



# DURABLE GOODS DISTRIBUTION

## Cut Costs Through Continuous Improvement

A KENCO WHITE PAPER

Proven Savings: Through the deployment of Continuous Improvement projects, Kenco has driven out more than \$100 million of waste from our clients' operations over the past 10 years.

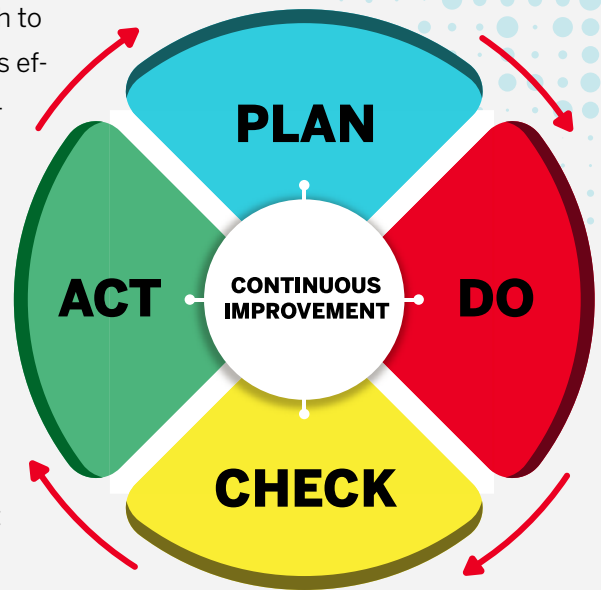


# What Is Continuous Improvement?

**Continuous improvement (CI)** is a proactive and ongoing approach to implementing incremental changes in an organization that optimizes efficiency, reduces waste, and improves overall performance. Continuous improvement programs typically follow a “[Plan-Do-Check-Act](#)” cycle, a widespread methodology integral to lean management today.

The [durable consumer goods](#) industry faces a unique set of challenges, including evolving consumer preferences, costly manufacturing processes, steep competition, and high sensitivity to global economic conditions. These factors, among others, introduce complexity in the supply chain and trickle-down effects that impact the bottom line.

In consumer durables, protecting profit margins is critical. One way consumer durables companies can safeguard their business from these challenges is through an iterative business methodology called continuous improvement. A culture of continuous improvement in the warehousing and distribution of consumer durables can increase efficiencies, dramatically lower costs, empower and retain employees, and pave the way for innovation and competitive differentiation.



## Four Areas Impacted By CI

The [origins of continuous improvement](#) can be traced back to Japanese car manufacturing in the 1950s. The practice of continuous improvement was the foundation for Toyota’s sharp rise from a small carmaker to global automobile manufacturer. Today, the efficacy of continuous improvement has led to its adoption by organizations of all sizes and in dozens of industries worldwide.

Continuous improvement is a practice that can be applied to nearly any facet of an organization. In this white paper, we’ve identified the following four areas where CI can have a transformative impact in the distribution of consumer durables.

- 1. Workforce Retention**
- 2. Inventory Zoning and Slotting**
- 3. Inbound Door Assignments**
- 4. Loading Docs**

# 1

## Workforce Retention

Managing a warehouse workforce for durable consumer goods differs to a great extent from managing a fast-moving consumer goods (FMCG) or retail distribution workforce. In consumer durables, a highly-skilled labor force is needed to operate specialized equipment, like clamp and slip sheet trucks, and dual platen forks/forklifts. Training and onboarding new workers takes a lot of time and investment, meaning productivity can take a hit when there is employee attrition. The U.S. Bureau of Labor Statistics reported a [49% turnover rate for warehouse workers](#) in 2021, making employee retention a critical focus area.

Pay-for-performance (PFP) programs have been known to incentivize workers, increase engagement and satisfaction, and retain highly-skilled and specialized employees.

### Ways to Improve

One way to apply continuous improvement to workforce retention is by implementing pay for performance (PFP) programs to incentivize workers, increase engagement and satisfaction, and retain these highly-skilled and specialized employees. In a PFP program, workers are guaranteed a competitive daily base pay rate with the option of earning bonus pay if they deliver beyond the expected output.

**In a recent PFP program implementation, one Kenco consumer durables customer achieved \$166,000 in savings.**

**Because of PFP programs and other employee offerings, Kenco's average employee tenure is 4.9 years—32% higher than the national average.<sup>1</sup>**

### REWARDING PERFORMANCE WITH PAY FOR PERFORMANCE PROGRAMS AT KENCO

PFP programs at Kenco are designed to reward warehouse employees for going above and beyond—while ensuring the work is completed to the highest degree of quality, accuracy, and safety. Digital displays are placed in the warehouse to provide helpful visualizations to communicate an employee's progress towards reaching their bonus pay for the day, and to encourage them to meet and exceed their goals.



# 2

## Inventory Zoning & Slotting

Durable consumer goods include items that have a lifespan of over three years and are used repeatedly over a period of time, like household appliances, flooring, and large electronics. When demand for consumer durables slows down, inventory grows, which can lead to high, unexpected costs for consumer durables companies. These costs may include overflow charges for extra storage or detention and demurrage fees for shipping and transportation delays, and can add up to hundreds of thousands of dollars per month. Even when markets are stable, space constraints are still prevalent. Consumer durables are often heavy and bulky in size, introducing challenges when it comes to storage and transportation. Optimizing space is a worthwhile endeavor to save on costs and protect profit margins.

### Ways to Improve

Proper inventory zoning and slotting should be top-of-mind for any warehousing and logistics partner that works with durable consumer goods companies. Warehouses that store consumer durables can be as large as 1.5 million square feet, which means products can sometimes travel a great distance—from the inbound door to the assigned storage location to eventually, the outbound dock. Time is money, and for every minute that an item is in transit from one place to another within a warehouse, there is a cost associated with it. ResearchGate estimates that [55% of all operating costs](#) are attributed to order-picking and [50% of total order-picking time](#) is spent on traveling. Optimizing pick paths to minimize item travel time as much as possible can save time and money, as well as reduce worker exhaustion.



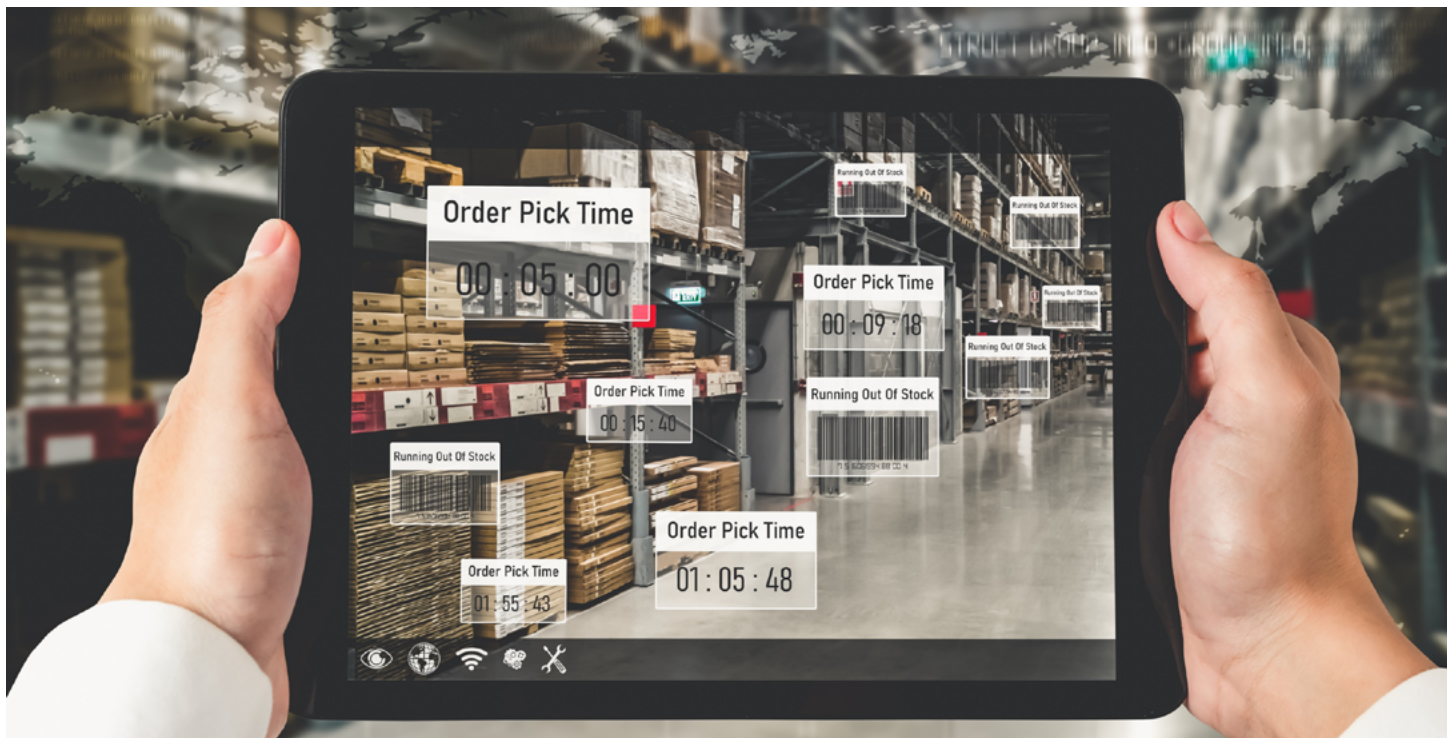
*One Kenco customer achieved cost savings of \$74,000 after implementing Kenco's DaVinci AI software for systematic slotting.*

# Using Predictive Analytics & Machine Learning for Systematic Slotting at Kenco

Kenco's proprietary software, **DaVinci AI**, delivers customized recommendations for pick path optimization and inventory slotting. The software uses historical sales data to determine the most optimal item placement and flow. Product SKUs are categorized by sales velocity and then stored such that high velocity items are placed in locations closest to the door for faster picking and loading. DaVinci AI also accounts for seasonality, identifying items that sell at a higher rate during certain times of the year to recommend slotting modifications and surface potential costs. Armed with these insights, warehouse managers are able to make intelligent, data-driven decisions. One Kenco customer saved approximately \$74,000 with DaVinci AI.



Learn more about Advanced Analytics at Kenco [here](#).



# 3

## Inbound Door Assignments

Before consumer durables inventory can be stored in their appropriate location, it must first arrive at a warehouse inbound door. As previously mentioned, these warehouses are sizable—sometimes as large as 1.5 million square feet—so if an item arrives at a door far from where it needs to be stored, travel time can increase substantially and hurt productivity.



### Ways to Improve

Making sure that inbound door assignments are optimized so that shipments are received at the right door can help minimize costs and save time. Technology can lighten the load on manual decision-making by automatically assigning inbound doors based on factors like product class or source. If an inbound shipment needs to be moved to a different door—for example, if the assigned door is currently occupied—managers are able to see the cost impact of switching and can make an informed decision weighing both costs and benefits.

| FDC  | PRODUCT TYPE                             | DOORS       |                |                |          | Comment                          | All Carrier Except KCSM |
|------|--|-------------|----------------|----------------|----------|----------------------------------|-------------------------|
|      |  | ZONE 1      | ZONE 2         | ZONE 3         | ZONE 4   |                                  |                         |
| F044 | DRYERS                                   | -           | 29,30,33,34    | 51,52,55,56    | -        |                                  |                         |
| F048 | DISHWASHERS                              | -           | 28,29,35,36    | 50,51,56,57    | -        |                                  |                         |
| F103 | WASHERS, PARTS                           | -           | 30,31,32,33    | 52,53,54,55    | -        | MAJORITY WASHERS                 |                         |
| F105 | RANGES                                   | -           | 23,24,25,38,39 | 47,48,60,61,62 | -        |                                  |                         |
| F304 | B.I. OVENS, RANGES, COOKTOPS, MICROWAVES | 7,8,12,13   | -              | -              | 74,75    | MAJORITY BUILT IN OVENS          |                         |
| F306 | B.I. OVENS, COOKTOPS, MICROWAVES, RANGES | 7,8,12,13   | -              | -              | 74,75    | MAJORITY BUILT IN OVEN& COOKTOPS |                         |
| F307 | REFRIGERATORS                            | 5,6,14,15   | 22,23,39,40    | 44,45,46,62,63 | 71,72,73 |                                  |                         |
| F311 | RANGES                                   | -           | 23,24,25,38,39 | 47,48,60,61,62 | -        |                                  |                         |
| F314 | REFRIGERATORS                            | 5,6,14,15   | 22,23,39,40    | 44,45,46,62,63 | 71,72,73 |                                  |                         |
| F315 | GLADIATORS PARTS                         | 16,17,18,19 | 22,23,24       | -              | -        |                                  |                         |
| F317 | MICROWAVES, PARTS, REFERS                | -           | 26,27,37,38    | 49,50,58,59    | -        | MAJORITY MICROWAVES              |                         |
| F318 | FREEZERS                                 | 10,11,13,14 | 22,23,24       | -              | -        |                                  |                         |
| F325 | REFRIGERATORS                            | -           | 22,23,39,40    | 44,45,46,62,63 | -        |                                  | Trails                  |
| F397 | RANGES                                   | -           | 23,24,25,38,39 | 47,48,60,61,62 | -        |                                  |                         |
| FM26 | RANGES                                   | -           | 23,24,25,38,39 | 47,48,60,61,62 | -        |                                  |                         |
| FM29 | REFRIGERATORS, RANGES                    | -           | 22,23,39,40    | 44,45,46,62,63 | -        | MAJORITY REFERS                  | Trails                  |
| I278 | MICROWAVES                               | -           | 26,27,37,38    | 49,50,58,59    | -        |                                  |                         |

*Technology can lighten the load on manual decision-making by automatically assigning inbound doors based on factors like product class or source.*

# 4

## Loading Docks

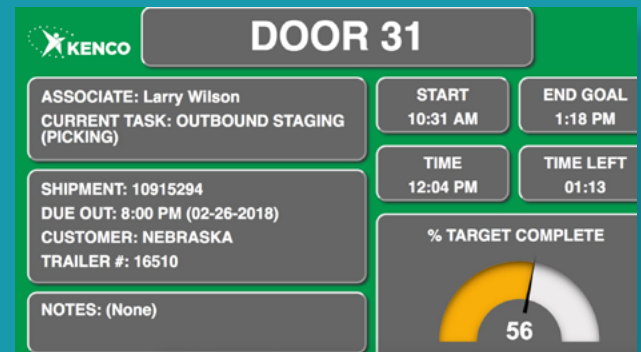
A lot of critical activity occurs at a warehouse loading dock. Hundreds of items per day move from their respective storage locations to loading docks in order to be shipped out to the next location. When loads are delayed, detention fees can accrue and backlogs can occur, which can negatively impact subsequent orders. Warehouse managers need to feel confident that loads are turned around in a timely manner.

### Ways to Improve

Optimizing loading dock processes starts with visibility. Real-time, digital displays at each dock with key information, like order number, associate name, start time, due out time, percent target complete, and other metrics, can provide a helpful status report for both managers and dock associates. By allowing managers to see and understand what's happening at each dock, they can quickly step in and provide support, like adding another loading associate to the door, if needed.

### Rocket Turn: Digital Displays for Visibility & Transparency at the Loading Dock

Kenco's Rocket Turn Digital Displays give managers oversight on loading dock status and progress for faster, more informed decision making. Rocket Turn displays key information about the loading door's current task, including assigned associate, shipment number, start and due out time, percent target complete, and more. The display features a color indicator of green, yellow, or red to indicate progress and help managers quickly identify loads that have reached a critical stage. One Kenco customer achieved a 3% improvement in loading time and \$172,000 in savings after implementing Rocket Turn.



# Continuous Improvement at Kenco

Based on Industry-Leading Frameworks: Kenco's Continuous Improvement (CI) program is based on both the Shingo Model for operational excellence and the philosophy behind The Toyota Production System (TPS). This industry-tailored model is what distinguishes our Continuous Improvement programs from other systems and helps to significantly reduce variability and drive improvement for our customers.

## Unmatched Expertise:

Our Continuous Improvement engineers have years of cross-industry expertise and knowledge of supply chain logistics best practices. Many are Lean Six Sigma Green and Black Belt certified.

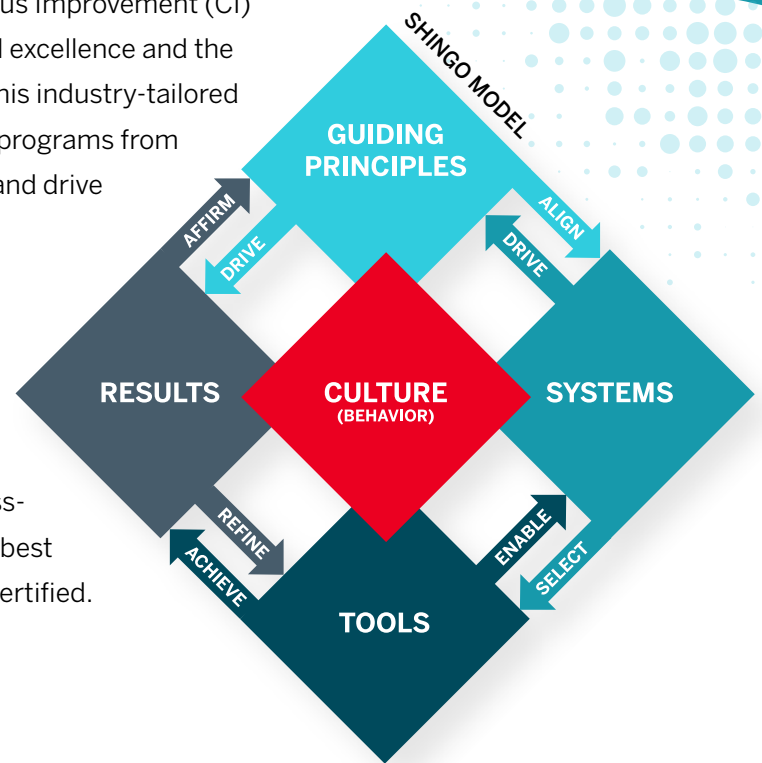
## A Roadmap for Success:

Continuous Improvement is an ongoing conversation between Kenco and our customers. After designing our clients' CI roadmap, we make sure to communicate progress each step of the way with monthly reporting so customers can feel confident in hitting their goals.

## Proven Savings:

Through the deployment of Continuous Improvement projects, Kenco has driven out more than \$100 million of waste from our clients' operations over the past 10 years.

[Learn more about Continuous Improvement at Kenco.](#)



**At Kenco, we see supply chain continuous improvement as a journey, not a destination.**





### **About Kenco**

Kenco provides integrated logistics solutions that include distribution and fulfillment, comprehensive transportation management, material handling services, and information technology—all engineered for Operational Excellence. Building lasting customer relationships for over 70 years, our focus is on common sense solutions that drive uncommon value. Visit Kenco at [kencogroup.com](http://kencogroup.com).

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