



# LUCRATIVE LABELING

How Labels +  
Process Improvements =  
Manufacturing Success



Inventory management is critical to the efficiency and profitability of your manufacturing business. Two key factors work in tandem to ensure that you're operating at an optimal inventory management level: labeling and a warehouse management system's key performance indicators (KPIs). In fact, proper labeling and improving technology implementations in a warehouse management system can increase inventory accuracy by 68%.

## FOCUS ON FIVE

Manufacturing success relies on relationships and accuracy. Since every manufacturing operation is unique, there are hundreds of possible key performance indicator combinations that address inventory management issues. Here are five top KPIs that have the biggest impact on operations and profitability, and how they're augmented by labeling best practices:

### 1. INVENTORY ACCURACY.

This KPI answers "What's in stock?" and is by far the most critical. To ensure inventory and order fulfillment success, you need a warehouse management system function that counts a limited but accurately reflective amount of stock based on a date or location. Your system should automatically generate this count daily, or on a regularly scheduled basis, then produce a report for review. The paper and physical inventories must match. In fact, just one out of every five orders filled incorrectly, and your order fill rate dives down to 80%.



**LABEL BEST PRACTICES:** Labels must be printed accurately to capture key data such as product, quantity, lot, and container information. Remember to not only label parts and containers correctly, but also pallets. Also, make sure your labels are durable enough to withstand any environmental demands while products are in inventory and throughout distribution (i.e., waterproof, extreme temperatures, etc.).

### 2. ORDER FILLING ACCURACY.

Are you pulling the right quantities of the right items in the right shipping containers? Surprisingly, the slightest margin of error can lead to significant profit losses. For instance, a 99% accuracy rate on a company that averages 2 million lines per year could cost \$1 million to fix those errors. In many other circles 99% seems like a high score, but not when it comes to inventory accuracy. Ideally, your accuracy rate should be 99.9%, as just that half percent can lead to a more than 6% annual profit increase.

**LABEL BEST PRACTICES:** Accurate labels and order filling go hand in hand. Print and affix labels to your products, containers, and/or pallets as close as possible to when and where production work is done. Keep enough



label printers on your lines and in real time so they're close to the equipment that produces the products, as well as in all inventory/warehousing areas throughout your facility.

### 3. ON-TIME/READY TO SHIP.

This KPI ensures orders are completed (packaged and prepared for shipment) and ready for pickup on time. Focus on either on-time shipment or on-time delivery as your key metric, depending on your specific business. For example, if you ship to resellers, on-time delivery may be your priority metric so you don't risk interrupting the supply chain mid-stream.

**LABEL BEST PRACTICES:** Make signs and labels to direct your personnel through your warehouse and help them find inventory quickly and easily. Also, a good way to track shipping/delivery is by leveraging your label's barcode technology so the labels can be scanned by mobile devices linked to your inventory management system.

### 4. INVENTORY TURNOVER.

This is the ratio of a warehouse's shipment to its inventory, measured in dollars. In other words, it measures how many times that inventory cycles or turns in a given time period (annually, quarterly, etc. depending on your operation). Though product shelf life is a factor, a good turnover rate is between six and 12

cycles/year. A good inventory rate that's appropriate for your business indicates a healthy and efficient supply chain. It also means less equipment and storage space, holding costs, and worker travel times—all of which lead to increased profits.

**LABEL BEST PRACTICES:** Timely and accurate labeling helps ensure consistent quality by enabling companies to identify and segregate products with questionable quality. Product traceability allows you to reference lot or serial numbers in question on product labels.

### 5. BACK-ORDER RATE.

This KPI addresses how often you lack the stock you need. Like dead stock, back-order stock can also be detrimental to profit margins. High back-order rates mean you're continually running out, which leads to less-than-acceptable service or losing business to competitors that have what your customer needs.

**LABEL BEST PRACTICES:** Your labeling efforts need to synch with warehouse management to help you minimize material management costs and improve cash flow. Integrate your printing logic into order fulfillment systems, and create an app for mobile equipment that automatically alerts managers when any inventory supplies are running low.



## STUMBLING BLOCKS AND PREVENTION STRATEGIES

There are many ways labeling can go awry and negatively impact your inventory efforts and profitability. Here are just a few poor labeling scenarios to consider:

- **MISLABELING.** A label with incorrect or insufficient data can sidetrack a product in a distribution center, and cause a slippery slope of issues that impact the entire warehouse and inventory management process.
- **NONCOMPLIANCE.** Labels that don't meet regulatory requirements can trigger product recalls and fines. This is an even bigger issue in label-related safety compliance. Failing to meet safety compliance standards can detrimentally impact a company's reputation and brand.
- **INABILITY TO SCALE.** A label must keep pace with the demands of manufacturing, shipping and distribution centers. Inefficiencies such as improper load dividing or redundant labeling can slow processes down or even stop them altogether, which is a real blow to your bottom line.

The good news? All of these labeling snafus can be avoided. With a plan-ahead mindset that accounts for all production, inventory management and order processing scenarios, you can establish failsafe labels. It's also important to consider label materials that best meet your needs, such as a removable label option or a permanent weatherproof label. With materials and specs in place, develop label prototypes and test them until the best solution is determined.

## LUCRATIVE LABELS = EXPERT LABEL PROVIDER

A sound warehouse management system and best labeling practices can give any OEM professional's bottom line a significant boost; improve operations; and enhance customer service. Maximizing your efforts with labeling starts with the right label partner.

For over 30 years, Four Lakes Label has been providing innovative products that garner real results for customers. Discover how you can benefit from our label expertise and award-winning reputation—[contact us online](#) or call 800-798-7989