

Delivery Performance Improvements At Leading Household Products Company: Turning Around Warehouse And Customer Service Performance

The Challenge: HomeCo, a PE-owned leading consumer products manufacturer and distributor specializing in modern design housewares, designed its products in Europe, manufactured in Europe and China, and then assembled and sold its products in the U.S. and Europe to large retailers. In its US assembly and distribution center, HomeCo was experiencing a high rate of management turnover, low employee morale, and falling levels of customer service. Fearing that some of its key retail accounts were at risk, the PE owner approached Gotham to aid in turning around Home Co.'s warehouse operations.

The Partnership:

Analysis: Gotham's preliminary visit uncovered across-the-board problems at the U.S. warehouse — inaccurate and misplaced inventory; no stocking processes or inventory control procedures; backlogged and outdated system transactions; and fragmented and reactive planning and forecasting processes – resulting in a dependency on people, rather than a system, to locate inventory. Not surprisingly, these problems had translated into shipping/customer service issues, including low fill rates and high charge backs, as well as low productivity. Further, the organization was challenged by some key management gaps—most notably, a facility manager, a warehouse manager, and supervisors. And for the organization that did exist, job responsibilities were not clearly defined; nor was performance measurement and tracking reporting in place.

Strategy: To turn around customer service trends, the Gotham team recommended a two-phased approach: Phase I to focus on rapidly improving warehouse operations, including putting an interim supervisory team in place and rapidly establishing an off-line system for inventory accuracy and inventory management in the near term; and Phase II to focus on developing the basic systems and processes needed for longer-term supply chain improvement and inventory management.

Execution: Initially, we worked with corporate management to appoint an interim warehouse manager, assign clear roles and responsibilities to key warehouse positions, and initiate weekly meetings with senior management on 2 continents to quickly address any implementation issues. We also created an inventory location map based on a physical inventory of all slots and trained HomeCo staff to use and update this offline system. We then launched a series of longer-term supply chain and inventory planning improvements:

- **Organizational:** created a target organizational structure with defined roles, helped find permanent fills for key organizational gaps, trained the new hires, and documented a basic recruiting, screening, and hiring process for ongoing HomeCo use.
- **Measurement And Tracking:** developed and implemented tracking and reporting system (e.g., daily warehouse productivity and labor reports, customer service scorecards, shipping accuracy).
- **Operational Processes And Procedures:** established and trained warehouse personnel on detailed SOPs for planning, receiving, and shipping and inventory control.
- **Warehouse Operations:** completed warehouse configuration and racking and 2 rounds of re-slotting to ensure vertical integrity, separation of discontinued from new items, and dedicated overflow space. Also trained owners and updated new locations in ERP system and addressed safety compliance issues.
- **Planning And Forecasting:** developed monthly forecasting process, created forecasting sales reports, set preliminary inventory targets, launched weekly cross-functional meetings to resolve any forecasting and planning issues; and completed system upgrades to enable reporting and data sharing.

The Outcome: Within 3 months of implementing the new processes and systems, HomeCo improved its service performance for its key retailers (e.g. fill rate went from 90% to 99+% for its top customer). As a result of sustaining improved service, HomeCo was awarded additional business, making it a top 10 supplier to the largest U.S. retailers.

SOP Samples

Each SOP includes:

- Objectives, duty, and responsibility
- Step-by-step procedures
- NAVision transaction screen shots and sample documents
- Required lists and spreadsheet tool locations/illustrations

