

Memorandum

To: Jim Burke, Human Resources Manager

From: Martha Cuevas, Warehouse Operations Manager

Date: October 25, 2011

Subject: Conveyor Belt System for Warehouse Operations to reduce Workers' Compensation Liability

Problem

The findings of the end-of-year report you requested are rather alarming. The company has sustained a significant loss in productivity due to the high number of Workers' compensation claims as a result of back injuries. The report indicates the main source of these injuries is from operations in the warehouse area. From 2009-2010, there were 956 injuries which cost the company a total of \$3.5 million. We have incurred an additional \$8.2 million in open claims. Not only is the safety of our employees being compromised but so is the company's ability to compete and grow. It is time to be proactive and implement a sound and long term solution to address this problem.

Solution

The issue at hand calls for the introduction of an automated warehouse system, whose principal component is the use of conveyor belt systems. Conveyor belt systems are designed to move products and materials from point A to point B quickly and efficiently. Warehouse employees spend their day packing books, DVDs and other items into mailing boxes then lifting the boxes and loading them on carts that they then must pull to the mail room. The Conveyor belt system will allow us to implement job specialization by dividing up the tasks into three different work stations. As each task is completed the conveyor system will be responsible for transporting the items to the different work stations as follows:

- Pick Station- employees in this area will pull the items from shelves according to order and place them on the conveyor belt to be transported to the next area.
- Packing Station- employees in this area will receive the orders through the conveyor belt and complete labeling and packaging
- Shipping- once the order is complete it will be placed on the conveyor belt to be transported to the mail room, where it will be picked up by the postal carriers UPS, Fed Ex or USPS.

Benefits of Conveyor Systems

First and foremost, our main concern is the safety of our employees. According to the Occupational Safety and Health Administration, "manual materials handling is the principal source of compensable injuries in the American work force, and four out of five of these injuries will affect the lower back." A conveyor belt system will eliminate the need for one single employee to complete all three steps of the process. This will prevent employees from performing extraneous repetitive motions that over time take a

toll on the body; that is lifting, carrying and pulling over a distance. Moving items via a conveyor system is also safer than using human labor, forklifts, or other machines. Furthermore, the entire network will be equipped with electronics and other safety features that help prevent accidents.

Second, an automated conveyor system will improve efficiency. A well thought-out conveyor system will allow us to fill more orders in half the time it takes using our current manual process, because items are transported faster from one work station to another.

Finally, efficiencies gained from a more automated warehouse system will allow us to thrive in a highly competitive market at a national level and globally. A conveyor system can optimize warehouse space, smooth the workflow, improve customer service and reduce operating costs over time. All of which are needed if we are to compete with other large online retailers.

Disadvantages

The downside to a conveyor system is the different costs associated with it. Like any capital investment, we have to consider the actual cost of the equipment including installation, cost of electrical usage and cost of maintenance. However, a conveyor system that is rightly configured and tailored to meet our warehouse operation needs, will help us realize significant savings over time.

Also, implementing a major change in warehouse operations is a significant task to undertake. It will require employee training and perhaps modifying the current warehouse layout. The transition to a conveyor system will be difficult initially, but a well thought-out plan and full employee participation should make for a smooth and successful transition.

The Bottom Line

The company's treasure and energy can be better employed in other areas. Our current system is susceptible to Workers' Compensation liability because it is very labor intensive and therefore costly. In the long run, the benefits associated with a conveyor system in the Warehouse will outweigh the costs.

All in all, a conveyor system will not only help prevent and reduce the number back injuries it will also double productivity levels and allow us to be more competitive.

A Call to Action

I have done some preliminary research and contacted three prospective vendors of conveyor systems. ~~If you will allow me,~~ I would like to give a presentation on this proposal, complete with figures and logistics in our next Manager's meeting on October 25. In the meantime, if you have any questions please let me know.

↑
THAT'S
TOMORROW!!!
HAHA 3IK