chain management of commodities.

There are situations where businesses co-relate in various activities of production. The importance of a warehouse in such situations is very important. In these instances, a warehouse may serve as a mixing point for various goods. This is a point where products from different suppliers are mixed and finalized in their manufacturing. These goods are then distributed to fulfill customer preferences and orders. This kind of undertaking ensures that there is a continuous feedback to the respective customers on their demands for certain goods. As a result, the supply chain management is effectively maintained rooting its genesis from the inception of the warehousing concept and mode of operation.

The fact that the government is involved in business cannot be denied. The involvement of government in business is very vital. The government also has warehouses for the storage of commodities. During times of surplus production of certain goods, especially food related, it is the government that tends to buy them in bulk and consequently store them. The fact that the government buys the given commodities in bulk ensures that the effect of the surplus production is not felt by the producers in terms of reduction of

the demand. Therefore, there is a continuous flow of purchase from consumers at regulated and fair prices to both the producers and the purchasers. Further, the stored surplus by the government is used in offsetting future deficits which may set in. In case of emergencies related catastrophes, the government also uses the supplies bought during times of high productivity to settle the problems created by the disasters. As a result, there is a continuous supply of certain goods in the market. Therefore, the warehousing strategy can be said to have played a major role in the succession of such an undertaking.

The history of warehousing goes way back to the creation of granaries to store food for future use. The stored food was importantly availed during times of drought and/or famine. As European explorers began to create shipping-trade routes with other countries, warehouses grew crucially for the storage of commodities and products from far nations. Ports were majorly filled with numerous warehouses. With the expansion of railroads which consequently lead to the expansion of transportation, the creation of rail depots for the storage of commodities became not only important, but necessary. In 1891, the American Warehousemen's Association was re-organized to indulge the rail-road companies' control over deposits of freights. Significantly, President Theodore Roosevelt strengthened the Interstate Commerce Commission with the going through of the Hepburn Act in 1906 (Berg, 2007, p 149). With more restriction imposed by the United States government on railroads, commercial warehousing was bound to gain popularity and subsequent adoption and application. Further, the impact of

World War 11 on the size of warehouses and the need for proper and sophisticated mechanization methods of warehouse operations was evident. Therefore, with the growth of mass production throughout the manufacturing realm, the needs of effective and efficient warehousing capabilities grew concurrently as well.

The concept of warehousing however poses various challenges to businesses. There are various problems involved in endorsing this crucial business element. For instance, there is a high initial cost for the concerned business. The setting up of a warehouse for businesses is obviously expensive initially. Many businesses may therefore lack adequate resources in the setting up of warehouses. Further, in cases where firms have to rent or outsource warehousing facilities, the end result is the hiking of the final products as the undertaking may prove to be very expensive (Hugos, 2006, p 78). The best solution therefore for this situation is the setting of one's own warehouses. It is evident that even with high initial set-up costs, the businesses may substantially profit in the long-run on such an undertaking. Major and prominent companies amplify the importance of warehousing in supply management system by practically investing huge resources in this endeavor. Firms such as Best Buy, a specialty retailer of consumer electronics in the United States, have endorsed the practice of warehousing. This major companies use their warehouses effectively to attract better prospects for the organization. For instance, the companies ensure that the warehouses are fully stocked to meet unexpected rises of demand. As a result, continuity and profitability on the given products is ensured. Further, the companies also use the warehouses to stock raw materials that are in

turn used in times where there may be deficits. This factor also ensures the important supply chain management is not greatly interfered with.

Major companies also tend to offer warehousing facilities to other firms. This process is done to create and increase profit making avenues for the entire company. Partnership with other organization of warehousing is also an activity that is practices. Such is the case where the warehousing is used as a mixing point in the finalizing of the manufacturing of certain commodities. However, some major companies also use their warehousing facilities to hoard goods. Though this practice may not be directly involved by with many companies, it is simply a reality that cannot be overlooked. Some businesses therefore hold their goods in the warehouses during times where prices are low and wait for the onset of price hikes. This is bound to make them realize supernormal profits. However, even with the prospects of larger profit margins, the practice of this mode of business operation is against business ethics and should be avoided by all businesses.

Therefore, it is evident that warehousing is a critical imputation in the running of most businesses. The fact that it affects mainly positively, the supply chain management system makes warehousing an important business undertaking that should be fully endorsed by all businesses.

REFERENCES

Stuart, E. (2005). Excellence in Warehouse Management: How to Minimize Costs and Maximize

Value. New Jersey, NJ: Wiley.

Berg, J. (2007). Integral Warehouse Management: The Next Generation in

Transparency,

Collaboration, Warehouse Management Systems. New York, NY:

Management Outlook.

Hugos, M. (2006). Essentials of Supply Chain Management. New Jersey, NJ:

Wiley.

Roussel, J. & Cohen, S. (2004). Strategic Chain Supply Management. London:

McGraw-Hill.