



WERC Certification Awarded Starbucks and OHL Facilities

Starbucks Coffee Company with OHL have been recognized as WERC Certified Warehouses.

The designation from the Warehousing Education and Research Council, the professional association exclusively focused on warehouse management and its role in the supply chain, certifies a warehouse facility's capabilities and its ability to competently perform core warehousing functions.

To conduct the audit, for the WERC Warehouse Facility Certification Program, an independent third-party auditor inspected two Starbucks and three OHL-operated DCs and conducted a process assessment, while benchmarking and grading the warehouse operations against recognized industry best practice standards.

These standards are contained in WERC's *Warehousing & Fulfillment Process & Best Practices Guide* that outlines the five levels of warehouse process competencies (ranging from "poor" to "best practice") for 114 processes in eight core areas (receiving and inspection, material handling and putaway, slotting, storage and inventory control, warehouse management systems, shipping documentation, picking and packing, and load consolidation and shipping).

Starbucks & 3PL OHL Together: 5 Facilities Achieve Designation as WERC Certified Warehouses

In a unique and innovative initiative, Starbucks Coffee Company, with headquarters in Seattle, Washington, together with OHL, a major 3PL, based in Brentwood, Tennessee, jointly pursued a collaborative approach for the WERC Certification process. When the auditor completed his tasks at the two Starbucks and three OHL facilities, the evaluation data and commentary for all five facilities were compiled into a single report to be shared, reviewed and acted upon by both parties. In this manner, Starbucks personnel could review and compare how the OHL facilities were performing, while the OHL team also could study the Starbucks evaluation results.

"It was extremely valuable to audit all DC's to compare both the audit results and auditor comments," according to Gregory J. Javor, senior vice president, supply chain operations global logistics, Starbucks Coffee Company. "The multi-site audit feedback provided good information and no major surprises. Although OHL scored higher than our company-operated DC's, the difference was not significant," he shared.

Facilities under audit for certification

Starbucks began, in 1971, as a roaster and retailer of whole bean and ground coffee, tea and spices with a single store in Seattle's Pike Place Market. Today, it services over 60 million customers a week through nearly 17,651 retail stores in 60 countries. Starbucks offers a range of products, including coffee, handcrafted beverages, merchandise and fresh foods that customers enjoy in its stores, at home, and "on-the-go."

The Starbucks company-owned facilities under certification review included the **Carson Valley (Nevada) Distribution Center**, a 179,500 square foot facility containing 17,060 racked storage pallet positions, and six inbound dock doors, two international/manufacturing doors, and 15 outbound dock doors. Also, the **York (Pennsylvania) Distribution Center**, with 483,000 square feet of floor space in two buildings (3000 Building: 190,000 square feet, and 2900 Building: 293,000 square feet), with a capacity for more than 37,000 pallet positions (17,770 pallets on floor storage and 19,265 pallets in racked storage locations), and containing 32 dock doors (12 inbound dock doors, 3 international/manufacturing doors, and 20 outbound dock doors).

"We sought the certification to start the process of continuous improvement for our 68 facility global network, which also includes those operated by OHL," says Javor. "The certification process provided a standard set of benchmarking items that would fit our improvement journey. The audits confirmed our strengths and areas of opportunity." The objective, he relates, was to confirm Starbucks' starting point at each facility as well as where it ranked overall for each key area.

“The audit provided some great comparative insight and confirmed many positive aspects of our warehousing operations,” says Randall Coleman, senior vice president, CPG Logistics, OHL. “It essentially afforded OHL a means of independent verification of our facilities’ capabilities, as we saw the certification as a good way to benchmark against best-in-class.”

The certification process provided confirmation around the issues OHL was working to improve as part of its continuous improvement process. “This, for us, was another method of assuring our customers that we meet and exceed minimum industry warehousing standards in quality and operations,” maintains Coleman.

OHL is one of the world’s largest 3PLs providing integrated global supply chain management solutions, including transportation, warehousing, customs brokerage, freight forwarding and import and export consulting services. The company operates more than 130 value-added DCs in excess of 32-million square feet of flexible warehouse space and employs more than 7,000 associates.

Three facilities that OHL operates on behalf of Starbucks were audited by the WERC Certification team. One was the **Auburn (Washington) DC**, a 492,000 square foot facility containing more than 32,000 pallet positions (5,300-plus of two to four high floor storage, and over 26,725 of racked storage positions), with 46 dock doors (23 inbound and 23 outbound dock doors).

Also, the **Dallas (Texas) DC**, a 178,200 square foot facility with almost 12,400 pallet positions, all of which are rack storage has been certified. The facility includes 30 dock doors (4 inbound and 26 outbound).

The third facility OHL operates for Starbucks is the **Nashville/La Vergne (Tennessee) Distribution Center**, a 450,000 square foot facility containing 32,190 pallet positions (2,749 floor storage, 25,909 single deep rack storage and 3,532 double deep rack storage [pushback]), and including 63 dock doors (31 inbound and 32 outbound).

Both Starbucks and OHL assured that there was no special prior preparation made for the WERC audit. “We wanted to get an assessment of our facilities under standard operating processes and procedures which we were confident would measure up,” maintains Coleman. “And yet, if there were areas for improvement, we believed this process would provide us a good assessment of each.”

Similarly, Starbucks’ Javor shared, “As part of daily operations, each facility reviews all standard processes by job function and task instruction to ensure training and coaching with all associates. There was no formal preparation at any site prior to the WERC audit.” The intent, he said, “was to carry on normal operating practices and behaviors to get a fair assessment of the existing operations across the network.”

Key learnings and a renewed emphasis

The WERC auditor made a number of observations and recommendations to the Starbucks/OHL teams. Among those highlighted by Javor and Coleman:

Distill KPI’s and metrics down to the most important ones and measure consistently with high integrity. “We have 21 KPI’s we review weekly and guarantee the integrity of the metric is solid across each site,” explains Javor. “The

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weekly review is done at a high level, usually between an OHL representative and the on-site Starbucks logistics manager. But they are

also performed daily by our partners at the operating level at each business unit.”

As an example, he describes the assembly accuracy process, in which a representative pallet load is randomly selected and examined before the shrink-wrap stage and prior to loading into the trailer. The pallet load is broken down and inspected, item by item, to assure that everything that is to be on that order is actually there.

“We check to see whether the order was picked accurately and that the merchandise is in the proper condition to be received by the customer,” explains Javor. “One in fifteen orders go through the process on a random basis by every business unit every day.”

Revise cycle count to scan the location for better accountability. “The cycle count program was changed from a manual paper-based method to a system generated location list to be counted each day,” according to Javor. “This improved both tracking and accountability.”

“Adjusting the cycle count process so that it is system directed on an ‘ABC’ strategy with the highest volume SKUs counted more frequently and within the ‘ABC’ group set the choice of what to count randomly,” explains Coleman. “We have moved to counting all SKU’s once a month, and are now focusing on high mis-picked SKU’s more often. We also are looking at counting high value SKU’s more frequently.”

Build a path to continuous improvement and to collaborate across the network. One major takeaway was to continue implementing good practice transfer throughout the entire network. As Javor notes: Where we have a facility scoring low on a specific practice or area, we would expect the site’s logistics manager to seek out the facility where the score is the highest and to collaborate to adapt that revised practice.

“We call this collaboration ‘good practice transfer’ vs. best practice sharing,” he explains. “Good practice means it may not be optimal or best practice, but it’s good enough to implement now. Transfer vs. sharing is an important subtlety and a call to action,” Javor says. “Sharing means it’s ‘optional’ and that is not our intent. Our intent is to ‘transfer,’ meaning it’s mandatory.”

Another learning for continuous improvement was to adopt change and look at 5S, kaizen and other Lean concepts and methodologies to remove obstacles in the daily operations.

Consider rules-based slotting tools. OHL is looking into rules-based slotting tools that are tightly integrated with Starbucks’ WMS systems and allow the software to directly issue tasks to operators. “A Starbucks engineer has been working with each site on slotting improvements,” Coleman notes.

One of OHL’s projects is to begin collecting additional data on all SKU’s (size, weight, prep needs, and so forth). The next steps will look at the opportunity of utilizing slotting software to yield high efficiencies.

Closer collaboration on customer orders. “For picking and packing, we are developing a more collaborative relationship with Starbucks at the DC level for better visibility regarding customer orders so that we are both well aware of what may ship over the next five or so business days, and can therefore better plan,” says Coleman. “Starbucks is now sending out a weekly forecast two weeks in advance, and OHL is looking to improve inventory management, as we are providing Starbucks with additional data around managing their inventory days on hand (DOH).”

Further opportunities, longer term plans

The audit provided OHL some “great comparative insights” and confirmed many of the positive aspects of its warehousing operations. It also provided further confirmation around the issues the company was presently working on to improve as a part of its continuous improvement processes.

“We plan on continuing our own rigorous internal continuous improvement processes, which the WERC Certification confirmed for us is still the correct path to move along, in our efforts to constantly raise the bar in meeting the needs of customers,” shares Coleman. For instance, OHL is utilizing the KPI’s set forth in the WERC study as best-in-class, and are tracking additional KPI’s and looking at any levels that are falling below best-in-class.

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“The certification audit provides us with a solid and objective instrument to measure ourselves and consequently utilize for further growth and innovation,” declares Coleman.

Meanwhile, Javor declares Starbucks will continue to “drive through” discrete actions on the 21 metrics as well as “winning the hearts and minds of our DC partners (operators, associates) who do the work. “The human element will always be a core part of our improvement plan,” he asserts. “Our leaders must demonstrate a high degree of empathy for the operatives who receive, store, pick and ship our merchandise.”

As an example, he says, “We constantly review the bottlenecks our partners raise, analyze the data to determine the root cause, re-engineer the processes and develop an action plan for improvement while transferring the knowledge to other facilities.”

The WERC Certification audit emphasized the requirement to leverage a Tier 1 single WMS solution across the network. This is already in planning through an approved global capital project. Javor explains: “Our goals are to bring all the facilities on the same WMS and TMS IT platform, upgrade our material handling automation technology, and hire the very best people.”

Starbucks is implementing a baseline staffing program to ensure they will have experienced partners and only staff peak requirements with temporary labor. “We also must continually challenge the norm given our growth across many dimensions simultaneously—brands, channels, products, store concepts, and global geography,” Javor emphasizes.

He notes that the Starbucks supply chain is ranked in Gartner’s Top 25 for the second consecutive year. “It’s a lot easier when volume is increasing, however, when we are growing both through acquisition and existing growth, we are continually challenged with re-optimizing different aspects of the supply chain while first enabling the rapid growth,” Javor explains. “The WERC Certification audits afford us a great diagnostic tool to wring out efficiency gains and further leverage our growth.”

He continues, “We are using the WERC audits and certification process as part of our commitment to ensure we have world class goods flow capability that is viewed as a competitive advantage in terms of enabling growth and efficiency,” and concludes, “The WERC Certification process is a great investment for any company which is committed to functional excellence and continuous improvement.”

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The WERC Warehouse Certification Program has been developed by warehousing professionals, educators and consultants to advance the warehousing function by allowing companies the opportunity to assess the level of effectiveness and efficiency in their warehouse operations—and be recognized for meeting or exceeding minimum standardized benchmarks.

The Certification Program helps advance the state-of-the-art in the warehouse function by offering:

- ◆ An unbiased, professional review of warehousing practices compared to industry standards
- ◆ Help in identifying areas for improvement
- ◆ A strong base for continuous improvement plans
- ◆ Help in qualifying your offerings
- ◆ The opportunity to market as a “WERC Certified Warehouse”
- ◆ A chance to enhance the company brand visibility in the industry

Chad Pilbeam, an experienced and knowledgeable logistics professional and WERC member, can answer any questions you may have. Reach him at 630.320.5808 or cpilbeam@werc.org.