

## Procter and Gamble Partners with Kane to Integrate Warehousing, Transportation and Packaging Functions

### Situation

The Procter & Gamble Company (P&G) is one of the world's largest consumer products companies. For its paper brands, including Bounty®, Charmin®, and Pampers®, the company operates six distribution warehouses throughout the U.S. A key regional market for P&G is the Northeast, where a high volume of goods ships regularly to both the distribution centers (DCs) and store locations of P&G customers. The company wanted to raise the bar on both service performance and cost control at its Northeast DC in Pennsylvania. Specifically, P&G sought to:

- Increase "shipped on time" performance, a measure of whether a trailer is loaded by the warehouse and ready before the scheduled ship time
- Achieve operational synergies by going from two contracted providers for warehouse management and transportation/yard management to one integrated logistics provider

### Strategy

P&G chose Kane Is Able to manage an integrated logistics solution for its Northeast manufacturing and distribution operation. Services include:

- Managing a 1.6-million-square-foot DC outside Scranton, PA
- Managing a 1000-trailer-capacity yard outside the DC
- Running a shuttle service between the P&G factory and the nearby DC
- Handling a portion of P&G's direct-to-store deliveries in the Northeast

According to P&G Quality Leader Scott Pertl, a single operator for both warehousing and transportation has improved communication and enabled a smoother operation. "The facility's proudest achievement has been improvement on the critical "shipped on time" metric," says Pertl. "Kane is now exceeding P&G's aggressive goals and our customers are happier because they can rely on predictable inbound deliveries."

### Integrating functions cuts labor, cost

Pertl says P&G has also seen the operational synergies expected from the integrated solution. "Since Kane operates both the drop lot and the warehouse, they can share staff across functions," he says, "For instance, during busy times warehouse workers with truck driving experience move trailers to and from dock locations."

P&G also benefits from the proximity of the operation to Kane's Northeast regional distribution hub in Scranton, where Kane operates 3 million square feet of distribution space. "When our business peaks," says Pertl, "Kane can quickly recruit trained operators to economically handle the demand spike."

### Dramatic savings from merging packaging and distribution

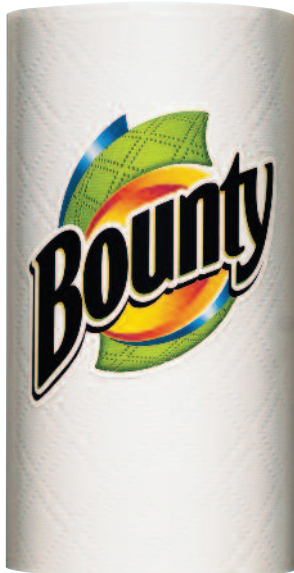
About three years into the relationship, Kane and P&G discussed another opportunity to integrate distinct supply chain functions to drive down costs. Product packaging was handled by an outside contract packager that operated its own section within the P&G DC. Packaging services included kitting, display building and final packaging. Kane

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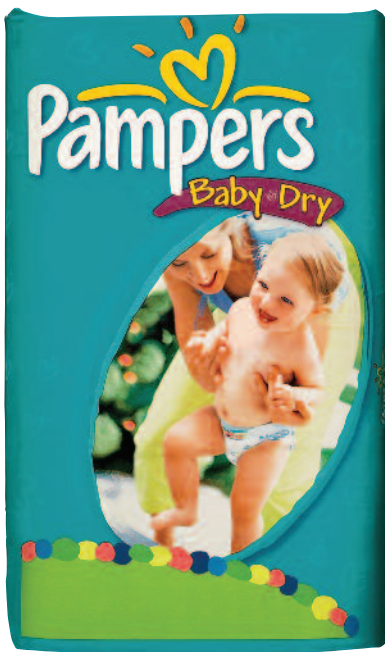
– Scott Pertl

Quality Leader

The Procter & Gamble Company



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and P&G determined together that further integrating warehousing, packaging and transportation had the potential to drive dramatic cost savings.

“A 10% cost savings was realized once packaging was merged with the distribution operation,” says Kane’s vice president of operations, Bill Jozefowicz. “The savings came mostly from reduced labor on the warehouse floor, combined with a reduced management requirement. By raising the level of task interleaving within this very large facility, we eliminated the need for extra people to move product to and from the packaging area.”

#### **Collaboration improves quality**

Continuous improvement is a daily commitment at Kane’s P&G operation. Each morning there is a call involving managers from Kane, P&G’s local staff and representatives of P&G’s corporate logistics team in Cincinnati. On the call, the team addresses issues and opportunities for the day. Weekly, a quality management team, with representatives from the two companies, meets for more detailed sessions on performance and efficiency improvements.

This close collaboration is paying off. P&G has its own quality management process called QAKE (Quality Assurance Key Elements). A recent QAKE audit of the Northeast DC resulted in a 100% score, the first perfect score for the facility. Kane and P&G have been able to sustain this performance.

## **Results**

- Dramatic costs savings from integrating warehousing, transportation and packaging operations with a single provider
- P&G’s Northeast paper distribution center operates with the lowest cost-per-unit and the highest “shipped on time” performance of all P&G paper DCs

“Our success in improving cost and service performance is linked directly to the collaborative partnership between P&G and Kane staff,” says P&G’s Pertl. “We get down and dirty and resolve issues together. Rather than a customer-vendor relationship, P&G and Kane have a ‘work with’ attitude. The values and principles of the two organizations are similar.”

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*Kane Is Able is a third-party logistics provider that helps consumer packaged goods (CPG) companies warehouse and distribute goods throughout the U.S.*