

L&R Distribution Boosts Productivity and Profits with New Compensation Plan Fueled by MITS Discover



COMPANY BACKGROUND

L&R Distributors, a Brooklyn, New York-based wholesale distribution firm with warehouses and offices in New York, Baltimore, Birmingham and California, serves a wide range of retail outlets including chain and independent drug stores, supermarkets, stationery and variety discount stores nationwide. The company, founded in the 1950s, recently purchased Allied Supply, a 15-year Activant Prelude user.

Recognizing the opportunity to improve business results through technology Marc Bodner, company President, began actively looking for information analysis tools to help grow revenues in 2000. In 2002, the company chose MITS Discover, the leading Online Analytical Processing (OLAP) Business Intelligence tool for the MultiValue platform on which Prelude is based, to analyze and leverage summary and transactional sales data.

Directly following their installation, L&R and MITS quickly realized the wholesaler, determined to get the most from its storehouse of sales data, would challenge MITS Discover and the standard Sales Analysis Hypercube to its limits.

“I’m a big believer in giving people the tools they need to do their jobs. I kept bumping into MITS at user conferences, heard all the good feedback, and got sold on it. Now we’ve been depending on it for several years, and have two dozen regular users.”

PRODUCTIVITY AND PIECE RATE PAY

With competitive pressures at an all-time high, L&R began looking for ways to raise warehouse productivity. “Our warehouse pay scales have traditionally been based more on longevity than on productivity,” says Bodner. Inevitably, some long-time employees underperformed newer staff that were paid much less, which could drag down an entire warehouse’s performance. Many employees lacked a strong incentive to pick, pack and fill orders as quickly as L&R needed in order to remain profitable.

“We decided to move toward a piece-rate scheme,” reports Bodner “but we had to find a way to track and analyze productivity across several kinds of work, covering a wide range of product types.” Since a worker could be picking one kind of goods in the morning and packing another in the afternoon, L&R established a “zone picking” system. Employees “clock in” to a specific zone when they begin a task, and the Prelude system tracks their production. This enabled L&R to determine how much each employee produced, shift by-shift, for each type of work they did.

The company then used MITS Discover to analyze the data and establish standard productivity rates. As a result, they created a scheme to reward higher producers with additional pay and identified “counseling opportunities” with underperformers. Once the standards were understood, L&R transitioned its entire warehouse staff to a minimum-wage base pay rate with the ongoing opportunity to earn progressively higher rates by meeting or exceeding the standards.

“What we’re doing now, essentially, is making the warehouse staff like commissioned salespeople,” explains Bodner. “We reward the people who exceed the standards.” MITS Discover plays a key role in the process. Each pay period a MITS hypercube, created in-house by L&R using the MitsMaker cube design tool, analyzes employee-by-employee productivity and compares it to a standards table. Then, additional software created by L&R uses the MITS results to adjust pay rate data that is then fed to the payroll system.

The results have been impressive. “We’ve had people make upward of \$200 extra per week—a significant ‘bonus’ given warehouse pay ranges,” says Bodner. “We’ve also seen reduced turnover among our ‘A’ and ‘B’ employees—the ones we like to keep around.” Bodner says the opportunity to earn extra has aided recruiting efforts as well.

LOOKING FORWARD: THE DAILY PRODUCTION QUEUE

L&R has plans to use MITS Discover in additional ways; they are in the process of developing a dashboard showing scheduled daily production (or “order queue”) zone by zone and tracking actual production against it. In addition to seeing overall warehouse performance against standards, managers could identify “at a glance” which zones are ahead of schedule and which are behind.

“This would graphically show warehouse managers how to reallocate staff, and when to push some production off to the next day,” says Bodner.

NEXT STOP: INVENTORY

L&R will also be implementing the MITS Inventory hypercube and will use the solution to better manage typical inventory issues: return on inventory, dead stock and chronic stockouts. True to form, L&R will tap into the full functionality of the solution, using it to address a nagging fill rate issue.

“Sometimes it looks like a buyer has failed to cover our orders,” explains Bodner. “We’ll look at fill rate for an important order and see it’s at 92 percent. But while it looks like the buyer has let us down, his or her order has already arrived in the warehouse and hasn’t been logged because the warehouse staff is backed up.”

Bodner plans to use an expanded inventory solution that analyzes both summary and transactional data to address the problem. “We’ll tie the MITS Discover inventory data in with our traffic management system, enabling managers to see the bigger picture—including orders sitting in the warehouse ready to be received.” Bodner adds that a historical dimension in his planned solution will enable buyers and their managers to refine their ordering frequencies and lead times.

RESULTS

“We’ll keep taking advantage of MITS Discover on a regular basis,” declares Bodner, citing a recent issue that arose when the company reshuffled sales territories. With the confusion that typically accompanies this kind of change, the performance of some of the sales reps was in question.

“Customer service would tell us a territory was getting all its sales from customer call-ins without the sales rep’s help.” Bodner explains. When the sales rep claimed otherwise, Bodner’s team used MITS Discover and MITS Maker to quickly create an analysis that showed the source of all the sales in a territory.

“In many cases, it was just a perception thing,” Bodner reports. “It turned out 95 percent of the orders were, in fact, being written and/or transmitted by the sales rep—proving he was doing his job and then some.”

Bodner, with tongue firmly in cheek, claims a trademark on his characterization of MITS Discover’s role at L&R. “When we have a problem to solve or an opportunity to jump on... we ‘MITSify’ it.”

About MITS

MITS helps hundreds of distributors and manufacturers leverage the data in their ERP and other business systems to make better decisions, every day and at every level of their organization. Established in 1996, MITS’ interactive reporting and business intelligence software combines industry best practices with the flexibility to meet the unique needs of every customer. From standard to custom reports, dashboards and scorecards, MITS drives sales growth, profitability, and operational efficiency for competitive advantage.

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