

LABOR MANAGEMENT

Exel implements flexible labor strategy to help global provider of measurement solutions stay profitable during economic recession

Challenge

Reduce costs to offset anticipated order volume declines resulting from global recession

Flex the labor force to match fluctuating inbound and outbound shipments

Maintain high service levels and quality

Solution

Document labor resource needs for all tasks

Flex labor resources to meet daily workload

Control reductions in workforce gradually to maintain quality and service

Review and continuously improve processes to gain additional efficiencies

Results



Nearly \$600,000 in cost savings



29 percent reduction in floor associates



Service levels maintained or improved

As major world economies began sinking in 2008, a leading measurement and technology company was determined not to repeat the financial struggles it experienced eight years earlier as a result of the dot-com bust. Therefore, the company called on its vendor partners to help it adapt proactively to potentially shrinking revenues. Supply chain partner Exel met the charge with a flexible labor solution that was precise in its development and results.

→ The Challenge

Most customers purchase this company's products as capital equipment, which is an expense many avoid during a recession. After the 2000 dot-com bust, the company's leadership knew it must create a plan to keep costs in line with lower revenues; however, it could not accurately forecast the rate or extent of volume declines. This uncertainty complicated the planning process for the company and its partners.

As the company's logistics labor provider and manager in a new-product research and development facility, Exel knew it would have to flex the labor force to match fluctuating inbound and outbound volumes, rather than support a continuous decline. In the customer's dynamic and varied business environment, this process would have to be diligently managed to ensure associates could be shifted quickly to the tasks where they were needed. Cutting labor resources too far too fast would risk service levels and performance, and Exel could not endanger its customer's reputation for excellent service and exacting attention to detail and quality.

→ The Solution

To meet these challenges, the Exel team developed the logistics flexibility model. To begin, Exel measured and tested labor productivity by functional area to document baseline labor requirements. This process involved defining more than 70 different tasks Exel handles for the customer. The baseline information was then used to create a labor plan with volume triggers that would work with decreasing or increasing volumes.

The logistics flexibility model allowed Exel to adjust labor resources daily in response to workload, rather than wait for the customer's monthly revenue numbers. As a result, Exel was able to adapt gradually to the falling volumes and provide the stable, trained and engaged workforce capable of meeting the customer's goals.

"The ability to successfully flex labor up and down with volumes was one capability that attracted the company to Exel," explained Doug Campagna, Exel's director of operations for the technology industry. "The key is using a base Exel staff complemented by temporary labor. We ensure the knowledge base resides with permanent employees and provide cross training for all associates. This makes certain we use our labor resources efficiently."



Technology

Labor Management

“Helping our customer maintain profitability during the recession required exacting documentation of the resources necessary to complete tasks, and a flexible plan to support those tasks as product demand fluctuated. But it also took a conscientious team that constantly kept the customer’s goals in mind — and pulled together to achieve them.”

- Doug Campagna, Exel’s director of operations for the technology industry

→ The Results

Exel exceeded the customer’s cost savings goals, saving almost \$600,000 in the first six months. In addition, the team maintained or improved service-level turnaround times and held quality levels above goal — all while reducing floor associates by 29 percent. The increased ratio of permanent associates ensured performance continuity and a consistent knowledge base.

Because it had clearly demonstrated the ability to take on fairly complex projects quickly and successfully through the application of the logistics flexibility model, Exel was able to broaden its scope of work in several areas. The solution filled gaps created by the customer’s own workforce reduction, and the new scope of work included:

- Expanding in-plant delivery services
- Taking over generation of customs documentation for international shipments
- Assuming responsibility for the electronic distribution of software licensing keys
- Taking over kitting of assemble-to-order parts for various product lines
- Adding reverse logistics flow for sub-assemblies returning from contract manufacturers

As part of Exel’s ongoing continuous improvement program, the team has frequently reviewed and improved processes to further increase efficiencies and inventory accuracy, as well as reduce overall resources. These efforts have led to a 47 percent improvement in picks per hour and a 21 percent gain in productivity for in-plant deliveries.



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Raising expectations.

Surviving an economic recession depends on having a reasoned and adaptable plan for maintaining stability, even when nothing is certain. Contact Exel to talk about developing a flexible labor solution to achieve your goals in bad times — and good times.