

In this issue of Premium Procurement Bulletin...

- [Case Study] How Pizza Express Improved Their Loading Bay and Bakery Processes
- How Has E-commerce Changed Logistics?
- [Case Study] Parcellforce Worldwide Improves Communications and Deliveries
- Is A Higher Minimum Wage in the Future?

How Pizza Express Improved Their Loading Bay and Bakery Processes

Pizza Express began with a single mom and pop store in the 1960s and gradually added locations until they reached their status of 300 restaurant franchises. They serve 16 million customers per year with traditional Italian pizzas. Their popularity is largely due to their traditional cooking methods and the authentic Italian taste. As business picked up, it was no longer possible to make and bake all of the pizzas from scratch on site. Therefore, Pizza Express opened a baking facility where the dough is made.

Situation



Image via [Flickr](#) by whitneyinchicago

At the baking facility, speedy and efficient machinery aids workers in making dough. It is then rolled into balls suitable for transport to their restaurants. When the baking facility faced

challenges to make and transport all the dough balls to their restaurant locations across the United Kingdom, it became necessary to upgrade facilities and processes in order to get the dough from the cold store to a delivery vehicle immediately. The dough making facility had difficulty keeping pace with the fast turnover of products sold at their restaurants.

Particularly, they were in need of a forklift with several distinct qualities. The forklift needed to be capable of navigating the cramped quarters in the cold store where dough balls are made and distributed. It also needed to be able to maneuver in the tight trucks with low ceilings where the dough balls are transported. Additionally, and most importantly, the forklift had to be able to withstand the brutal temperatures and humid environment of the cold store where the dough balls are stored after making to prepare for transport.

Approach



Image via [Flickr](#) by jroraldee

Pizza Express worked together with BT to select a forklift that met their expectations and needs. They selected a cargo counterbalance 1.5 ton forklift, which was compact enough to fit in the delivery trucks and maneuverable enough to navigate the cold store. The forklift was also a durable model, which could tolerate the cold temperatures and resist corrosion and electrical difficulties in the humid environment.

Additionally, Pizza Express was able to acquire an industry certified forklift trainer. This trainer works on site with the employees to train forklift operators to use the new machine safely and efficiently.

Impact



Image via [Flickr](#) by jspatchwork

A spokesperson for Pizza Express said there were numerous immediate and long-term benefits associated with the purchase of the forklift. Delivery times for the 780,000 dough balls per week are down. The smooth process also reduced the costs associated with transporting the dough balls, and lowered the amount of physical effort necessary for the job. This made the work place safer, reducing the possibility of injuries sustained by the personnel responsible for loading the dough balls from the cold store into the delivery trucks.

Pizza Express is now able to deliver more dough balls per week and keep up with the strong sales experienced in their restaurant locations. Now, business is booming and does not bring undue stress and hassle for the people responsible for keeping the restaurants stocked with the dough balls that made them famous from the start.

How Has E-commerce Changed Logistics?

Undoubtedly, e-commerce has changed consumer marketing, retail stores, pricing structures, and the general shopping landscape. Almost [six percent](#) of all retail commerce is now done online. However, it is also forcing logistics executives to rethink how they operate warehouse facilities, truck routes, and even loading docks. Look at how logistics is morphing in response to e-commerce.

Warehousing Facilities are Moving



Image via [Flickr](#) by Rubber Dragon

Rural areas used to be ideal for warehouses. Acting as depots between the manufacturer and retail stores, trucks could access the facilities mostly uninhibited. Real estate costs were low, and outside the municipalities, the facilities could avoid many local taxes.

E-commerce is eliminating the retail outlet, and now warehouses need to be close to population hubs where the merchandise will be shipped to. The "pallet to store" concept has become the "box to door" mantra. Though this convenient property costs more, state and local tax incentives can offset this price considerably. Even in an economy where selling real estate is next to impossible, warehouses are [gobbling up land](#) as never before.

Warehousing Facilities are Changing



Image via [Flickr](#) by RoundKid Photography

Not only are warehouses moving closer to the customers, the warehouses themselves are larger to hold more volume. Yesterday's warehouses could unload large quantities of merchandise to retail outlets; [today's facilities](#) must hold products that are shipped out in small quantities. Fast-paced online sales, and competition to provide superior customers, forces these facilities to use high-tech automation to move more orders in smaller quantities quickly. Even the docks must be reconfigured to handle parcels instead of pallets of merchandise.

Additionally, workers at new facilities need training on the high-tech equipment that exceeds the old "wrap it and ship it" techniques. These facilities need engineers, technicians for their high-tech machinery, and other skilled workers. In many cases, companies decide to build warehouses in a particular state when that state government offers to help train their new workforce. This benefits the communities with skilled labor and higher wage jobs, and benefits the company with highly trained and skilled workers.

Warehousing Facilities Help Draw Infrastructure Improvements



Image via [Flickr](#) by antmoose

These new metropolitan facilities require more power for the automated systems, better roads for consumer-level delivery trucks, high-speed Internet services, suitable railroad access, and other infrastructural improvements. Fortunately, the wages and tax dollars these warehouses bring into the area, as well as the federal government grants and other benefits, help pay local governments to make these improvements. Not only do these infrastructure upgrades benefit the company and the workers, it is an asset to the entire population of the area.

Warehousing Facilities Have to Rethink Reverse Logistics



Image via [Flickr](#) by didbygraham

Reverse logistics were once a small subset of warehouse activities, primarily a concern of the automotive and electronics industries involving refurbished parts. With most e-commerce retailers holding generous free return policies, consumers can order at their leisure, knowing they can send back what they don't like, don't want, or doesn't fit. In this environment, warehouses must be equipped to accommodate large-scale returns. Sometimes, separate facilities are set up to handle the [reverse logistics](#) to keep operations at the primary shipping facility running smoothly.

How has e-commerce changed your logistics operations? Are the changes for the better or for the worse?

[Case Study] Parcellforce Worldwide Improves Communications and Deliveries

Parcellforce Worldwide specializes in express and time guaranteed deliveries around the globe. They deliver to 27 million addresses, covering 99.6 percent of the world's population. Based in the United Kingdom, Parcellforce Worldwide services 239 countries and territories.

Situation



Image via [Flickr](#) by Capt' Gorgeous

Parcellforce Worldwide wanted to improve the experiences of their customers, by being able to offer quicker access to information regarding deliveries and collections information. They also wanted the flexibility to offer customers to arrange ad hoc collections and delivery services with drivers who were already out on the roads. They needed to be able to handle customer requests on a shorter notice to improve customer service and the overall experience customers had when dealing with the company.

This involved rationalizing the architecture of their systems with automated software upgrades for the mobile devices used by drivers, offering more features and greater functionality while on the roads. The company also needed to be able to achieve these goals at a reasonable price.

Approach



Image via [Flickr](#) by Mad Wraith

Parcelforce Worldwide selected Blackbay and Symbol for these automation services, according to the Head of Operations Development Ken O'Rahilly. The new system offers real-time confirmation of all collections and deliveries made by drivers on the road. It also improved communications between the drivers and the depots. The system is constructed under a "hub and spoke" model, which involves collections of packages, delivery of those packages to the depot, and subsequent dispatch of the package from the depot to the package recipient.

The system also has a feature that manages communications traffic between the depot and the various drivers, eliminating bottlenecks in the system. When new requests from customers come in, the system is able to detect the first driver available to make the delivery and route the instructions to that driver. The drivers have the ability to accept or decline the assignment based on their current situation on the road.

The most significant benefit, according to O'Rahilly, was the ability to change over to the new system instantly. New system upgrades of this magnitude ordinarily take weeks or months to implement. Blackbay and Symbol were able to bring all 2,500 of Parcelforce Worldwide's driver's handsets into compliance with the new system at one time. Additionally, installation of the new system did not require adding any new code to the enterprise system, nor changing any of the existing code, because the new system is web-based.

Impact



Image via [Flickr](#) by conskeptical

After the new system was put in place, customer service levels rose because the system was able to better manage resources to allocate drivers to take on last-minute collections and deliveries. The new system also improves communications between the depot and drivers on the road, by automating much of the work. This has reduced administration time for deliveries and collections, as well as improved the efficiency of drivers.

Parcelforce is able to meet the delivery needs of 20,000 customers and 150,000 parcel deliveries per day. The system allows drivers and the depot to exchange general communications via text message right from their handheld devices. The devices are capable of bar code scanning, as well as capturing the digital signatures of those who receive deliveries as proof that the delivery was made. O'Rahilly said he would gladly do business with Blackbay and Symbol again.

Is A Higher Minimum Wage in the Future?

There is no denying that something needs to be done about the economy. Though the influx of manufacturing back to American soil combined with other market trends is pushing some recovery, there is still much that needs to be done. Businesses, politicians, and workers all have radically different ideas about how to do this.

Obama's Plans and What Supporters of the Initiative Say



Image via [Flickr](#) by BlatantWorld.com

[President Obama](#) made his plans to raise the minimum wage in his first term, vowing to raise it from the current \$7.25 per hour to \$9.00. Congress last approved a hike in 2007, in the three-step measure raising it to \$7.25 from the previous \$5.15. However, this was before the economic meltdown of 2008, and Congress has shown no interest in upsetting the apple cart since. In his most recent State of the Union address on Jan. 28, 2014, he announced an executive order raising the minimum wage to \$10.10 per hour for all newly contracted federal workers.

This order bypassed Congress, but many question its actual impact, stating it does not apply to current federal contract workers, and essentially having a real impact, "somewhere close to zero," according to [House Speaker John Boehner](#). The White House claims some 250,000 workers will benefit from the executive order.

Obama and his supporters believe that raising the minimum wage puts more money in the hands of workers, who in turn spend the money and help drive the economy. A full-time worker at the current wage earns \$14,500 per year. At \$9.00 per hour, he earns \$18,000. The Federal Reserve Bank of Chicago estimates that for every \$1.00 per hour increase, workers spend an additional \$28,000 per year.

The Argument Against a Minimum Wage Hike



Image via [Flickr](#) by John Beagle

Conversely, the group [Employment Policies Institute](#) estimates that an increase to \$9.80 per hour would cost Americans 467,500 jobs. Their statistics hold that the last increase took jobs away from 114,000 teenagers. The [Bureau of Labor Statistics](#) reports an unemployment rate of 6.7 percent, but this does not include the uncounted millions of workers who have abandoned searching for a job entirely. Factoring in the reluctance of employers to hire under the new Affordable Healthcare Act, this could devastate an already stressed job market.

Where Minimum Wage is Already Set to Increase



Image via [Flickr](#) by perpetualplum

In addition to the newly contracted federal workers, [thirteen states](#) have minimum wage increased slated for immediate rollout (see bottom of article for an exhaustive list). Eighteen states already have rates higher than the federal minimum of \$7.25, and ten states automatically increase the rate annually to adjust for cost of living and inflation. Eleven more states plus D.C. are considering rate hikes this year. There are 3.8 million minimum wage workers in the United States, including weekly employees who earn the equivalent of minimum wage, such as housekeepers and lawn care workers.

How the Minimum Wage Increase Might Affect the Economy



Image via [Flickr](#) by Annette Bernhardt

Frankly, what you make of the issue depends on whose statistics you believe. If you favor Obama's plan, you agree that more money in worker's pockets equates to a stronger economy. If you accept the opposing premise, you believe that forcing companies to pay workers more will lead to fewer new hires, and potential cutbacks on current staff. Last year saw a [rash of strikes](#) in the fast food and retail industries, with workers demanding as much as \$15.00 per hour. McDonald's, Wal-Mart and other affected businesses claim this would drive them out of business.

What's your take on the proposed wage hike? Good for business or bad for the economy?

States Raising Minimum Wage:

1. Washington (highest raise to \$9.32)
2. Oregon
3. California
4. Arizona
5. Colorado
6. Montana
7. Florida
8. Ohio
9. New York
10. New Jersey
11. Vermont
12. Connecticut
13. Missouri (lowest raise to \$7.50)