

HOW A STRATEGIC WAREHOUSING SOLUTION SAVES COMPANY \$1.58 MILLION IN LABOR COSTS

Who isn't shopping online these days? In 2019, more than 80% of internet users in the U.S. were expected to make at least one purchase online — a significant increase from 2013, when this share stood at 73%. This adds pressure to have a seamless omnichannel experience in place with rock solid [supply chain management](#). Whether a consumer is shopping online or in store, product needs to be available. This puts added pressure on retailers to have the right inventory on hand at the right time and effective processes in place that allow product to efficiently flow in and out of the warehouse.

RETAILER OUTSOURCES DISTRIBUTION TO OPTIMIZE WAREHOUSE OPERATIONS AND INCREASE PRODUCTIVITY

A global omnichannel retailer has warehousing operations across the U.S. One warehouse suffered a long history of low productivity, measured in cases per hour (CPH). This struggling performance created tension between the leadership team and associates, impacting the eight regional distribution centers served by the facility.



The retailer typically didn't outsource distribution center (DC) operations, but it made the decision to move forward with outsourcing, leaving its insource strategy behind due to the ongoing low productivity at the warehouse.

BACK TO BASICS: WAREHOUSE PROVIDER IDENTIFIES GAPS IN OPERATIONS FOR IMPROVEMENT

The retailer tapped Schneider for the provider's [warehouse management](#) expertise. Schneider identified that the team needed to get back to basics by benchmarking performance for immediate improvement. The team used a gap analysis to identify items the facility needed to improve to increase the CPH key performance indicators (KPIs). Schneider's onsite leadership team decided to tackle this opportunity with incremental steps, targeting specific performance areas and setting realistic goals each month.

Schneider identified that the existing “temporary” racking storage solution was driving productivity inefficiency. When receiving product, associates had to build a pallet, then manually build a portable rack system for each pallet. When shipping the product, the portable rack had to be dismantled, adding time and cost. Schneider recommended installing a permanent racking system to increase productivity. Since working with Schneider, the facility has gone from no conventional racking to 80% hard rack.

Schneider improved existing inventory management procedures and conducted facility-wide training. It also formed committees to increase employee involvement and accountability as it implemented the new warehouse solutions, which led to remarkably improved and sustainable results. Leadership conducted one-on-one reviews to ensure comprehension and aptitude, offering associates certification and rewards for following through.

In addition to making structural changes, establishing a standard operating procedure (SOP) and implementing lean management methodologies, Schneider worked extensively with the warehouse associates to enhance a collaborative culture and increase associate engagement. The team saw an ongoing reduction in safety-related incidents from working smarter and safer.

WIN, WIN, WIN: SCHNEIDER'S THOROUGH PLANNING RESULTS IN IMPROVED PRODUCTIVITY, QUALITY AND PROFITABILITY

The warehouse management overhaul drove significant operational performance improvements. The [warehouse solution](#) trifecta of new equipment, better SOPs and employee engagement programs have had a direct impact on overall KPIs — particularly CPH. Additionally, all quality KPIs are at, or better than, goal for the year.

1. CPH is up 23% from the previous year, saving \$1.58 million in labor costs alone
2. Overtime reduction of 59.3% year over year, despite increased volume during peak seasons
3. Additional racking resulted in ROI of \$1.8 million
4. Supply chain cost reduction through improved inventory visibility and tracking of 52%, or \$323,000, in savings to the customer

23% CPH
INCREASE LED TO
\$1,580,000
SAVINGS
IN LABOR COSTS



HARD RACK
INVESTMENT
= \$1.8
MILLION ROI



By leveraging Schneider's extensive warehouse know-how, the retailer experienced incremental growth year-over-year — and delivered the omnichannel experience customers expected.



Looking for warehouse solutions that will save your business money?
Contact us at solutions@schneider.com.

Sources:

1. <https://www.statista.com/statistics/251666/number-of-digital-buyers-worldwide/>

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Contact us at Solutions@schneider.com

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