

Logistics Update

SEPTEMBER 2006

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Business disruption – don't let it become a disaster

Recent years have given us some great logistics innovations: just in time delivery, extended supply chains, minimal stock holdings, ERP systems, and more. Terrific, every one of them. But – notice something? – they all tend to

suspects: Fire, Flood and Outage. There are more subtle disrupters: things like, switching contractors, installing a new WMS, opening a new warehouse, industrial action, staff shortages. A disruption does not have to be a major incident.

potential impacts that threaten an organisation and provides a framework for building resilience with the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value creating activities."



It is anything that will affect your ability to continue to deliver or offer a service to customers.

And incidents tend not to affect just one part of a business – there are usually knock-on effects that spread like ... well ... wildfire.

Business failure is not an uncommon outcome: of every five businesses experiencing a serious disruption, two never reopen their doors. Of the remaining three, two close within two years.

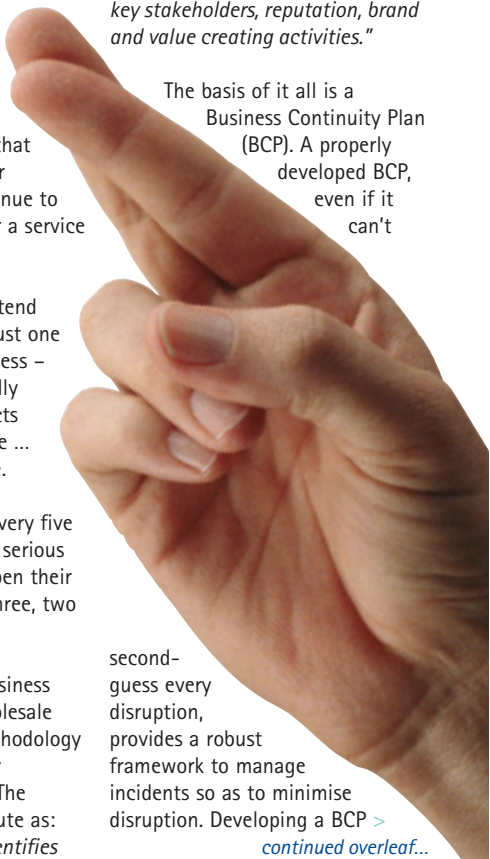
The point is to prevent business disruptions becoming wholesale disasters. The key is a methodology called Business Continuity Management, defined by The Business Continuity Institute as: "A holistic process that identifies

The basis of it all is a Business Continuity Plan (BCP). A properly developed BCP, even if it can't

concentrate activities and data into an irreducible minimum of locations and computer systems. So what happens when something goes wrong? Exactly! There is the potential for any damaging effects to be maximised.

To help clients prevent and counter these problems we have launched a modular Business Continuity Management service, available to you now. Business disruption doesn't just come from the usual

second-guess every disruption, provides a robust framework to manage incidents so as to minimise disruption. Developing a BCP > *continued overleaf...*



prompts you to think through the potential problems that could occur. It acts as the basis for appropriate development and training of key individuals. And it forms a dynamic prompt for

improved processes and behaviours that might prevent problems. Having a plan won't stop some incidents occurring but it will make you and your company better

prepared to cope in a crisis, and to minimise disruption to your business and customers.

There is clear evidence that proactive Business Continuity and Risk Management activity helps shield businesses from potential disaster.

The new Davies & Robson Business Continuity Management offering makes available to you a modular set of tools to help you make the right plans and take the right precautions.

Find out more: come along to one of our up-coming Davies & Robson Breakfast Seminars. To attend, simply tick the reply paid card and we will send you further information on venues and dates.

DID YOU KNOW?

- **Of five Businesses experiencing a Disaster or Extended Outage...**
 - Two never reopen their doors
 - Of the three that remain, two will close within two years (source: Gardner Group)
- **Dec 2005 – Buncefield Oil Depot** – 60 major Commercial buildings are being demolished, a further 150 suffered superficial damage, a month after the incident 75 businesses still displaced or unable to use premises
- **Quoted Facts & Figures**
 - 75% of companies fail within 2 years of a major incident
 - 75% of FTSE top 500 companies have reasonable plans
 - 75% of SME's do not have a plan
 - 75% of ALL plans are less than perfect

Helping Jet2.com increase its low-priced seat capacity

Jet2.com, the north of England-based low-cost airline, with main operating hubs out of Leeds/Bradford, Manchester, Belfast, Blackpool and Newcastle, continues to expand rapidly on holiday and business/city routes. In addition to its links to Belfast, Jet2.com now operates two other domestic routes: Manchester-Gatwick and Manchester-Edinburgh.

pricing models to increase aircraft utilisation. Now, Jet2.com is able to offer a greater number of lower priced seats – good news for Jet2.com and its passengers alike.

With around 25,000 flights on sale, efficient yield management is a major task, and Davies & Robson is

helping computerise this management process.

Jet2.com now operates to and from over 30 destinations and flies over 130 route pairs.

For full details of flights check out the website www.jet2.com



Rapid expansion has meant that larger aircraft are being introduced into the fleet, and Davies & Robson, which has worked with Jet2.com right from its inception, has assisted Jet2.com's Revenue Management Team, introducing

Helping our clients ensure Health & Safety compliance

The list of legislation, regulations and codes with which companies must comply grows at an ever faster rate. You need to be sure that you understand current requirements and have management systems in place to ensure that the business is compliant. It's a tall order. How can you keep up to date with the rule makers and cope with the ever increasing complexity of the guidelines? When it all goes wrong, claiming ignorance is never going to be an acceptable defence. And yet shortfalls can prove expensive and business-damaging.

Several clients have recently asked Davies & Robson to reassure them that they are complying with current Health & Safety requirements. In each case the trigger has been different: Carriage of Dangerous Goods; Working at Height; loading vehicles on sloping surfaces. In each case the client knew that a law existed, but did not know if it had responded adequately.

In many companies the Health & Safety Management System is viewed separately to the normal operational processes of the business. The same often applies to Environmental Management and Quality Management Systems.

But the fact is, these systems feature some similarities. They all work the same way. They all follow a 'Plan – Do – Check – Act' cycle, and each of the systems, by definition, must be focussed on your business. It makes sense,



therefore, to view the set holistically. Considered this way, it becomes clear that the systems should not be treated as add-ons. Rather, they must become a part of normal operational process; organised as one Business Management System, incorporating the varying requirements of the different legislators and enforcers.

For each of the clients that approached Davies & Robson, we conducted a one-day Operational Healthcheck – an assessment of the health of the operation, focussing in particular on the areas

of concern, and providing concise feedback and guidance to the clients.

Typically these Healthchecks are undertaken by two of our team, one an expert on compliance systems and the other focussed on the operational aspects. The aim is to provide real value for money, reassure the management team they are on track and to advise them on the best way of remaining on track.

Find out more about Davies & Robson's one-day Operational Healthchecks, contact Nick Weetman on 01327 349090

Order Picking – Tools for the Job

PART 1 – GROUND FLOOR PICKING

In the last issue of *Logistics Update*, we talked about the major efficiency improvements available by using different types of order picking systems. Equally important is to select the correct type of equipment to hold and access picking stock. Get it wrong, and you will not achieve satisfactory throughput levels. Get it right, and you will achieve optimum throughput with maximum efficiency.

An enormous range of equipment is available. Forthcoming articles will discuss the different types commonly available, and give a guide to their usual areas of application. We will be concentrating on break bulk picking, i.e. taking a limited amount of stock from a picking location.

Ground Floor Picking

Probably the most common form of order picking is from pallets at ground level on to pallets or roll pallets carried on a truck. This is used for high volume throughput as, for example, in groceries, and usually relates to full case picking, although break case picking also applies. A ground floor picking system is very flexible; seasonal variations become manageable simply by adjusting labour levels.

Aisle widths in picking areas need to be sufficient to allow two operators to pass. When picking from ground floor locations in pallet racking, this may dictate the aisle widths for the whole storage system rather than the minimum width for the truck type.

Generally, we do not recommend picking from ground floor locations in narrow aisles unless there are procedures in place to prevent trucks from entering aisles currently being used by pickers. The danger is that if a narrow-aisle truck is bearing down on a picker and the driver is not paying attention, there is nowhere for the picker to run.

Picking from Ground Floor Positions in Pallet Racking

You might think that it can't get simpler than this, but there are still a number of factors to consider.

Often, picking is done from the bottom two locations, the second level being a pallet or shelf for slow movers. The beam height for the second level is critical: if it is too low pickers can't get at the ground floor location; if it's too high they can't reach the stock.

For pallets resting on beams, make certain they are secure. Will they slip if the picker leans on them? If in doubt, consider boarding the locations or fit pallet support beams.

The Manual Handling of Loads legislation of 1992 must be considered when picking heavy items. For pickers to lift correctly from the back half of a pallet, they should be able to stand upright in the location. This means that, for these items, the pallet beams must be much higher, and second level picking from the ground is not possible (your racking supplier should always be consulted before

moving rack beams, especially the bottom beam in a bay).

For picking, the pallets should ideally be orientated with the short pallet face into the rack. This means that a picker has less distance to reach into the location, although this positioning is less favourable for storage density. Also note that, because of their construction, standard Euro pallets must always be orientated with the long face into the rack in standard pallet racking.

When designing the picking area it is essential to think about how replenishment will be achieved. Will it have to be done during the picking cycle? If so, how much congestion will be caused? Is there a potential health and safety problem? One alternative is to replenish before starting to pick, but this means that there will be more residual stock to move from the old pallet to the new pallet. This may also increase the risk of getting stock out of rotation, although the risk can be minimised by using random picking locations if your Warehouse Management System supports this, and the sequence of picking stock is not too critical.

Finally, a whole range of accessories can be purchased for your picking system, including shelves, shelf dividers, pull out pallet drawers, etc.

Free Standing Picking Areas

Where there are only a few product lines and overall store utilisation is not critical, it is sometimes more

effective to have a separate picking area laid out on the floor.

The advantage of this is that the bulk pallet store can be laid out to optimise storage, without compromising the picking operation. Also, the picking area tends to be a better environment to work in – with better lighting and less interference from heavy fork lift trucks.

If adopting this approach, make sure the floor positions are clearly marked out. It may also be necessary to erect some sort of structure to put the location labels on.



Flow through picking locations

This sort of solution is usually adopted for pick by line sorting areas.

Flow-through Picking Locations

Flow-through live storage systems can be installed in ground floor picking locations. The illustration shows pallet-live storage in the bottom level, with carton-live storage above. This solution offers a number of advantages:

- Picking is separated from replenishment

- It is easy to maintain stock rotation

- More time is allowed for replenishment

While the cost of flow-through storage is not prohibitive, it is a lot more expensive than conventional picking locations. It therefore tends to be used for faster moving products.

Another problem that must be thought through is that either the system or the warehouse staff must cope with replenishing to a different logical location than the picking location.

Trucks for Ground Floor Picking

Of course, if you are using roll pallets, you don't need trucks at all. Or do you? Roll pallets that are taken out of a warehouse invariably have "square" wheels making them slow

and awkward to push. It is usually better to use some form of truck to transport roll pallets around the pick face.

With all types of truck, it is essential that you have the correct fork configuration for the load. Your truck supplier will advise on this.

The humble hand pallet

truck is usually only used in low volume operations. Although infinitely better than trying to take a roll pallet around the pick face, they are still tiring to use for extended periods of time.

The advantage of hand pallet trucks is that they are cheap and require little training. This makes them ideal for use by temporary staff in seasonal peak periods.

Power Pallet Trucks make life a little easier for the pickers, but for optimum performance and speed Low Level Order Pickers should be used. These can also be supplied with step, or with an elevating platform to help the picker access second level locations.

Summary

A simple picking operation from ground floor location? There's no such thing. What at first may appear to be a simple operation can be quite complex, and must be designed with care to achieve maximum efficiency.

In the next issue of *Logistics Update*, we'll be looking at High Level Narrow Aisle Picking in all its forms.



Low level order picker

Opportunities in the Mail Market

Since 1st January 2006 the UK domestic mail market has been open to full competition ending Royal Mail's 350 year monopoly. Operators licensed by Postcomm, the UK Regulator, are now able to compete with Royal Mail in the letters market.

Royal Mail is still required to provide its Universal Service including the daily delivery to every address in the UK but since 1 January they have been joined by some 17 other companies who are now licensed to offer services. These include well known parcel and package companies as well as mailing houses.

At an early stage in preparation for the deregulated market Postcomm recognised that a barrier to new entrants would be their inability to replicate Royal Mail's final nationwide delivery network – the daily delivery by 'Postie' to every UK address.

In order to address this barrier Postcomm made it a stipulation of Royal Mail's licence that it is required to offer on a fair and commercial basis so called 'Downstream Access' to new entrants.

Under these arrangements new entrants are able to collect mail from their customers, trunk it in bulk across the UK and then deliver pre-sorted in bulk to Royal Mail's Inward Sorting Centres.

Royal Mail then handles the final delivery to the addressee whether

this is a business address in a city centre or a private address in a remote area.

The new entrants bill their sending clients a cost from collection to final delivery and frequently this

works out at a lower rate than that which Royal Mail might have previously applied.

Although many of the new entrants have opted to establish their operation to provide collection



of mail pre-sorted by senders on the back of Downstream Access and final delivery by Royal Mail this is not the only model. Some entrants are offering collection of unsorted mail establishing their own sorting centres while others offer final delivery themselves albeit normally only to large business addresses, for example in the City of London. Without doubt this is the biggest change in national mail services since their establishment.

Davies & Robson felt it was important to fully understand the new services and opportunities available and the previous edition of Logistics Update mailed in March 2006 was despatched and brought to you through the services of a new entrant, Target Post, and their Downstream Access agreement with Royal Mail. Our experience shows no loss of delivery time and important cost savings by combining the strengths

of a new entrant and Royal Mail in a single seamless operation.

A further development that cannot fail to have been missed is the introduction by Royal Mail of Pricing in Proportion (PIP). Replacing the former weight based charging Royal Mail charges are now based on the weight of the item as well as its size. For ordinary mail there are now three sizes:

- LETTERS – small and medium envelopes up to A5 size, maximum 100g
- LARGE LETTERS – most large envelopes up to A4 size
- PACKETS – anything else

Only the letter category attracts the previous charge. The general effect is to raise prices for relatively light but large or unusually shaped items and lower prices for relatively heavy items.

The category most affected and incurring significantly higher mail costs are letters containing unfolded A4 papers, brochures and the like, for example *Logistics Update*. As a result of the introduction of PIP Davies & Robson has changed with effect from this edition to bring you *Logistics Update* in a fresh, handy and convenient new A5 size – our version of moving from Broadsheet to Tabloid.

We encourage all readers of *Logistics Update* to look closely at their mail arrangements following the market liberalisation and introduction of PIP as major opportunities may exist. Davies & Robson's first hand experience is always available to support you in any review.

Ensuring that supply chain outsourcing delivers

The trend to outsource all or part of the supply chain continues and shows no sign of easing. The NHS is just one more organisation in a long line that has announced the decision to outsource its supply chain operations.

For many organisations, outsourcing brings considerable benefits.

are terminated early, but most do continue to contract completion, at which time the contractor is replaced or the operation taken back in-house. Interestingly, no contractor appears to be immune from customer dissatisfaction, all appear to have their fair share of disaffected customers or go through periods of service problems.

Some organisations have the resources to provide effective Contractor Management in-house, for many, the required level of specialist expertise is not available.

For these, Davies & Robson has developed its Contractor Management suite of services. The suite includes the following:



Where it works well, costs are reduced and service levels improved, however all too frequently the results of outsourcing are disappointing. Some outsourcing relationships falter soon after an operation goes live. In others, disappointment builds over time, when contractual promises prove elusive. In the worst cases, contracts

Given the potential upside of outsourcing, how can companies avoid the potential downside? The answer lies in effective and professional Contractor Management. This can ensure that an appropriate contractor is appointed, the correct operational solution implemented, costs adequately managed and service expectations achieved.

- A comprehensive database of UK and European contractors and details of the services they provide
- Management of the tender process from the preparation of pre tender documents, invitation to tender documents, through to tender evaluation

- Contract preparation and assistance with negotiation
- Development of KPI's, reporting requirements and systems to assist in checking contractor invoices or support self billing
- Contractor Management to provide ongoing monitoring of service standards, operating costs and operational changes
- Annual price review to reflect justifiable increases in operating

costs or resulting from a change in the distribution profile

- Regular benchmarking of service standards and activity costs

The suite provides companies with comprehensive support to ensure their logistics operation contributes to their ongoing competitiveness, now and in the future. Successful logistics outsourcing is not a matter of chance. Like other critical aspects of the business it must be effectively managed to

ensure satisfactory performance.

Companies that have taken advantage of Davies & Robson's Contract Management services include Eat Café, The Highways Agency, Sara Lee, Macphie, Roche Pharmaceuticals and Rectella.

Find out more about Davies & Robson's Contractor Management suite of services, contact Brian Templar on 01327 349090

ISO14001:2004 –

AN ENVIRONMENTAL CREDENTIAL THAT HELPS WIN BUSINESS

A defined environmental policy is an increasingly must-have requirement for businesses in all sectors – a distinct sales advantage – and ISO14001 can assist organisations to identify, prioritise and manage their environmental risks as part of their normal business processes.

ISO14001 has been achieved by more than 36,000 organisations, large and small, in all industry sectors in over 90 countries. The standard was revised in 2004, and the revisions recently implemented in 2006, to create ISO14001:2004. Organisations with the former 14001 were given 18 months to revise their systems and be assessed to the new standard.

The standard requires a commitment to the prevention of pollution, reduction of waste and continual improvement. There are synergies with the Quality Management Standard, ISO9001:2000 and it

is possible to implement both standards at the same time.

The proven benefits of implementing an ISO14001:2004 programme include:

- A DEFINED ABILITY to meet compliance with the latest environmental regulations, such as the WEEE Directive
- AN AWARENESS of the use of energy that, if properly managed, can produce an increase in efficiency and, therefore, a reduction of costs
- A REDUCTION in waste by identifying recyclable waste streams that can produce additional revenue and at the same time reduce landfill costs

Many businesses require their suppliers to commit themselves to an environmental programme compliant with ISO14001:2004.

It is, therefore, an additional route to market.

ISO14001:2004 is not difficult to achieve, but it requires top level management commitment and direction. It normally takes about six months to achieve because the assessment body will need to see compliance with the standard, including an Environmental Policy and evidence that the system has been audited.

Remember, ISO14001:2004 increasingly represents a must-have qualification for additional business. Why not let Davies & Robson help you design and implement an Environmental Policy tailored to your specific business needs and take you through the accreditation process?

Find out more about ISO 14001:2004 – contact Gideon Hillman on 01327 349090

D&R provide added support to Playtex warehouse upgrade

DBApparel (DBA) is the name behind some of the most famous brands in ladies intimates that, in the UK, includes Playtex, Gossard and Wonderbra.

In 2005, the Company undertook a major strategic review of its future supply chain requirements to take account of changes in the market. From what was once a largely domestic operation, product is now sourced from literally all over the World placing new demands on the supply chain.

The review concluded that the Playtex warehouse at Port Glasgow in Scotland should remain but in order to cope with increased demand it should be significantly upgraded.

DBA invited Davies & Robson to assist in evaluating whether to keep the operation in house or to outsource to a specialist third party contractor.

This included reviewing the proposed operational solution and resource levels. Following the review the Board decided to retain ownership of the warehouse but to contract the upgrading of the warehouse, which included the installation of a new mezzanine floor, handling equipment, WMS and the running of the operation to specialist operator TNT Fashion Logistics.

In order to ensure the commercial agreement and charging mechanism met DBA's requirements,

Davies & Robson worked closely with both parties in the drafting of an Agreement that closely met the needs of DBA whilst providing a fair financial return to the Contractor.

Following the upgrading of the warehouse the contract went live on the 7th August 2006.

With regards the support provided by Davies & Robson, Alister Meek, DBA UK Logistics Director said *"The Davies & Robson team were able to help us and our contractor develop a sound commercial agreement that will be the basis*

for our ongoing win-win partnership. It was difficult and complex but Davies & Robson used their experience and skill to help lead us through the process".



West Cowick Wins Highways Agency Award

Congratulations to Gary Silman of West Cowick Regional Maintenance Depot for winning the 2006 Excellence Award for Stock Management sponsored by Davies & Robson.

The award was in recognition of the high standards achieved in the physical management of stock, the accuracy of stock records and the timeliness of management reports.

Gary particularly impressed Brian Oliver of The Highways Agency and his fellow judges with an enthusiasm for implementing the necessary changes despite working in a facility that is far from ideal.



Gary Silman & Brian Oliver

This is the first time the award has been made for what is planned as an annual event aimed at recognising personal achievement in raising

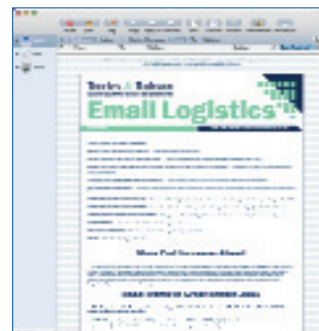
standards across The Highways Agency maintenance network.

The award was presented at a national meeting of the Technology Maintainers, in Stafford.

Davies & Robson has been working closely with The Highways Agency to improve supply chain operations with regards the supply of parts and equipment for maintenance and projects. To date, this has involved outsourcing the National Distribution Centre, implementing revised procedures and photographing and cataloguing over 5000 parts (SKU's) used across the network.

Latest industry news and figures right to your desktop!

In addition to bringing you Logistics Update on a quarterly basis Davies & Robson now produces E-Mail Logistics each month. This provides topical information on items affecting the logistics sector as well providing a number of the latest



industry indicators impacting on costs and activity.

E-Mail Logistics is free of charge and subscribing couldn't be simpler. Just mark the enclosed reply paid card accordingly, add your email address and return the card.

If you prefer, you can subscribe online via our website at www.daviesrobson.co.uk.

We will then add you to the distribution list for future editions which will be delivered direct to your mailbox.

NEW LOOK WEBSITE!

We are also pleased to announce



the launch of our new look website at www.daviesrobson.co.uk. It features details of all our services as well as comprehensive case histories. You can also download the latest and past copies of Logistics Update.

Euro Car Parts gets warehouse ready for its extended product range

Success brings with it its own challenges – a fact with which Euro Car Parts is familiar. The company, now the largest independent supplier of car parts in the UK aftermarket, has grown from humble beginnings in North London 25 years ago to an annual turnover of more than £90 million, with a workforce of nearly 1,000 people.



As its name suggests, Euro Car Parts has specialised in supplying parts for cars manufactured in Europe. This year, however, the company launched an extended product range to supply parts for all makes of car. So, in addition to managing its phenomenal organic growth, the company has had to accommodate stockholding increases to a total of more than 50,000 individual items, OEM and alternative suppliers.

Euro Car Part's main distribution centre in Wembley has been the backbone of the company's supply chain for several years. From here, orders are despatched daily to each of Euro Car Parts 40 branches around the UK on a 24 hour lead time.

With the launch of the 'All Makes' product range, the company recognised the need to review its warehouse layout so that the new product range could be incorporated with maximum efficient use of space and labour. They turned to Davies & Robson for support.

Davies & Robson's consultants analysed one year's data to develop distribution profiles of the products. They then determined the most effective storage systems and picking methodology for each group, thus allowing Euro Car Parts to incorporate the range within the current warehouse and improve picking productivity.

Euro Car Parts will continue to regularly review profiles to maintain an optimum balance between space and labour efficiency, using the techniques that Davies & Robson has shown the management team.

Davies & Robson

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