GROENEWOUT

How is my operation performing, and can – or must – it do better?

Market fluctuations, customer demands and product developments are continually producing new challenges which require logistics processes to be adapted. This is accompanied by constant wondering about how well your performance measures up against that of your competitors in such a dynamic environment. And perhaps, on top of it all, you repeatedly have to explain to your boss that your company cannot be directly compared to another.

With minimal resources, how can you ensure that your logistics processes are up to date? Where do potential improvements or cost savings lie, and which of them should be implemented in order to help you move in the right direction? Benchmarking provides answer to these questions, and can be the first step towards improved performance.

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Benchmarking warehouse processes

Robert C. Camp defines benchmarking as follows: "Benchmarking is systematic research into the performance and the underlying processes and methods of one or more leading reference organizations in a certain field, and the comparison of one's own performance and operating methods with these 'best practices', with the goal of locating and improving one's own performance". In other words, in order to carry out benchmarking, you must have insight into the performance of various processes and methods of both your own organization and other similar ones. Furthermore, the comparison must reveal the potential for improvement.

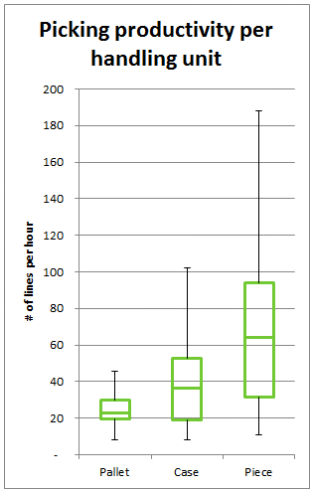
Multinationals with several different facilities often tend to compare performance between them. But is this a solid basis for benchmarking?

Productivity index model

Groenewout compares the productivity figures from your operation with data from the productivity index model (PIM). The PIM contains both operational and design data from projects, as follows:

1) Operational data: figures resulting from analysis of current operations;
2) Design data: information relating to productivity indicators which have been determined by performing calculations on alternatives. The value assigned to these indicators changes when comparing alternative warehousing concepts which differ in terms of aspects such as mechanization levels, methods of receiving or storing goods or management methods, for instance. This enables increased flexibility in how, and to what extent, your operation may/can be compared to others.

Lines per hour



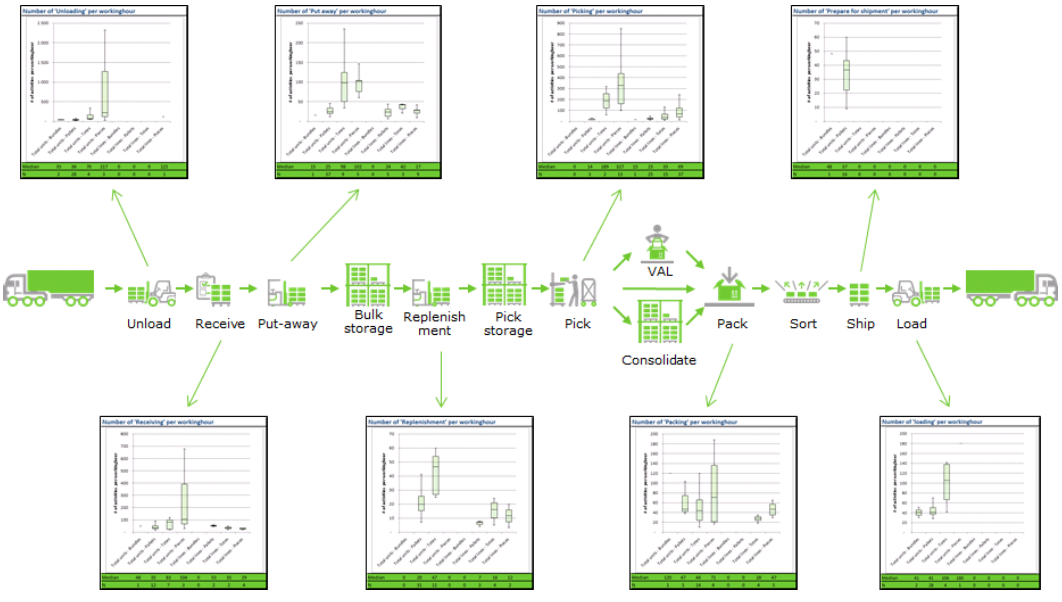
Example of productivity per type of picking activity.

As an example of what the model can reveal, we can consider the following question from a customer: "If I'm picking 46 lines per hour in my warehouse or distribution center, is my performance good, average or poor?"

This question must be clarified further before it can be answered properly. If the client is picking pieces then their performance is below average, if picking cases the rate is close to average and if the client is referring to pallets then this performance is above average.

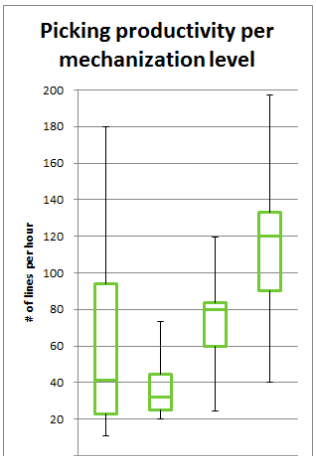
Productivity indicators per process

Per process, a distinction is made between the number of lines and the number of units, and between bundles, pallets, cases and pieces. The model includes productivity indicators for the key processes in a warehouse or distribution center as shown in the figure below:



Comparison criteria

For greater insight into productivity, data is collected on a wide variety of aspects of the logistics operation so that productivity can be compared with similar operations. An example of one such aspect is the mechanization level:

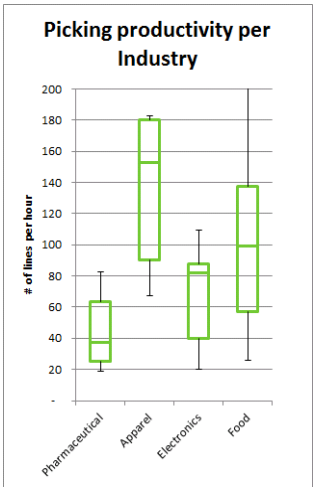


Example of picking productivity related to mechanization level.

- None: no mechanization but instead everything is done using reach and order-picking trucks, at most a simple packing line
- Low: simple mechanization, such as a conveyor from A to B or simple flow racks.
- Medium: certain parts of the process are mechanized, including intelligence such as zone picking with a pick-to-light system for instance.
- High: this refers to mini loads or the DPS and ODS systems, for example.

Benchmarking with PIM

Based on the PIM data we can benchmark your warehouse process, comparing the performance of your company with the general indicator. We can also compare your performance with the relevant industry indicator, because the indicators can also be classified according to various sectors, including:



Example of industry-related picking productivity.

- Apparel, footwear and leather
- Food, beverages and tobacco
- Pharmaceutical and biotechnology
- Electronics and appliances

Potential for improvement
Gaining an insight into a company's performance in comparison with other organizations and gaining an insight into the opportunities for improvement are both essential aspects of a benchmark. In addition to conceptual changes, these can also include a combination of practical improvements and simple layout adjustments, such as:

- Reducing pick-faces to put more items within reach per meter.
- Multiple order picking so that more orders can be picked along the same route.
- A different management/planning approach to replenishment activities.
- Installation of drive-in/push-back racking instead of working with a block stacking system.

Quick scan
We can perform a benchmark assessment of your warehouse processes in the form of a free, one-day quick scan which enables us to identify your potential for improvement.

If you are interested in a free quick scan or have any questions relating to benchmarking, please feel free to contact Groenewout or call tel. +31 (0)76 533 04 40.