

# Pep Boys Implements Labor Management Program to Achieve Better Results at a Lower Cost

## The Customer

Since 1921, Pep Boys has been the nation's leading automotive aftermarket chain. Pep Boys is the only aftermarket service and retail chain in the nation that is capable of serving all four segments of the automotive aftermarket: the do-it-yourself, do-it-for-me, buy-for-resale and replacement tires.

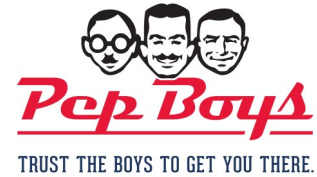
With more than 7,500 service bays in 800 locations in 35 states and Puerto Rico, tire, battery, vehicle accessory and hard parts customers have all come to rely on Pep Boys for high-quality, name-brand products and un-matched service. To keep the stores stocked and running smoothly, Pep Boys operates five distribution centers in California, Texas, Indiana, New York, and Georgia.



## The Business Challenge

For about 20 years, Pep Boys had been using an incentive-based approach to drive productivity in its five DCs. With their Share program, incentives were allocated to departments based on how much product they handled per hour, which fostered a team atmosphere, emphasized facility success, and proved quite lucrative for many employees.

While this approach helped Pep Boys achieve a high level of productivity compared to the industry, as their product portfolio became more diverse, cracks in the system began to show. "The system was based on averages, and as our merchandising mix changed over the years, the averages became more of a challenge," says Stuart Rosenfeld, Vice President of Distribution. The system did not take product size or weight into account, nor the distance workers traveled to pick their items, putting some workers at a disadvantage. In addition, standards rewarded the highest and lowest performers in any given department equally, a practice that many top performers found unfair.



## THE BUSINESS CHALLENGE

Existing labor standards and incentives do not flex well to new merchandising mix within the five Pep Boys distribution centers.

## THE SOLUTION

- Implement a full Labor Management Program based upon new engineered standards and managed by ProTrack Labor Management System.
- Utilize Lean methodology to help eliminate waste.

## THE RESULTS

- Increased productivity by up to 16%
- Areas on standard are now running 21% above the standard
- Departments on standard have increased units per hour by 33%
- The facility now boasts a 99.8% outbound quality rate

“ProTrack has enabled us to significantly improve our productivity, ensuring that we can meet our customers needs in a timely manner.”

Stuart Rosenfeld  
Vice President of Distribution  
Pep Boys

## The Solution

To help identify areas for improvement within its distribution operations, Pep Boys solicited TZA's expertise. TZA launched a four-week study, which included an evaluation of the Share program, and intensive time studies in 26 picking and stocking areas to determine the potential savings from a full Labor Management deployment. This initial audit clearly demonstrated that there was an opportunity for improvement

The full Labor Management deployment began with TZA utilizing Lean methodology to empower both general managers and workers in their roles. Keeping a strong focus on safety, quality, and productivity, TZA worked with general managers and workers from all five sites.

Together, the team used Lean value stream mapping to identify the processes and steps that add value for customers, both internal and external, as well as those that compromised time without creating value. Through this process, 73 best practices were established in the selection (or picking) area alone.

“Involving associates from start to finish added more credibility and buy-in to the program.”

*Stuart Rosenfeld*  
Vice President of Distribution  
Pep Boys

Once best practices were established, and wasteful steps identified, TZA was able to engineer labor standards that more accurately reflect the nature of work in the DCs, making them a superior basis for Pep Boys' incentive program. TZA engineered the standards to allow a fair and accurate amount of time in which to complete tasks. Standards validation was conducted by Pep Boys, making them truly Pep Boys' own standards and promoting employee buy-in.

TZA then introduced its *ProTrack* Warehouse Labor Management System to the San Bernardino, CA distribution center. Equipped with the new labor standards, and receiving data from Pep Boys' existing Vocollect voice-based data collection system and EXE WMS, *ProTrack* LMS began

comparing worker performance with the standards. This data helped Pep Boys begin to incentivize workers based on their true performance.

## The Results

TZA's four-week study of the San Bernardino DC found the new engineered labor standards for selection areas to be 22% higher than existing minimum standards and 9% higher than current performance levels. Considering that Pep Boys paid out substantial incentives based on these performance levels, this was a significant finding. In all, 16 of the 19 selection areas saw performance improvements. In the putaway and replenishment areas, the new engineered standards were 25% higher than existing minimums, and six of the seven areas saw increased performance. Across all areas of the DC, increased utilization is creating significant cost savings.

Thanks to the highly collaborative Lean value stream mapping process, which included general managers, workers, and supervisors, employees at all levels have developed a clear understanding of value-added and nonvalue-added steps, and are engaged in the performance improvement initiatives. "Involving associates from start to finish added more credibility and buy-in to the program," Rosenfeld adds.

Despite Pep Boys' already high level of productivity, the retail giant was able to create dramatic results by implementing TZA's Labor Management Program. The San Bernardino DC saw an immediate 8% increase in productivity after implementing *ProTrack* LMS along with new labor standards and productivity rose by another 8% over time. In addition, Pep Boys reports that:

- Increases in productivity of up to 16% in some operations
- Departments on standard have increased units per hour by 33%
- The facility now boasts a 99.8% outbound quality rate

All of these improvements were achieved with a lower incentive paid.

The company has since introduced *ProTrack* LMS, along with new standards and incentives, in the Chester and McDonough DCs, and those facilities have seen similar improvements.



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