LEAN Transformation helps identify USD 4 million in savings for the cargo operations of a major global airline in the US

Mindtree's LEAN transformation assessment for the postal cargo operations of a major global airline in the US identified opportunities to streamline business operations.

With an initial investment of USD 1.7 – USD 2M, this would help them achieve an on-time performance target of *97%* and an estimated *USD 4 million in annual cost savings,* henceforth.

About the **Client**

Our client is a major global airline in the US, operating globally, serving an extensive domestic and international network across six continents. This success story specifically involves **streamlining their cargo arm's postal operations.**

The **Challenge**

In this digital age of instant messaging and video calling, there are still many people who have continued the tradition of sending handwritten letters and picture post cards to their loved ones. The whole process of how a post card dropped in one corner of the world is unfailingly able to find its way to the right home located at the other end is nothing but magical. US Postal Service (USPS) has been responsible for ensuring this across the land and over the seas for many decades now. While USPS has been managing the first and last mile delivery of the mail's journey, they have depended on our client, a major global airline in the US, to help transport these mails across states and countries.

USPS is a top cargo customer of our client and one of the top 10 customers for the airline. The quality and success of their service is measured by their rate of scanning upon receipt of the mail at origin and the correct delivery of the mail at the destination. Our client is a preferred vendor for USPS. However, adhering to their stringent On Time Performance (OTP) goals is a constant challenge, and in order to retain or better their vendor position at USPS, continuous streamlining of operations becomes crucial. Regular non-adherence to OTP goals may result in

loss of preferred vendor status for our client. Losing this status would result in loss of opportunity for route selection, resulting in revenue loss and increased delivery pressures.

Our client, who was presently trailing this target, is committed to USPS to deliver a success rate of **97%** for both transfer and destination mails.

The foundation for any organization to improve its work practices and remove inefficiencies is laid by:

1. The ability to take an unbiased view of their existing practices to identify the inherent flaws.
2. The access to industry best practices, to appreciate the changes they need to incorporate.
3. A structured rigor to implement, validate, and track the identified improvements within timelines.
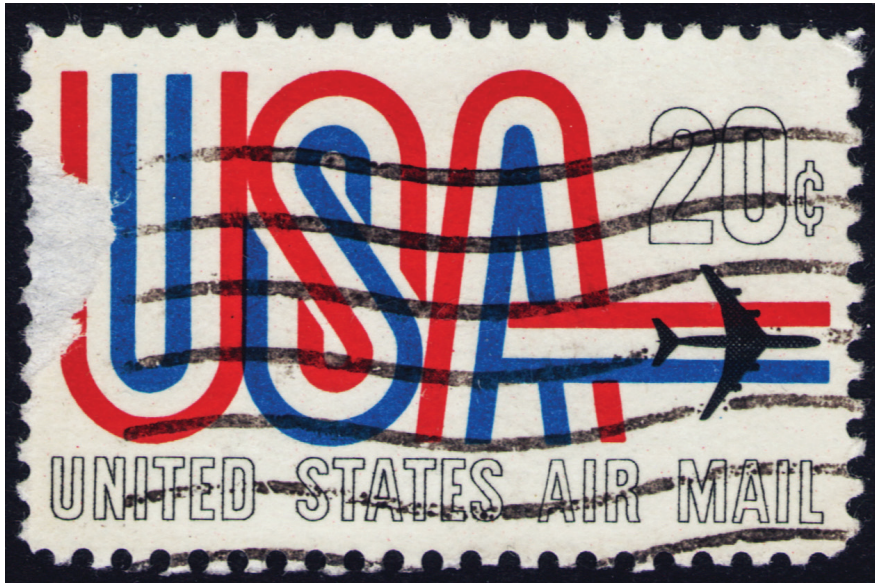
This necessitates external intervention. The client had earlier partnered with Mindtree to spearhead the LEAN transformation in their IT portfolio where we had successfully identified cost savings opportunity of **26%** through productivity improvement and optimized IT delivery work practices. Our LEAN IT framework has delivered **25-40%** productivity improvement across client projects from various industries and organizational processes even within Mindtree.

To extend the benefits our client gained in their IT portfolio through implementation of Mindtree's LEAN framework, they now decided to explore 'business areas' for LEAN implementation, and postal operations of the Cargo business was chosen as the pilot. Mindtree, with its extensive experience of helping several air cargo brands, was well placed to undertake this journey. Our assessment was targeted to identify and eliminate process inefficiencies, thereby enabling them to achieve and exceed the defined **97%** success rate target of USPS.

Mindtree **Solution**

Our client transports almost **3 million lbs of mail bags every week** from its hubs across the US. They are responsible for the mail once the bags are handed over to them by USPS at the airport and until the bags are transported and the mails sorted and set up for delivery at the destination. Atlanta handles around 40% of overall mail operations and hence "Domestic Mail Operations at Atlanta" was chosen as the specific area of study.

Our LEAN framework follows a structured 5-D approach (Discover, Diagnose, Design, Deploy, Deliver) and uses techniques such as 'value stream mapping' and 'visual management' to identify waste, rigidity and variability that exists within business processes. These opportunities are quantified so that proper interventions can be applied to either curtail or eliminate them. We help contextualize industry-wide best practices like KPI-based delivery and complexity-based work segmentation to the client's work practices, thereby helping establish new ways of working within the teams. This also brings in more transparency and accountability. Mindtree's LEAN assessment helped identify improvements in people, process, and technology, to advance the postal cargo operations and focus time, money and effort on value-added services.

We conducted workshops with various stakeholders involved in the postal cargo operations, to review the processes followed across the lifecycle of mail delivery. We spent hours conducting floor observations of our client's mail handling crew in the cargo hub, the screening room, the sorting area, cart loading bay. To have a first-hand experience of the process, we 'lived the life of a mail package' by first building the cargo pallet in the sorting area, and then travelling along with the mail bags from Atlanta to San Francisco to observe the operations at the other end. Through this exciting journey, we unraveled multiple challenges, those when eliminated could help speed up the delivery process to consistently achieve the performance targets and in turn, avoid non-performance penalties.

Highlights of the **LEAN consulting exercise**

Planning & Due Diligence

- Reference discussions with Mindtree's cargo domain experts to contextualize and contrast our observations against industry-wide best practices
- White-boarding sessions with subject matter experts of the client to understand the overall postal cargo transport process

Diagnostics

- Floor observations and 'Value Stream Mapping': Walkthrough of the USPS offer creation and container buildup processes
- 'Life of a mail package' study for the mail transportation
- High level identification of opportunities and challenges across four LEAN pillars: operating practices, organization and skills, management systems, and mindset and behavior.

Design

We worked with our client's business and IT teams to identify solutions to eliminate identified challenges, across processes, people and technology.

- The solution areas were categorized, implementation costs quantified for each of the solutions, along with estimated time frames.
- Business metrics impact assessment was conducted to determine the benefits across revenue, gross margin, throughput, performance, minimum connect time, and manual effort reduction.
- A cost benefit analysis was conducted for each of the solutions along with the business metric impacted, in order to prioritize the implementation of the solutions.

Mindtree has identified relevant improvements to the mail handling & delivery processes for our client's postal cargo operations team.

These improvements will be put to practice by mail handlers across the hubs, and will ensure that the mails are delivered on time as per the performance assurances offered to USPS.

Expected **Outcomes**

The process improvement opportunities we identified will help the customer realize these benefits:

- Achieve cost-savings of USD 4 million Y-o-Y on account of avoiding performance penalties.
- Better on-time performance
- Reduction in connect time due to dedicated teams and resource optimization
- Reduction in manual effort due to technological upgrades