

# Case Study: Distribution & Warehousing



**PPG Architectural Coatings EMEA**  
Region UK and Ireland

## PPG paints a pretty picture of working time change...

### Overview

PPG is a global manufacturer of paints and industrial coatings with its head quarters in Pittsburgh, USA. The UK factory, PPG Architectural Coatings, which is the largest paint factory in Europe, has brands including Johnstone's and Leyland in its portfolio. It also produces own label paints for leading retailers such as Wickes and Homebase.

PPG Architectural Coatings business was used to seasonal demand for its products with spikes occurring around bank holidays. This increase in demand put pressure on the workforce, with the company relying on overtime to meet demand. However, this was ineffective with discrepancies between the order intake and fulfilment, with late deliveries and unhappy customers as a result - coupled with a disillusioned workforce.

To tackle the challenge, PPG management brought in working time management experts, Working Time Solutions, to help introduce an innovative shift pattern design to match supply of labour to demand and cut costs in the process while improving morale and saving costs.

### Key challenges

- Severe peaks and troughs in demand
- Over-reliance on costly overtime
- Unhappy customers and unmotivated workforce
- Long-standing traditional workforce reluctant to change

### Key outcomes

- Business saving of over £0.5million
- 50% of savings reinvested into basic pay
- Improved service levels
- Performance related bonus introduced
- Reduced administrative burden for management
- Better life/work balance for workforce
- Improved morale
- Reduced sick leave

### Key learnings

- Clearly define objectives at the outset
- Involve the workforce from the beginning to keep them on-side
- Bring in expert advisors at the beginning of the process
- Use bespoke system

## **Seasonal peaks and troughs**

Like many businesses, PPG Architectural Coatings was used to peaks and troughs in demand for its products, which put pressure on the workforce - particularly in the warehouse where the responsibility for picking and shipping customer orders lie.

In the past, the company had relied on overtime to meet the demand, however, there were discrepancies between the order intake and fulfilment with management finding that it had too many staff during quiet periods and not enough during busy ones. This was leading to late deliveries and unhappy customers, coupled with a workforce suffering from low morale. The company's performance was being driven by when its people worked, not by what its customers wanted.

## **All on-board**

PPG Architectural Coatings in the UK started life as a traditional family business with the majority of the workforce sourced locally. Many members of the same families worked for the company, and the average length of service was 15 years with staff turnover at less than one per cent. Management knew there would be a reluctance to change and this meant that for any new measures to be introduced, the buy-in of all employees would be vital.

The first step the company took was a detailed analysis of its business, the results of which was shared with all employees. PPG also set up a working party which further encouraged buy-in and helped the company implement the changes, maintain them and ensure they were being constantly reviewed.

PPG wanted to establish a culture of continuous improvement in its warehouse facility, and to kick start the project brought in a team of process engineers to identify quick win areas. This included introducing picker generated replenishment, dedicated wrapping teams and small item picking which led to a significant improvement in efficiency.

## **New shift patterns**

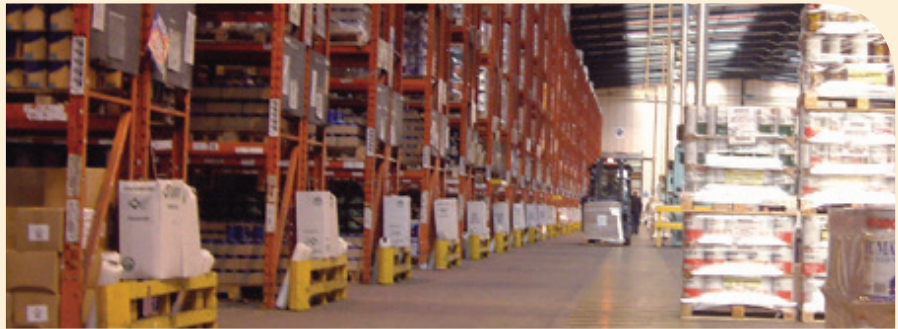
The next stage of the project was to examine the company's shift patterns and PPG brought in Working Time Solutions – experts in this field.

Under the old shift patterns, all staff were contracted to work Monday to Friday, a 45 hours week including seven hours guaranteed overtime. Shifts rotated between one week 'earlies' and one week 'lates' with weekend work paid at time and a half on Saturday up to midday, then double time for the rest of the weekend. Anyone working Bank Holidays did so at treble time or double time with a day in lieu.

It was clear that new shift patterns needed to be designed to meet the needs of the business and its employees. Picking shifts should not overlap as this led to inefficiency and health and safety issues, and replenishment should be targeted and conducted when picking was not going on whenever possible. The loading team in the warehouse also needed a degree of flexibility while at the same time ensuring that all customer orders were ready for shipping at 6am every morning.

## **Annualised hours**

Working Time Solutions created a range of shift pattern options that matched working patterns to demand, based on a flexible annualised hours system. In a nutshell, annualised hours is a system of working that expresses an hours-per-week contract in terms of the number of equivalent hours over a period of a year. This has been successfully introduced in a range of continuous operation business such as manufacturing facilities and also into businesses that suffered from a seasonal demand for labour.



All of Working Time Solutions' options featured a low, mid and high season rota design and introduced a 30 minute briefing to all Tuesday shifts. Each team was allocated two weeks holiday in July or August and no shifts were scheduled for Christmas, Boxing and New Year's Day.

The changes significantly reduced the amount of overtime on offer saving the business around £550,000 - something that PPG knew had to be done to cut costs and improve efficiency, but which would be considered a pay cut by staff.

To ensure that as many people as possible were on-board with the changes, the business took a number of steps. It reinvested 50 per cent of the savings made into its basic rate of pay and created a performance based individual bonus scheme. To make the new system work, PPG also took the opportunity to update its terms and conditions of employment and give employees the incentive to change.

The new pay structure equated to a 30 per cent increase in basic pay plus bonuses as well as new work/life benefits for employees. And, following a 90 day consultation period, the new working practises were introduced.

## **A new dawn**

Following a period of uncertainty that any great changes bring, the new shift patterns have been a resounding success for both the business and its employees. The anticipated savings are now being realised while sickness rates and authorised absences have been reduced and service levels have improved.

The administrative burden on management, in terms of holiday and absence control, has also gone down while employees are enjoying a better work/life balance with increased leisure time and rest periods - all of which has impacted positively on morale. In fact, many members of staff in other areas of the business are now asking when the new scheme will be introduced for them.