WAREHOUSE CAPACITY SERVICE LEVEL AGREEMENT

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Version: 2.1

Last Updated: August 2024

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EXECUTIVE SUMMARY

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This Service Level Agreement (SLA) defines capacity management standards and performance expectations across all distribution center facilities. It establishes thresholds, escalation procedures, and remediation actions for capacity-related situations.

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SECTION 1: CAPACITY THRESHOLDS

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1.1 Standard Operating Thresholds

Threshold Level	Utilization %	Status	Action Required
Green	0% - 75%	Normal	None
Yellow	76% - 85%	Elevated	Weekly review
Orange	86% - 95%	Critical	Daily monitoring
Red	96% - 100%	Overflow	Immediate action

1.2 Site-Specific Thresholds

Northeast Distribution Center (WH-NE):

- Due to premium location costs and limited expansion options

- Yellow threshold: 75%

- Orange threshold: 85%

- Red threshold: 92%

Central Distribution Center (WH-CENT):

- Standard thresholds apply

- Overflow expansion available to adjacent facility

Western Distribution Center (WH-WEST):

- Standard thresholds apply

- On-site expansion zone available (3,000 pallets)

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SECTION 2: CAPACITY MONITORING

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2.1 Daily Monitoring Requirements

- Real-time WMS dashboard refresh: Every 15 minutes

- Capacity reports distributed: 6:00 AM, 12:00 PM, 6:00 PM

- Alert notifications: Automatic when threshold crossed

2.2 Reporting Frequency by Status

Status	Report Frequency	Distribution List
Green	Weekly	Operations team
Yellow	Daily	Operations + Planning
Orange	Twice daily	Ops + Planning + Management

| Red | Hourly | All stakeholders + Executive |

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SECTION 3: ESCALATION PROCEDURES

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3.1 Yellow Status (76-85% Utilization)

● Logistics Analyst reviews forecast vs. capacity

● Weekly S&OP alignment meeting

● 14-day capacity projection required

● Identify rebalancing opportunities across facilities

3.2 Orange Status (86-95% Utilization)

● Site Operations Manager leads daily standup

● 7-day detailed capacity plan required

● Cross-dock opportunities maximized

● Expedited outbound shipping evaluated

● Overflow storage contracts activated if available

3.3 Red Status (96%+ Utilization)

● VP of Supply Chain notification within 1 hour

● Emergency capacity committee convened

● Inbound shipments may be rerouted or delayed

● Premium overflow arrangements activated

● Customer order prioritization review

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SECTION 4: OVERFLOW COST IMPACT

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4.1 Internal Cost Allocations

When utilizing overflow capacity, costs are allocated as follows:

Overflow Type	Cost Premium	Charged To
On-site expansion	+15%	Site P&L
3PL overflow	+100-150%	Product margin
Emergency rental	+200%	Corporate
Customer expedite	Pass-through	Customer

4.2 Projected Overflow Scenarios

Q4 Marketing Push Scenario Impact Analysis:

If Northeast DC receives 25% additional volume in Q4:

● Projected utilization: 108% of standard capacity

● Overflow pallets: ~2,500 per day average

● Estimated overflow penalty: $12,500/day

● Monthly impact: $375,000

Pre-build Strategy Recommendation:

● Begin inventory build in August/September

● Target: 15% inventory increase by October 1

● Spreads capacity strain across Q3 and Q4

● Estimated savings: $180,000 vs. Q4-only build

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SECTION 5: CAPACITY REBALANCING

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5.1 Inter-Facility Transfer Guidelines

Transfers between facilities are authorized when:

● Source facility exceeds 85% utilization

● Destination facility is below 70% utilization

● Transfer cost is less than overflow penalty

● Product characteristics are compatible with destination

5.2 Transfer Lead Times

Transfer Route	Standard Lead Time	Expedited
Northeast to Central	5 days	3 days
Central to West	4 days	2 days
Northeast to West	7 days	4 days

5.3 Transfer Authorization Levels

Volume (Pallets)	Approval Required
1 - 100	Site Manager
101 - 500	Regional Director
501 - 2,000	VP Supply Chain
2,000+	Executive Committee

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SECTION 6: PERFORMANCE METRICS

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6.1 Key Performance Indicators

KPI	Target	Measurement Frequency
Capacity Forecast Accuracy	≥90%	Monthly
Overflow Events	≤2/year	Annually
Average Utilization	70-80%	Monthly
Rebalance Effectiveness	≥85%	Quarterly

6.2 Continuous Improvement Goals

Annual targets:

- Reduce overflow events by 25% year-over-year
- Improve forecast accuracy by 5 percentage points
- Decrease average cost per pallet stored by 3%

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SECTION 7: DOCUMENT CONTROL

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Document Owner: Logistics Planning Team

Review Frequency: Quarterly

Next Review Date: November 2024

Change Log:

- v2.1 (Aug 2024): Updated Northeast DC thresholds per 3PL contract
- v2.0 (Jan 2024): Annual refresh, added transfer guidelines
- v1.5 (Oct 2023): Added Q4 scenario analysis section