

WEREC Sheet®

A Plan for Action

Developing an action plan can lead to big improvements.

Digital Lifestyle Outfitters (DLO), a Durham, N.C.-based manufacturer and distributor of accessories for the Apple iPod and other MP3 players, was scrambling to keep up with exponential growth. The two year old company "is in an explosive growth situation," reports Ann Elliott, president and CEO of Atlanta-based consulting firm Solertis. "Every day brings a new challenge, from the amount of wiring we have in the building to support our equipment needs to new customer labeling requirements."

DLO's products range from a PodFolio iPod Jacket to cable kits to the TransPod car accessory. "It's a highly competitive marketplace," Elliott notes. "The name of the game is who has the retail shelf space for these accessories." Companies that are first to market can capture tremendous market share, however doing so requires a highly flexible, responsive supply chain and optimized operations.

DLO's products for the most part are manufactured in Taiwan and repackaged at two warehouses in Durham. With a young staff, just 50,000 sq. ft. of warehouse space, and retailers like Circuit City and Best Buy coming on board—not to mention dlodirect.com, the company's direct channel—DLO's executive leadership needed to act fast to optimize its distribution operations and plan for continued growth. They brought in Elliott to serve as interim vice president of logistics.

Maintaining control

"Planning is a critical part of maintaining control," Elliott explains. She's helping the DLO staff plan for the future by identifying strategic priorities, mapping existing processes, identifying areas and plans for improvement, then executing them—often on the fly, in a very fast-moving environment.

"Our products can become obsolete very fast," Elliott points out. "When Apple brings out a new generation of iPods, the dimensions of the device change," which requires modifying accessories. DLO also regularly introduces new product, like its new iBoom boombox system for the iPod. Reworking iBooms for the product

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Digital Lifestyle Outfitters manufactures and distributes accessories for the Apple iPod. They have developed an action plan for growth to keep up with the highly competitive market.

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Photos courtesy of Digital Lifestyle Outfitters



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Material Issues:

Flexing Your Automation Muscle

When it comes to material handling automation, many DC managers find that they are caught in a catch-22—equipment is built to last for 10 years or so, but chances are that in that 10-year span, operations and processes will change, making the equipment outdated.

The DC is left with few options because once a conventional material handling system is installed and in place, it's both costly and difficult to change. "In this situation, you can either tear out the old equipment and put in new, or try to re-use what you have and retrofit it to your new operations," says Gregg VanVenbosch, product manager at Siemens Logistics and Assembly Systems in Grand Rapids, Mich. "Either way, you're looking at a big investment to change."

According to the ARC Advisory Group, a Dedham, Mass.-based consulting firm specializing in manufacturing, logistics and supply chain solutions, some DCs have simply avoided the issue by not investing in systems like conveyors, AS/RS or carousels. However, staying away from material handling automation isn't much of a solution—especially if investing in the equipment leads to an increase in productivity.

The best way to avoid the scenario of being "stuck" with outdated equipment is to build flexibility into your automation. "You need to have the ability to react to change through growth or acquisitions," says Keith Swiednicki, senior partner at Montreal-based consulting firm KOM International.

While designing with change in mind can be a challenge, it's not impossible. With the right approach to purchasing material handling equipment, along with some of today's more flexible equipment, a flexible facility can become reality.



Siemens Logistics and Assembly Systems' DENATIC C-L100 reduces installation time by 30 percent, allows operators to change operating parameters from a central control station and monitors components to plan maintenance activity before premature parts failure.

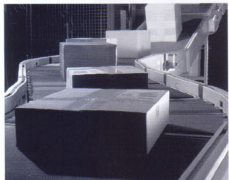
The right fit

Swiednicki says that when KOM works with a client to evaluate a greenfield or brownfield (an existing building on the market) facility, one of the most important issues to address is justification of capital expenditure. "Flexibility is a component of that justification," he says. "If a customer can start off with a flexible system, then it will be better prepared in the future to take on additional business or make changes as customer demands evolve."

Therefore, it's important that companies choose a facility and equipment that can accommodate flexible automation. "This includes finding the right building and lay out," Swiednicki says.

Also, it's important to ask questions about potential material handling systems like "How flexible is this system?" And, "How will this system be able to change as business changes?" Also ask, "What would happen to this solution if our business changes?" says Swiednicki.

"If you ask the right questions, it will



Equipment is built to last for 10 years or so, but chances are that in that 10-year span, operations and processes will change, making the equipment outdated.

allow you to put measures into place to minimize cost as change occurs," he explains. "The advantage of flexibility is that if you have it, you'll have reduced future capital spending."

The good news is that the material handling industry is starting to recognize the need for flexibility in its systems and is designing equipment accordingly. For example, Siemens Logistics and Assembly Systems introduced a new line of packaged conveyors, the C-L100, at the 2005 ProMat show in Chicago. The system's flexible design makes change much easier and less costly.

The new conveyor has a "snap-together look and feel," according to ARC. Each section of the conveyor has its own PLC embedded in it and a covering plate where stop buttons or other operator controls can be placed. The big advantage, of course, is that as business needs change, the conveyor can be taken apart and reassembled in a different location at a

much lower cost than buying a new system. This not only saves on equipment investment, but on the labor involved to make big changes to conventional equipment as well.

VanVenbosch says that Siemens did a proactive study of industry needs and came up with this design. "We knew that if a conveyor system could be more modular and easier to take apart and put back together without investing in new equipment, it would be well-received," he says. "Interest levels have been very high."

ARC suggests that as systems like the new Siemens conveyor system hit the market, the mindset against acquiring advanced material handling systems will change as well. Swiednicki sees that opportunity as well. "Conventional solutions are costly to change," he says. "Customers want the least cost, the fastest ROI, and the most efficient design from their material handling solutions." ■

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"Conduct justification studies for those project steps that require capital expenditure and weed out the steps that will not provide the required level of benefit. The outcome should be a list of all selected project steps, with priority ranking." To complete your action plan, he recommends:

- Define resources (people, equipment, technology) required for each project step
- Define realistic timelines for the duration of each project step, taking into consideration inherent deadlines
- Define dependencies between project steps
- Develop a master project schedule (typically a Gantt Chart), as well as a detailed task assignment list. Together, these two documents will serve as the project roadmap

Include in the action plan Key Performance Indicators (KPIs) so that you can compare results with the baseline.

"Evaluation of the results will only be effective if you know where you started," Grove points out. Establish a baseline of current performance metrics to reflect the "as is" state of operations. Incorporate data from multiple months of recent history, rather than simply a one time snapshot, to account for seasonal variation. "As changes are implemented, continue to track the same metrics to assess project effectiveness and actual ROI," he says.

"Hold people accountable for reaching the desired productivity level," Belanger advises. "Then use your new process and productivity rate to better forecast your labor in the future."

But that's not the end of the improvement journey, he says. "Think of it as a big process improvement wheel. Let your system stabilize and then, no later than four or five years later—or when something major happens—start the wheel all over again." ■

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ROBERT B. SILVERMAN is President of Gross & Associates, consultants in Material Handling Logistics. He has managed hundreds of projects in warehouse design, operations improvement, warehouse slotting, location network modeling, and computer simulation, and has directed assignments in Europe, Asia, South America and across the U.S.



M. GEOFFREY SISCO is a Principal with Gross & Associates. With over 25 years of experience in manufacturing, planning, domestic and international distribution and construction management, he brings a unique perspective to this seminar.

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