The Hidden Value in EWM
Richard Kirker, SAP & Tom Stretar, enVista
Session ID # ASUG 82230
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
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.’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

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
Labor Management Components

- Standard Time
  - LA Labor Activity
  - ELS Eng. Labor Standard
  - TDC Travel Distance Calculation
  - PFD Personal Fatigue and Delay

- Shift
- Time & Attendance
- Processor
- Travel Network

- Tracking
Labor Management Process

**Business Benefits**
- Fair evaluation of individuals
- Cover all warehouse activities
- Evaluation of teams and shifts
- Enhanced reporting
- Flexible definition of standards
# 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
“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.”
“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.”
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)
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
Q&A

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


- 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
Take the Session Survey.

We want to hear from you! Be sure to complete the session evaluation on the SAPPHIRE NOW and ASUG Annual Conference mobile app.
Presentation Materials

Access the slides from 2019 ASUG Annual Conference here:
http://info.asug.com/2019-ac-slides
Let’s Be Social.

Stay connected. Share your SAP experiences anytime, anywhere.
Join the ASUG conversation on social media: @ASUG365 #ASUG