

DELEGATION ORDER



RETRAINEE - JOB CREATION

Training Proposal for:

Euromarket Designs, Inc. dba Crate and Barrel

Agreement Number: ET15-0463

Approval Date: June 24, 2015

ETP Regional Office: Sacramento

Analyst: L. Fraizer

PROJECT PROFILE

Contract Attributes:	Retrainee Job Creation Initiative HUA	Industry Sector(s):	Retail Warehousing Priority Industry: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Counties Served:	San Joaquin	Repeat Contractor:	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Union(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
Number of Employees in:	CA: 590	U.S.: 3,415	Worldwide: 3,563
<u>Turnover Rate:</u>	7%		
<u>Managers/Supervisors:</u> (% of total trainees)	14%		

FUNDING DETAIL

Program Costs	-	(Substantial Contribution)	(High Earner Reduction)	=	Total ETP Funding
\$62,700		\$0	\$0		\$62,700

In-Kind Contribution:	100% of Total ETP Funding Required	\$62,700
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TRAINING PLAN TABLE

Job No.	Job Description	Type of Training	Estimated No. of Trainees	Range of Hours		Average Cost per Trainee	Post-Retention Wage
				Class / Lab	CBT		
1	Retrainee	Commercial Skills, Cont. Imp., Literacy Skills, Mgmt. Skills	140	8-200	0-26	\$405	\$12.50
				Weighted Avg: 27			
2	Job Creation Initiative	Commercial Skills, Cont. Imp., Literacy Skills, Mgmt. Skills	10	8-200	0-26	\$600	\$12.00
				Weighted Avg: 30			

Minimum Wage by County: Job Number 1: \$11.30 per hour for San Joaquin County; Job Number 2 (Job Creation): \$9.25 per hour for San Joaquin County.

Health Benefits: Yes No This is employer share of cost for healthcare premiums – medical, dental, vision.

Used to meet the Post-Retention Wage?: Yes No Maybe

Although employer provides health benefits, they are not being used to meet Post-Retention Wage.

Wage Range by Occupation

Occupation Titles	Wage Range	Estimated # of Trainees
Job Number 1		
Administrative Staff		10
Warehouse Staff		80
Lead Staff		10
Supervisor		11
Manager 1		3
Manager 2		7
Human Resources Staff 1		3
Human Resources Staff 2		7
Clearance Center Staff		9
Job Number 2		
Clearance Center Staff		8
Supervisor		2

INTRODUCTION

In this proposal, Euromarket Designs, Inc. dba Crate and Barrel (Crate and Barrel) seeks funding for retraining as outlined below. Euromarket Designs, known for its Crate and Barrel retail outlets, was founded in 1962 in Northbrook, Illinois and it became a subsidiary of parent company Otto Versand in 1998.

Crate and Barrel specializes in housewares, indoor/outdoor furniture, and home accessories. The Company sells through retail stores, mail-order and the Internet (CrateandBarrel.com). Crate and Barrel also has a specialty store, *The Land of Nod*, for children's furniture and accessories. In 2007, the Company opened *CB2* stores as a brand for the young adult market. There are 21 retail locations, two distribution centers and one warehouse in California. This proposal is focused on the two distribution centers, warehouse and clearance center in Tracy. The Tracy locations service all West Coast and Canadian retail stores and consumers.

PROJECT DETAILS

Crate and Barrel is focused on improving efficiency, reducing costs and eliminating waste. To meet these goals, the Company opened its new clearance center in Tracy and is investing \$13 million in a new Warehouse Management System (WMS) to streamline operational procedures. The system will help move inventory more quickly, speed delivery and improve customer service.

WMS is projected to be operational by September 2015. Two other systems will be installed concurrently: International Transport Management System and Transportation Management system. These two systems, compatible with WMS, will increase tracking efficiency and visibility of shipping containers. Crate and Barrel's rollout of these systems will require the implementation of new companywide best practices, management transitions and process improvements.

This is Crate and Barrel's second ETP Agreement. This funding will continue the training efforts that began under the previous Agreement, and facilitate launching WMS. Trainees involved in the last contract will not repeat courses already taken.

Retrainee - Job Creation

In support of job creation, the Panel is offering incentives to companies that commit to hiring new employees. Under the Retrainee-Job Creation program, training for newly-hired employees will be reimbursed at a higher rate and trainees will be subject to a lower post-retention wage.

In this proposal, Crate and Barrel has committed to hiring 10 new employees as shown in Job Number 2. Crate and Barrel represents that the date-of-hire for all trainees in the Job Creation program will be within the three-month period before contract approval or within the term-of-contract. The Company also represents that these trainees will be hired into "net new jobs" as a condition of contract.

The clearance center in Tracy opened in January 2015. It is used as a retail store three days a week, and is used to replenish stock, stage and wrap product for the remainder of the week. The 10 new staff will work at this facility.

Temporary to Permanent Hiring

Some trainees in Job Number 1 and Job Number 2 fall under Panel guidelines for "temporary to permanent" employment. Crate and Barrel has retained these employees through a temporary agency, with the intention of hiring them into full-time, permanent positions after training.

These trainees must be determined eligible to participate in ETP-funded training before the start of training, while on payroll with the temporary agency. However, the retention and post-retention wage requirements cannot be satisfied until after they have been hired by Crate and Barrel on a full-time permanent basis. Until then, Crate and Barrel will not receive progress payments.

Training Plan

Crate and Barrel's training will be delivered in a classroom/laboratory and CBT setting in the following types.

Commercial Skills (20%): Training will be offered to all occupations and topics will include Product Documentation and Procedural Processes within the Warehouse Management System, Equipment Operations, Materials Handling, and Cross-Training to gain insight in all business channels to ensure versatility and enhance career advancement opportunities.

Management Skills (10%): Lead Staff and Managers will receive training to improve skills in the areas of Verbal and Electronic Communication, Leadership Development, and Management Transition. These skills will build a foundation for leadership and create improvements in all areas of the business.

Continuous Improvement (70%): Training will be offered to all occupations to raise awareness of Process Improvements, Quality Concepts, Safety Training, Productivity, and Customer Service. The training courses will include Product Knowledge, Inventory Control Principles, Lean Warehousing, and Train-The-Trainer.

Commitment to Training

Crate and Barrel currently has a total training budget of \$70,098 which includes companywide communication skills and course catalog training; job specific training encompasses on-the-job and presentation skills for the Leadership Team. Crate and Barrel represents that ETP funds will not displace the existing financial commitment to training. Safety training is, and will continue to be, provided in accordance with all pertinent requirements under state and federal law.

High Unemployment Area

The 140 trainees in Job Number 1 and 10 trainees in Job Number 2 work in a High Unemployment Area (HUA), a region with unemployment exceeding the state average by at least 25%. The Company's locations in San Joaquin County qualify for HUA status under these standards. For these trainees, the Panel may modify the ETP Minimum Wage by up to 25% if post-retention wages exceed the start-of-training wages. However, Crate and Barrel is not requesting the HUA wage/retention waiver for these trainees.

RECOMMENDATION

Staff recommends approval of this proposal.

PRIOR PROJECTS

The following table summarizes performance by Crate and Barrel under an ETP Agreement that was completed within the last five years:

Agreement No.	Location (City)	Term	Approved Amount	Payment Earned	
				\$	%
ET12-0307	Tracy	02/14/12- 02/13/14	\$69,300	\$42,576	(61%)

The training plan under ET12-0307 was primarily for the new warehouse management system (WMS) scheduled to "go live" during the term of the contract. The Company experienced delays at the national level which caused them to defer WMS training. Although the Company came forward with other

training—such as sales/service, continuous improvement and leadership—the disruption in WMS caused performance to drop below 70%.

Crate and Barrel's transition to WMS is now scheduled for September 2015. The Company has subject matter experts in place to deal with any unforeseen deployment or configuration issues that may arise. Additionally, the three main warehouses in the U.S. will be converting to WMS, so training and other support will come from the same vendor.

In light of the imminent launch date and corporate-level, support for WMS, staff only "right-sized" this proposal by a factor of 10% below the previous approved amount of funding. That factor approximates the amount by which the percentage of prior performance fell below the ETP benchmark of 70%.

DEVELOPMENT SERVICES

N/A

ADMINISTRATIVE SERVICES

N/A

TRAINING VENDORS

To Be Determined

Exhibit B: Menu Curriculum**Class/Lab Hours**

8-200

Trainees may receive any of the following:

COMMERCIAL SKILLS

- Crate Tracker
- International Transit Management System (ITMS)
- Transit Management System (TMS)
- Warehouse Management System
 - Procedural Training
 - Receiving
 - Put Away
 - Picking
 - Shipping
 - Processing Returns
 - Processing Transfers
 - Parcel
 - Profiling
 - Receipt Processing
 - Systems Training
 - Navigating the New screens
 - Understanding Commands
 - Functions
 - Wave Planning
 - Wave Support
 - Layout
 - Warehouse design and Layout Based on JDA Changes
- Cross Training
- Clearance Center
 - Selling Skills
 - Customer Service Skills
 - Pricing
 - Merchandising
 - Product Training
- Equipment Training
 - Scanners
 - Geami
 - Register Training Conveyor
 - Kiva
- Forklift Safety Training
- Conveyer Safety Training
- Glass Handling Safety Training
- Loading Dock Safety Training
- Geami Procedure

CONTINUOUS IMPROVEMENT

- Building a Culture of Respect
- Fundamentals Vision
- Diversity

- Train-the-Trainer
- Setting Goals
- Conversations and the Power of Questions
- In Store Training
- Lean Warehousing
 - Kaizen
 - Lean Principles
 - Tasks, Lists and Maps
 - Process Mapping
 - System Audits
- Foreign Trade Zone Refresher Training
- Safety Training
- DC/C-TPAT Refresher Training
- The Practical Coach
- Communication Skills
- Budgeting
- Product Knowledge
- Presentation Skills

MANAGEMENT SKILLS

- DC/Logistics Leadership
- Middle Management Transitions
- Leadership Development Program
- Leading Through Transitions
- Leadership Development
- Gathering Feedback and Engaging Associates
- How to Hire the Right People
- Managing Productivity

CBT Hours

0-26

CONTINUOUS IMPROVEMENT

- Metal Furniture (30 min)
- Rugs (30 min)
- Reviewing and Rewarding Performance (1 hour)
- Textiles (30 min)
- Wood Furniture (1 hour)
- Persuasive Business Writing (40 min)
- Business Meeting Skills (2.5 hours)
- Get the Most out of your Meetings (1.25 hours)
- High Impact Visual Aids (45 min)
- Lose the Meeting Blues (45 min)
- Effective Business Writing (45 min)
- Writing Effective Emails (40 min)
- Project Management Skills (2.75 hours)
- Financial Basics for Non-Financial Managers (1.5 hours)
- Managing Conflict: A Collaborative Approach (2.75 hours)
- Personal Leadership Power (45 min)
- Developing and Leading an Effective Team (1.75 hours)

- Maximizing Employee Performance (45 min)
- Handling Conflict: An Employee Guide (45 min)
- Power Speaking (45 min)
- Building Strong Customer Relationships (2.25 hours)
- Communication Across Cultures (1.75 hours)
- Interpersonal Communications (45 min)
- Are you Really Listening (45 min)
- Ergonomics for Manufacturing (45 min)
- Valuing Diversity (45 min)
- Communication Skills (30 min)
- Working with Difficult People (3 hours)
- Meeting the Delegation Challenge (45 min)
- Goal Setting in the Workplace (45 min)
- The Power to Change (45 min)
- Teaching a Job Skill (30 min)
- Basic Upholstery (1 hour)
- Building Trust (1 hour)
- Creating and Maintaining Positive work Environments (1 hour)
- Customer Service Fundamentals: Building Rapport in Customer Relations (1 hour)
- Delegating (2 hours)

Note: Reimbursement for retraining is capped at 200 hours total per-trainee, regardless of method of delivery. Computer-Based Training (CBT) is capped at 50% of total training hours, per-trainee.