

Increasing Pick Line Productivity Without Further Investments in Automation

Bob Hemmerlein

Senior Vice-President Business Development



Agenda

- Overview
- Warehouse Operating Costs
 - Labor
 - Picking Labor
 - Unproductive Travel Time
- Productivity Pyramid
 - Inventory Profile
 - Productivity Standards
 - Training
- Summary



Company Overview



Company Overview

- More than 35 years of delivering cradle-to-grave, robust, supply chain solutions
- More than 4,700 non-union employees, including 400 professionals
- Infrastructure that supports:
 - 7 million square feet of distribution space
 - Processing more than 130,000 orders per day
- Approaching \$350 million in service sales – distributing \$20 billion in goods in 2007



National Headquarters – High Point, NC

New Breed – Beyond Logistics™

- Lead logistics provider
- Value-added and information technology-focused supply chain solutions
- Facilities in major markets across the USA

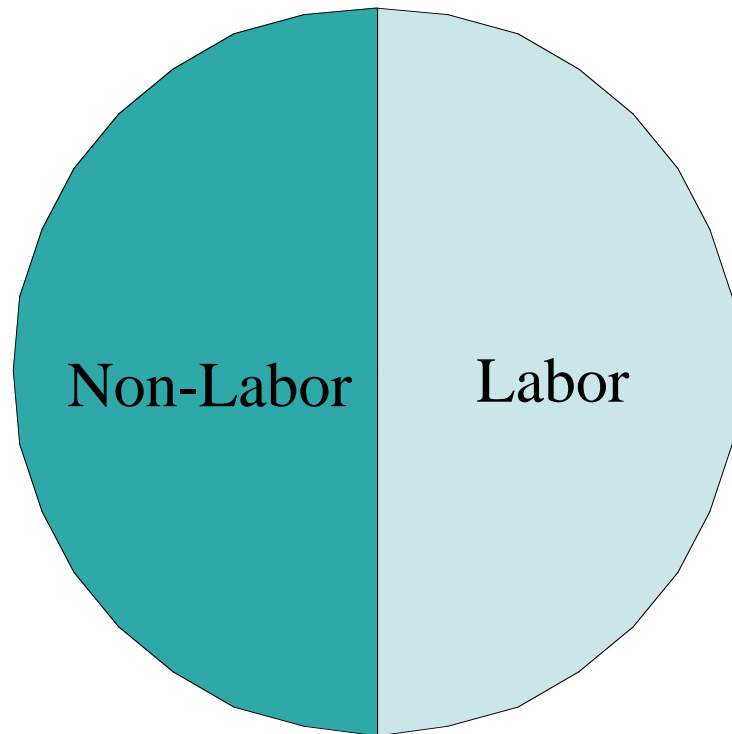


Improve Pick Line Productivity without Automation

Challenge – Pick Line Productivity

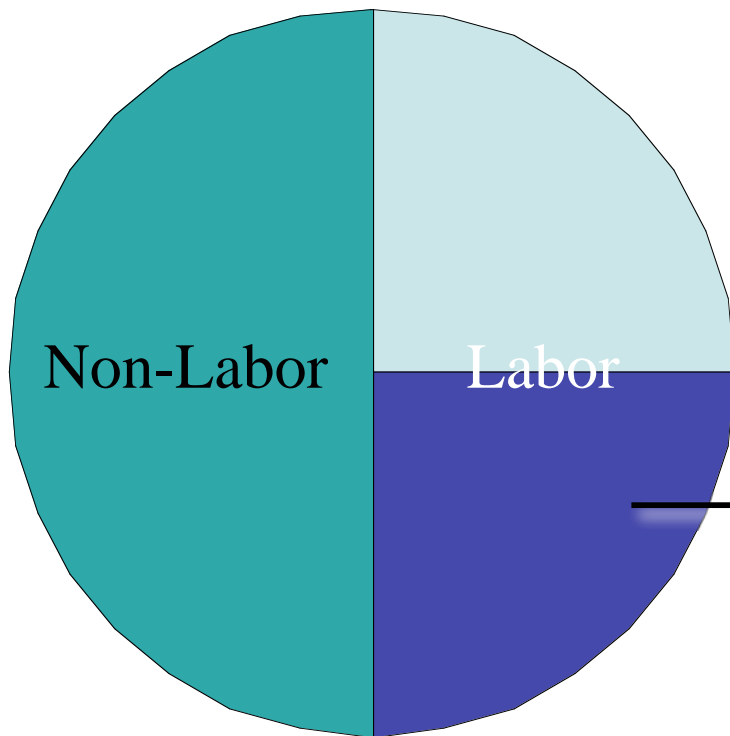
- Productivity is stagnant – no capital available for automation
- Where do I look for non-capital processes, action items that will have positive impact on productivity?
- The first place to look is with my biggest expense item – Labor
- How can I make my labor-hourly associates more productive?

Warehouse Operating Costs



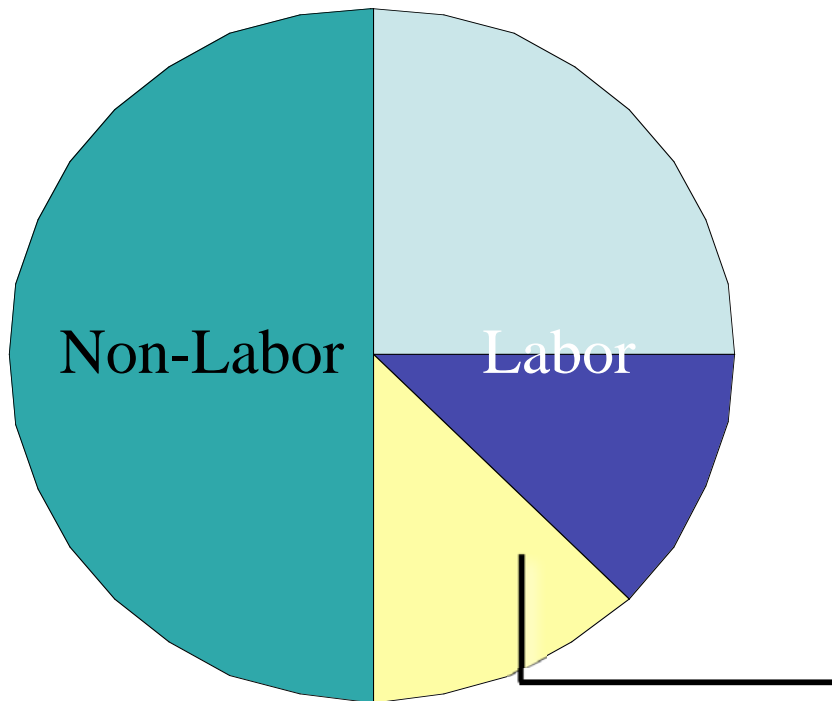
Labor costs = >50% of
warehouse operating costs

Costs



Up to 50% of labor costs can be in the picking operation

Costs



Up to 50% of picking is unproductive travel time

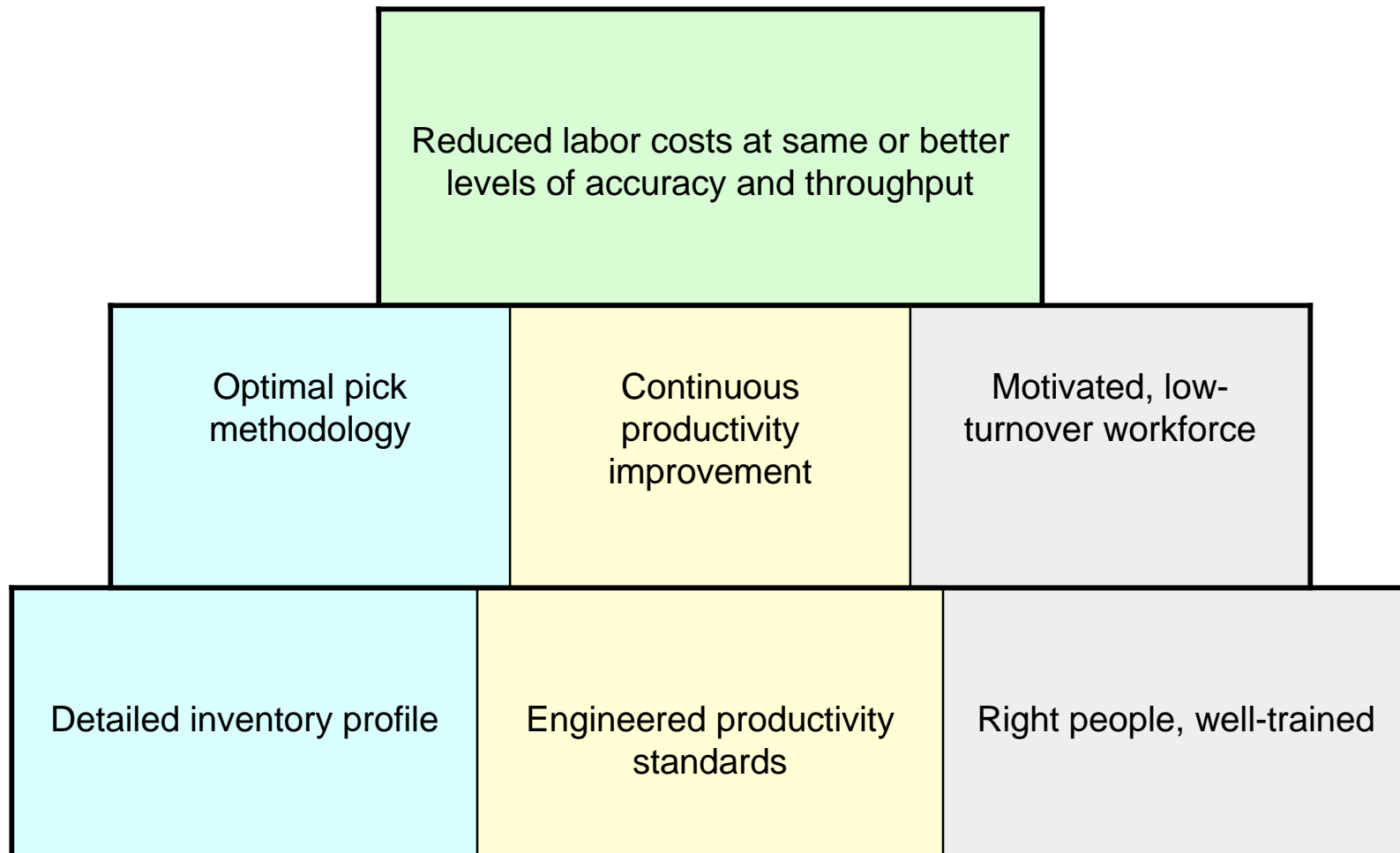
Want to improve your bottom line??

Improve your picking productivity

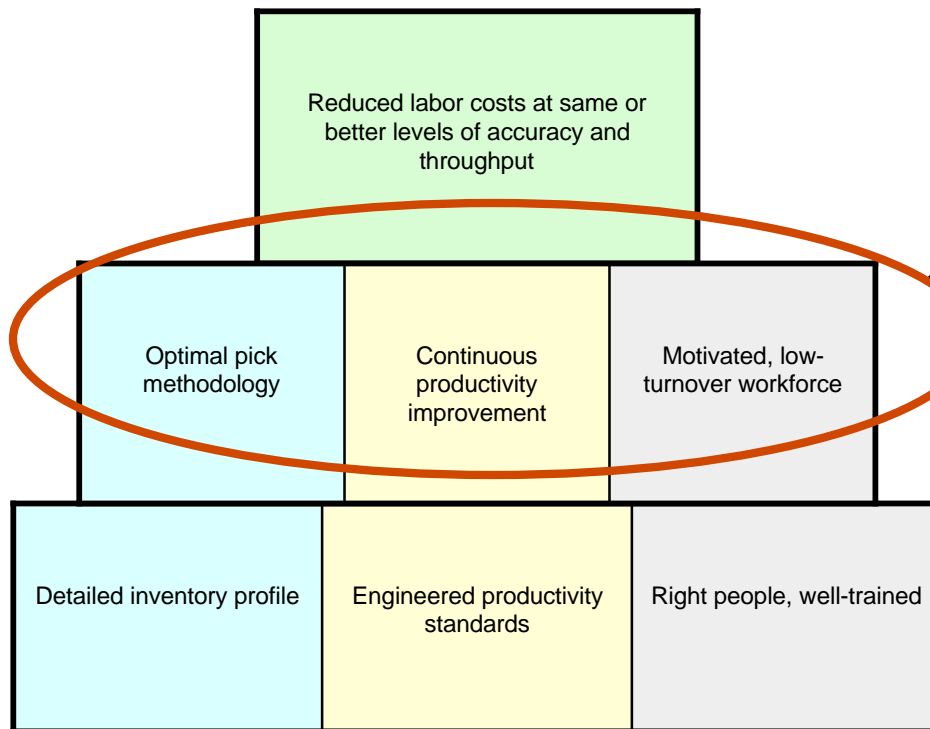


NEW BREED
LOGISTICS

Productivity Pyramid



Productivity Pyramid



Premature focus on middle tier leads to sub-optimal operation

Inventory

Examine detailed sales history and item master to accurately profile the inventory.

Identify	Implication
Velocity by SKU	<ul style="list-style-type: none"> ● Slot size <ul style="list-style-type: none"> - Bulk - Full Pallet - ½ Pallet - Flow Rack
Seasonality profile	<ul style="list-style-type: none"> ● Don't be fooled by average annual movement ● Re-slotting as seasonality peaks end
SKU profiles (dimensions, packaging)	<ul style="list-style-type: none"> ● Cases/Pallet ● Cases/Slot ● Special Handling Requirements
Order profiles by customer	<ul style="list-style-type: none"> ● Pick Line Layout <ul style="list-style-type: none"> - Reduce travel distance by slotting products picked together

Staff Productivity

Establish accurate productivity standards from the start

Approach

- NO Shortcuts!
 - 2-3 weeks of intensive analysis
- Each operation is different!
 - Can't rely on "typical" standard



Standards Lead to Regular and Meaningful Communication

Constantly
reinforce
same
productivity
objectives

- **Daily morning meeting**
- **Daily periodic updates**
 - Systems allow supervisor to gauge progress against daily goal during the day
- **Periodic Formal meetings**
 - Broad productivity trends and objectives
 - Future plans
 - Address key concerns



Standards Give Context & Meaning to Performance-based Rewards

Constantly
reinforce
same
productivity
objectives

- **Pizza parties for shift**
- **Gift Certificates and dinners to individuals**
- **Random acts of kindness**



Training

Invest the time and money to hire the right people and train them properly



Multi-location food distributor

- Underperforming distribution operations
- Multiple systems
- Inconsistent SOPs

Long-term Improvement Process

- Thorough analysis of sales history and order profiles
- Redesign of warehouses and pick methodology
- Defined productivity standard
- Roll out of uniform WMS across network
- **INTENSIVE TRAINING** on detail pick method

Productivity Without Automation

Action Items

- Scanning
 - Scan slot ID bar code labels and UPC codes
- Touch Item Once
 - To shipping floor – original picker's hands
- Minimize travel/distance/time
 - Both sides
 - Slow movers on side aisles
 - Batch pick (multi SKUs)
- Invest in training and QMS
 - Pickers must be current on customer requirements
 - Regular meetings – communicate
 - Listen to the floor – reward
- “Walk The Floor”
 - Support the talk of productivity
 - Management needs to be visible



Intensive 2-Week Training

- **Supervised picking**
 - Focus on method
 - Objective: 50% of standard

3 Days

7 Days

Follow-up

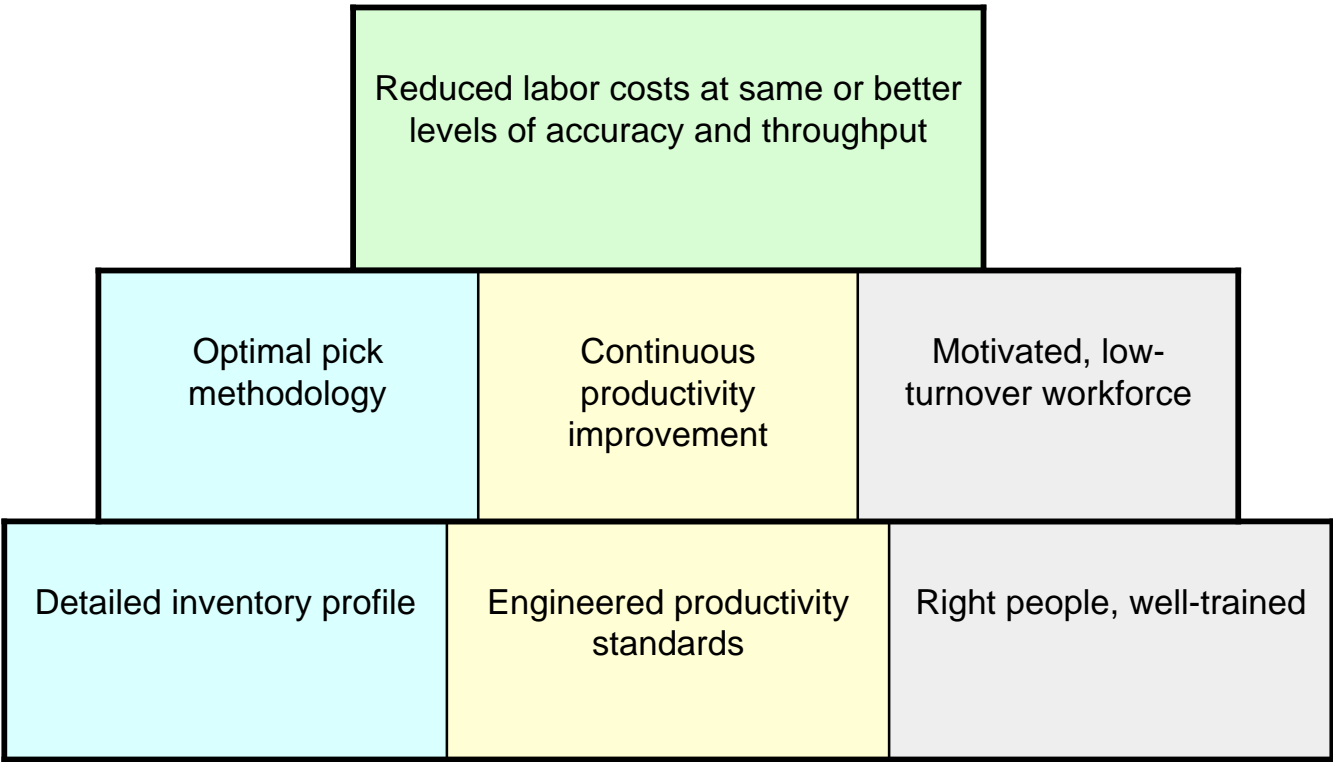
- **Intensive individual instruction on method with trainer**

- **Monitor performance, with daily coaching and counseling**

Summary

Picking Productivity

To get to the top, start at the bottom





QUESTIONS/DISCUSSION

NEW BREED