



Distribution & Logistics Case Study

Business Problem:

Surging seasonal demand, a complex product mix, integration issues, and a high level of employee turnover

VERTICAL:  Distribution & Logistics

NLP SERVICES:  Lean Transformation

CLIENT

A well-established distribution company with annual revenues exceeding \$500 million was grappling with significant challenges. They were experiencing extensive backlogs at the beginning of their busy season, a period where unit volume was expected to surge by a staggering 6x. This seasonal surge, coupled with a complex product mix featuring a high number of SKUs with relatively low individual volumes, caused significant forecasting and logistical hurdles.

Further exacerbating these challenges, recent acquisitions required integration into a unified business model. Unfortunately, this need coincided with high employee turnover, requiring extensive reliance on temporary workers who lacked the same level of experience and efficiency as permanent staff. As a result, the company's financial performance, as measured by EBITDA to revenue ratio, was falling short of expectations.

APPROACH

To address the client's multifaceted challenges, NLP implemented a comprehensive strategy focused on four key objectives: creating capacity to handle the 6x volume increase, reducing employee turnover, decreasing lead times, and improving picking and printing accuracy.

Our approach began with a thorough assessment of the client's current state. This assessment, which included detailed Value Stream Mapping, identified a potential for \$1.6 million in annual savings through executing a series of kaizen rapid process improvement events. This Kaizen Roadmap was key to aligning on a future state vision that met the expectations.

Next, we worked with the client to establish a scorecard for continuous improvement. We implemented key metrics and daily tracking systems to facilitate problem-solving and monitor progress towards achieving stated operational goals. This transparency was complemented by the establishment of Lean Daily Management practices, including regular Gemba Walks where leadership directly observed operations on the warehouse floor. This began to change the culture towards one of collaborative problem-solving between the operators and management.

APPROACH (cont.)

Over the next several weeks, NLP worked with the client to execute the identified process improvement events. Lean tools such as Standard Work, Layout 3P, and Transactional Process Improvement were implemented to reduce waste and improve efficiency and effectiveness of the activities performed by the team.

The results exceeded expectations and yielded both cost savings and customer satisfaction improvements.

RESULTS

- **\$10M+ in additional revenue (\$1.2M EBITDA)**
- **\$1.6M in hard savings**

Facilitated by:

- **Warehouse optimized for Pick, Pack, Ship**
- **Freed up 60,000 sq. ft. of warehouse space , resulting in annual lease cost reductions of approximately \$500,000.**
- **OTD improved from 68%-95%+**
- **Lead Time reduced from 10+ days to 3 days**
- **50% reduction in employee turnover, translating to annual labor cost savings of \$660,000.**