REDUCE
DC LABOR COSTS

Application Brief

Enhance DC Productivity, Profitability and Safety With Next-Generation Labor Management Software

SITUATION

How do you reduce the costs of recruiting, training and retaining employees while keeping up with increased fulfillment volumes? Rising wages as well as labor scarcity force distribution center (DC) operators to re-evaluate their approach to managing workers — especially as many consumers increasingly shop online.

Not only are DCs processing daily order volumes close to peak seasonal highs, but they also must attempt to increase staff accordingly. The typical response to high demand requires overstaffing by as much as 20 percent. But that's just not possible when labor availability is at a premium.

More than half of DC operators say that the inabilities to attract and retain employees continue to be major issues. Other factors include:

- **Aging workforce:** contributes to decreased productivity and stability
- **High turnover:** reaches 40 percent in DCs
- **Competition for labor:** e-commerce growth adds more DC jobs
- **New hire costs:** $4,425 per employee, plus expenses for overtime, errors and lower performance while training

The pandemic certainly made labor challenges more urgent. However, solutions are needed across the distribution and fulfillment (D&F) landscape to operate at continuous peak levels and keep employees engaged, safe and productive while avoiding operational disruptions due to labor unavailability.

Honeywell Intelligrated®

SOLUTIONS

For many years, savvy DC operators have relied on labor management software (LMS) to optimize labor utilization and costs, increase productivity, and maintain high customer service levels. LMS platforms have proven highly effective in providing DC operators with the visibility and predictive planning capabilities to make key decisions and determine:

- How many employees they will need to run at peak efficiency
- Where each employee will work most effectively
- Which incentives will motivate them to get their jobs done
- Who's at risk for leaving

Establish Engineered Labor Standards

At the heart of a next-generation LMS such as Momentum Labor by Honeywell Intelligrated are engineered labor standards, which provide the benchmarks for each individual task in a DC.

An LMS can adjust to handle changing labor standards and automatically balance expectations to maintain peak performance without leaving workers feeling overwhelmed. Over time, the software also learns to predict other factors, such as optimal pay rates for a given job and which incentives may generate the strongest return on investment (ROI).

As a result, an LMS can provide additional cost savings by relieving industrial engineers of back-end work and enabling them to spend more time developing process improvements and on other higher-value tasks.

Predict Labor Demand, Trace Employees' Contacts

Resource planning has become even more critical in today's uncertain D&F environments. That makes LMS an essential tool to help DC managers better predict, prepare and understand the impacts of different staffing models.

LMS platforms have long been used to proactively develop staffing models. During periods of normal order fulfillment, an LMS can address the typical demands for labor and help DC operators to make contingency plans for a variety of scenarios. Should an illness outbreak occur during a pandemic, an LMS can also serve as an alternative contact tracing data source.

With mobile devices equipped with distance tracking capabilities and appropriate data connections between the mobile-enablement technology and the host system, an LMS is potentially capable of keeping a comprehensive record of individual movements and activities throughout a facility. Although it may not replace a formal contact tracing system, an LMS platform may serve as a first line of defense for DC managers trying to mitigate an outbreak.

Identify Employee Attrition Risks

Another LMS benefit is its ability to predict labor attrition with accuracy rates of up to 95 percent.

Drawing on years of historical data from multiple facilities worldwide, machine-learning algorithms can track employees from their start date, as they transition to new roles, quit, get fired, or are laid off. Once the model gains enough local data from a given site, the LMS platform becomes capable of identifying risk factors that signal when an employee may be at risk for quitting.

Keep up With Fulfillment Requirements

As e-commerce orders rapidly escalate, traditional brick-and-mortar retailers are experiencing new requirements for next-day or same-day delivery along with in-store, click-and-collect consumer options. These requirements force brick-and-mortar stores to face similar challenges that plague pure-play, e-commerce competitors. To address them, brick-and-mortar retailers can adopt a proven DC solution, such as Momentum Labor with the Honeywell Voice platform. We call this Connected Retail.

Connected Retail is a combined solution that can enhance the efficiency of retail fulfillment tasks while helping employees to provide excellent in-store customer service. Connected Retail provides just-in-time labor by optimizing the personnel needed for the volume of work, available resources and required completion times.

Train and Coach for Success Changes within a DC often require updating labor standards as well as tasks performed. In order to meet new expectations, employees may benefit from additional training. Coaching modules available in many industry-leading LMS platforms provide opportunities for employees to show just how productive they can be and enable supervisors to provide real-time training input on the floor.

An LMS can help a supervisor to identify an underperforming employee and take remedial action to correct procedural inefficiencies. After training and coaching, an LMS can track and record whether the employee uses proper procedures and improves his or her performance, as measured against the LMS labor standard.

Enhance Safety With Proven Productivity Tools

An LMS also can help DC managers to address the new global health and safety challenges by leveraging fundamental capabilities that have been traditionally focused on productivity: influencing employee behaviors, tracking results, and driving employee engagement.

1. Performance factors related to enhancing employee wellness — maintaining the appropriate distance between pick locations; allowing enough time between shift transitions; or proper use of personal protective equipment (PPE), such as masks, gloves or safety glasses — can be tracked. An individual employee's bonus can be increased or reduced proportionately based on behavior recorded with an LMS.

2. Performance data also can help DC managers to achieve an ideal balance of resources and safety precautions by adapting work schedules to stagger shifts and better match employees and their skills with the tasks needed for each shift.

3. An LMS can ensure that employees receive achievable performance expectations. That information helps employees to understand that their performance ratings are based on their effort toward bonus goals, contributions to productivity and profitability, and helping to build a culture of safety. Our feature-rich Momentum Labor platform helps warehouse supervisors to calculate incentive pay based on accurate worker performance evaluations, labor standards and built-in training curves.

Adapt to Emerging D&F Challenges

Today's DC operators must incorporate a variety of safety protocols. At the same time, they also must find and implement solutions for chronic labor shortages and rapidly increasing e-commerce orders. With an advanced LMS platform, DC managers can adjust labor resources to account for rapidly changing e-commerce order fulfillment requirements and labor availability. LMS can help with scheduling additional employees or revising labor standards for specific tasks.

The bottom line: the flexibility of LMS enables DC operators to solve today's labor challenges and adapt to issues emerging from the growth of e-commerce during a pandemic. LMS provides the most efficient capabilities to adapt labor resources to meet new D&F realities.

To learn more about how Momentum Labor from Honeywell Intelligrated can optimize your labor resources and improve DC productivity while also enhancing employee safety at work, visit:
https://sps.honeywell.com/us/en/software/automation/labor-management-software

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