

BEVINGTONGROUP

The unmeasured costs in retail distribution

Using engagement methods to
unlock the unmeasured opportunity

Understand • Engage • Evolve

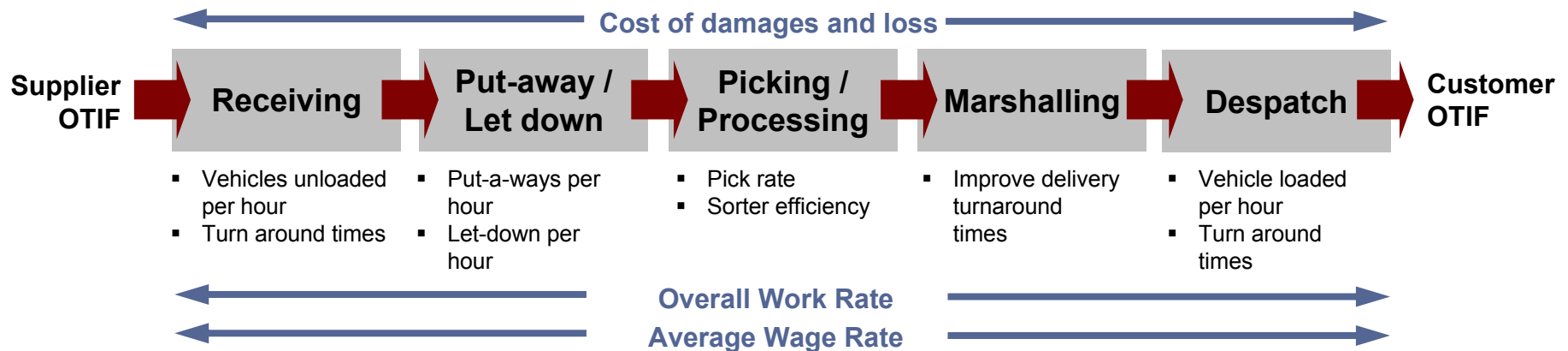
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The retail distribution challenge

□ The main DC challenges

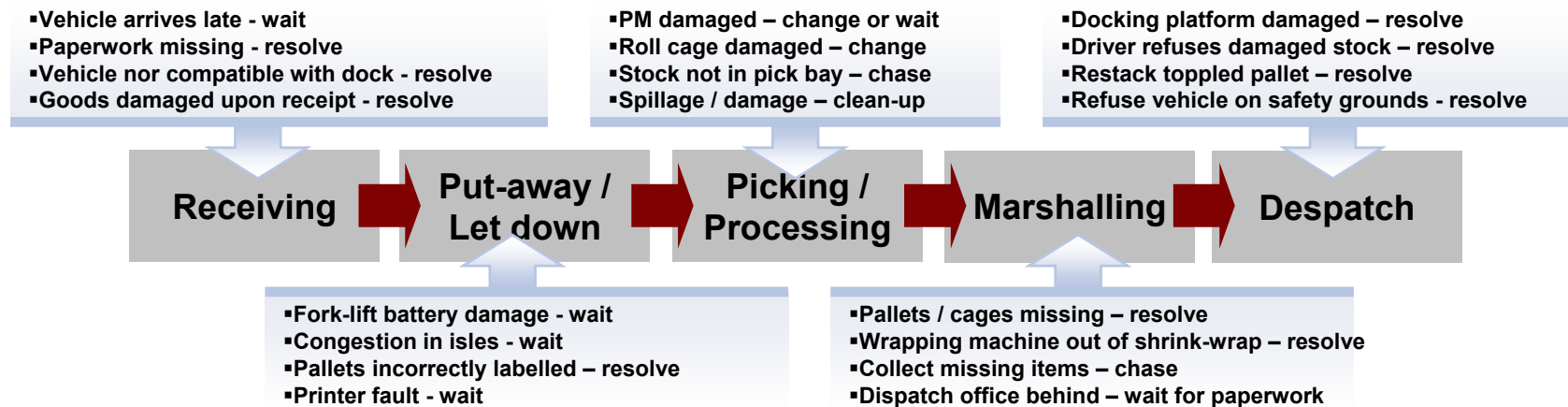
- Availability – Need to ensure quality
 - High On-Shelf-Availability is fundamental to a competitive offering. Elimination of stock errors and losses at the DC is the first fundamental part of improving OSA.
- Cost – Labour intensive cost base
 - Labour and MHE are the largest areas of cost with a DC, it is vital to ensure that processes are lean and resources are used efficiently.
- People – Labour flexibility and skills
 - An Increasingly flexible part time and de-skilled labour force makes it more difficult to ensure labour efficiency and availability.

□ To manage these demands, operations managers will naturally focus effort on the visible and measurable performance metrics



The unmeasured opportunity

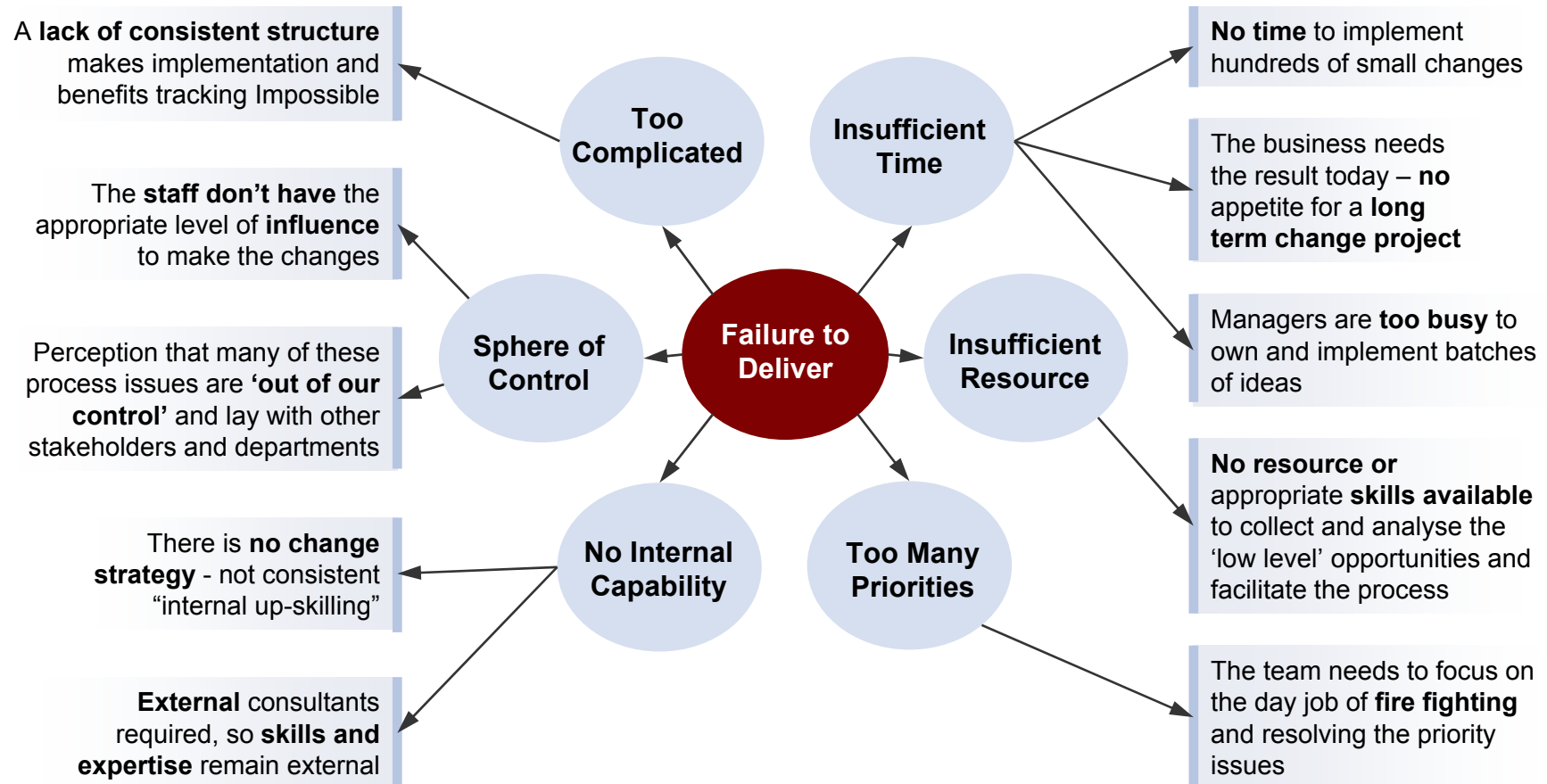
- ❑ Unmeasured process failure provides a significant cost and performance opportunity.
- ❑ These opportunities are missed because of the resource levels required to understand and measure them.



- ❑ In retail distribution these process failures create a chain reaction through the end-to-end DC process, extending the reach and consequences of the failure to the customer.
- ❑ These process failures exist in all businesses. Eliminating the ‘causes’ of these inefficiencies:
 - Reduces the total labour cost (otherwise employed dealing with process problems);
 - Identifies key process areas that require improved staff skilling and improved compliance;
 - Reduces the level of damaged and loss through better quality and compliance.

Why is it difficult to unlock the unmeasured opportunity?

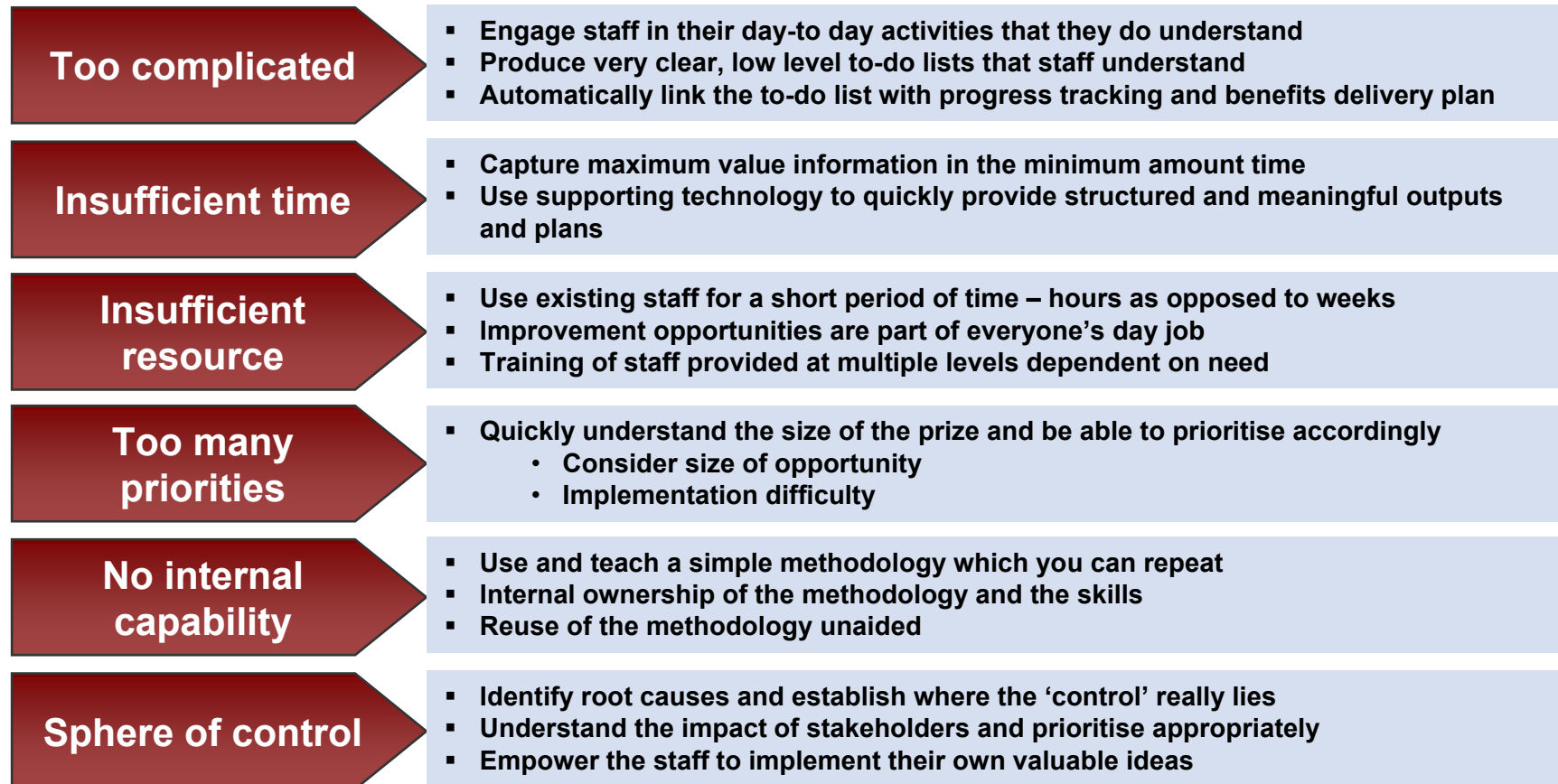
There are a number of reasons why this opportunity is too difficult to grasp.



All of the above issues and difficulties manifest themselves in the form of *resistance*, as staff feel they neither have the empowerment, time or expertise to fix the problems.

How do we overcome these problems?

The common points of resistance and friction can be overcome in the following ways.



With the right methodology these solutions are not as unrealistic as they may seem.

The solution

The Principles of XeP3

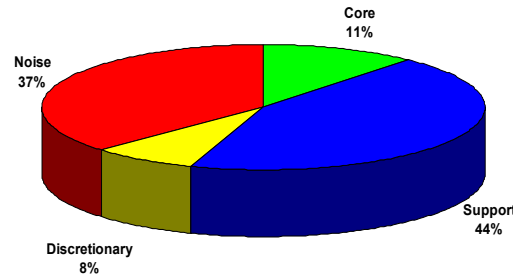
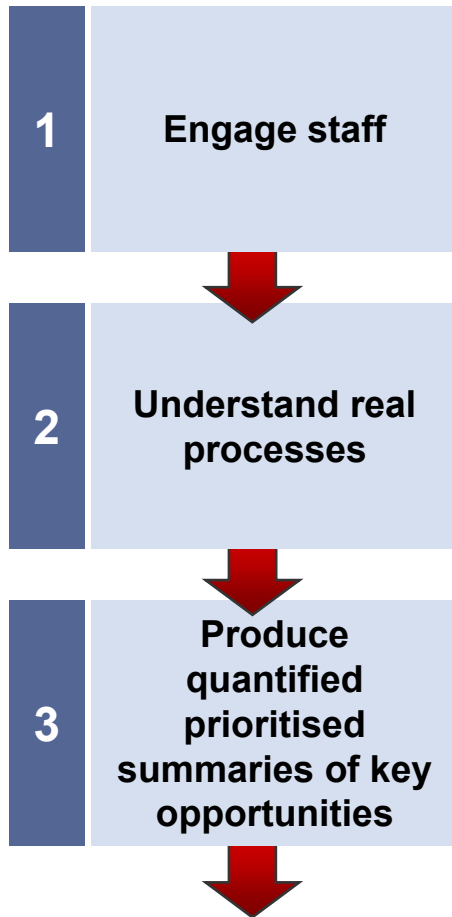
- ❑ A methodology with supporting technology that organisations learn how to use in order to develop internal capability for quick-win process improvement and long term continuous improvement sustainability.
- ❑ By engaging the people who ‘do the job’ everyday the organisation can understand the detailed opportunities on the front-line and generate practical ideas for quick improvements.
- ❑ The supporting software enable tremendous ‘speed to result’, and provides a one-stop solution from process mapping, through to solution creation, through to implementation and benefits tracking.
- ❑ Simplicity delivers the fastest return on investment.



A typical implementation of the XeP3 methodology follows seven key steps

A methodology to understand the opportunities

Engaging the staff, identifying and summarising the opportunity...



XeP3 Tasks and Activities		MF2
Status: <input type="checkbox"/> MF2		AI1 - Admin Support
Completed by:	<input type="checkbox"/>	Date: Wednesday, 6 December 2006
Team Member Check:	<input type="checkbox"/>	
Quantified Tasks		Quantified Services
Receive 40 leave applications per month		
Process Recreational Leave weekly		
Process 5 special leave applications per month		
Process 6 Annual leave applications per month		
Process 25 sick leave applications per month (with cert without read cert)		
Process 4 other types of leave applications per month		
C General Administration		
Main and Sub-Activities		
A) Receive 40 leave applications per month	2.12	If insufficient leave (1-2 days), contact facility
1 Receive Applications	2.13	If authorised, highlight form for letter
1.1 Sort to leave trays	2.14	Generate letter if more than 3 days
1.2 Sort to priority (pay periods)	2.15	Generate proforma
1.3 Distribute and allocate work	2.16	If future events are booked, phone manager to request if amendment required
1.4 If 12 days before pay, pull out pay critical forms (TC009) e.g. LWOP, Rec Leave	2.17	Enter requirements
1.5 Put into trays	2.18	May send letter to request
B) Process Recreational Leave weekly	2.19	Print
2 Processing Rec Leave	2.20	If not enough leave available, generate letter to advise of options
2.1 Receive application for rec leave	2.21	If old leave forms used, return form with letter
2.2 Enter ABC no / name	2.22	Enter leave details (form)
2.3 Check ABC matches name on System	2.23	Check if bonus indicated
2.4 Check leave balance, future events and other leaves	2.24	Note claim of bonus penalties
2.5 If cannot locate, contact facility	2.25	If yes make sure for current year leave event!
2.6 If any ASD, note and pay out in 1st leave event!	2.26	If noted, indicate payout via timesheet
2.7 If cannot read signature, contact Facility	2.27	If not noted no bonus to be paid
2.8 Manually calculate hrs available	2.28	Handle queries from Call Centre re Rec Leave processed
2.9 If ABC not supplied, locate by name and unique contact employee	2.29	If penalties and bonus locked, look at history
2.10 Check if employee has taken LWOP - note not to count as service	2.30	If always paid bonus, give bonus not to count as service
2.11 Check administration	2.31	Check if pay in advance requested

4.6	Receive call via 1800 call centre number and review customer info via system pop-up (if available)	S	7.5	3.1
4.7	If not available, search SAP for customer	N	5.0	2.1
4.8	Check email account for EDI advice and review request	S	6.5	2.7
4.9	If received by fax request (imged via email), distribute assigned accounts to whom they belong to	S	3.0	1.2
4.10	If not for own area, move fax email to diff folder for supervisor to allocate	N	3.0	1.2
4.11	If not on Distribution List, check if Trad or non-Trad account information (if non-Trad, ignore)	N	3.5	1.5
4.12	Go into system, view customer order entries	S	6.0	2.4
4.13	Phone customer if unclear / missing information	N	7.0	2.9
5.1	Enter order	S	5.5	3.2
5.2	Validate pricing	D	3.0	1.7
5.3	If pricing looks w / customer questions, check source (eg. CC, scheduled pricing)	N	5.0	2.9
5.4	Save order	S	1.0	0.6
5.5	If customer on credit hold, contact customer for past dues and advise credit	C	3.5	2.0
5.6	Enter request delivery date	S	1.0	0.6
5.7	If delivery date is within 3 days and is required, raise emergency order	N	1.0	0.6
5.8	Send request to customer to check availability	N	2.75	1.6
5.9	If available, rack schedule	N	1.75	1.0
5.10	If not available, contact customer to negotiate delivery date	N	3.0	1.7

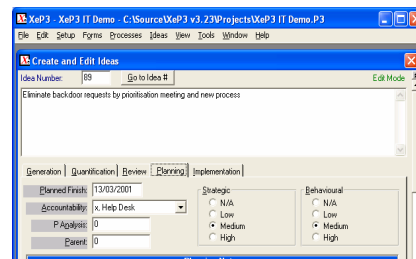
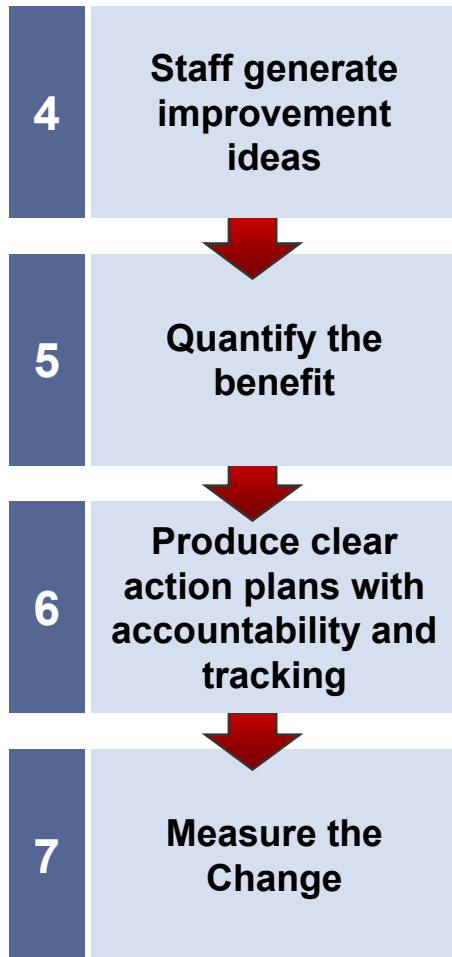
	C	S	D	N	CSDN
% Hours:	2.7%	35.2%	7.6%	54.4%	100.0%
Total Hours:	27.2	352.5	76.5	543.8	1,000.0
pa Cost:	15.1	187.2	46.6	268.3	517.2

Top 6 Activity Drivers for this Process		
2	Product not available or in stock by require date	7.4%
12	Customer not happy with product and wants to return	7.1%
1	Missing/unclear information from customer eg. locati	4.0%
9	Manual look-up of product number or calculation due	2.4%
7	Customer on credit hold and required follow up	1.7%
4	Customer has unreasonable delivery request (ie. not	1.4%

Supporting technology provides a fast, visual and structured understanding of opportunities

A methodology to implement the improvements

Engaged staff generate the improvement ideas; and a plan with clear accountability is produced



Management Report Implementation Monitor

Status:
Completed by: _____
Team Member Check:

Idea #	Description	Total Hours	Hours Saved	Hours Added	Planned Completion	Current Est. Completion	Accountability
5	Proactively seek on-sell during interaction with customer	20.51			4/04/2004	30/04/2004	Miller, Brad
6	Order forms to be completed and sent electronically to suppliers	42.38	7.74		4/04/2004	29/05/2004	Miller, Brad
3	Develop Supplier Agreements with performance measures to improve service	35.96	14.39		2/02/2004	2/06/2004	Miller, Brad

Week	1	2	3	4	5	6	7	8
1								
2								
3								
4								
5								
6								
7								
8								

Step	Action	Person Responsible	Start Date	Estimated Completion Date	Actual Completion Date
1	Formalise request to facilities management	Steve Hardy	5/01/2006	5/01/2006	5/01/2006
2	Inform despatch team of change	Steve Hardy	6/01/2006	6/01/2006	6/01/2006
3	Install phone	Steve Hardy	7/01/2006	7/01/2006	7/01/2006
4	Place notice by the phone with instructions and internal numbers	Steve Hardy	8/01/2006	8/01/2006	8/01/2006
5		Steve Hardy	9/01/2006	9/01/2006	9/01/2006

Week	Weekly total	Comments
1	235 office, 10 Phone	Need to monitor and enforce use of phone
2	100 office, 150 Phone	Staff utilizing phone facility much more effectively
3	70 Office, 200 Phone	Few despatch visits to office, mostly telephone queries
4		
5		
6		
7		
8		

Supporting technology quickly provides an integrated implementation plan and benefits tracking tool for managers, plus clear and simple-to-use "to-do" lists for staff

A methodology to overcome resistance

The methodology overcomes the resistance issues in the following ways

Too complicated	Staff work in their day jobs and follow simple tools and instructions	✓
Insufficient time	Technology used to capture and process maximum information and minimise man hours involved	✓
Insufficient resource	Requires minimal staff input to achieve a quick result	✓
Too many priorities	Clear summaries of cost and opportunity for managers to make decisions	✓
No internal capability	We will develop the capability; it does not leave with us	✓
Sphere of control	Shows staff where to focus efforts	✓