SampCo Distribution

Warehouse Certification Auditor’s Assessment Report

Findings Presentation
February 17, 2020
Rights and Confidentiality

• SampCo entered into a License Agreement with WERC concerning the Certification Program and use of the WERC® Certified Warehouse℠ certification mark. At this point, SampCo is considered a Licensee.

• The contents of this warehouse certification Auditor’s Assessment Report are confidential, and are not to be distributed by WERC to any party outside of the participant organizations. The Licensee facility has full right to distribute this report internally and externally for its own purposes.

• Neither the Auditor nor WERC shall make any public comments on the status of this report, or a particular warehouse facility, except to note whether the warehouse appears in the Certification Program Directory.
Agenda

- Stakeholders & Objectives
- Methodology
- Results
- Wrap Up & Next Steps
Stakeholders and Objectives
Stakeholders

• **Lead Auditor** – John B. Jones, Audit Firm Company
• **SampCo Lead Contact** – Robert Smith, VP Distribution

• **Key Functional Area Contacts**
  • Roger Edwards – Receiving Manager
  • George Weaver – Quality Assurance
  • Eduardo Sanchez – Stores Manager
  • Lisa Robertson – Picking Supervisor
  • Shawn Jenkins – Shipping Supervisor
Objectives

- Present the result of the process assessment and certification audit
- Review the assessment methodology and processes covered
  - Clarify any questions
- Review the detailed results of the qualitative assessment
  - A guide to understanding the detailed report
  - Discuss Auditor’s Notes
  - Clarify any questions
- Discuss options for building on the value of the certification process
Methodology
Overview of Approach

• Conduct a qualitative assessment of facility processes and procedures against the WERC Warehousing & Fulfillment Process & Best Practices Guide 2016 Edition

• Provide Certification scoring against minimum acceptable practices level benchmarks defined by industry subject matter experts

• Develop a gap analysis of current practices against established five point scale of industry practice levels
The WERC Warehousing & Fulfillment Processes & Best Practices Guide is used as the basis for all areas to be graded.

- The Guide rates 8 main warehouse Functions broken down by Process Area.
- There are a total of 119 Process Attributes available to grade.

### Process Assessment Framework

<table>
<thead>
<tr>
<th>Process Group</th>
<th>Poor Practice 1</th>
<th>Bad Practice 2</th>
<th>Common Practice 3</th>
<th>Good Practice 4</th>
<th>Best Practice 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dock/Yard Management</td>
<td>Warehouse personnel have little or no access to shipment data before arrival.</td>
<td>Shippers and carriers supply inbound shipment information on a limited basis.</td>
<td>Warehouse personnel can get information on inbound shipments on demand only.</td>
<td>Warehouse personnel receive data on inbound shipment information from shippers and carriers</td>
<td>Warehouse personnel and systems use inbound shipment status for planning operations in hourly segments</td>
</tr>
<tr>
<td></td>
<td>Little or no effort to get information about inbound deliveries.</td>
<td>Shippers and carriers may notify of pending deliveries, but times not scheduled.</td>
<td>Receiving appointments manually tendered, shippers given broad delivery window.</td>
<td>Manual scheduling of deliveries to maximize utilization of available labor and dock space, Shippers given a delivery time in hours and minutes</td>
<td>Dock appointments are made and systems are used to manage and monitor that appointments are kept</td>
</tr>
</tbody>
</table>

Sample

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Process Assessment Framework

- Using the 5 point Grading Scale’s attribute process level descriptions, the WERC team of Subject Matter Experts have developed a “Minimum Acceptable Score” for each of the 119 attributes.
- Certification is based on meeting at least the minimum acceptable value for all selected* attributes.

* Specific Attributes may be omitted if not applicable to the facility

<table>
<thead>
<tr>
<th>Dock/Yard Management</th>
<th>Process Group</th>
<th>Poor Practice 1</th>
<th>Bad Practice 2</th>
<th>Common Practice 3</th>
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</tbody>
</table>

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Methodology
We Ask a Lot of Questions...

- Utilizing the Guide and our Grading Tool, the Auditor interviewed team members from all appropriate functional departments/areas at SampCo:
  - Team members were interviewed in their work environment
  - Current practices and qualitative results were witnessed
  - Examples and data where available were examined
  - At the end of each interview session, the individual was asked what they would request if they could be granted up to three “wishes”
    - The only restriction was that the wishes be used to improve working conditions and efficiency
  - Upon completion of the interviews, the Auditor selected the appropriate descriptive comments and rated the practices according to the scale in the Guide
  - The Auditor inserted notes into the assessment tool outlining activities witnessed and areas which could be considered for improvement
Methodology
We Grade What We Saw and Heard...

• Processes outlined in the Guide are typical for all warehouse operations. Some industries may have requirements which are more stringent than others, but as previously mentioned the WERC Certification is developed around a common set of standards.

• Practices within each process are broken down into five levels as follows:

<table>
<thead>
<tr>
<th></th>
<th>Poor Practice</th>
<th>Bad Practice</th>
<th>Common Practice</th>
<th>Good Practice</th>
<th>Best Practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>These activities</td>
<td>These activities are considered to provide little value.</td>
<td>Practices commonly seen and used in the industry. While they provide added value, they typically leave room for improvement.</td>
<td>These are activities which provide added value and may be fully satisfactory for most businesses.</td>
<td>These activities have been seen to accompany high performing operations.</td>
<td>Should be avoided. They provide no value and may be detrimental to efficient, value based operations.</td>
</tr>
</tbody>
</table>
## Grading Example

<table>
<thead>
<tr>
<th>Poor Practice</th>
<th>Bad Practice</th>
<th>Common Practice</th>
<th>Good Practice</th>
<th>Best Practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Warehouse personnel have little or no access to shipment data before arrival</td>
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<td>Warehouse personnel and systems use inbound shipment status for planning operations in hourly segments</td>
</tr>
</tbody>
</table>

These are Auditor notes entered into the Excel tool and linked directly to the presentation eliminating redundant data entry.

<table>
<thead>
<tr>
<th>Audited Score</th>
<th>Minimum Acceptable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audited Score</td>
<td>Minimum Acceptable</td>
</tr>
<tr>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

**Auditor’s Notes Regarding this Functional Attribute Outlining How Work is Done and Possible Considerations for Process Improvement**

**Sample**
Grading Summary

Gap Analysis
The table below represents the WERC Standardized Grading Level for each section based on the grading scale of 1-5 for each attribute, summarized by Process Group.

<table>
<thead>
<tr>
<th>Process Group</th>
<th>Below Minimum</th>
<th>Needs Attention</th>
<th>Meets Standard</th>
<th>Good Practice</th>
<th>Best Practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receiving and Inspection</td>
<td>14.0</td>
<td>26.0</td>
<td>38.0</td>
<td>50.5</td>
<td>63.0</td>
</tr>
<tr>
<td>Material Handling &amp; Putaway</td>
<td>17.0</td>
<td>34.0</td>
<td>51.0</td>
<td>63.8</td>
<td>76.5</td>
</tr>
<tr>
<td>Slotting</td>
<td>9.0</td>
<td>18.0</td>
<td>27.0</td>
<td>33.8</td>
<td>40.5</td>
</tr>
<tr>
<td>Storage &amp; Inventory Control</td>
<td>16.0</td>
<td>31.0</td>
<td>46.0</td>
<td>59.0</td>
<td>72.0</td>
</tr>
<tr>
<td>Picking &amp; Packing</td>
<td>17.0</td>
<td>35.0</td>
<td>53.0</td>
<td>64.8</td>
<td>76.5</td>
</tr>
<tr>
<td>Load Consolidation &amp; Shipping</td>
<td>18.0</td>
<td>34.5</td>
<td>51.0</td>
<td>66.0</td>
<td>81.0</td>
</tr>
<tr>
<td>Shipping Documentation</td>
<td>10.0</td>
<td>20.0</td>
<td>30.0</td>
<td>37.5</td>
<td>45.0</td>
</tr>
<tr>
<td>Warehouse Management System</td>
<td>18.0</td>
<td>33.0</td>
<td>48.0</td>
<td>64.5</td>
<td>81.0</td>
</tr>
</tbody>
</table>

Comparable Base Scores Gap Analysis

- **Below Minimum** = number of process attributes measured x 1
- **Needs Attention** = midpoint between Below Minimum and Meets Standard
- **Meets Standard** = sum of SME Minimum Allowable for the section
- **Good Practice** = midpoint between Meets Standard and Best Practice
- **Best Practice** = number of process attributes measured x 5 X 90%
Focus Your Efforts!

Best-in-Class Companies Are Like Decathletes

Top ranking athletes compete across a set of events
• Accumulate the most points among all events
• Win some events, but not all
• Know their own strengths and weaknesses
• Know the strengths and weaknesses of competitors
• Focus training first on events that match their relative strengths & events which they feel they can or must win
• Spend remainder of training time and energy on the remaining events to assure they are minimally competitive in all events

Top ranking companies across their processes
• Beat competitors in most areas, perhaps not all
• Are not best-in-class in every performance category, but win in areas that match their strategies and priorities
• Know their own competencies, strengths, and weaknesses
• Likewise, know the same about their competitors
• Spend most of their resources in those areas in which they must excel (in accordance with competitive knowledge, customer and stakeholder requirements, and business strategies)
• Are minimally competitive in every performance category

Source: Performance Measurement Group

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Results
Process Assessment Results

The Auditor’s assessment has yielded a determination as follows:

To recognize that

Sample

has been evaluated for process excellence
and has met the qualifications
to be named a
WERC Certified Warehouse

Chief Executive Officer

Date

Warehousing Education and Research Council • 1100 Jorie Boulevard, Suite 170 • Oak Brook, Illinois 60523
The table below shows SampCo’s assessment findings summarized by key process group.

<table>
<thead>
<tr>
<th>Process Group</th>
<th>Poor Practice</th>
<th>Bad Practice</th>
<th>Common Practice</th>
<th>Good Practice</th>
<th>Best Practice</th>
<th>Total Grade</th>
<th>Minimum Allowable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receiving and Inspection</td>
<td>0</td>
<td>2</td>
<td>10</td>
<td>2</td>
<td>0</td>
<td>42</td>
<td>41</td>
</tr>
<tr>
<td>Material Handling &amp; Putaway</td>
<td>0</td>
<td>0</td>
<td>17</td>
<td>0</td>
<td>0</td>
<td>51</td>
<td>51</td>
</tr>
<tr>
<td>Slotting</td>
<td>0</td>
<td>0</td>
<td>9</td>
<td>0</td>
<td>0</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>Storage &amp; Inventory Control</td>
<td>0</td>
<td>1</td>
<td>15</td>
<td>0</td>
<td>0</td>
<td>47</td>
<td>46</td>
</tr>
<tr>
<td>Picking &amp; Packing</td>
<td>0</td>
<td>0</td>
<td>15</td>
<td>2</td>
<td>0</td>
<td>53</td>
<td>53</td>
</tr>
<tr>
<td>Load Consolidation &amp; Shipping</td>
<td>1</td>
<td>0</td>
<td>17</td>
<td>0</td>
<td>0</td>
<td>52</td>
<td>51</td>
</tr>
<tr>
<td>Shipping Documentation</td>
<td>0</td>
<td>0</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Warehouse Management System</td>
<td>0</td>
<td>0</td>
<td>18</td>
<td>0</td>
<td>0</td>
<td>54</td>
<td>48</td>
</tr>
<tr>
<td><strong>Assessment Summary</strong></td>
<td>1</td>
<td>3</td>
<td>111</td>
<td>4</td>
<td>0</td>
<td><strong>356</strong></td>
<td><strong>347</strong></td>
</tr>
</tbody>
</table>

Note that each of the eight process sections meets Minimum Allowable Aggregate Total grade guidelines, as does the Assessment Summary Total. However, the distribution of practices in the “Poor” to “Common” columns indicates that there is likely room for improvement. Further analysis of individual Attributes within each section is presented in [Appendix 1](#).
Process Assessment Summary

Gap Analysis

The table below shows the WERC Standardized Grading Scale for each section with SampCo’s grading levels highlighted. This shows where the assessed grade falls with relation to the standard grading scale.

<table>
<thead>
<tr>
<th>Process Group</th>
<th>Below Minimum</th>
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<td>81.0</td>
</tr>
</tbody>
</table>

- SampCo’s assessed scores are above the minimum value for all of the 8 areas assessed. However, there are several individual Attributes which contain improvement considerations as shown in the Auditor’s notes. Considerations should be reviewed as part of an on-going process improvement strategy.
- Experience has shown that improvements in even a single area can result in significant productivity and customer satisfaction gains across many functions.
Three Wishes Summary

• A part of our interview process is to ask the respondents what they would ask for if they had “3 Wishes”.

• We grouped the responses into categories as shown below. Details of responses are shown on the following slides.
Three Wishes Summary

Detail of the responses we received:

• Roles & Responsibilities
  • Break down the silos to assure that everyone sees the whole picture and acts as a unit
  • Cross educate departments on roles & resp to promote better communication & actions
• Cross Group (IBP - S&OP)
  • Eliminate physical and technology barriers between the different groups within affiliates
  • Resolve procedural conflicts between different organizations
• Facilities (Bldg, Rack, Yard)
  • Expand facility
  • More racking
• IT Systems (ERP, WMS, Etc.)
  • Adequate budget for productivity improvements in fulfillment hardware and software
  • One central location for all information on a given order, including shipping info
• Business (Customers)
  • Increase our business by making our service offering more cost competitive
  • Expand our marketplace geographically to serve new customers
Three Wishes Summary

- Working Conditions (EHS)
  - Make flex time and telecommuting available for associates to improve morale
  - Recognition and remuneration commensurate with responsibilities and achievement
- Communications
  - Improve communication within and across departments in EQL to avoid confusion & rework
  - Enhance our brand awareness and recognition in the community
- Other Not Classified
  - Improved collaborative forecasting with customers
  - Configure forecasting tools to do all necessary manipulations, and eliminate add-ons
- Suppliers (Product/Trans)
  - Work with sourcing and customer support to require the use of contracted suppliers
- Team Training
  - Better training of field personnel on internal systems to avoid kick-outs & rework
- Strategy & Vision
  - Clearly articulated corporate strategy with specific impacts on all departments
- Equipment (Mat’ Handling)
  - Make budget available for facility upgrades that have ROI
Wrap Up and Next Steps
Next Steps

• Having achieved certification, SampCo can now focus on reviewing areas where there may be opportunities to further improve its operations.

• WERC recommends that SampCo consider the high level gap shown on Slide 18, and the detailed audit scoring by Process Attribute in Appendix 1 to understand the areas where investments in process improvements may be justified by return on time and dollars.
Set Improvement Targets

- The Summary shows SampCo’s percentage scoring for each of the 8 Sections based on achieved vs. maximum attainable for selected Attributes.
- This can help to judge strong and weak areas for potential improvement projects and for comparison to other facilities.

<table>
<thead>
<tr>
<th>Attained %</th>
<th>Process Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>62.4%</td>
<td>Picking &amp; Packing</td>
</tr>
<tr>
<td>60.0%</td>
<td>Slotting</td>
</tr>
<tr>
<td>60.0%</td>
<td>Material Handling &amp; Putaway</td>
</tr>
<tr>
<td>60.0%</td>
<td>Warehouse Management System</td>
</tr>
<tr>
<td>60.0%</td>
<td>Shipping Documentation</td>
</tr>
<tr>
<td>57.8%</td>
<td>Load Consolidation &amp; Shipping</td>
</tr>
<tr>
<td>58.8%</td>
<td>Storage &amp; Inventory Control</td>
</tr>
<tr>
<td>60.0%</td>
<td>Receiving and Inspection</td>
</tr>
<tr>
<td>59.8%</td>
<td>Assessment Summary</td>
</tr>
</tbody>
</table>
Assessment Change 20XX-20XX

- Warehouse Management System: 60.0% Prior, 60.0% Current
- Shipping Documentation: 60.0% Prior, 60.0% Current
- Load Consolidation & Shipping: 57.8% Prior, 62.4% Current
- Picking & Packing: 57.8% Prior, 62.4% Current
- Storage & Inventory Control: 58.8% Prior, 62.4% Current
- Slotting: 60.0% Prior, 60.0% Current
- Material Handling & Putaway: 60.0% Prior, 60.0% Current
- Receiving and Inspection: 54.3% Prior, 60.0% Current

Sample
Plot Your Roadmap

- Create a chart like the one below to begin to roadmap your own process improvement goals.
- Directions for use of this roadmap tool are discussed in the Warehouse Manager’s Guide for Benchmarking.

<table>
<thead>
<tr>
<th>Process Group</th>
<th>Gap</th>
<th>Poor Practice 1</th>
<th>Bad Practice 2</th>
<th>Common Practice 3</th>
<th>Good Practice 4</th>
<th>Best Practice 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receiving and Inspection</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Material Handling &amp; Putaway</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Slotting</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Storage &amp; Inventory Control</td>
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<td>Warehouse Management System</td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Highest priorities highlighted in light red. Secondary priorities highlighted in light green.
Quantitative Benchmarking

• In addition to this *qualitative* assessment of warehousing processes, WERC believes that each facility should regularly benchmark its operations *quantitatively* against its own earlier metrics as well as any available industry or competitive benchmarks.

The benefits of doing regular benchmarking are:

• Provides insight into how a facility compares to others in its industry
• Provides a yardstick to measure performance improvement over time
• Helps guard against a possible degradation of operational efficiency
• May be necessary to comply with specific client requirements
• Can be useful for self promotion during sales opportunities

• Such on-going process improvement can be used to determine the level of excellence SampCo wants to perform at, and develop a list of “Improvement Initiatives” and a “Roadmap” showing how those improvements will be implemented.
Resources

- The current WERC Annual Study of DC Metrics is available on the WERC Website at https://werc.org/page/DCMeasures.

- Sources for education, publications and on-site guidance, as well as a Vendor Locator which can be used to identify consultants and product vendors which address warehouse processes to assist in the development and implementation of improvements are available to WERC members through the Quick Links dropdown on their member profile at www.werc.org

- Note that WERC is a research and education association and does not directly provide nor recommend specific warehousing products, technology or consulting services.
Re-Certification

• Finally, to maintain the WERC Certification a facility must be re-certified at least every three years.
• Re-certification for this facility is required by Month DD, 20YY.
• WERC will contact SampCo three months prior to the re-certification deadline to begin the process of scheduling an audit.
Appendix 1
Detailed Assessment Results

Sample
## General Notes

<table>
<thead>
<tr>
<th>Comments and Observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>None at this time.</td>
</tr>
</tbody>
</table>

Sample
## Receiving and Inspection

<table>
<thead>
<tr>
<th>R&amp;I-01 Inbound Visibility - Dock/Yard Management</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Poor Practice</strong></td>
</tr>
<tr>
<td>Warehouse personnel have little or no access to shipment data before arrival</td>
</tr>
</tbody>
</table>

**NOTE:** The scoring for each of the 119 processes will be listed in the actual report as demonstrated in this slide. This sample report only lists one of the processes for demonstration purposes.

These are Auditor notes entered into the Excel tool and linked directly to the presentation eliminating redundant data entry.

<table>
<thead>
<tr>
<th>Audited Score</th>
<th>Minimum Acceptable</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

Sample