



Distribution Center Productivity Case Study

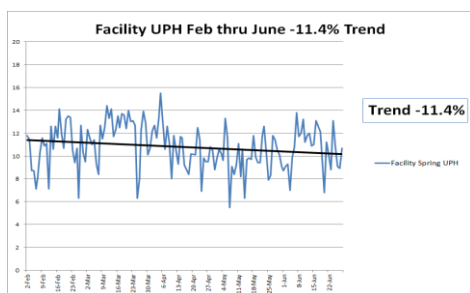
Underperforming Fulfillment Center

Increase Productivity by Implementing Multi-Dimensional Performance Excellence

The Client - a highly-regarded Top 25 US Retailer operating 4 regional fulfillment centers supporting the company's growing on-line and omni-channel sales.

Situation & Challenges

- The newest of 4 fulfillment centers had failed to meet a monthly budget in its first 9 months
- Its performance was 20% below capital pro forma expectations
- Its performance was steadily declining -11% through 5 months of its first fiscal year
- The productivity incentive plan implemented 2 months prior was ineffective in reversing the trend
- Peak volumes were about to amplify the productivity short fall, and lead to massive cost overruns
- The Company was running +15 - 25% annual on-line sales increases and would need to be submit a new \$125 mm Capital request for a 5th facility within the year. Failing to demonstrate returns on building #4 was embarrassing and risked impacting the approval of future capital.
- Succession plans contemplated promoting several key leaders from building #4 to form the core leadership team for building #5, but now there were doubts if that was a good idea.



The Challenge: *assess what was wrong with the facility's performance, coach the local management team on how to create a performance driven culture, and help reverse the negative productivity trend.*

Our Assessment

- ✓ Feedback under the new incentive plan was centrally posted inside the warehouse doors, where workers rarely stopped because they were focused on clock in/out throughout the day
- ✓ There was no existing and visible measurement or feedback on departmental performance
- ✓ Management was not staffing based on current performance trends, so they frequently had too many or too few people and faced inefficient re-assignments of workers during the shift
- ✓ Coaching of individuals was ineffective, primarily abdicated to the central reporting
- ✓ No one seemed to be having much fun.

Our Approach

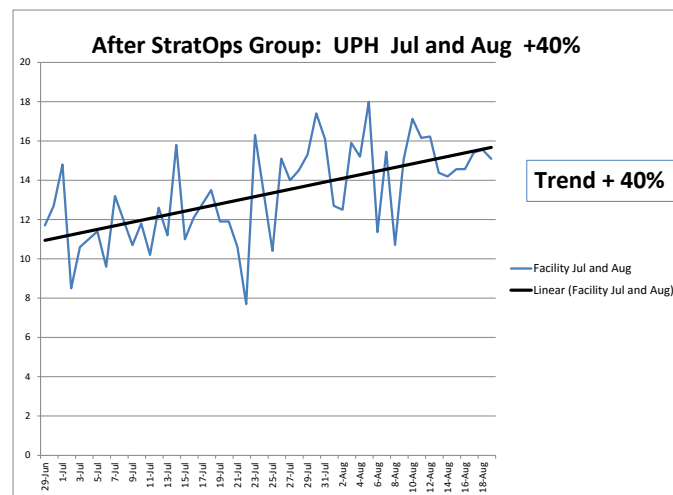
An 8-week engagement training the facility leaders on human behavior and how our behavior is governed by consequences, measurement of functional area productivity at department start-up areas, baseline rates determined, goals and celebrations set, followed by daily communication of team progress, and rigorous individual coaching – with an emphasis on positive reinforcement.

After productivity improvement is underway, optional modules are available for other key aspects of high performance (safety, accuracy, and speed), and transitions to process and behavior management.

The Result

During the 8-week engagement the facility Units per Hour (UPH) improved 40%, both July and August budgets were met, and the facility went on to beat its Fall Plan by \$1.5 million.

The facility's productivity 'leap-frogged' that of building #3 with one year more experience, and the Logistics team had no problems securing capital approval for network expansion.



Our Track Record

Our engagements have achieved a 27% average productivity improvement for 29 facilities, including 5 clients among the largest 25 retailers in the US.

We guide clients through a structured process creating a performance driven culture characterized by KPIs, goals, measurement, performance feedback, celebrations and dominated by positive reinforcement.

The approach is useful in turn-around situations, but also in any network wishing to do more with less – often curtailing capital investment by expanding the network's capability, and where there is a desire to more fully engage a work-force in the process.

It's powerful to see a mature building where every department is working toward **Safety, Productivity, Accuracy, and Speed** goals, as determined by the employees, and celebrating success in a manner deemed reinforcing by those same teams.