

White Paper

# In Pursuit of Perfection

The perfect order has evolved — has your workforce management strategy?

## Redefining the Perfect Order

If you're like most logistics companies, maximizing customer satisfaction and loyalty is at the top of your list of business goals. To accomplish these objectives, your organization must be dedicated to the pursuit of the "perfect order." Yet while the perfect order is generally regarded as the fundamental metric of successful supply chain operations and logistics providers, getting agreement to what the term really means can be challenging.

The Warehouse Education and Research Council (WERC) defines the perfect order as one that is delivered on time, and is shipped complete, damage-free, and with the correct documentation.<sup>1</sup> Yet the Council of Supply Chain Management Professionals goes a step further by including the "Seven Rights of Fulfillment" in its definition — the right product, to the right customer, at the right time, at the right place, in the right condition, in the right quantity, and at the right cost.<sup>2</sup>

The question remains: What really is a perfect order? The perception of the perfect order continues to evolve and can even vary by industry, company, and individual contract. And as the logistics provider, once you've accomplished the perfect order for your customer, is it still perfect for your organization? In other words, was it delivered at maximum efficiency for maximum profitability?

## Hitting a Moving Target

Compounding the challenge, attempting to deliver the perfect order can feel like hitting a moving target due to factors such as **changing customer expectations** and the reality that **driving profitability is more difficult** than ever before.

## Shifting Customer Expectations

The concept of the perfect order is attempting to deliver a perfect experience, where customers not only expect the end result to meet (or exceed) their expectations, but also demand greater visibility and flexibility along the way. This means that today's perfect order demands that you also deliver a perfect experience for your customers and other partners and vendors.

For example, an increasing number of retailers have adopted omnichannel models where they must deliver a seamless shopping, buying, and returns experience across all channels. In turn, this has equated to a radical shift in how retailers interact with their supply chain partners, who must then deliver greater visibility, flexibility, and value to customers and end consumers.


*"Third-party logistics providers now face an increasingly sophisticated and structured buying marketplace, with more corporate purchasing involvement in buying decisions. That has not only generally lengthened the sales cycle, but also led to **the need for third-party logistics providers to place greater emphasis on 'value selling.'**"*

**Robert C. Lieb, Ph.D.**

*"Looking Back Over 25 Years of Research on Third-party Logistics" Supply Chain Management Review*

<sup>1</sup> The Warehouse Education and Research Council, *Benchmarking the Perfect Order: A Comprehensive Analysis of the Perfect Order in the Retail Industry*, (2005), at 3.

<sup>2</sup> The Council of Supply Chain Management Professionals, *SCM Goals — The Seven Rights of Fulfillment* (2011), found at <http://careersinsupplychain.org/what-is-scm/7rights.asp>.



## The perfect order has evolved — has your workforce management strategy?

### Driving Profitability Is Harder than Ever

Logistics providers are facing more margin pressures than ever before. Capacity constraints, competitive pressures, and rising operational costs (such as energy, equipment, and labor costs) all require more focus on achieving and maintaining efficiency. At the same time, logistics companies are attempting to differentiate by providing more value-added services (such as accelerated delivery, kitting, or custom packaging), but this adds cost and complexity to the order process.

With all of these forces seeming to conspire against you today, it is difficult to make sure you're hitting your perfect order targets for both your customers and your bottom line.

### A New Focus on the Workforce

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As logistics companies look to strike this balance, many tend to overlook one area for improvement — their workforce. With such a significant impact on operational performance and profitability, the frontline workforce is perhaps the biggest component to delivering perfect orders. Touching almost every step in the order process — from order capture, shipping, transport, delivery, support, to the reverse logistics cycle — people matter.

Your employees are critical to your success, but are you fully maximizing this valuable asset? Do you have the systems and tools in place to allow you to extract maximum value from your people, and then transfer those benefits to your bottom line and your customers?

### Workforce Optimization: Improved Visibility — and Value

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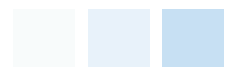
Despite the significant “workforce management opportunity” before them, many organizations still lack the visibility they need to optimize the people components of the perfect order.


Think quick: Do you have real-time insight into current labor performance and labor costs at your company? Or, like so many other logistics organizations, are you behind the eight ball, relying on after-the-fact labor management approaches? Struggling with manual data collection and disjointed systems to piece together labor data on the warehouse floor? Or depending on blended cost averages and estimated overhead to take a best guess at actual labor costs?

New workforce management approaches provide unique visibility into two targets related to delivering perfect orders: **labor performance and labor costs.**



Labor is often **more than 50% of operating expenses** and an organization's largest controllable cost.





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### Target 1: Labor Performance Visibility

The key to increasing productivity and throughput is to have real-time visibility into what's happening on the warehouse floor — the tasks and subtasks that are conducted by both people and equipment — so that nonproductive time can be identified and underutilized labor can be put to good use. Imagine what impact finding and utilizing excess capacity might mean for increasing your throughput.

Unfortunately, many organizations are missing a significant opportunity to utilize labor as a flexible, strategic asset. They simply don't have this kind of visibility into their workforce, or the true status of the task — such as how much is complete or how much time remains.

In many cases, true task-level status reaches the operations manager after the fact. For example, how helpful is it to know at 2:37 p.m. what five employees were doing at 10:17 that morning — when you might have needed them to help unload a late-arriving truck or complete a behind-schedule order? Labor performance visibility that's truly useful means right now, in real time.

### Target 2: Labor Cost Visibility

The key to enhancing profitability means protecting — and growing — margins. With labor being the largest variable (and therefore the most controllable expense), it's an area organizations should be proactively monitoring on a daily or even hourly basis. But without real-time reporting or dashboards, managers and executives often can't see where overages are occurring until after payroll has already run. And even then, they may not be able to see why.

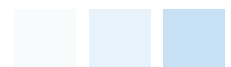
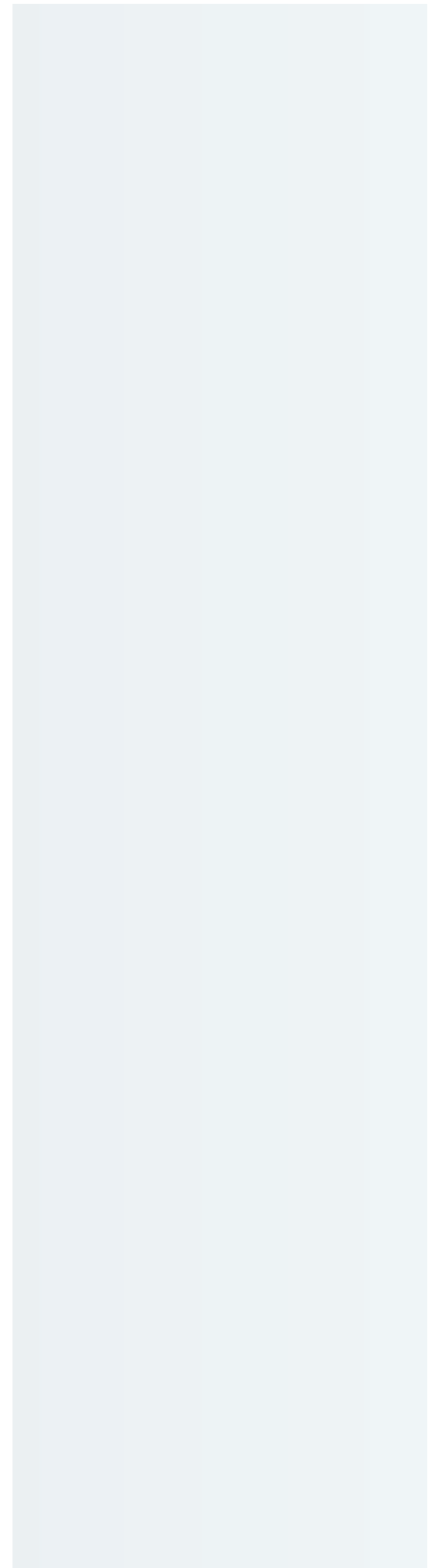
Your organization needs to identify and allocate every labor activity to every payroll dollar. Identifying lost time might help you increase throughput by putting that time to more effective use or eliminating it altogether to reduce overall labor expense. And more accurate labor costing can lead to more competitive and profitable bids for new and existing business.

But if you can't understand how paid time is spent — for which tasks, when, and by whom — then you have poor visibility into true labor costs and the causes behind margin variances. Ultimately, you are left with only a best guess at what corrective actions might be needed.

### The Solution: Uncover Hidden Capacity and Costs

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Fortunately, there is some good news. With a workforce management solution, you now have an effective way to uncover hidden capacity and costs in your operations, by improving performance and throughput and controlling labor expense.



## Uncover Hidden Capacity: Improving Performance and Throughput

What if you could increase productivity while still containing costs? For example, finding just two to five percent of additional productivity per employee per day can generate huge value to your overall organization. Seventy-seven percent of logistics operations using workforce management have realized a 10-plus percent boost in productivity, and more than one-third have gained a 25-plus percent increase in labor output.<sup>3</sup> Finding untapped pockets of productivity in your workforce can help you achieve greater capacity and higher efficiency, which could mean the ability to take on new business or provide more value-added services.

### The strategy:

- Use detailed labor performance data to identify areas of poor performance and take corrective action
- Reallocate idle or under-utilized labor on the fly so that paid time = productive time
- Design best-cost, best-fit schedules aligned with variances in demand



### The payoff:

- Unlock hidden capacity to take on new business and expand service offerings
- Gain greater flexibility through the ability to adapt to changing conditions without sacrificing margins
- Achieve better performance by identifying your top performers and understand what makes them successful

### A closer look at uncovering hidden capacity

**4:13 p.m.** A major customer has an order scheduled for the 5:00 p.m. shipment, the last one of the day. Using a workforce management approach that identifies the labor status to the minute, with easy access through a tablet or browser, the logistics manager quickly determines that the order is falling behind schedule. He identifies another order that is nearing completion well ahead of its delivery time. He pulls workers from that order and reassigns them to the one in jeopardy.

**4:15 p.m.** The reassigned workers arrive at the dock moments later and help complete the packaging. The company's workforce management systems automatically transfer the labor from one cost center to the other, ensuring all productivity and costs are accurately accounted for.

**4:55 p.m.** The trucks roll away from the loading docks on schedule with the completed order. Customer expectations have been met. Profit margins are maintained, as there are no unexpected labor expenses. The perfect order — a win-win for the customer and provider — has been achieved.

<sup>3</sup> RBInteractive Research Group (on behalf of Logistics Management and Supply Chain Management Review magazines), *Uncover the Secrets to Gaining a Competitive Edge: How Workforce Management Drives Productivity and Quality Service* (March 2010), at 10 (Sponsored by Kronos).

## The perfect order has evolved — has your workforce management strategy?

### Uncover Hidden Costs: Controlling Labor Expense

Logistics organizations have complete knowledge of their labor costs — all they have to do is look at their payroll. But knowing the total expenditure only goes so far. It doesn't provide visibility into how things like overtime and employee absenteeism impact the budget, or give insight into the true costs of delivering an order.

In fact, more accurate labor costing and better cost control can be a true competitive differentiator. Managers can leverage alerts and notifications to make proactive staffing adjustments that help keep labor costs on target. And with deeper workforce performance visibility, you and your executive team can gain insight into how those paid work hours are being allocated, and how those dollars can work harder for the organization.

#### The strategy:

- Predictable labor expense with accurate costing — 100% reconciliation at the task, order, or customer level
- Uncover hidden costs and mitigate the cost impacts of unplanned absences and unbudgeted overtime
- Monitor costs and performance at the employee, manager, department, and organizational level




#### The payoff:

- Reduced labor expense with more effective use of labor
- Improved insight into employee absences or overtime situations, so managers can take corrective action now — before it's too late
- Greater profitability with consistent and predictable margin through labor cost control and visibility

#### A closer look at uncovering hidden costs

A typical employee earning \$20 an hour attends a team meeting that runs long and returns a little late from a break, creating maybe just 12 minutes of “lost time” that day. At just three percent of an eight-hour shift, those 12 minutes may not seem like a lot. But multiply those 12 minutes a day by 1,000 workers and they add up to more than \$1.1 million a year. More than \$1 million in unallocated wages that return zero value to your organization or your customers.

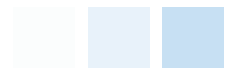
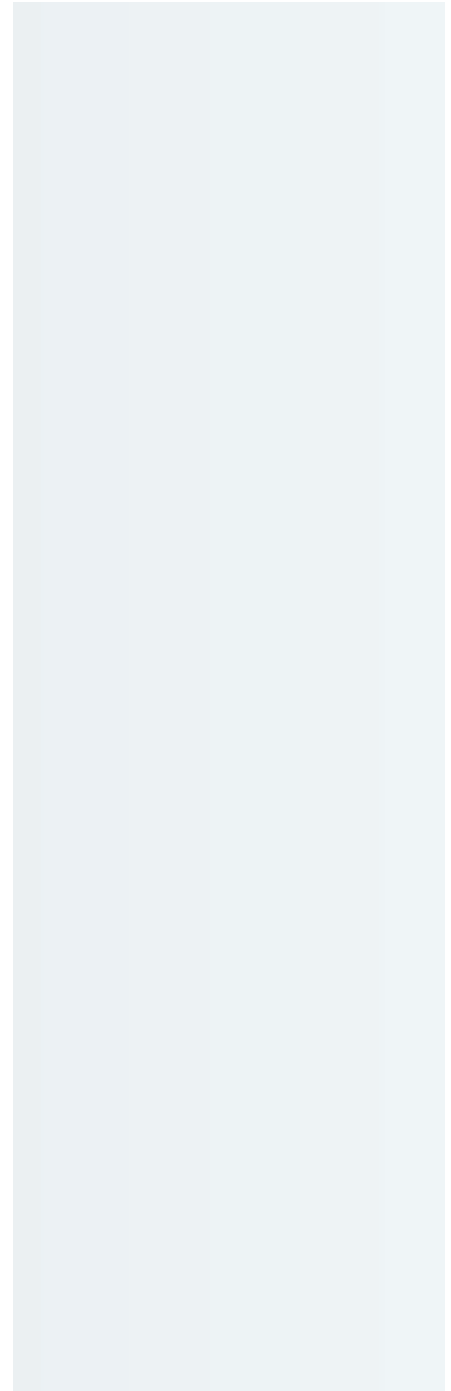
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## Workforce Management Is the Perfect Solution

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The concept of the perfect order has changed, but have your workforce management strategies evolved to keep pace? As customer expectations continue to rise and evolve, innovative logistics providers must continue to find proven ways to increase productivity while controlling costs. By helping uncover hidden capacity and costs, workforce management is the “perfect solution” for delivering on the potential of the perfect order — helping today’s logistics companies compete and win in the 21<sup>st</sup>-century marketplace.

**To learn more about how workforce management can help you enhance your perfect order process, please visit [www.kronos.com/logistics](http://www.kronos.com/logistics).**



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