

Supercharge Your Warehouse Productivity

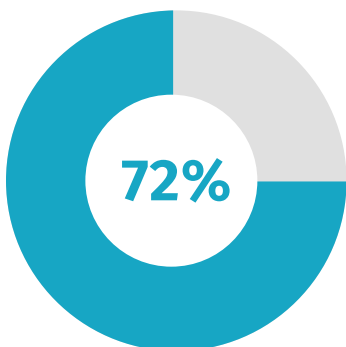
Getting Productive and Profitable on the Warehouse Floor

The challenge of improving an operation’s productivity can be overwhelming. Modern warehouse teams are expected to achieve high levels of performance, to meet budgets and run a profitable operation no matter how difficult the product mix – without sacrificing quality or safety.

Typically, management spends significant time on the floor - attempting to observe each warehouse activity, identifying high performers, and coaching staff to improve.

The inherent challenge with traditional “eyes on the floor” observation is in the impossibility of management being everywhere at once. This approach is all-consuming, and management loses the opportunity to leverage valuable warehouse productivity data that offers constant, comprehensive visibility into the warehouse team’s performance.

This guide will help you jump-start your warehouse productivity by using a data-driven approach that works consistently and is adopted by industry experts managing highperforming teams.



Labor, on average, is the largest warehouse expense, and the most controllable

Difficulties with “Eyes on the Floor” Observation

The Hawthorne Effect is, quite simply, the improved productivity of people in response to being observed. When supervisors are on the floor observing, staff will naturally look like they are working energetically and with focus.

- 1 When the supervisor leaves, staff performance declines.
- 2 People who look busy often aren’t the most productive - and the most productive people are frequently the quietest, and least noticed.
- 3 It’s impossible for a single supervisor to observe the whole team at once, and continually throughout the day.

There is a clear difference in productivity of “sprinters” that push extremely hard in short bursts, e.g., while being observed, but take long breaks between bursts, and the slow and steady workers that show consistent productivity throughout their workdays.

While sprinters can appear to be the superstars of the warehouse floor, the reality is that they can push too hard and burn out from exhaustion. And when sprinters are not being observed, their chatting with coworkers and other types of downtime can destroy their earlier gained productivity.

On the other hand, slow and steady laborers tends to think about their work a few steps ahead, helping to plan their shifts and eliminate downtime. However, these workers may not appear to be the most productive since they are not putting on the act of sprinting for their supervisors. This is a huge downside to traditional “eyes on the floor” observation.

Transitioning to Data-Driven Observation

The challenge of improving an operation’s productivity can be overwhelming. Modern warehouse teams are expected to achieve high levels of performance, to meet budgets and run a profitable operation no matter how difficult the product mix – without sacrificing quality or safety.

Step 1: Make a data collection plan

Step 2: Decide what KPIs (Key Performance Indicators) will be the most helpful to your facility

Step 3: Tailor KPI’s to different jobs, if needed

Step 4: Capture direct AND indirect labor

The biggest impact on productivity is data visibility

- ✓ Better decision-making
- ✓ Objective and fair
- ✓ Consistent

Step 1: Make a Data Collection Plan

Identify where your data will be tracked, even if it’s on a simple spreadsheet initially. Put your data in a format that makes sense to the supervisor and enables him/her to make better decisions - or invest in a software tool that can make the process easier.



1

Who will see the data? Will it be displayed in public?



2

How often will you look at your data? Daily is ideal in most cases.



3

Whose responsibility is it to review the data and share it with the team?



4

What format should the data be in? Mobile, tablet, desktop, or hard-copy reports? Choose the format that makes sense to the user.

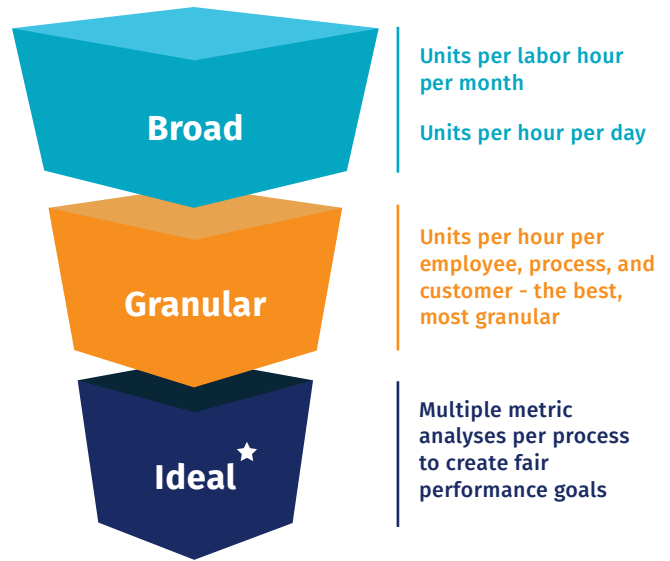
Step 2: Decide on Your KPIs

KPIs can range from broad to granular. The more robust the KPIs, the more a supervisor can assign the hard work of “seeing” a facility’s activities to the data collected, and the better the visibility to make decisions.



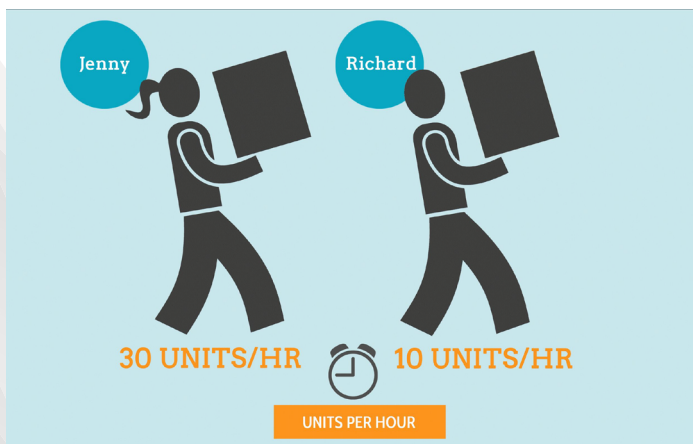
“Establishing an expectation is the first step for productivity.”

-Jack Pittman



Step 3: Tailor KPIs

KPIs are only fair if they reflect the difficulty of the work being performed. Fair KPIs are essential to employee buy-in. A single metric doesn’t work in situations where work is variable.



Single metric makes Jenny look productive

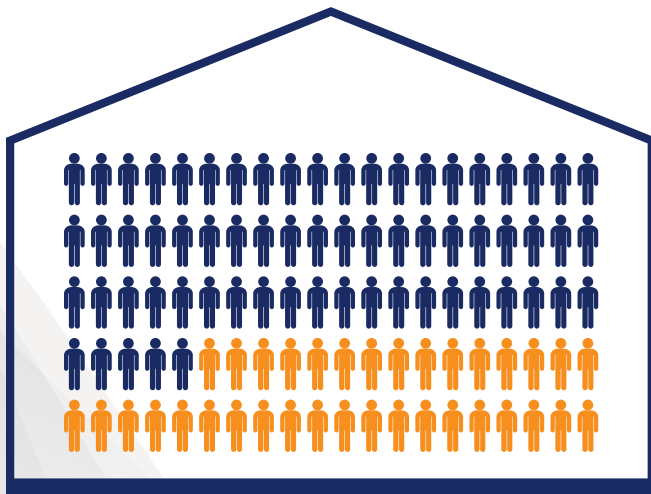


Multiple KPIs means harder work is fairly measured

Step 4: Capture Direct and Indirect Labor

Did you know that direct labor is typically just 65% of the total labor costs within a warehouse? The remaining 35% of warehouse costs are attributable to indirect labor, which runs the risk of being unaccounted for and non-optimized.

A supervisor may only know how the team performed for just 4-5 hours of an 8-hour shift. This obviously creates an incomplete picture of productivity that can cost a 100-person warehouse hundreds of thousands of dollars in wasted labor annually. To capture this valuable indirect labor in productivity measures, consider using job codes. Job codes will enable you to capture indirect functions, such as “box making” or “cleanup”. There are multiple ways to capture data assigned to job codes: WMS, RF guns, time clocks, tablets, or PCs located throughout the facility. Finding a low-friction way to capture the data ensures it will get done. The linking of timeclocks to job codes is key to understanding the labor costs of various indirect processes, and optimizing them.



30/100 Employees Invisible

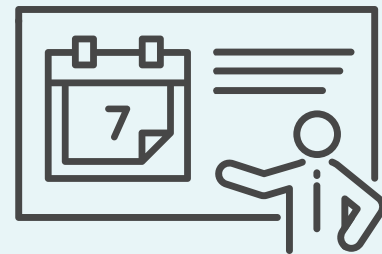
Taking Action: Share

Once the data collection is set up to “see” a facility’s operations and how the teams and individuals within that facility are performing, management will have the tools needed to take action.

Share the reports Sharing the data with the team daily is a powerful tool. Creating a simple awareness of how the team is performing – good or bad – usually drives immediate change. For top performers, publicizing their impressive performance can improve morale and further motivate them to perform well and contribute to the team’s success. For bottom performers, that daily conversation could involve training, coaching, or eventually disciplinary action.

Ways to share

- ▶ Individual conversations with top and bottom performers
- ▶ Bulletin board in a public place, like a scoreboard
- ▶ Supervisor walking the floor with mobile device or print-out



Review

Your Team’s Data On A Daily Basis

Interview: Jack Pittman

Productivity Expert and Manager, Site Operations
 - Pinnacle 25-years in operations including: 3PL, JCPenney, Starbucks, Target

Q: What are the essential things you think of to get warehouse productivity?

The first thing is establishing an expectation. You're not going to be productive if there isn't an expectation. There has to be some way of measuring productivity based on KPIs. Successful operations run on KPIs and budgets.

Q: What comes next?

Accountability is next. If you fail to meet the expectation there is disciplinary action, including termination. But also you have to find a way to incentivize. The best way to incentivize is pay for performance. You pay them for their efforts. For example, perform at anything above 95% and you are going to get more money. Those two things go hand in hand. You have to have a way to run accountability and you have to have a way to incentivize.

Q: What stops warehouses from incentive programs?

Lack of experience, exposure, or fear of conflict. If you have accountability then you have to hold people to a standard. If they are not meeting goals, there has to be a conversation. And these conversations aren't easy for everyone. Getting over this discomfort is essential.



"Employees are very receptive to pay for performance. We were running 600 units per hour with a goal of 800. They achieved 1200 based on incentives."

-Jack Pittman

Taking Action: Study Top Performers

- ▶ **Discover why the top performers are doing better than everyone else by identifying how they are working differently from the rest of the team.**
- ▶ **Then capture those differences, and**
- ▶ **Train others to perform in a similar manner.**

Usually, it's not about energy or a different skill set – it's quite simply about working smarter and more efficiently. What sets top performers apart could be something subtle, like simultaneously preparing tickets while walking.

First, ask them

Top performers have usually thought through their work methods, but if nobody asks, they are unlikely to share what makes them successful. Create that conversation and they will likely be excited to discuss!

Video-record top performers

One of our clothing distribution customers at Easy Metrics couldn't figure out why a petite, older woman was outperforming everyone else on the pick line. She didn't walk fast, and she was quiet. Video analysis revealed that the secret to her productivity was that she never stopped walking when picking. Instead, she slowed her stride but walked continuously throughout her picking duties.

Industrial engineers

Use Industrial engineers to decode the methods fueling your top performers when the situation calls for a detailed analysis.

Taking Action: Address and Incentivize

Immediate and critical focus should be placed on the top and bottom performers.

Address and Incentivize Top Performers

- ▶ Pair top performers with new employees or anyone who needs improvement. Top performers know the best methods of performing each process, and the tagalong gets to observe best practices firsthand. Creating such a mentorship program can create new purpose and motivation for a facility's top performers as well. Top performers like to be recognized as good performers doing jobs the right way, and they will take pride in helping others.
- ▶ Pay top performers a trainer bonus if they are on a pay-for-performance program to make it clear that they are appreciated.
- ▶ Acknowledge top performers, praise their accomplishments, and make them feel valued every day.

Inspiring improvement in bottom performers

- ▶ Avoid jumping to conclusions about why bottom performers are not performing well. Instead, work with bottom performers to determine why their performance is lagging.
- ▶ Bottom performers could be struggling with inadequate training or undeveloped skill sets, or working on processes that don't suit their natural abilities. Some jobs require more strength, others more dexterity, and others critical thinking (for example, a working on a complex container with lots of splits).
- ▶ Determine if the necessary skills can be learned, or if an employee would be a better fit for another process within the warehouse.

Interview: Karl Koehler

21 years of operational experience in 3PL, retail distribution, bulk storage, VAS, and packaging

Q: What are the first things you tackle to get better warehouse productivity?

First, understand the business. A cost center is a different environment than a 3PL. Are you doing the same things every day, or is the work different? Next, I look at the financials. It's important to identify the pain points and solve those right away to improve profitability.

Don't focus on fixed costs like trucks or warehouses. Look at your labor ratios. What is going on between types? If you run a cost center it's all one customer. You want to understand how you are doing on your labor lines, how are they breaking out, and what kind of visibility they have.

Q: How do you tackle the pain points?

Go hit the floor, then match that up with what they are seeing in the numbers to identify where the problems are. Is this a process issue? Is it a hiring issue, a training issue? Is it a leadership issue? Break it down into its components to identify what is causing the problem.



“What will you do differently tomorrow or make progress? You need visibility to really understand and communicate with leadership and the employees: are we meeting expectations or not?”

-Karl Koehler

Taking Action: Best Practices

When it's time to supercharge your warehouse productivity, fine-tune your system based on what works.

Skill matching

Productivity can be a matter of fitting the right person to the right job. Most people are driven to work in roles at which they can be successful. Assign workers to the processes they can do well and consider training them on those that they are not as efficient. Determine each employees' natural skillset and pair him or her with the right processes. Factors to consider include strength, ability to focus, critical thinking, and fine motor skills, among others.

Best-practice leadership

Remember to praise in public but reprimand in private. Supervisors lose credibility and create a culture of fear if they call out an individual's poor performance in front of the rest of the team.

Pay-for-performance

Give individuals and small teams stretch goals, and if those goals are achieved, share part of the facility's savings with them. Nothing helps improve productivity in a warehouse better than individual bonuses based on fair, objective data. You can learn more about implementing a [pay-for-performance system here](#).

About Easy Metrics

Easy Metrics fuels operational excellence in distribution operations.

Operations and finance leaders use Easy Metrics' API integration platform and machine learning to analyze, plan, and forecast their labor spend so they can drive operational speed and efficiency, price their products and services profitably, and drive employee engagement.

With Easy Metrics, they translate raw operations data from multiple data sources into their costs by: activity, process, facility, people, and equipment. They use actionable reports across their network, to optimize labor spend, cut waste, plan facility investments, and drive labor strategies that ultimately fuel the growth of their business.

Learn how to get accurate and up-to-date labor standards at www.easymetrics.com