



Case Study

LABOR MANAGEMENT PROGRAM

Increased operational productivity and cost savings are sweet treats for The Hershey Company

Consumer

Challenge

Standardize and improve processes across all distribution centers

Improve productivity of experienced workforce by 10%

Reduce costs as a result of productivity improvements

Solution

Measure baseline productivity

Determine engineered labor standards

Implement labor management program

Results

 Pallet pick productivity

 Case pick productivity

 Indirect time

 Labor planning capability

 Inventory accuracy

The Hershey Company is the largest producer of quality chocolate in North America and a global leader in chocolate and sugar confectionery. Headquartered in Hershey, Pa., The Hershey Company has operations throughout the world. To ensure operational performance across its U.S. distribution centers was as smooth and consistent in quality as its signature chocolates, the company wanted a standard way to benchmark productivity at every site. Accomplishing this goal depended on implementing a labor management program in each distribution center.

→ The Challenge

By implementing labor management programs throughout its U.S. distribution center network, Hershey wanted to standardize performance improvements that would result in higher productivity, improved and repeatable processes, and lower costs. An Exel-managed facility in Mechanicsburg, Pa., which houses the company's full line of candy, mints and gum, was already highly productive. But, it was standard practice to continually improve efficiency without increasing costs, and implementing Exel's labor management program to identify new efficiencies was a natural next step.

The 600,000-square-foot distribution center had been operated by Exel since 1990, and the average tenure was 11 years. The associates already were held accountable for productivity and worked very efficiently as they performed case and pallet pick according to customer specifications. With such an experienced workforce, it was unclear whether its well-planned labor management program would deliver the significant productivity gains that Exel had achieved from comparable implementations. It was certain, however, that the labor management program would capture and formalize the best way to complete tasks, providing the foundation for any possible new efficiencies and cost savings.

→ The Solution

Labor management is a core competency at Exel. The structured labor management program aims to improve operational performance by creating a culture in which it is routine to set performance expectations, provide feedback and coaching on actual performance, and reward top performers. The use of technology through a customized labor management system (LMS) supports the structured process to provide accurate feedback on performance and is critical to the program's success.

Exel sites that have deployed labor management programs on behalf of many different customers have consistently seen improvements in each productive function and reductions in associate turnover. Since the program's inception, 60 implementations have been accomplished across the United States, and the program has increased productivity by 10 percent and reduced labor cost per case by as much as 14 percent — saving millions of dollars for customers.

Hershey's implementation tapped Exel's dedicated labor management team and followed what had become a standard 17-week program fully engrained in Exel's operational culture and approach.

At its core, the labor management program continuously measures in real time how individuals and the team are performing against defined standards. To establish these standards at the Hershey distribution center, Exel engineers started by reviewing all processes with the facility to ensure the most efficient process was in place. All distances — horizontal and vertical — were measured, and each activity was broken down to its elemental parts and assigned a time element. Detailed activity observations by the team also ensured all anomalies were captured. Finally, time studies were performed to ensure the standards produced by the LMS were accurate.



Retail

Labor Management

“Hershey’s management now is able to compare labor productivity statistics across its distribution centers that have labor management programs. This provides a standard, objective way to benchmark productivity and, as a result, achieve cost-saving efficiencies.”

- Ron Murphy, Exel’s senior director of operations for the consumer industry

By compiling and analyzing this information and research, the team was able to establish the site’s engineered labor standards: a list of each warehouse task and the time it takes to complete each one. Because these times — called “zero base” — are what an average person could accomplish, the program establishes fair and attainable standards, ensuring consistent expectations for every associate’s performance. Those who perform above the zero base are given incentives to continue their high performance. And, with documented standards, management is able to work with associates who may not be meeting performance expectations.

Engineered labor standards are also catalogued through the site’s LMS technology, which is fully integrated with the warehouse management system. The systems work together to track and maintain accurate labor expectations and operational performance reports. With baseline performance standards established at the Hershey distribution center, it now would be possible to drive and measure improvements.

→ The Results

Despite the longevity of associates at the site, Hershey and Exel achieved substantial productivity increases and cost savings as a result of the labor management program implementation. Pallet pick productivity improved 12.4 percent, case pick productivity increased by 10 percent, and time spent on indirect activities improved 6 percent. The implementation paid for itself in seven months because of the cost savings associated with these improvements. In addition, because the program also identified the best way to complete tasks, several process improvements were made on direct activities. These improvements reduced congestion in the pick aisles and improved inventory accuracy.

“Having accurate productivity statistics also has improved labor planning at the site,” said Nancy Rapelje, senior director, reengineering and labor management systems at Exel. “Resources can easily be adapted based on product demand. This ensures Hershey will have in place the labor required to support product promotions and seasonal demand.” Because of its improved labor planning capability, the Mechanicsburg distribution center was able to take on additional volume and a change in operational profile — without increasing the labor force — after Hershey closed a distribution center in Atlanta.

Notably, the labor management implementation facilitated productivity and process improvements to a site with a tenured labor force, and enabled them to take on additional volume without increasing the number of associates at the distribution center.

Overall, the implementation was so successful that Exel will repeat the process and help the customer reap sweet rewards at The Hershey Company’s distribution center in Canada.



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