



WHY INVEST IN A LABOR MANAGEMENT SYSTEM?

Whitepaper written by:

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With the ever-changing financial climate, companies are constantly looking for ways to reduce costs wherever they can. One of the first places that most companies search for cost reduction opportunities are within their distribution centers. Companies start asking themselves, “What can we do to reduce our cost per unit?” However, when a labor management system is suggested many respond; “We just do not have the money to spare” or “We do not have the resources available.” It is true that the implementation of many labor systems can be expensive, and costs of implementation can exceed several hundreds of thousands of dollars, however, the typical payback period is normally only 1 year, often times even shorter. Most companies do not want to invest the dollars necessary to get a new system configured or have the resources available to setup the standards needed to provide the data necessary for the system to function optimally. What most people fail to realize is that the number one thing that can have the biggest impact on your bottom line is reducing your labor costs.

So, there are actually some major benefits that we get from labor management systems. The main two are increased productivity and improved visibility of your labor force. Without these systems in place we really have no idea what the true productivity is in a distribution center. The common misconception is that “If I throw more labor at a task, I can get a goal accomplished faster.” We need to be careful and not confuse Throughput with Efficiency. Yes, increasing our throughput allows us to “process” more units, however, if we increase our efficiency, we will be able to accomplish greater workloads with the least waste of time and effort, allowing us to reduce our overall cost. Here is another way to look at it: Standard data across the industry tells us that in an environment where productivity is not measured the average associate is 50% productive. If we couple that with an hourly wage rate of \$10/hour then we are actually paying twice as much for the work to be done and require twice as many associates to perform the work. Postimplementation, many companies find that their productivity jumps

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20%-35% as soon as 9 months after their labor management system went fully live. By increasing our productivity and reducing the number of associates needed to flow work through a distribution center we can have a significant positive impact on our bottom line.

Another added benefit of a labor management system is the added visibility it provides to our management & hourly associate teams. Reporting allows us to see how DCs or each of our areas in the DC are performing and many labor management systems provide real-time feedback and insight as to where we might be struggling. By drilling into the areas of lower performance we are able to identify opportunities for improvement allowing us to continually drive our processes to become more efficient and thereby reducing our overall cost of doing business. When we start to see productivity decrease, we are able to take a more proactive approach to solving the issues before they become a bottleneck in the building. Cross-training associates also allows the operations team to operate the DC with a leaner workforce and offers greater flexibility with how the labor is dispersed throughout the operation. With more and more operations moving toward crosstraining their workforce, a LMS has the ability to identify associates that struggle in particular process areas or functions. This is not to say we place a bull's-eye on low performers, rather we utilize the clearer visibility provided by LMS to coach, counsel, & improve workforce performance. Labor management systems allow us to utilize our labor in the best way possible. It alerts us to when a building in our network, a process area, or associates are struggling to achieve a set of goals. Basically, the labor systems on the market today are tools that allow us to see how we are doing and how we are tackling problems throughout the day.

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So, with these benefits alone you can see that labor management systems can help us lower our cost of doing business, provide insight into the overall health of our buildings, and drive continuous process improvements.

Contact us at info@hy-tek.com or call us at 678.842.9114, if you want to learn more about implementing a Labor Management System.