

2010 Logistics Development Award

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Essay Topic:

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In September 2009, Woolworths launched the “Woolworths Vendor Capability Training Series”, a DVD-based, visual guide to our supply chain standards. While the project began with a simple idea, modest goals and no production budget, it has become a tremendously successful initiative, embraced throughout the supply chain at a rate and scale that we could not have anticipated. The project has proven invaluable in bringing a consistent, relevant, high-quality compliance message to our own trade partners, and is also helping to significantly raise the level of understanding and compliance across the wider industry. In doing so, this initiative has highlighted that a larger opportunity exists - for the Australian FMCG Supply Chain as a whole - to develop a consistent, cohesive and accessible education program of its own.

Background

Woolworths’ Australian supply chain is one of significant scale and complexity. To support the sale of 8 billion consumer units through its registers, the company’s distribution centres despatch more than 775 million cartons to stores each year. In simpler terms, these distribution centres send out more than 9 million pallets annually – over 409,000 truckloads – or close to 25,000 pallets every day. In larger sites, it is not uncommon to receive more than 5,000 pallets from our suppliers each day, or to despatch more than 12,000 cartons per hour. The scale of the operation is matched by its complexity: the company employs myriad technologies and processes – RF scanning, automated storage and retrieval systems, high speed sortation, pick-to-light/pick-to-belt selection, full case/split case/layer picking, voice picking, robotic picking etc - across more than a dozen Regional and National distribution centres.

Not surprisingly, the success of a distribution network of this size and complexity is predicated on several key requirements – what the company terms “Essential Enablers” – which are fundamental to the safe and efficient passage of product from supplier to store.

The Woolworths Vendor Capability team have responsibility for ensuring that our trade partners understand - and can comply with – these Essential Enablers. The team act as a liaison point between Woolworths DCs and our trade partners, responding to non-compliance issues raised by DC staff and managing those problems through to a successful resolution. While our standards are outlined in detail in the “Woolworths Packaging & Bar Code Specifications”, the complexity and size of that large

(90+ page) document has proven to be a barrier to greater awareness and understanding. Consequently, a very large percentage of the team's resources have traditionally been directed to identifying individual non-compliance events, then explaining or re-communicating our standards – in an ad-hoc manner – to that supplier's senior account representative.

In reviewing this approach, it seemed clear that our team's methods were delivering sub-optimal results, for four key reasons. Firstly, we were directing all of our communication efforts to National Account Managers or National Logistics Managers, hoping that they would pass on the necessary information to all of their operational staff (without providing tools to help them do so). Secondly, as a company, we were sometimes prone to providing inconsistent or contradictory messages – due simply to the size of our business and the opportunity this allows for misinterpretation at various levels. Thirdly, we were using outdated, inflexible and static methods of providing information to our trade partners: generally, our standards were confined to lengthy and technical specifications documents, supported by an occasional PowerPoint presentation. (Our lengthy documents were generally good at defining the “what” of our requirements, but we were not good at explaining the “why” *behind* those requirements). Finally, we simply did not have the time or resources - as a small team of 10 - to reach our 3,000+ suppliers and educate them in any meaningful way: our existing methods of engagement were simply not scaleable.

In short, we were often targeting the *incorrect audience*, with an *inconsistent message*, through an *inadequate medium*, with *insufficient time and resources*. There had to be a better approach.

A New Initiative

I submitted a new communications proposal to my management team – addressing each of these four deficiencies - and requested permission to develop the concept through to completion. The DVD-based program I envisaged would take our lengthy technical documents and transform them into a series of lively, relevant, accessible and informative videos. The format would serve as a kind of virtual DC tour, giving our suppliers unprecedented access to our supply chain operations, which would - hopefully - provide for a far greater understanding of our requirements. The DVD was ‘green-lit’ in November 2008, and I set about outlining, writing and story-boarding the various modules to be covered. Across the course of three weeks, I endeavoured to film every relevant aspect of our supply operation across five key sites, from receiving through putaway, retrieval, replenishment, selection, sortation and despatch. Production was certainly low-budget: narration was recorded in my lounge room and the four modules – a 43 minute program in total – were edited on the family computer in any available time over the course of the next 8 months.

The DVD consisted of a two minute Introduction, followed by three 12-16 minute modules covering every aspect of Pallet Labelling, Pallet Stabilisation and Pallet Quality. The DVD employed extensive DC footage combined with narration, text overlays and 3D modelling, and attempted to clearly illustrate both the Woolworths specification and the serious impacts of non-compliance upon our operation. Training documentation was also prepared (Facilitator's Guides and Participant's Workbooks) and included on the disc, to help support delivery via 'team talks' or classroom training.

The completed DVD program was delivered on August 1st and launched on September 14th, 2009, at the first of our Norwest Supplier Information Sessions.

Impact and Value

The value of the program was apparent from the very first Information Session. Reaction from suppliers in attendance was unanimous, with comments on feedback forms including "superb training", "excellent presentation", "the best supply chain training I've seen" and "a really valuable, worthwhile program." In response, Vendor Capability have since conducted 18 training sessions over the past 9 months, extending from New South Wales to Victoria, Queensland, South Australia and Western Australia. We are still receiving weekly requests for additional copies of the DVD, and queries from suppliers eager to attend any upcoming sessions we may be running. Suppliers have also been making copies of the DVD and distributing them to their 3PL's, co-packers and satellite sites. One multinational supplier even deployed the DVD at their global supply chain conference in China, to educate their international partners on the stringent requirements of the Australian market.

We are seeing significant improvement in compliance measures among those suppliers that participate in the training and implement the DVD within their organisation. In some notable examples, we have seen major suppliers lift their compliance rates from high-70/low-80 percent to over 98 percent, in the span of 6-8 weeks.

The DVD has also proven to be valuable as a training tool *within* Woolworths: Receiving staff in all DC's have participated in a formal rollout of the DVD, ensuring inter-site consistency in the application of the Woolworths standards. Likewise, the DVD has been used to highlight to our Buying teams – from Supermarkets to Dan Murphy's – the impact that their ranging and buying decisions can have on the supply chain.

But perhaps the most interesting response to this initiative has been from other industry stakeholders. CHEP Asia-Pacific, for example, immediately incorporated our program into the induction that they provide for their team members, with the DVD now integrated into all of their repair centres nationally. Likewise at Loscam, the DVD is now an established part of the induction and

training of all pallet repair, operations and sales staff. Similarly, GS1 Australia - the peak industry body for bar coding – immediately integrated the Pallet Labelling module into their industry training seminars, and the DVD is a permanent feature of their Supply Chain Knowledge Centres. Andrew Steele, Industry Manager at GS1 Australia, advises that the DVD has been viewed by at least 2,500 industry professionals at GS1 seminars alone, adding that “we (GS1) find it an invaluable tool as to the importance that quality barcodes and their application process play in the supply chain.” GS1 expect to significantly increase their use of the DVD in FY’11, through Logistics Labelling Seminars planned for September 2010.

Clearly, the DVD has benefits beyond just Woolworths; there appears to be no established visual training package within the industry, yet there is obvious demand for such a program.

Issues and Learnings

While the WWVCTS DVD has exceeded all of our expectations, there are some aspects that we would change if given another opportunity. Most of the issues relate to the scale and budget of the initial project, and are a product of those constraints. For example, we would have liked to produce this sooner, extended the scope of the DVD to include other important aspects, consulted more widely, and perhaps looked at alternate distribution such as online video. Woolworths already has plans underway to produce a further DVD in this series, covering topics that we were unable to include in the scope of the first edition.

The clear learning for me, however, is that a Woolworths-branded, Woolworths-specific training program is probably not the *ideal* long-term solution. We have had great success with the first DVD, but any program that we produce will always and necessarily be specific to our organisation, so its application externally will always be somewhat restricted. The *real* and *long-term* solution would instead be an industry-driven, industry-supported best practice program that can be applied universally. With guidance and direction from key industry groups (including the AFGC, ECRA, ALA, GS1 Australia etc) and input from other key stakeholders (CHEP, Loscam, major retailers, major manufacturers, transport providers, packaging groups etc) the industry could produce an all-encompassing visual training guide of immense value. Imagine a situation wherein every person employed within the Australian FMCG Supply Chain has ready access to a series of high-quality induction and education videos covering all aspects of their industry. Drivers, consignors and loaders could learn about Chain of Responsibility and Fatigue Management. Production and Despatch personnel could learn about pallet labels, load stabilisation, carton integrity and safe load limits. Marketing teams could learn about trade unit labelling standards and GTIN barcodes, and the impact of their artwork decisions on supply chain scannability. A new employee to the industry could receive a full induction in the Australian FMCG Supply Chain on their first day at work. The potential benefits

are limitless and a huge opportunity exists to develop a universal education resource that lifts the professionalism of the entire industry.

Conclusion

Despite its humble beginnings, the Woolworths Vendor Capability Training Series has become a massively important tool for the Woolworths supply chain, helping to drive increased employee safety, greater operational efficiency and a reduction in operating costs. The program was developed in response to four very specific, identified issues within our supplier engagement process - *incorrect audience, inconsistent message, inadequate medium, insufficient time/resources* - and has been hugely successful in addressing those deficiencies. What is more interesting, however, is that the project appears to have exposed a greater need in the wider industry. Far from being an end in itself, the WWVCTS project will ideally be considered a starting point in the process to bring a greater level of transparency, consistency and professionalism to the Australian FMCG Supply Chain as a whole. If the industry can work together to produce a unified, universal education program that encompasses best practice for Australia's entire FMCG supply network, the inevitable returns on this investment will be phenomenal.