



WAREHOUSE U

BETTER WAREHOUSE, BETTER BUSINESS

Pick, Pack & Pay



Today's Presenter



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We invite you to join us in Chicago for the first LightSpeed User Group and New Product Demonstrations. There are two sessions on Tuesday April 12, 2016:

User Group at 9:00am and 1:00pm
(Open to LightSpeed Customers only)

New Product Demos at 10:30am and 2:30pm

If you'd like to attend and have not registered please email me at dmarler@lightspeedautomation.com and I'll send you the link.

Pick, Pay & Pay's Objectives:

- Provide operators with a base line metric in order to measure productivity in the warehouse.
- Provide operators with ideas on how to change warehouse compensation to get more productivity out of existing staff.

- Provide operators with a base line metric in order to measure productivity in the warehouse.
 - Every operator's warehouse is different
 - Some require employees to sweep, mop, clean bathrooms
 - Others will out source those jobs to a janitorial service
 - 50,000 square foot warehouse requires more walking than a 5000 one
 - Some require them to receive and put up vendor orders
 - One operator may have people picking specific zones every day
 - Others have employees pick all zones– so they don't specialize in one zone

Like snowflakes – no two operators are the same or use the same procedures. We will provide some best practices that will help improve your warehouse efficiencies.

- Provide operators with ideas on how to change warehouse compensation to get more productivity out of existing staff.
 - There is no “one right way” to compensate employees
 - Base pay and cost of living varies drastically around the country
 - Some operators use full time employees, others use part time
 - Two operators will provide real case studies on how they used LightSpeed to incentivize their employees and the results

We will provide 3 different formulas to use in developing an incentive program that you can try in your operation.

Productivity Study – Sample Size: 2/21 through 3/5

- There are 13 LightSpeed customers: 6 FastTrack and 7 Xpress/Foundation
- FastTrack pick numbers are shown in 2 ways: total picks (both FastTrack and the iPads) and just FastTrack. To get the FastTrack numbers we subtracted all iPad times from the total payroll given to us by the operator.
- Xpress and Foundation numbers are total picks from the iPad divided by the active pick time recorded by the iPad.
- Idle time in all pick numbers has been removed. From the total picks by company and from the individual picks that are shown
- We received permission from each company to use their numbers in this study, however we have not received confirmation that we could make public the name of the company, therefore all company names are not revealed.

These are total picks – with both FastTrack and the iPads.

Company	Total Picks P/Hour	Total Picks	# of Routes	Pick Line Shape
RC	3163	341,117	12	Straight line
AB	2116	489,876	24	Straight line
BT	2111	623,105	29	U Shape
EP	2111	522,961	42	Straight line
CV	2011	108,298	12	U Shape
SP	1621	204,231	15	Straight line
Average	2189	381,598	22	

These are total picks for FastTrack only

Company	Total Picks P/Hour	FastTrack Picks	# of Routes	Pick Line Shape
BT	4420	372,205	29	U Shape
EP	3991	255,416	42	Straight line
AB	3413	280,897	24	Straight line
RC	3146	186,496	12	Straight line
CV	1604	52,514	12	U Shape
SP	1235	93,488	15	Straight line
Average	2968	206836	22	

These are total picks for all Xpress & Foundation Customers

Company	Total Picks P/Hour	Total Picks	# of Routes
AF	3014	490,611	24
KR	2151	79,970	7
AC	1956	40,841	5
OT	1713	52,879	7
HT	1335	43,170	5
AD	955	91,472	9
BR	787	9,478	1
Average	1701	115,489	8

It's obvious we have an outlier. The first company listed uses LightSpeed to pick their OSC orders. They can pick multiple cases of coffee at one time and that adds to the pick total drastically.

These are total picks for all Xpress & Foundation Customers without the outlier.

Company	Total Picks P/Hour	Total Picks	# of Routes
KR	2151	79,970	7
AC	1956	40,841	5
OT	1713	52,879	7
HT	1335	43,170	5
AD	955	91,472	9
BR	787	9,478	1
Average	1271	45,401	5

Top Individual Pick Results

Employees	Average Picks P/Hour	Total Time	Total Pick
Jose*	4885	30.28	147,906
Luis*	4374	38.25	167,292
Kevin	3255	18.93	61,621
Lucas	2151	37.18	79970
Grace	1921	15.2	29,204
Christopher*	1890	39.25	74,176
Pedro	1793	21.50	38,539
Manuel*	1729	41	70,878
Alex	1725	43.72	75437
Joe	1543	42.75	65965

Employees who worked less than 15 hours were removed from the list. We wanted a large enough sample size to determine true hourly rates. The four employees with asterisks work for our outlier.

Top Ten Individual Pick Results without outlier

Employee	Average Picks P/Hour	Total Time	Total Pick
Kevin	3255	18.93	61,621
Lucas	2151	37.18	79,970
Grace	1921	15.2	29,204
Pedro	1793	21.50	38,539
Alex	1725	43.72	75,437
Joe	1543	42.75	65,965
Aaron	1518	21.26	32,280
Brandon	1487	16.77	24,945
Alam	1468	29.70	43,605
Tony	1417	51.18	72,502

Average Top Ten Individual Hourly Picks from this study is: 1447

Top Five and Bottom Five Individual Pick Results without outlier

<i>Top Five</i>		<i>Bottom Five</i>	
Kevin	3255	Jen	1097
Lucas	2151	Tinisha	968
Grace	1921	Susanne	862
Pedro	1793	Jonathan	776
Alex	1725	Cesars	768

Remember there are dozens of legitimate reasons why these numbers vary. Size of warehouse, method used to pick drinks, OCS orders, other responsibilities – these are base line metrics only.

(There were a total of 54 employees in this study)

Warehouse Prekitting – Best Practices

1. Prep before picking
 - Organize the line
 - Cut off box tops
 - Make sure the shelves are full
 - Once you start picking you don't want to have to stop
2. Review the sequence of the line
 - Are your employees walking too far?
 - Can you move certain zones closer together?
 - Are your higher volume SKU's at the right height?
3. Prep additional items in advance
 - If you have to date product, do it in advance
 - LightSpeed can show you how many of an item will be picked so you can date the correct amount (***Total Products by Day Report***)
4. Use all the tools that LightSpeed offers
 - Are you picking multiple orders?
 - Are you picking the max number of orders in smaller zones?

Warehouse Compensation



Pre-LightSpeed

- Two warehouse employees working 55-65 hours per week
- Warehouse was a fun atmosphere - not much accountability
- Picking with paper was resulting in too many miss-picks

Post-LightSpeed

- One warehouse employee working about 40-45 hour per week
- Weekly picks were averaging 40,000– 45,000 SKU's
- Seemed to be working at a average pace without any sense of urgency.



Initial Production Based Compensation Plan

- Paid \$.0085 for every item picked
- First week he picked over 45,000 items
- After doing additional research the report used in LightSpeed was not the correct one.
- Found that he was paid twice for the same item

Current Production Based Compensation Plan

- Paid \$.01 for every item picked
- He continues to pick between 40,000 – 45,000 items per week
- “Employee Picks by Zone” is the correct report
- Shows start time, end time and total picks

Summary

- LightSpeed allows my company to pick faster with more efficiency
- The reports allow me to pay my warehouse employee based on his production
- He is picking about the same number of items, but in 10-15 fewer hours per week
- It will allow my business to grow without having to add additional personnel in the warehouse



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Current Problem

- Four warehouse employees who pick drinks daily
- Drinks are picked by machine
- Two employees average over 9000 drinks per day
- Two employees average just over 6000 drinks per day
- Running about 12 hours of over time per week



Production Based Compensation Plan

- Each employee daily picks posted on a white board
- Daily bonus of \$10.00 paid per day for most items picked
- Weekly bonus of \$50.00 paid for the weekly winner
- Created a competition

Results

- All four employees now average 9500 in picks per day and climbing
- Overtime has been eliminated
- Pickers have better moral
- Overall attitude in warehouse is better



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Formulas for determining warehouse incentive based compensation

#1. 100% Production Based Compensation:

Please note that this method is by far the most difficult to get right, however can give an operator the most control over his labor cost.

If you pay a fixed cost to pick an item and put your drivers on a per piece delivered compensation plan, you will now have fixed labor cost in an area that has historically been the most variable.

Formulas for determining warehouse incentive based compensation

#1. 100% Production Based Compensation:

Step #1: Determine per item labor cost - take existing warehouse payroll and divide by the total number of items picked per payroll period.

Using one of the operators in the study:

$32.24 \text{ hours} \times \$12.00 \text{ per hour} \times 1.25\% / 43,170 = \$.0112 \text{ per item}$

Step #2: Determine an average weekly volume by looking at the historical “items picked per week” reports. You’re looking for a trend – some idea of what a normal week looks like.

Step #3: Set a target based on the data that you have compiled. Based on the example above, you may want to start a \$.01 and item. Depending on how many people are included in the 32 hours, it may be a huge incentive for employee(s).

Formulas for determining warehouse incentive based compensation

#1. 100% Production Based Compensation:

- You can protect both the employee and yourself by establishing base line and minimums
- Continue to adjust the rate until you've found the right number that gives you the increase in efficiency that you desire.
- Include your warehouse employees in the conversation. They may surprise you at how willing they are to assist in developing a plan that works for both them and the operator.

Formulas for determining warehouse incentive based compensation

#2. Individual Bonus Based Compensation (Best for Xpress and Foundation Customers):

Determine minimum accepted performance level. Start with the metrics shown in this presentation and compare them to your employees performance.

In Black Tie's case that number was 9000 drinks per day per employee

Start by adding a small incentive to exceed this standard and give employees the chance to build on that throughout the pay period. Sometimes as little as \$5 per day can make a difference.

Build on the success by adding longer periods of metrics. If you hit your performance standard for a full month, or quarter, there are additional bonuses.

Formulas for determining warehouse incentive based compensation

#2. Individual Bonus Based Compensation – Example:

Monday – Thursday a \$5.00 bonus is earned if each of the zone pick criteria is met and on Friday if you hit the bonus M-T, then the bonus doubles to \$10.

Zone	Pick Rate	Error Rate
Snacks	1325	0.55%
Drinks	1500	0.55%
Candy	1700	0.55%

According to this LightSpeed customer this \$25 weekly bonus works out to about a \$.75 per hour raise for each employee for every week they max the bonus.

Formulas for determining warehouse incentive based compensation

#3. Team Bonus Based Compensation – Best for FastTrack Customers:

Determine the areas that need improving. Lower over time pay, reduce picking errors, add growth without adding payroll.

Employees can't control how many items are ordered each week, they can only control how fast they pick them.

Start with a realistic goal – for example if the team averages 1700 pieces picked per hour per employee, there is a bonus for all team members.

If the goal is to pick more with fewer hours, employees may be willing to give up the overtime for the immediate gratification of a bonus – Visa gift card, cash, dinner certificates, extra PTO days.

Formulas for determining warehouse incentive based compensation

#3. Team Bonus Based Compensation – Example:

For the payroll ending March 31, the following bonus structure is in effect:

Ave Hourly Picks	Bonus
1700	\$25 Visa Card
2000	\$50 Visa Card
2200	1 Extra PTO Day

If you're currently averaging a rate of 1400 items picked per employee per hour then to jump to 1700 is a 21% increase in efficiency which has to lead to fewer payroll hours.

Remember, warehouse compensation plans are not always about reducing payroll. If you can increase your warehouse efficiency you can add business without adding more labor. And if you reward your employees for hard work you'll reduce your employee turnover.

Several LightSpeed customers have told me they use the warehouse as an entry level position into the company and promote those employees to higher positions. To be able to have a steady influx of hard working employees, they have to attract them with a competitive compensation plan. Production based plans make this task much easier.

In conclusion

- LightSpeed has the tools to help you improve efficiency in the warehouse.
- We are going to continue to build on these metrics and provide them to our customers.
- Starting in April, Eleanor is going to hold a monthly LightSpeed training webinar. The first one is April 28th. We will hold one the last Thursday of every month.
- The training webinar is a combination of LightSpeed basics for new employees and there will be advance management training for reporting and metrics analysis.
- Each operator must find the right solution for them. There is no one size fits all solution. We are here to assist in developing a plan that is right for you.