

Just Think: Saving 40% of Your Distribution Costs

All right, the average saved is more like 25%, but Lou Cerny, Sedlak vice president, has seen a number of his clients reach the big 4-0.

He advises the self-improvement process start with management and worker buy-in followed by their ongoing participation in executing a complete and detailed assessment. From there, apply creativity to developing an organized approach to implementing recommended changes and--voilà!-you're there.

Step One: Get Buy-in All 'Round

The first step, says Cerny, is to "identify what you hope to obtain from the assessment process, then get buy-in from the highest level of management in the facility." Everyone needs to agree to the steps: (1) document the current processes, (2) identify opportunities, (3) suggest improvements and (4) attach a price tag and payback to each improvement.

Cerny also advises asking for help from outside your company. "When you work in a facility, you take the methods for

granted and can overlook opportunities because 'we've always done it that way.' Hiring an experienced third party to work with you is the best way to reap the greatest rewards from the process." In addition, obtaining cooperation from all levels of the organization at the outset is critical to the success of the effort.

Why? Because you need support all the way from the boardroom to the operating floor, as well as the different perspectives and insights. Employees primed for participating in the process will objectively provide accurate and complete information. They are your best source for potential improvement suggestions. It doesn't hurt to assure them that you do not intend to eliminate jobs as the first step to saving money.

Your outside suppliers should also be a part of the assessment process. You can count on them to offer valuable advice for reducing costs and improving service if you ask them for help in making changes to benefit both of you. "If they look at your efforts as a way to just cut costs or shift some activities onto them without any incentive, you will not be as successful," Cerny says.

Step Two: Look at Every Nook and Cranny and From All Angles

Document all the different merchandise flows from when they are received from the vendor through every step they take until they arrive at your customer sites. Analyze each step in the process to determine if it can be eliminated or combined with another. But don't become stuck anywhere along the way.

"Beware of identifying a bottleneck or problem and addressing only that area. Don't look at the problem only from eye level. You must also look at the problem from the top and sides. When we complete assessments, we look 'up' for solutions. Often, additional racking or mezzanines will help the facility better use the cube potential of the building," Cerny says.

"Document every physical movement of the material and include the paperwork that goes with the material-handling process. If you end up with a stack of paper, it's a sign there are many chances for errors and it's likely significant inefficiencies can be taken out of the process."

The assessment process entails more than following material through the facility. Look to facility housekeeping for signs of inefficiency and waste. For example, if trash accumulates at one point, find out why and what can be done to eliminate it from being produced in the first place or if it can be handled any more efficiently.

The assessment should also review safety concerns. Cerny says, "Look for areas where pedestrians and material-handling equipment work in the same area. Look for mezzanine openings that may not be adequately protected. Check battery charging areas to assure they have sufficient ventilation and meet other important safety measures."

Cerny suggests conducting a "lights-out" test in the facility to determine whether the emergency lighting system adequately illuminates the facility so workers can find exits. "I have been in facilities where workers used cigarette lighters to find their way out. This is a significant issue that must be addressed in the plan," he says.

The assessment should also map how the warehouse management system interfaces with material-handling flow. Objective: to eliminate manual data entry and, instead, capture real-time information, including performance statistics. Possible reward: enhanced productivity and corresponding compensation through a fully functioning labor management system.

Once you have built a process flow, or value-stream mapping, start looking for activities that can be combined or eliminated. "For example," says Cerny, "work with your suppliers to see if they can deliver your product already labeled with your bar code/UPC. In one plant, the supplier didn't have the ability to print bar codes, so the customer printed them and the

supplier applied them before the units were delivered. Continue open communication with your suppliers as they can help you streamline parts of your operation."

Step Three: Build Your Big Plan

Once you've completed the value-stream mapping exercises, the next step is to build your plan. First, identify ways to address the challenges you've unearthed. Then look at the costs of the needed changes and offset that with any cost savings the change will create.

Work with your consultant and material-handling equipment suppliers for innovative solutions which offer significant savings, such as high-speed sortation, parcel singulation and WMS upgrades, while keeping capital expenditures to a minimum.

"Don't forget to consider what the change could do for customer or employee satisfaction. Will it reduce errors? If it will, identify the total costs of a charge-back or a returned item. Will the change reduce the need to

carry as much inventory? What is the cost savings associated with that? Identify these to help build your case for the investment."

Based on projected costs vs. savings, prioritize your list so you get the biggest return first. Then build the plan for implementation. Fit the process within a timeframe.

Step Four: Assess the Assessment

After the new system is in place and running, Cerny recommends assessing the process to assure it's working six months after changes are implemented. He has seen fine-tuning the process yield additional cost savings.

Share the results of the reassessment and any additional changes with all parties involved in the initial assessment.

"But don't stop there," states Cerny. "Processes change over time as customers change the types of products they want and how they want them delivered. You need to review the process at least annually, then go through a major review or audit every two to four years."

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