

Recalibrate For Change

Don't forget the lessons learned planning for peak seasons.

You can't plan for everything, but your operations plans should include enough flexible tools to allow you to adapt to changing conditions.

At a time when many logistics operations would be ramping up for the seasonal consumer buying peak, most supply chains aren't experiencing the historical surge in volumes. In fact, that surge may be largely relegated to history as the retail sector points to lower-than-traditional peak seasons for the last few years.

Good practice for seasonality is just good practice for the business, says Art Smuck, vice president and general manager of operations for ATC Logistics and Electronics (ATCLE). For a good logistics person, practices don't change much between down periods and upswings, he continues. You have to understand the flows, "The elements don't change; what you do with them does."

A prime area where Smuck focuses attention is labor. He is a strong proponent of cross training and supplementing a full-time workforce with temporary workers. But even those temporary workers require training, says Smuck, and that becomes a trigger point in planning. He offers that it can take 48 to 96 hours to train temporary workers in his operation. That doesn't include any sourcing time with the agency providing the workers, pre-employment screening, drug testing or any other elements of the process of acquiring workers. That has to be part of the planning horizon and sets the trig-

ger point in Smuck's planning. He needs to know what the forecast looks like in a sufficient window of time to allow for all of the steps to acquire the necessary temporary workforce. Come up short and you can't get the work done as promised. Over estimate and you are paying for resources you aren't using.

With more logistics operations downsizing and relying on temporary workers to scale to demand, this peak-season strategy becomes much more a daily tactic.

Chris Carey, president of Chris Carey Advisors LLC, also places a strong emphasis on labor as one of the strategies he used to help a third party logistics (3PL) company improve productivity, efficiency and profitability. Labor is the single largest expense you can manage in a distribution operation, he points out. You certainly want to work to utilize fixed assets more fully, he says, but you can't do much with rents and utilities.

Carey offers a before and after view of labor scheduling for his 3PL client. Labor scheduling and allocation were left to the general manager in each of the three facilities the company operates. There were no systems to manage daily labor levels, just the gut feel of the managers based on their experience. The managers called their regular agency with temporary labor requirements for the next day.

One of the first steps Carey took with the operation was to identify the least number of tasks to be measured. The biggest failure



people make, he says, is they get too granular. They get too many tasks that they try to measure and that makes goal setting nearly impossible. He took tasks like receiving, put-away, pick/pack etc. and measured current operations over a four- to eight-week period to establish productivity standards by task. That told him how many units per manhour each operation could process.

From there, Carey took the client forecasts for the next day's volumes and applied the productivity standard to determine the required workforce level. In almost every case, he notes, he got push-back from the operations managers. They stuck to the model, though, and allocated labor based on the established productivity standards.

Carey also identified overtime as a defect in allocating time and labor to the throughput forecast. Overtime was only allowed for special circumstances and even then, the client had to agree to pay for the overtime. He agreed this same approach could work as a charge-back for a private warehouse on either a product line or department basis if the corporate systems are in place for the accounting.

Even before productivity improvements were pursued, the labor management approach proved helpful in allocating resources and, with long-term forecasts, in planning and costing out month-by-month throughput.

ATCLE's Smuck expands on the issue of coordinating forecasts and manpower planning. You need to be collaborative on forecasts, he says. You won't have weeks, as a rule, you'll have days to prepare, and that applies not only to the original demand forecast but also to the recalibrated forecasts that you should be seeing as an event horizon moves closer.

While you solve for that riddle of directly supporting the demand, you also need peripheral vision, adds Smuck. As the basic demand changes, so do requirements for things like packaging. Goods coming from overseas will often be prepacked and may include promotion or consumer packaging along with the bulk shipment. But if you are sourcing printed card stock or blister packs locally for the goods, those orders will need to be adjusted along with the changes made in the incoming volumes.

Also, says Smuck, there are other support services which will be affected. For a new product introduction, call center help lines will

experience volumes in proportion to the goods that are being delivered to the market. Similarly, returns can spike when a new product introduction increases normal product traffic.

There are other failure points that need to be accounted for, says Smuck. Plan for lift in the warehouse during heavy outbound traffic. What happens if a piece of equipment (or more) fails under the volume and constant use? How much actual buffer is needed if a new product introduction is using some new parts suppliers or pushing higher volumes onto existing part suppliers? What is their past performance and what is the expectation? What if one supplier fails to meet delivery deadlines?

Reverse logistics should be planned just as carefully, says Smuck. If you are launching a new product or doing a promotion, where and how will you screen returns? If you can identify returns that can be made "available to promise," it can preserve some sales and keep inventory and production in line by avoiding rushes to produce and expedite goods for orders which can be satisfied from stock. Warranty replacements are a good example of where goods returned with no defects can be reallocated, but that requires some planning on the front end to know which items don't need repairs and could be used.

The goal is to avoid surprises, says Smuck. He offers an example of a mobile phone supplier who was requiring the memories of its phones to be "reflashed" to update them before delivering them to customers. Smuck and another logistics company were providing the value-add service in the distribution channel. As they churned through the volumes of phones coming in, an engineer worked out a method that would allow Smuck's group to increase its throughput. Meanwhile, the other distribution group was falling behind. Recalibrating demand with the customer, Smuck's group was able to swing some of the volume over and help the customer avoid a bottleneck with the other distribution channel.

Not one to accept a momentary victory, Smuck remained in close contact with all of the parties and as the problem at the other facility continued to escalate, his group was able to plan and increase its own capacity and keep the overall product introduction on track.

As Smuck sums up, good discipline and good practices help you prepare for changes as they occur.