

## Companies turn jobs over to UPS

By Arielle Kass

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LOUISVILLE, Ky. — Up to 800 times a day, the phone rings at a Toshiba repair depot here. About 200 emails come through. So do thousands of computers.

But instead of Toshiba employees picking up the phone, hitting reply or examining a motherboard for issues, it is UPS workers who are tasked with being the face of computer repair for the Japanese company.

They fix, pack and ship computers that need to be rehabbed. For other companies, they assemble cameras, build home- school kits, imprint credit cards, program telephones and fill prescriptions for medical supplies. And their paychecks come from UPS.

“They definitely are UPSers, and we want them to feel like they’re part of our culture,” said Brad Mitchell, president of global logistics and distribution for the Sandy Springs company. “They’ll answer the phone on behalf of a customer, but obviously, they’re very much UPSers.”

UPS’ supply chain solutions business is more than 12 years old, but the company is seeing more big wins — and more opportunities — as the economy remains troubled and businesses continue to look for efficiencies and ways to keep costs low.

For decades, businesses have outsourced payroll, janitorial services and legal work. But with UPS and other third-party providers, they are increasingly outsourcing work that would be considered critical to a company’s operation — and its image.

By eliminating the need for warehouses and the people who work in them, UPS’ partners save money on everything from payroll to health care costs. Outsourcing allows them to focus on the core aspects of their business, and spend more money on research and development.

The logistics arm of UPS benefits by deepening relationships with its clients. It can save money by combining warehouse space and shifting workers depending on the season, eliminating the need for constant seasonal hiring.

In many cases, company officials are keeping the partnerships quiet. A number of UPS customers have confidentiality agreements that prevent the company from discussing everything it does for clients.

“It’s not something that’s talked about,” said **DeAnna Lucas**, a management consultant with **The Parker Avery Group**. “It’s not common practice.”

That’s because companies like Toshiba are still responsible for the customer experience and are sometimes loathe to separate the work that is being done for them from their own brands.

**Lucas** said arrangements between businesses often develop because companies have existing relationships, and begin to talk about what else each can do for the other. That was the case with Toshiba, which started out using just two UPS technicians to fix computers and now has more than 100. While others are authorized to repair the computers — including Geek Squad — Toshiba’s relationship with UPS grew as the computer company looked to centralize repairs. Soon, UPS will begin to repair Toshiba televisions as well.

Working with health care companies has become a large focus at UPS, as expiring patents and tougher regulations make the landscape more complicated for drug makers.

“Some pharmaceutical companies, all they have to do is develop the product and send it to us, and we’ll do everything else,” said Dan McKenna, a senior distribution manager for UPS’ supply chain solutions. “Managing warehouses, people, staff, it costs them more.”

So companies like Merck are shrinking their warehousing businesses to focus on development.

“There is more pressure on profits than there used to be,” UPS CEO Scott Davis said. “A weaker economy creates pressure. There are some opportunities out there for us.”

In some cases, former Merck employees are hired by UPS. In others, the jobs move to new workers.

UPS’ Mitchell said wages and benefits are competitive. But such moves may result in lower paychecks for workers employed by the outsourced company, said Robert E. Scott, an international economist at the Economic Policy Institute. He said job quality may also suffer as companies try to wring more work out of existing employees.

Nancy Hoskins, 47, said being on her feet for 10 hours a day cleaning and labeling repaired Toshiba laptops isn’t easy. But at \$9.70 an hour, she makes more than she has at other temporary jobs. Employees are expected to move 17 laptops an hour, but if screens are particularly dirty, she said it can take longer to get through the backlog.

Hoskins, who started with UPS in September through a temp agency, said she would like the job to become permanent. The Toshiba account brings in a lot of workers on a temporary basis, UPS operations manager Chris Greene said. He said about half of them are able to make it to full time.

“It’s try before you buy,” he said. “We contract the labor, especially in the tech room, then hire them on once we know they’re able to do the job.”

Scott, with the Economic Policy Institute, said the practice of “perma-temps” is becoming more common. He said it is a bad thing for the workforce, as people working alongside each other earn different wages, have fewer benefits and lack job security.

Because companies have to be careful with how they spend their money, they are more likely to use temporary workers, so as not to add headcount, Clarity Consultants marketing director Stephen Debruyne said. Within UPS, workers often move from one account to another, depending on seasonal demand.

In late summer, as many as 200 people work at UPS’ K12 facility in Kentucky, packing kits for the online education company or refurbishing school supplies, supervisor Dean Caswell said. Later in the year, just 70 people work on the account.

During flu season, workers move to pharmaceutical clients to help move vaccines. When a new phone is launched, they work for Sprint to ensure it makes it to stores in time.

Overall, UPS employs 4,000 people in Louisville in its supply chain solutions business, which has grown partly because it’s next to the company’s main air hub. In the second quarter, the company’s supply chain and freight businesses — they are reported together — generated an operating profit of \$187 million, a record for those businesses.

Sprint began using UPS to program phones and package them with batteries and chargers for shipment when it merged with Nextel Communications six years ago, Sprint logistics manager Mark Reiff said. In the past, Nextel had done the work internally and Sprint had outsourced it elsewhere. Before consolidation, the work was done out of 18 different distribution centers.

Reiff said there were some growing pains as the partnership began, particularly with UPS employees treating Sprint workers like co-workers, instead of customers. But the issues were worked out, he said. Sprint recently extended its contract until 2015. But even though UPS is tied into Sprint’s systems, Reiff said it still does not know all aspects of its business.

“There is a contractual relationship,” he said. “They are not Sprint. We are not UPS. We have to be mindful of that boundary.”

Still, UPS’ Sprint account manager, Mike Fallon, said his workers are aware that the company needs Sprint to succeed if it is going to prosper.

Greene, the UPS operations manager who worked with Toshiba, said workers there are more entrenched with their customer. They may get paid by UPS, but that’s the only place their employers’ name appears.

“We answer the phone upstairs, ‘Toshiba repair depot,’” he said. “It’s not UPS.”

For some employees, working for UPS is the goal. Hoskins and Jacob Grisham said they see their jobs as an opportunity to get their foot in the door at Louisville's largest private employer, regardless of the job.

While many UPS employees are unionized, those on the supply chain solutions side are not. Still, Grisham — a recent high school graduate who was working on the Toshiba line in September — said he sees room to grow.

"They tell you there's all the opportunity in the world," he said.