

AG New England Opens New Distribution Center, Resets Labor Standards to Boost Productivity and Lower Costs



The Customer

Associated Grocers of New England (AGNE) is the largest retailer-owned, wholesale grocery distribution center in New England. Headquartered in Pembroke, NH, AGNE serves a variety of independent retail formats across a 10-state region, including multi-store independent supermarket groups, community supermarkets, country stores and convenience retailers.

- ◆ Approximately \$300 million in annual sales
- ◆ 600 employees, including Corporate store division
- ◆ 110-125 full-time warehouse workers, depending on seasonality

The Business Challenge

AGNE moved into a newly constructed distribution center in Pembroke, New Hampshire, and wanted to take use this as an opportunity to improve operations. Given that labor performance is a critical component of operational efficiency, they turned to technology leader TZA for help in optimizing productivity and throughput levels while overcoming a number of barriers:

- ◆ Existing labor performance standards old and not a fair representation of the operational efficiencies available in the new building
- ◆ Management wanted to implement a change management process to address low productivity levels without further disrupting operations
- ◆ The distribution center experienced a high turnover rate, especially at entry-level selector positions
- ◆ The company wanted warehouse employees to maintain peak performance levels on an ongoing basis

CHALLENGE

Improve labor productivity and throughput while reducing employee turnover in a newly constructed distribution center.

SOLUTION

Implement TZA Labor Management Program encompassing engineered labor standards, a performance management process and professional development training.

RESULTS

- ◆ Selection performance increased 47%
- ◆ Receiving operations improved 26%
- ◆ Turnover rate declined from 80% to 38%
- ◆ Overtime decreased from 10% to 3%
- ◆ Throughput increased 15%

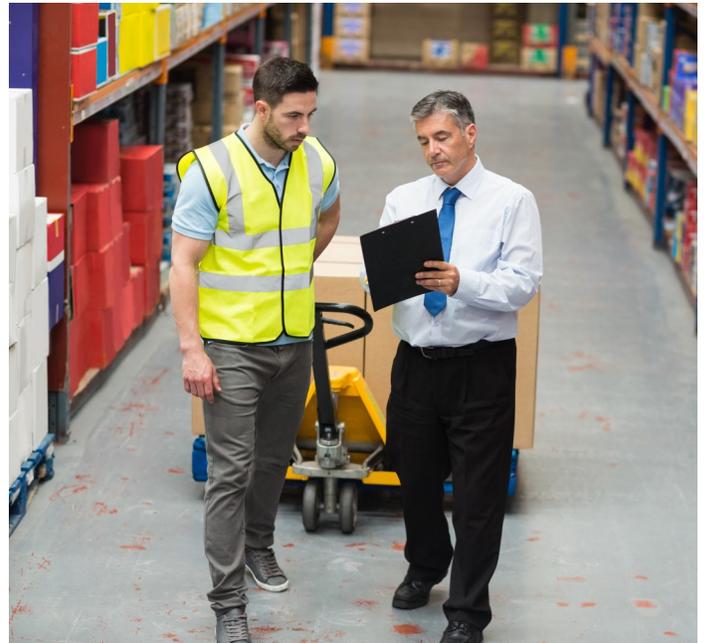
The Solution

AGNE tasked TZA with conducting an evaluation of its labor performance standards and providing recommendations for a Labor Management Program.

TZA began by validating existing labor standards at the distribution center, utilizing multiple determinants to ensure each standard time accurately represented the work cycle (determinants included lines, piece, cases, cube, weight and reaches and more). This approach married a development approach with state-of-the-art data collection technology to ultimately determine that each standard was fair and equitable. The approach also allowed for standards in every area of the building to flex up or down automatically as work content changed, resulting in minimal maintenance. In the end, the confidence achieved during this standards validation phase served as the foundation for successful adoption.

Once the standards evaluation concluded, TZA's Performance Management services (encompassing change management, leadership development training and implementation strategies) began to transition AGNE's existing operational culture to align with a high-performance culture, enabling AGNE to achieve higher performance levels, experience lower turnover, better engage their associates and promote a continuous improvement environment.

TZA accomplished this by equipping AGNE managers with the tools to develop individual and group goals, facilitate daily and weekly review meetings, implement performance monitoring techniques, conduct individual and group training sessions and achieve strategic execution.

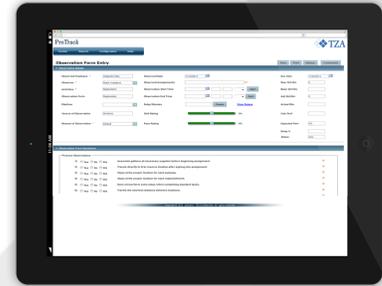


Combining broad operating experience with professional training, TZA was able to ensure the investments AGNE made in operational infrastructure will continue to support peak-level performance.

In addition, TZA consultants customized and facilitated both classroom and on-the-floor training sessions for the AGNE floor management team, including:

- ◆ Managing with Engineered Standards
- ◆ Motivating Your Associates
- ◆ Understanding and Managing People
- ◆ Purposeful Communication
- ◆ Situational Leadership
- ◆ Using Discipline to Manage Your Environment
- ◆ Coaching and Counseling for Peak Performance
- ◆ Managing Change
- ◆ Conducting Effective Observations
- ◆ Managing Conflict

The Results



TZA's Labor Management Program, supported by the adoption of Engineered Labor Standards, Performance Management processes and Leadership Training, resulted in measurable improvements:

- ◆ Multi-level pick zones achieved a 47% increase in selection performance, improving average cases per hour from 85 to 125
- ◆ Receiving operations improved 26%
- ◆ Turnover rate declined from 80% to 38%
- ◆ Percentage of labor costs attributed to overtime dropped from 10% to 3%. During the busy summer season, this dropped from 20% to 10%
- ◆ Throughput increased by 15%

Since their initial implementation, AGNE's distribution operations have expanded and new processes like goods-to-person have been added. TZA continues to work with AGNE to audit and validate standards in those areas.



"TZA's Performance Management methods contributed immediately to a more effective working partnership between warehouse supervision and associates, a key element to our success in maintaining a high-performance culture." – Steve Creed, Senior Vice President, Warehousing & Transportation, AGNE