

Case :
120

Country :
Netherlands
Sector :
Logistics

Company :

The client on which premises we did the project is a world known player on the logistics market combining transport networks with warehouse accommodation. For this particular project we have been contacted by them because of the specific problems in their special branch where they combine a number of traditional logistic processes but in such a way that in fact they're delivering very specific special approaches per customer.

In 2003 the special branch was split off in order to completely restructure the portfolio to the classic logistic approach where the company was known for but customers decided different. The branch was downsized tot the minimum with a portfolio of difficult to approach customer and put under a new management. And business as well as the way of working is growing more performing. Headquarters decided to give it another try and a budget was set to build a new warehouse management system as well as a transport management system. But internally the concern was that with growing business and new systems the people concerned would not be able to coop with the situation. As well as several problems arising from the 'special approach' needed to be tackled.

Type of intervention:

In the first time the scope would be on the sales and customer service department and the accounting department as they showed a performance well below the expected.

Processes were inventoried and sessions with the involved staff were held to detect that they were very, and one might say, too dependant from overall performance.

So the second phase we put a scope on the planning and the warehouse activities.

When all the information from these 4 weeks of observation and inventorisation was put together it gives the following image:

- Unpredicted large seasonality (on a weekly as well as a yearly level) Mondays show to be up to 35% lower than other weekdays and the periods February, March, August and September peaked with an extra 25% which is very much when the in-house performance is not matched.
- Warehouse inaccuracy from sorter to order-pick. Sorter performance should be at 99,9 % but in fact depending on situations only showed 95%. Order picking and preparation showed similar images. As these individual performances were not followed through any system accurately, feedback on the performance was not present.
- Transport flexibility was too low. No control on performance and too little adaptation on critical situations.
- Communication in departments and between departments was poor. Thus enforcing even more the seasonality as peak which were detected were not communicated in a proper way. Some decisions ware taken separately regardless of the impact on other departments. Sales implemented customers without defining the procedures for the concerned departments.
- Poor quality on the transport level as they were working with 94% (260) independent sub contractors and did not possess an indicator to follow the performance of the sub contractor on the level of individual efficiency
- Customer service did respond too most of the problems but were too reactive and could in difficult cases not coop with the volume. No indicators on personal performance were in use. The management of the department was under sales but the department had a complete structure of 3 supervisors not functioning.
- Sales did not possess a set of indicators on client profitability or contract compliance.

- The ISO-procedures were updated for the last time in 1998, thus before the changes in way of working and portfolio.
- Procedures were not matched between departments thus duplicating a number of activities or leaving roles and responsibilities undefined.
- Flexibility was poor, even within some departments.

What we do :

After the first inventory of problems and opportunities a total of 7 workgroups were formed:

- Accounting and invoicing
- Customer services
- Sales
- Sub contractors
- Warehouse
- Planning and input
- Interfaces

A total of 36 people from the different departments were involved. A steering committee was combined with the Management Team to follow up. The major issues for each of the different workgroups are summarized as follows.

Accounting and invoicing:

- Too much time was lost either in the copying and afterwards follow up and sorting as well as in a second phase on the look-up for proof of delivery documents. Therefore a digital scan process based on the barcodes present on the delivery documents was installed. One client was started up, the next are to follow. When fully developed, cost reduction on the paper side is 710.000 copies. Time gain in proof of delivery follow up is between 3 and 6 hours per week.
- The financial information on the delivery documents was improved to make a clearer distinction between cash and non-cash deliveries as the two processes were partially different and quick identification made work much easier.
- With the workgroup subcontractors a follow up on the offenders of the procedures was set up thus detecting and punishing the trouble-makers.
- Procedures were adapted and put into ISO-schedule. Training was formalized and flexibility improved.
- An improved system of pallet-follow up was introduced.

Customer service:

- A new customer service manager was installed and a structure of command was introduced. Daily meetings and schedules of follow up as well as defined roles and responsibilities were put in place. A system to detect workloads was installed. One of the items on the morning meeting is the flexibility in order to coop with the detected workload.
- The different procedures per client were put in a database on a common disk and could be easily linked with the customer contact information. This enabled to give a clearer view on actions per customer and thus improving flexibility as people did not protect their own activities but were forced to share them. The back-ups were installed and monthly change-over are introduced. This enabled us as well to detect any non-regular activities for customers different from the contract specifications and thus enabling us to take this to the customer to discuss when necessary.
- A new telephone system will be installed to detect workloads better.
- An improved work planning with a higher level of presence in the peak periods is installed as well.

Warehouse:

- An improved use of the ground surface for the different in and out flows as well as an improved use for order picking.
- Enforcing the teams in the crucial moments to increase performance when needed. This reduces waiting times with 120k€ and re-transport with 400k€. Five extra staff check on order-pick and preparation, do the dispatch and round-up on the left-behinds so that at 10 AM the listing can be handled by planning and customer service in order to reduce

additional handling. Tests on 3 customers showed an increase on service level of 2%. Implementation is in progress for the rest of the portfolio.

- The sorting problems are under investigation and changes to the system are in progress.

Planning and input.

- A list of customers for which we do activities out of the ordinary was presented to the sales team and an action plan was set up to tackle these actions with the customer.
- Different actions to upgrade the effectiveness of the planning (maximum space and weight use, trajectory control, freight combining and such were set in place.
- Document printers were installed in the dispatch area to reduce waiting time.
- Two cross dock centers were combined to one in order to reduce costs.

Sales.

- The portfolio per key account manager was redefined in order to balance it.
- A new "client implementation tool" with quick scans, audits and "go no-go" decision steps was put in place.
- A CRM-tool is installed with a follow up on the performance of the portfolio as well as the sales department.
- The profitability per customer is calculated and a system is set in place to enable a frequent update of this information. The information is put in a Grof –model (growth over profit) which enables the sales department to have a better view on the opportunities in the market.

Sub-contractors.

- Follow up on performance was installed through a system in which all the staff who are in contact with the sub contractors. In the system the sub contractor can get bonus or malus points. Monthly overviews are joined with the commission notes.
- A new procedure-book was introduced and will be followed up according to the ISO procedures installed per customer.
- Selection is improved and the training is split in a part inside during one day, learning the accounting and dispatching processes. In a second phase of 4 days the new driver is accompanied by an experienced driver.

Interfaces.

- A Capacity Index was developed in order to align contract and contract expectations to real volumes.
- KPI's and announcement of them were installed. First in a paper flow but currently we are developing an electronic version with displays on the places currently in use in the paper flow.
- A communication structure was put in place per department and combinations on a daily level in the morning ODT (operational daily team meeting) at 10 AM combining planning, warehouse and customer services and one key account manager. This meeting deals with the daily problems. Furthermore a weekly OMT (operational management team) between the same departments but on a higher level dealing with the strategically items.
- "Daylog" was installed as a system in which each department inputs its information from each step of the process flow. In fact in this way we monitor each and every inefficiency or aberration from input to planning to warehouse preparation to loading.
- A system called "Volumelog" was installed in which the day to day transport volume information coming from customer contacts is logged in order to detect and monitor unforeseen volume adaptations

The project duration until now was 28 weeks but another 6 weeks on a part-time presence is foreseen to follow up on installation.

The task-force used in the project will be the key person between the sales and the controlling department to calculate the profitability per customer and for the Grof-groups. He will be responsible for calculations and pricing.

During the project a new warehouse management system was installed.

A new transport management system is under development to be installed in February. The project has also aided in finding the best way of working in order to install a TMS that supports a leaner process.