

Case Study

Results of an Argent engagement with a Supply Chain/Distribution customer.

Argent Global Services partnered with a home furnishings and décor distribution company to gain operational efficiencies within their distribution centers.

Background

A large retail company asked Argent Global Services (Argent) to assist in increasing the productivity and reducing the operating cost of their seven Distribution Center network. This client, a national retail chain for home furnishings and décor, such as furniture, table-top items, decorative accessories, and seasonal décor, distributed product to over 1,100 stores across the United States. After analyzing their operational costs and comparing them against industry benchmarks, the client's management determined that direct labor presented an area with significant opportunity for productivity improvement and cost reduction.

Company Fact Sheet

- National Retail Chain Distribution Network
- \$1.6 B in Annual Revenue
- 1,100 stores nationwide
- Import from 50+ countries
- In operation for over 50 years

Objective

The client's objective was to significantly improve operational efficiencies and reduce costs, with a focus on direct labor, within the network's Distribution Centers. It was determined that a Workforce Optimization (WFO) Program, which consisted of four components: Best Methods, Performance Coaching, Engineered Labor Standards, and a Labor Management System (LMS) needed to be implemented and tested in one DC.

Methodology

Argent worked directly with corporate and distribution center management to implement the Workforce Optimization Program. Argent utilized industry expertise along with traditional Industrial Engineering tools to drive the implementation of process improvement initiatives and achieve the performance and cost savings objectives.

Methodology *(cont.)*

The program's primary components provided a solid foundation for continuous process improvements, through management's increased floor-time, improved communication and the Observation and Coaching program. Argent engineers began work in the first facility to develop and implement the program that would then be deployed in the other six facilities. First, setup and interface tasks were initiated to launch Argent's LMS (VantageRPM). Best Methods were developed, documented, and approved by facility management for primary work functions. A Performance Coaching program was implemented, and supervisors were trained to conduct one-on-one observation and coaching sessions with direct labor associates. Argent engineers then conducted time and motion studies to develop engineered standard formulas (multiple variable performance goals). After the Argent project team and client management validated the engineered standards and ensured they were accurate, an implementation plan was established, and a ramp-up period was scheduled.

Results

Once project work had begun, the client immediately saw an overall increase in building productivity, which is typical of projects of this nature. Results became evident as soon as the project team began working on the DC floor and interacting with the hourly associates. Bottlenecks and obstacles were identified, performance numbers were shared, and attention was focused on improving processes and streamlining job functions. After seeing productivity improve about 15% during program development, labor costs were reduced an additional 30% after the WFO program was in place. The LMS was fully operational, performance numbers were being communicated, individuals were being held accountable, and regular coaching sessions were being conducted.

After the resounding success in the initial project DC, the Workforce Optimization Program was implemented in each of the remaining six facilities over the next twelve months. The organization saw a similar rise in key performance indicators in each of the buildings and after allowing the facilities to use the program for the next twelve months, discussions soon turned to the next step in productivity improvement, which was a pay-for-performance or individual incentive program.

Production Summary

- 45% Reduction in Overtime
- 50% Increase in Productivity
- 43% Operational Cost Reduction
- 35% Decrease in Direct Labor Cost
- Reduction of one entire facility
- Improved Network Capacity

***Argent Global
Services***

Argent Global Services, founded in 1988, is an industrial engineering and management consulting firm with corporate offices in Oklahoma City, OK. Argent is a recognized leader in the implementation of solutions that increase productivity, enhance service, improve quality and reduce costs. Argent contributes best practice experience from logistical expertise gained by working in various industries where service, safety and quality are paramount.