

# Case Study

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

Argent Global Services was engaged to develop and implement cost reduction initiatives within a Global Parts Distribution Center being operated by a 3PL.

### **Background**

Argent was contacted by a Third-Party Logistics company (3PL) to assist in developing cost reduction and operational improvement initiatives at the North American parts distribution center it was managing for one of the largest engine manufacturers in the world. The operation was unable to meet increased customer demand, experiencing excessive turnover and heavily reliant upon temporary labor. The unstable workforce had resulted in the addition of approximately 300 “new” employees, resulting in constant training and quality issues.

#### **Company Fact Sheet:**

- Global Parts Distribution – North America
- \$580 M Annual Sales
- 620,000 ft<sup>2</sup> Distribution Facility
- 900 Employees (400 temps)

### **Objective**

Argent was tasked with developing cost reduction and performance improvement initiatives throughout the operation, determining optimum staffing levels, stabilizing the workforce and improving quality and service levels.

### **Methodology**

Argent deployed a team of engineers, working hand-in-hand with the local 3PL management to assess the operation and identify opportunities for improvement. Direct observations were performed in all major activities to identify operational obstacles and opportunities for potential quality issues. Time and motion studies were conducted and element-level performance data was collected to determine accurate performance goals (Engineered Labor Standards). Best Methods were documented and an Individual Accountability Program was implemented. The program included individual performance expectations, a Labor Management System (LMS), scheduled and consistent performance feedback, a Performance Coaching Program and incentives.

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## Results

*“Over the years, I have brought Argent into several different organizations and have never been disappointed. Results of our projects have always exceeded expectations as they have continued to provide realistic and sustainable recommendations.*

*- President and CEO*

The implementation of the productivity improvement program, which included Best Methods, Coaching and consistent feedback, resulted in the reduction of 300 temporary employees. In addition, layout changes, additional racking and improved slotting resulted in a significant increase in capacity. New workstations were designed and installed in the Packaging area, which improved hourly throughput by 250%.

The changes also resulted in a much more stable work environment and greatly reduced turnover. Besides increased capacity, the improved layout and slotting resulted in improved Inventory, which improved the Orderfill accuracy and quality. Customer Service measurements across the board were positively impacted and Customer Returns were reduced significantly.

Although Argent was brought into the operation by the 3PL, the contract between the customer and 3PL was a “shared savings” agreement with cost savings split equally between the 3PL and their customer.

### **Project Highlights**

- 33% Decrease in Direct Labor Teammates
- \$12M Annual Labor Cost Reduction
  - Error Rate Reduced 75%
  - Stabilized Workforce

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## 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.