



AG New England Opens New DC, Resets Labor Standards to Boost Productivity and Lower Costs



New England

The Customer

Associated Grocers of New England, Inc. (AG New England) is the largest retailer-owned wholesale grocery distributor in New England. The group was established in 1946 by 21 independent retailers interested in forming a company with greater purchasing power than they could realize individually. AG New England serves more than 600 independent grocers and convenience stores in six New England states and in the upstate New York/Albany area.

- Approximately \$300 million in annual sales
- 600 employees including their Corporate store division
- Roughly 110-125 full-time warehouse workers depending on seasonality



The Business Challenge

AG New England, Inc. moved into a newly constructed distribution center in Pembroke, New Hampshire. The new facility was designed to provide improvements in all areas of operations. Given that labor performance is one of the most critical components of efficient operations, AG of New England chose TZA to assist them in optimizing their productivity and throughput levels.

- Existing labor performance standards were more than 5 years old and did not fairly represent the operational efficiencies available in the new building.
- Management was concerned about implementing a change management process to address low productivity levels.
- The operation was experiencing a high turnover rate in the distribution center at the entry level selector positions.
- AG New England wanted their warehouse employees to maintain peak performance levels on an on-going basis.

THE BUSINESS CHALLENGE

Improve labor productivity and throughput and reduce employee turnover in a newly constructed distribution center.

THE SOLUTION

Implement TZA Labor Management Program encompassing engineered labor standards, performance management processes and professional development training.

THE RESULTS

AG New England achieved:

- Selection performance increases of 47%
- Receiving operations improvements of 26%
- Decline in turnover rate from 80% to 38%
- Drop in overtime from 10% to 3%
- Throughput increases of 15%

“TZA’s Performance Management methods contributed immediately to a more effective working partnership between our warehouse supervisors and associates, a key element to our success in maintaining a high performance culture at the Associated Grocers of New England.”

*Steve Creed
Senior Vice President Warehousing
& Transportation
AG New England*

The Solution

AG New England asked TZA to conduct an evaluation of its labor performance standards and provide recommendations for improvement.

As a first step, TZA validated all existing labor standards at the distribution center. TZA's blended development approach, with state-of-the-art data collection technology, quickly resulted in assurance that each standard was fair and equitable. The confidence achieved during the standards validation phase of this project served to provide the foundation needed for success.

TZA's labor standards utilize multiple determinants, such as lines, pieces, cases, cube, weight, reaches and dynamic travel algorithms to assure each standard time represents the work cycle accurately. This development approach allows for standards in every area of the building to flex up or down automatically as work content changes, resulting in minimal maintenance.

Next, TZA implemented a Performance Management program, including proven change management,



professional management training and implementation strategies that transition an existing operation to a high performance culture. Performance Management processes enabled AG New England to not only achieve the newly established performance levels but also experience lower turnover and more engaged associates, while

promoting an environment of continuous improvement.

TZA Performance Management equipped AG New England managers with the tools to develop individual and group goals, facilitate daily and weekly review meetings, and implement performance monitoring techniques, individual and group training sessions and strategic execution.

To meet the continuous improvement objective, TZA also introduced a Professional Management Training program to provide the managers at AG New England with the skills to lead their teams to higher levels of performance. Combining

broad operating experience with professional training ensures the investments made in operational infrastructure will continue to perform at their peak levels. TZA consultants customized and facilitated both classroom and on-the-floor training sessions for the AG New England floor management team, including:

- Managing with Engineered Standards
- Motivating Your Associates
- Understanding and Managing People
- Purposeful Communication
- Situational Leadership
- Using Discipline to Manage Your Environment
- Coaching and Counseling for Peak Performance
- Managing Change
- Conducting Effective Observations
- Managing Conflict

The Results

TZA's labor management program, supported by the adoption of Engineered Labor Standards, Performance Management processes, and Professional Management Training, resulted in the following improvements:

- The multi-level pick zones achieved a 47% increase in selection performance, improving the average cases per hour from 85 to 125
- Receiving operations improved 26%
- Turnover rate declined from 80% to 38%
- The percentage of labor costs attributed to overtime dropped from 10% to 3%. During the busy summer season, overtime dropped from 20% to 10%
- Throughput increased by 15%

The results achieved by AG New England confirm TZA's long-standing viewpoint that transformation of a work culture can be comprehensive and sustainable only when the actions and beliefs of management support the objectives of the change management process.



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3880 Salem Lake Drive, Long Grove, IL 60047

800.229.3450 | www.tza.com

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