



shade of paint, the customer expectations are climbing ever higher.

**SPEED**

It's not just a question of having product available – it must be available NOW. With the growth in global supply chains, that greed for speed can make for some complex stockholding and picking challenges. A key 2007 challenge is to make sure items are available on demand, without big inventory.

**COST**

The final one in the challenge trio is, inevitably, cost. The pressures are intense. How can you best organise your operations? For instance, are they better in-house or outsourced? And how can you avoid waste in any part of the supply chain including inventory costs?

The entire trend of the commercial world means that logistics and supply chain skills and capabilities have never been more in demand, more in evidence. But, as we go into 2007, neither have the expectations, and consequent pressures on efficiencies, been more in evidence.

At Davies & Robson, we understand these issues and we're here to help should you need it. On behalf of the entire Davies & Robson team, we wish you a most successful and prosperous new year.

*Brian Templar*

logistics (and is there any other kind?) has to live with the consequences and challenges of these realities each and every day.

Technological innovation, as never before, is driving the big three concerns for our sector in 2007; product or service availability, speed and cost. In brief, here's why:

**AVAILABILITY**

The new technology-enabled capabilities are fuelling ever higher customer expectations. As we all know, supermarket customers absolutely expect to find what they want on the shelves, or they go elsewhere. Clothes customers demand unprecedented choice and availability (in women's fashion, the average customer visits a store three times per annum but, by developing a fantastic distribution system to get 10,000 new designs to its stores each year, fashion chain Zara has upped the average number of customer visits to 17!), and, from the right CD to the exact

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**Davies & Robson Launches Interim Management Service**



In response to increasing client demand, Davies & Robson has launched an Interim Management Service. More and more companies are

recognising the advantages of interim management as a solution to a number of challenges: to provide extra resource during periods of change, for example, or to bring in experienced management personnel during peak activity periods or when there are resource shortages, or to provide specialist skills for a limited period of time.

The need for an Interim Manager typically arises at short notice, and in 75% of cases the sourcing is

undertaken by operational management rather than via traditional HR processes. The challenge, therefore, is to find a quality, reliable resource, at short notice. Davies & Robson is used to receiving calls from clients asking for help in sourcing these elusive people.

John Cashmore manages this new service. A recent addition to the Davies & Robson team, he is an experienced supply chain recruiter who has sourced logistics and supply chain personnel for a number of the UK's leading retailers, hospitality and transport companies.

Interim Management is an important addition to Davies & Robson's range of services. Though different from consultancy, it is complementary. Working in-house for a defined short period, an Interim Manager is an integral part of the management

team, aligned to the business objectives, and yet without the baggage of politics or long-term positioning. An Interim Manager is therefore well placed and adept at delivering quickly, from a standing start.

As John Cashmore puts it: "An interim management offering is a natural addition to Davies & Robson's current consultancy services. This is an area of increasing demand and I am looking forward to delivering and developing a first rate service for Davies & Robson clients. With the current focus of businesses on all areas of indirect spend, supply chain being a significant part of this, Interim Management uses high calibre individuals in this sector and has the potential to deliver impressive returns on investment for Davies & Robson clients".

**Wishing you a prosperous 2007**

Here we are at the start of 2007, and it's a sure bet that the Christmas just gone was the biggest money-go-round yet in terms of the mix of purchases made online and in shops. With hindsight it's easy to see that a

communications revolution with global online connectivity at its leading edge was going to profoundly change the way our sector works.

Recent stats show that more than

half of UK households are broadband-connected and, of course, online connectivity is now the nervous system of every corporate entity. Any company involved in supply chain and

*Continued on back page...*

# New computer system streamlines GAC Benair's operations

GAC Benair is the UK's leading supplier of tropical and ornamental fish, importing from the Far East, South America, Africa, India, North America and Israel. Fish are ordered and shipped to customers weekly.

fish prices or packing quantities, and applying charges – such as freight costs, airport clearance or MAFF fees – before inputting the details into a freight management system.

including all extra charges) for all fish, and the system produces individually tailored prices for customers based on supplier price, freight charges and current exchange rate.

Although the business is profitable, several of the company's operations were extremely labour intensive:

Davies Et Robson was commissioned to develop a computer system to reduce the administrative burden, improve customer service and allow the capacity to increase margins on fish prices.

The consolidated order for each supplier is sent out as an Excel file and received back with the delivery details completed. This spreadsheet is loaded directly on to the system and provides instant confirmation of supplied quantities, pricing changes and substituted fish.

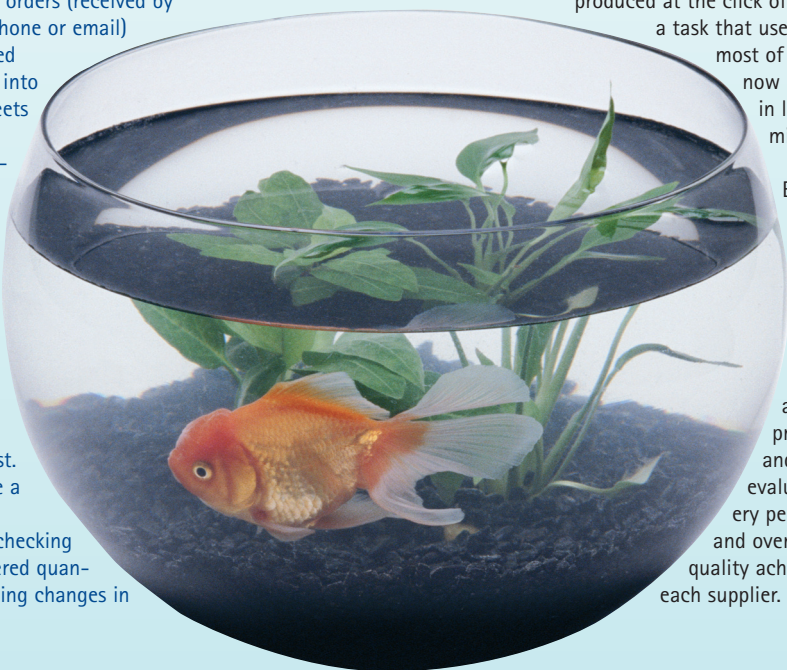
The newly developed system automatically produces load availability details from suppliers' spreadsheets. Benair now quotes landed prices (i.e. a final price

However, by far the biggest time saving has been achieved in invoicing. Invoices are now produced at the click of a button – a task that used to take most of the day is now completed in less than a minute!

■ Supplier availability was notified in a number of disparate spreadsheet formats that required formatting, sterling conversion, and application of mark ups or discounts before they could be sent to customers.

■ Customer orders (received by fax, telephone or email) all required inputting into spreadsheets prior to consolidation by supplier.

■ Each supplier's delivery confirmation was supplied as a printed list. To invoice a customer required checking the delivered quantities, noting changes in



Benair is now seeing other benefits, too: the ability to analyse customer and supplier profitability; and to evaluate delivery performance and overall fish quality achieved by each supplier.

# Helping ensure optimal set-up for HiB's new, developer-build warehouse

HiB is a leading supplier of mirrors, cabinets, lighting, extract systems and furniture to UK bathroom retailers. The company's innovative designs and high quality products have fuelled strong growth, so that HiB is now a market leader in its sector. One result of the company's success is that it has outgrown its main distribution centre at Tamworth in the Midlands.

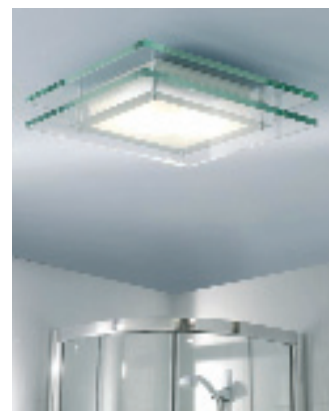
HiB is now in the final stages of negotiation for a new 3,716 square metre (40,000 sq. ft.) warehouse at Birch Coppice, near Tamworth, adjacent to Junction 10 of the M42. The building is being financed and erected by a developer, and will be leased by HiB on a full maintaining lease agreement.

With any new "developer build", the standard specification excludes



To arrive at the best design for the new facility, including warehouse and office layouts that take full account of workflows, Davies Et Robson experts liaised closely with HiB's warehouse operational staff to ensure their views and requirements are catered for, while at the same time introducing and agreeing new concepts to improve efficiency and space utilisation.

many items required to make the building operational. Tenant's fit-out items such as warehouse lighting and heating, telephone installations, network cabling, building signs, and so on, need to be carefully planned, from the outset, if the building is to be operationally efficient.



Davies Et Robson is supporting HiB at all stages of the process, right from the initial negotiations with the developer and agents. As a result, we have been able to influence the standard developer's specification to include items that will improve the functionality of the building and reduce ongoing maintenance costs.

Mr Robert Ginsberg, HiB's Operations Director said: "Davies Et Robson has been a valuable addition to our professional team, and their support and advice throughout this stage of the project has enabled us to proceed with the confidence that we will get a building precisely suited to our requirements."

# Order Picking – Tools for the Job

## PART 2 – HIGH LEVEL ORDER PICKING

In the last issue of *Logistics Update*, we talked about the techniques and equipment used for ground floor order picking. In this issue we carry on with the theme, looking at how order picking systems and equipment can be used to utilise the building height.

There are three basic approaches to using the building height:

- Elevate the operator to the goods
- Install mezzanine floors
- Bring the goods down to the picker

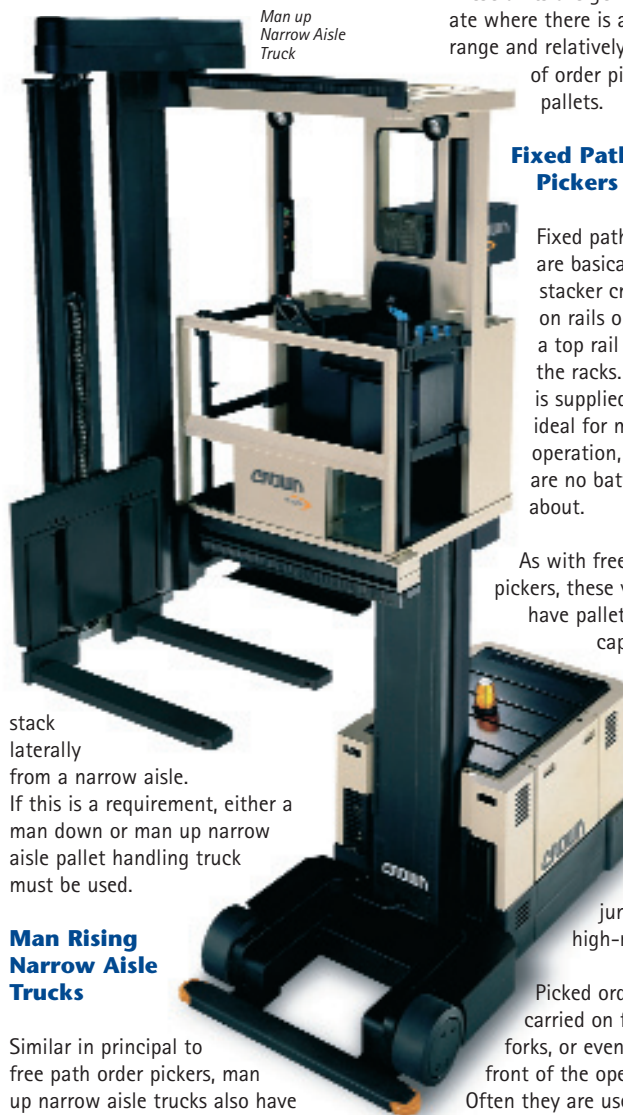
Elevating the operator to the level of the goods usually involves using a piece of mobile handling equipment – a truck or a crane. To enable the operator to work on both sides of the aisle at once, these usually operate in narrow aisles, just a few centimetres wider than the vehicle itself. Four different types of vehicle are available:

### Free Path Order Pickers

Free path order pickers run on the floor. The floor needs, therefore, to be level and of good quality, especially where high-level working is included. The trucks are guided when in the aisle, using wire guidance or guide rails. Picking heights up to around 10m can be achieved, with picking from high-rise shelving or pallet racking.

The vehicles usually have forward facing forks to carry the load, which may have an independent lift to make it easier to stack. Other variants have a cage around the load area so that the operator can walk out onto the load platform. This option is most frequently used for picking large bulky items, including furniture.

Picking rates achieved with this type of vehicle are not usually very high, compared to ground floor picking, because of the relatively low travel and lift speeds. They are usually used, therefore, for accessing large product ranges with relatively low demand. These vehicles are only order pickers, and do not



Man up Narrow Aisle Truck

### Fixed Path Order Pickers

Fixed path order pickers are basically lightweight stacker cranes. They run on rails on the floor and a top rail supported by the racks. Mains power is supplied via bus bars – ideal for multi-shift operation, because there are no batteries to worry about.

As with free path order pickers, these vehicles do not have pallet-stacking capability and, because the rails prevent other vehicles from accessing the aisle, they are almost invariably used in conjunction with high-rise shelving.

Picked orders may be carried on forward facing forks, or even just a tray in front of the operator platform. Often they are used with one crane per aisle, although it is possible to transfer them from one aisle to the next, using a railway type points system or a transfer car.

Order picking can be carried out up to 12m high.

These units are generally appropriate where there is a large product range and relatively small amount of order picking from pallets.

In theory, they can be designed to operate up to over 30m high, although it is more common to see them operating at much lower heights. The biggest advantage that they offer in comparison to free path order pickers is speed.

Typical applications are where picking is done on a continual basis from a large product range of small parts, such as a motor spares warehouse.

### Manned Crane Systems

The big brother to the fixed path order picker, the manned crane has all the same features plus the ability to handle pallets.

As a consequence of their pallet handling capability, they are larger and heavier. Top speeds are comparable, but acceleration and deceleration times are longer.

### MEZZANINES



Rack Supported Mezzanine

The real advantage of mezzanine floors, compared to "man up" picking solutions, is that the throughput can be flexed to meet seasonal variations, simply by manning up. Indeed, the only limit on throughput is when picker congestion starts to occur. For this reason mezzanines tend to be used for high activity picking operations from a wide product range.

The disadvantage is that an order may require parts from different floors. To avoid pickers having to go up and down stairs all day carrying part-picked orders, conveyor systems are often installed (see *Logistics Update* – Spring 2006), either using zone picking or "pass the parcel" picking.

There are three types of mezzanine:

**Structural Mezzanines** – built as part of the building structure using concrete. These are expensive, but have the advantage that building columns are minimal.

**Conventional Mezzanines** – usually constructed with a steel frame supporting wooden floors. Be aware that the loads imposed by the support columns may exceed the design capacity of the floor, especially if installing a multi-level mezzanine.

**Rack Supported Mezzanines** – these are designed so that the floors are supported by the racking or shelving system. Overall cost tends to be slightly lower than a conventional mezzanine, and as the load is spread over more columns, floor loadings are lower.

With any type of mezzanine, fire protection and means of escape must be allowed for. Generally, escape stairwells have to be enclosed with firewalls. Also consider lighting, alarm systems, sprinkler installations, emergency lighting, and so on.

### GOODS TO PICKER SYSTEMS

Goods-to-picker systems are those where, as the name suggests, the

*Continued overleaf...*

Free Path Order Picker

stack laterally from a narrow aisle. If this is a requirement, either a man down or man up narrow aisle pallet handling truck must be used.

### Man Rising Narrow Aisle Trucks

Similar in principal to free path order pickers, man up narrow aisle trucks also have the ability to stack pallets laterally. To carry these high lateral loads, they have to be larger and heavier, and are much more expensive than free path order pickers.

goods are brought to a picker in a fixed picking station.

In its simplest form, pallets may be brought down from the bulk storage areas to an area on the floor, where the amount of stock required is picked. Part-emptied pallets are then returned to the storage area. This may sound inefficient, but for low volume picking operations where bulky items have to be picked, it may be the best solution, especially where the individual items to be picked are too heavy for picking manually, and equipment is required to assist manual handling.

In addition, a wide range of specialist systems and equipment are available, providing fixed picking faces that are fed automatically, or semi-automatically. The two most common types are Carousels and Mini-Storage & Retrieval Systems.

**CAROUELS AND SHUTTLES**

The operating principal of the vertical carousel is shown in the diagram. Generally, the stock is held on shelves inside the machine, which are rotated round to the picking window. Alternatively, in a shuttle, the stock may be held on

shelves that are brought down to the picking window using a carrier system.

With either type, the appearance and characteristics are similar; a tall, enclosed box with high-density storage of stock, with the goods required being delivered to a picking window.

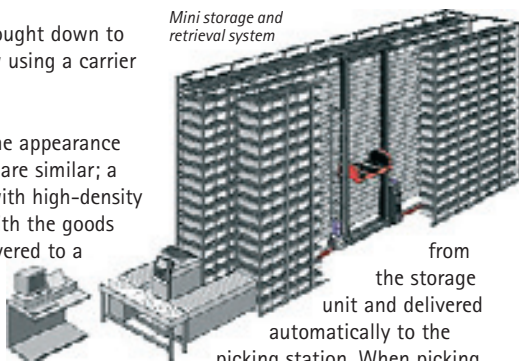
Indexing the shelf to the pick window may be controlled by the operator, using a keypad to select the shelf required, or the equipment may be linked directly to the warehouse management system so that indexing is automatic. In the latter case, pick by light systems can be used to indicate the quantity required. Often a single operator may work several machines, picking from one while the others are indexing.

Carousels and shuttles provide high-density storage, and can provide very fast pick rates given the right type of stock. They are generally used for storage and picking of small items (e.g. fasteners), with infrequent demand. The picking window can be fitted with a lockable door, making this type of equipment suitable for storage of high value items. The case may also be insulated and refrigeration equipment installed for storage of small temperature controlled items (e.g. drugs and cultures).

**MINI-STORAGE AND RETRIEVAL SYSTEMS**

These systems comprise of shelving with stock held in tote boxes that are stored and retrieved automatically using a miniature crane or carrier system. When required for picking, tote boxes are retrieved

Mini storage and retrieval system



from the storage unit and delivered automatically to the picking station. When picking is complete, the tote boxes are automatically moved back into storage.

There may be several aisles, so that the picker is constantly fed with work. Picking stations are often fitted with pick by light systems to display the quantity required. Careful design of the system, and the selection of products, is required to ensure that the equipment can keep pace with demand at the busiest periods. These systems are usually used where there is a wide product range of small, slow moving products.

**SUMMARY**

There are many ways to order pick, while making full use of the available building height. Selecting the right solution depends largely on the stock and throughput characteristics of the product range, and the demand variations within the business. Selecting the right solution requires a thorough understanding of the business characteristics, and careful consideration of the options available.

**In the next issue** of *Logistics Update*, we'll be looking at pallet storage systems.

# Benchmarking provides expert measures of compliance

Benchmarking remains a popular management tool in many applications, but, in particular, there is increased use for satisfying corporate compliance requirements. Boards are having to put greater emphasis, and spend more time, on demonstrating compliance with various imposed requirements, and it's an onus that can only continue to grow.

Benchmarking is a way to meet this challenge. The use of independent experts who can review a part of the business in detail, compare it against Best Practice in the field, and then provide a quantitative assessment of performance, is an effective way to confirm that you have reviewed your operations and found them satisfactory or, perhaps more importantly, identified if they

■ **Don't forget the Customer.** It is tempting simply to benchmark costs, productivity and efficiency; but the standard of service you provide to your customers will have a significant bearing on the costs you incur (in either direction). If your high standard of service is your USP, fixating on cost alone could seriously damage your business.



■ **Benchmark areas that are relevant to the overall strategic objectives.** Avoid Benchmarking areas that have no direct impact on business performance.

■ **Make your Benchmarking specific.** Focus on a particular process or function. Making the scope too wide will dilute the value of the Benchmark, as well as take a lot of time and resource.

So, how do you, as a member of the Board, demonstrate that you have reviewed the performance of a part of your business and can satisfy yourself and the auditors (not necessarily financial ones) that you are up to scratch. This is especially difficult when you are not an expert in the detailed operation, and with so many specialist areas coming under scrutiny, a Board Director cannot be expected to be expert in everything. Directors may know everything about the products they sell, the marketing, sales and support of them, but cannot be expected to be experts in Warehousing & Transport, IT, Business Continuity, Health & Safety, Human Resources... and so on.

are not performing to the required standard.

When setting up a Benchmarking project there are a number of pitfalls to avoid:

■ **Beware surveys!** They may give you a top line number, but you need to get behind that and see what the drivers of the number are.

■ **Beware "Industry Benchmarks".** There are few businesses that are the same as yours to the extent that you can simply review oft-quoted numbers and accept them as comparable to your own.

At the end of a Benchmarking project you should have a clear view about the subject area. You will be able to state its performance comparable to others and will know whether you are happy with it and can focus on other areas - or need to do more work to bring it up to standard.

The need to have documentary evidence that the Board has fulfilled its duties and satisfied the needs of the stakeholders means that Benchmarking will continue to be an important management tool.

**To discuss** how Davies & Robson can help you, contact Nick Weetman on 01327 349090.

# “A good deal for staff, patients and the taxpayer”

With this headline the Department of Health trumpeted its claim that the NHS will save £1 billion over 10 years by implementing new arrangements for the supply and delivery of healthcare related products.

The arrangements involve the outsourcing of those parts of the current supply chain services handled by NHS Logistics and parts of the NHS Purchasing and Supply Agency responsible for consumables. The arrangements, applicable to England and Wales, involve ten categories of product, including catering supplies, clothing, stationery, bed linen and medical supplies.

The NHS uses around half a million different products on which it spends £3.7 billion per annum. However, only around 10% of the items are in the NHS Logistics catalogue. As a result, NHS Trusts have negotiated local purchasing arrangements for the remainder, creating a highly fragmented market.

Following a lengthy pre-qualification and tender process, DHL was awarded a contract to handle the outsourced business from 1 October 2006, via a new organisation, NHS Supply Chain, with staff transferred from NHS Logistics. The contract is managed by the NHS Business Services Authority. DHL, who previously managed one of the NHS Logistics Regional Distribution Centres, is responsible for procuring the

products and delivering them to hospitals and GP surgeries. A sub-contractor, Novation, the



largest buyer of healthcare products in the USA, is their procurement partner. In addition DHL will manage TNT's current contract to run all transport services prior to taking that over in 2008. The Government believes that outsourcing will allow a wider range of goods to be offered to NHS trusts at lower prices, that trusts will make more use of the new service, and that this will in turn mean more products are distributed through the system, creating new jobs and safeguarding the vast majority of existing jobs.

The outsourcing agreement needs to be seen in the context of general healthcare re-organisation in the NHS, together with its rapidly rising costs arising from expensive new treatments, drugs and an ageing population

demanding ever more spending. The use of private sector expertise in what is considered non-core

areas, in this case logistics and supply chain operations, is intended to create significant cost savings to be redirected to patient care.

A wide variety of interests including public sector employees, unions, suppliers and logistics contractors will be watching developments closely to see whether this is a success and merely a foretaste of further similar initiatives.

Nevertheless, it seems clear that further areas of spending within the NHS and other Government departments will be targeted and, as a result, additional opportunities will arise for logistics and supply chain operators. Already there is evidence this is occurring in the provision of ambulance and hospital transport services.

# Macphie of Glenberrie

Macphie of Glenberrie is one of the UK's leading independent food ingredients' manufacturers. Established in the 1920s, the Company has grown organically, and more recently by acquisition, and now has a sales turnover in excess of £40 million.

Macphie offers a broad range of branded ingredients to the bakery, food service and food manufacturing sectors. These guarantee optimum taste, versatility and convenience and are designed to meet the needs of today's consumers and their changing lifestyles. Macphie's innovation is driven by three mega-trends: health, indulgence and convenience.

Davies & Robson was recently

commissioned to assist in the development of the Macphie logistics operation. The Company has two manufacturing locations: Glenberrie near Stonehaven, their original site, specialises in ingredients for the bakery market, while Tannochside near Glasgow specialises in chilled and frozen products.

The objective of the project was to reduce cost and ensure optimum service levels across the total supply chain. The project commenced with a strategy alignment workshop in order to determine the role that the logistics function needed to play in supporting the overall corporate strategy.

The workshop resulted in a series

of work streams covering all aspects of the supply chain. These included a review of the warehouse layout and operating procedures, a review of the warehouse management and forecasting system, and the benchmarking of transportation costs.

As a result of the work streams a number of improvements have already been made aimed at reducing cost and improving service. Mr Raymond Howitt, Supply Chain Director commented: "In today's marketplace, comprehensive reviews of supply chain and logistics activities are vital to make sure they fully support the business strategy and goals. Davies & Robson provided truly valuable independent expert support for this comprehensive review."



# Risk Assessment – the more you know, the less you risk

What can go wrong? How likely is it to occur? How bad will it be if the undesirable event does occur?

Management Systems for its distribution.

standard descriptions are used, as shown in the table *fig. 2*.

These questions are the essence of establishing a risk policy to supply chains. Davies & Robson has been using them to assess the risks

The real art of Risk Management is in the 'teasing' out of what can go wrong. It is essential, then, to have a simple and standard method of evaluation and communication. The

The colours determine the degree of management attention that each risk requires: **RED** – High, **YELLOW** – Moderate, **GREEN** – Low. A column indicating this is added to the table together with a column indicating the Risk owner.

RISK DESCRIPTION	BUSINESS IMPACT		RISK LIKELIHOOD	
	DESCRIPTION	SCORE		
What can go wrong	Potential effect on project/client business	Negligible to Extreme	Rare to Almost Certain	

Fig. 1

BUSINESS IMPACT	LIKELIHOOD				
1. EXTREME	Yellow	Yellow	Red	Red	Red
2. VERY HIGH	Yellow	Yellow	Yellow	Red	Red
3. MEDIUM	Green	Yellow	Yellow	Yellow	Red
4. LOW	Green	Green	Yellow	Yellow	Yellow
5. NEGLIGIBLE	Green	Green	Green	Yellow	Yellow
	A. RARE	B. UNLIKELY	C. POSSIBLE	D. LIKELY	E. CERTAIN

Fig. 2

involved in the implementation of a new automated warehouse in Sweden by Daifuku for Ica the Scandinavian supermarket group, and in the UK for Apple to assist changes in its warehouse contractor arrangements and Warehouse

methodology adopted by Davies & Robson is the construction of a risk table of which the first key columns are shown in the table *fig. 1*.

To score the 'Business Impact' and 'Risk Likelihood' a number of

This Table then becomes a key feature of managing the Project or Business Area. Establishing the initial Risk Table is the first task but the Table needs to be regularly reviewed and updated as new Risks are identified.

RISK RANKING	RISK RESPONSE	RISK OWNER	ACTION TO BE TAKEN		ACTION BUSINESS IMPACT		STATUS OF ACTIONS		RISK FOLLOWING ACTION	
			BY DATE	DESCRIPTION	DESCRIPTION	SCORE	DESCRIPTION	DATE	LIKELIHOOD	RANKING
Management attention required	e.g. Accept, Reduce, Avoid	Responsible for managing Response	Date by which actions should be complete	Description of the activities to be undertaken to mitigate/reduce the risk	Potential effect of risk on project/client business	Negligible to Extreme	Progress report on actions received from the risk owner	Date of status report	Rare to Almost Certain	Attention required

Fig. 3

# Keeping Market Research on Target



Target Express is the leading independent UK parcel contractor with an extensive national depot network and international partnerships that enable the company to provide bespoke delivery solutions from time critical Sameday deliveries to complex multi-site collections and deliveries.

Success has been built on a service philosophy, 'Nobody Takes More Care' and the company is fiercely proud of its established reputation for customer care.

Ensuring that its reputation is maintained is a critical success factor for Target Express when introducing and developing new and innovative services for its clients.

Thorough and specific Market Research is integral to that philosophy and an important phase in the development of new services. It is for this reason that, recently, Target Express has twice commissioned Davies & Robson to undertake market evaluations including expected future trends,

developments and potential competitor assessments.

Both projects resulted in Target Express having valuable, reliable and up to date information on the UK Postal Market and Business to Consumer delivery to support the company's future business plans.

Petar Cvetkovic, Chief Executive Officer of Target Express said "We are very pleased with the Research. Davies & Robson provided us with excellent reports given the brief and timescale allowed."