About the Speakers

Richard Kirker

- Director, SAP

- 22 years working with SAP in the consulting and solution management areas

Tom Stretar

- Vice President, enVista LLC

- 26+ years working in Supply Chain consulting, with expertise in WMS & LMS

- Asst. Coach for 2018 MN AA Hockey Champions!

Key Outcomes/Objectives

1. Definition of Labor Management
2. A Clear Understanding of the SAP Offering
3. Identification of the Savings Opportunity

Agenda

- What is LM?
- Why is it Needed?
- SAP LM Offering
- LM Value Proposition
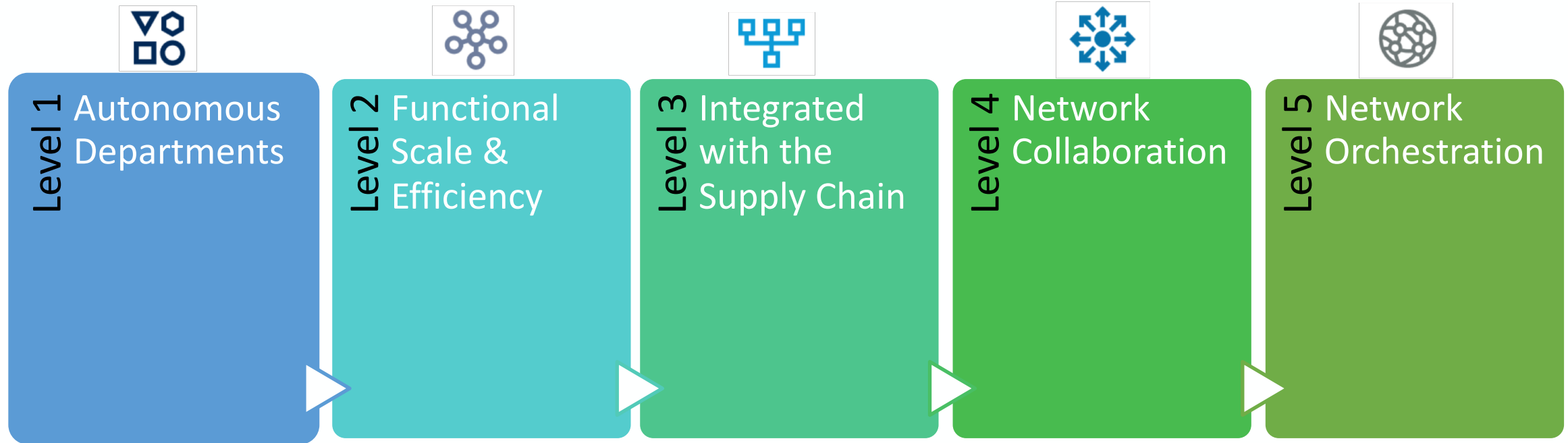- Audience Questions

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What is LM

- A **Labor Management System** (LMS) is a software application designed to manage human resources within a distribution center, manufacturing facility, or store-based operation.

- The LMS is one component of a mission-critical supply chain execution (SCE) suite of applications.

Gartner, Inc. Definition of LM Application

Labor Productivity Reporting

Labor Planning

Gartner, Inc.'s Logistics Maturity Model

Level 1 Autonomous Departments

Level 2 Functional Scale & Efficiency

Level 3 Integrated with the Supply Chain

Level 4 Network Collaboration

Level 5 Network Orchestration

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Why is an LM Needed?

#1 Low Unemployment

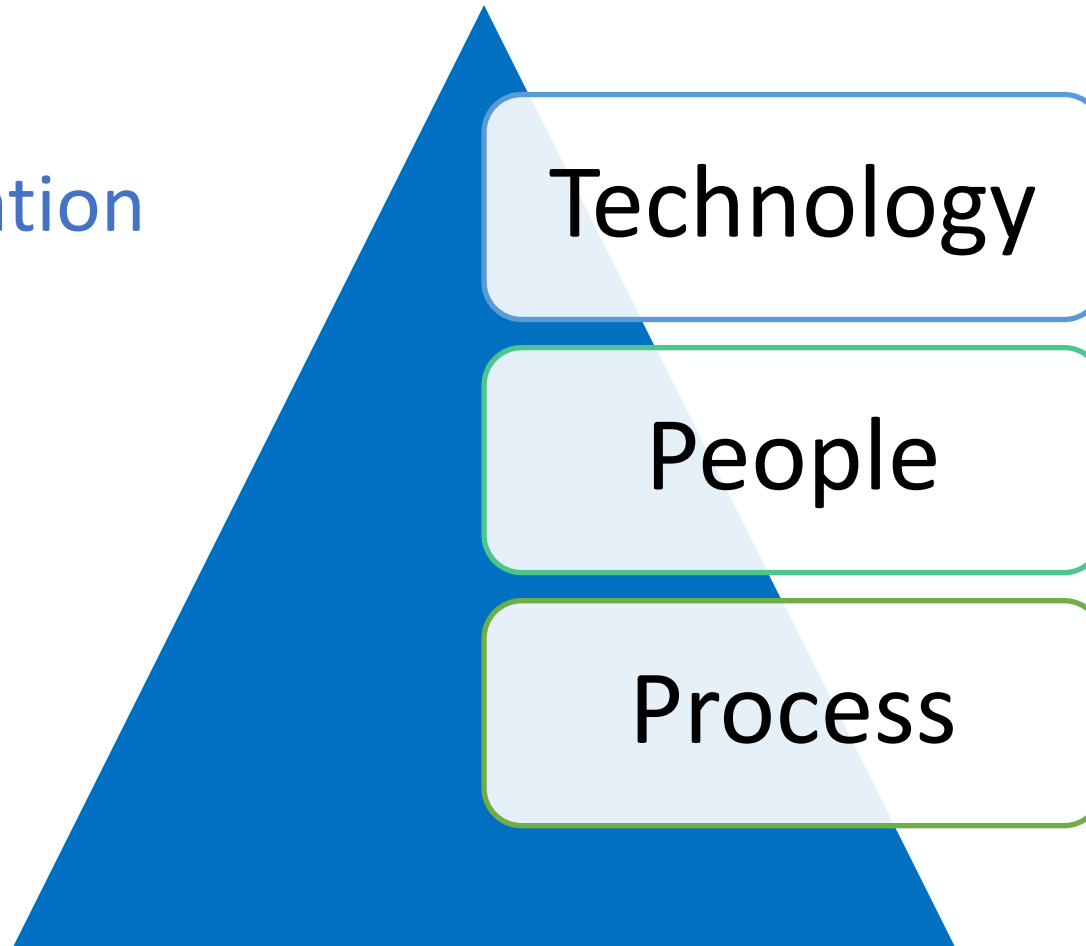**#2** Minimum Wage Legislation

#3 E-Commerce & Multi-Channel Fulfillment; i.e. the "Amazon Effect"
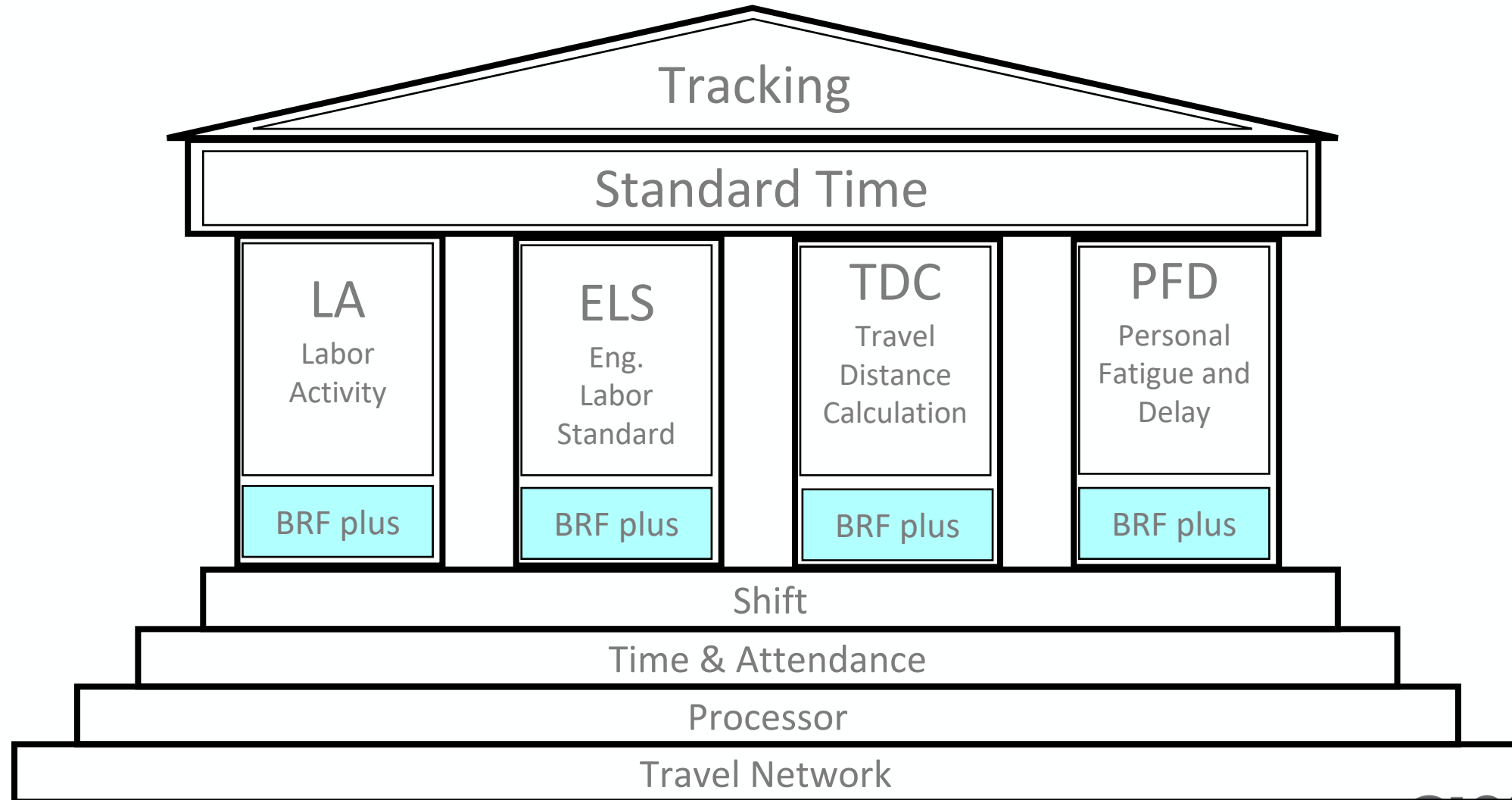
LM Implementation Program

Value Quantification
& Enablement

How to Do it

What to Do

Technology

People

Process

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Labor Management Components

Labor Management Process

Labor Management

- Shift Management
- Enhancement to Processor Data
- Travel Distance Calculation
- Time & Attendance
- Labor Standards
- Tracking and Monitoring
- Performance Evaluation

Business Benefits

- Fair evaluation of individuals
- Cover all warehouse activities
- Evaluation of teams and shifts
- Enhanced reporting
- Flexible definition of standards

Analyze / Change
Activate New Standards

Basic Data

Reporting

Tracking

Standard Time

Recent Advanced Labor Management Enhancements

Deep dives

BASIC DATA

- **Processor**
  - New attributes
  - Upload CSV
  - Maintenance in monitor
  - Groups & hierarchies

- **Shift**
  - Shift model & shift lead
  - Assign processors
  - Determine capacity
  - Shift sequence

- **Time & Attendance**
  - Receive & store
  - Maintain & view
  - Upload CSV

- **Travel Network**
  - Download/ upload
  - Plausibility checks
  - Evaluation

STANDARD TIME

- **Labor Activity Code**
  - New classification of labor
  - Grouping & evaluation
  - Flexible assignment

- **Engineered Labor Standards**
  - Based on Labor Activity code
  - Using BRF+
  - Business user

- **Travel Distance Calculation**
  - Horizontal & vertical moves
  - Curves
  - Loaded or empty travel

- **Personal Fatigue & Delay**
  - Experience
  - Fatigue
  - Delay caused by exceptions

- **Planned Workload**

TRACKING

- **Track Immediately** confirmed *(e.g. Packing activities)*

- **Track RF Receive HU**
  - From vendor
  - From production

- **Track Unplanned Activities**
  - RF
  - Voice

- **Indirect Work / Gap Times**
  - Using T&A data
  - Using shift data
  - Based on RF logoff

- **Decouple Tracking From Reporting**
  - Improve performance

REPORTING

- **Enhanced Executed Workload Reporting**
  - Processor attributes
  - Shift attributes
  - Labor activity code data

- **Completion of Workload Records**

- **Update / Re-Determine Missing Attributes**

- **Enhance BI Extraction**

ANALYZE/CHANGE/ACTIVATE

- **Employee Complains About Time Calculation**

- **Supervisor Analyze How Duration Was Calculated**

- **Change & Simulate**
  - Time and Motion Engineer changes (inactive)
  - Simulation of inactive rules
  - Activate the rule changes
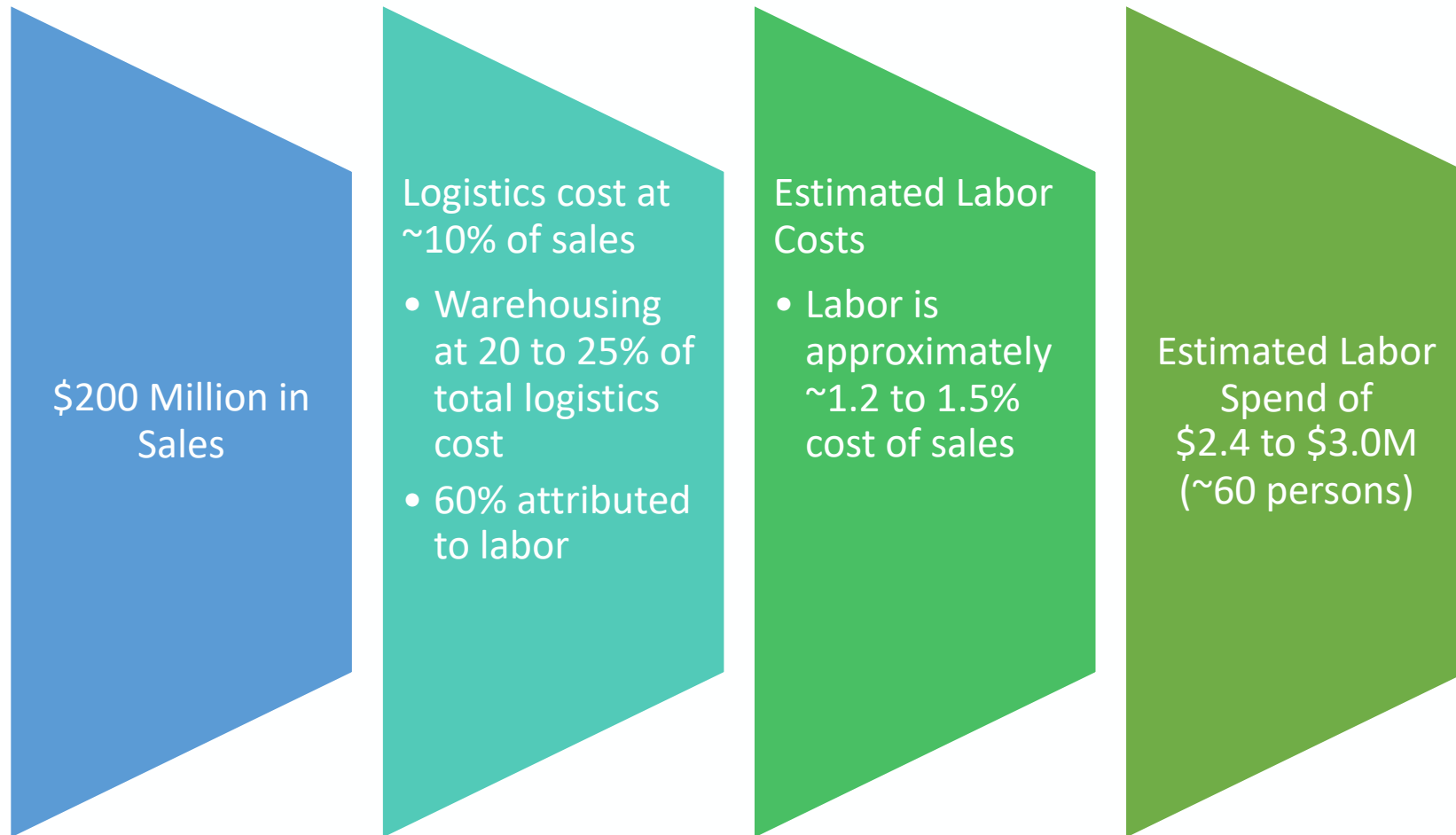 - Change historic records according to new rules

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Gartner, Inc. Commentary on LMS

- **"The use of LMS is heating up,"**- Dwight Klappich, Gartner, Inc.
  - "Where, in the past, a company needed 200+ employees or 'users' to justify the time, effort and cost of buying LMS, these systems are now capturing information [e.g., every time an employee 'does something'] and applying that logic in new ways. That's making LMS more applicable for a wider range of users."
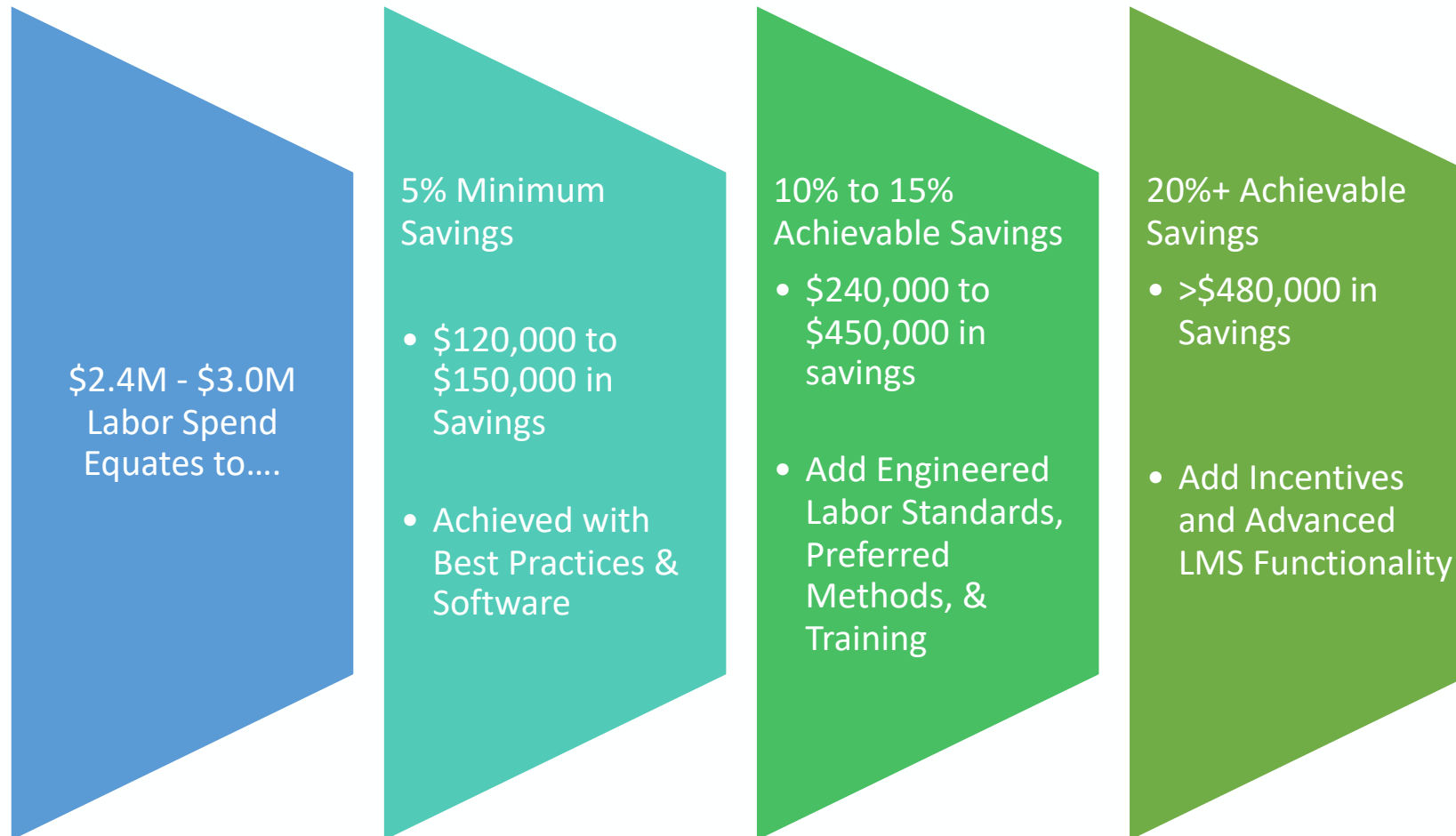
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Supply Chain Digest Commentary on LMS

- **"Labor Management simply delivers time and time again" –** Dan Gilmore, *Supply Chain Digest*
  - A combination of software, engineering, and mindset change, to improve logistics productivity, Labor Management Systems are typically built on discrete, engineered standards for specific tasks in a distribution center, plus detailed reporting at the individual operator level against the resulting dynamic goal time calculations for the day's work.
  - Very little pain and risk, with labor savings of **10 to 20%** or more, which are substantial and very consistent across companies."

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Where is the opportunity?

$200 Million in Sales

Logistics cost at ~10% of sales

- Warehousing at 20 to 25% of total logistics cost
- 60% attributed to labor

Estimated Labor Costs

- Labor is approximately ~1.2 to 1.5% cost of sales

Estimated Labor Spend of $2.4 to $3.0M (~60 persons)

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What are the savings?

$2.4M - $3.0M Labor Spend Equates to….

5% Minimum Savings

- $120,000 to $150,000 in Savings

- Achieved with Best Practices & Software

10% to 15% Achievable Savings

- $240,000 to $450,000 in savings

- Add Engineered Labor Standards, Preferred Methods, & Training

20%+ Achievable Savings

- >$480,000 in Savings

- Add Incentives and Advanced LMS Functionality

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Q&A

For questions after this session, contact us at:
Richard Kirker, Richard.Kirker@sap.com
and
Tom Stretar, tstretar@envistacorp.com

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Other sources reviewed

- Modern Materials Handling, Labor Management Navigates the Worker Shortage, Gary Forger, 11 February 2019

- Logistics Management, *LMS: Embarking on the Labor Management Journey*, Bridget McCrea, 7 June 2018

- 3PL Magazine, *LMS: Embarking on the Labor Management Journey*, Bridget McCrea, 31 January 2019

- Supply Chain 247, *Labor Management Systems Get "Smart"*, Bridget McCrea, 12 June 2017

- Logistics Management, *Supply Chain Technology: 7 Ways to Optimize an Existing WMS*, Bridget McCrea, 1 July 2015

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