

Global Foods Producer

Branded Foods

North America

Project Sponsor:
Senior Vice President

Project description:

- Self-funding, non-technology manufacturing operations improvement initiative for a branded foods business line within the North American network. Objectives: Improve service; reduce costs; simplify processes for new ERP technology
- Scope of project:
 - Order management/planning
 - Materials management/scheduling
 - Production operations
 - Maintenance
 - Packaging and supplies
 - Finished goods inventory
- Improvement benefits:
 - Operating cost ↓ 11%
 - Annual savings \$5.5M
 - Headcount ↓ 8%
 - Break even point5 mos.
 - ROI [12 month].4.0x
 - Unplanned downtime ↓ 22%
 - Machine turn rate ↑ 80%
 - On-time customer delivery . . . ↑ 98%

Line Group Operations: Supply Chain

Situation Analysis: ClientCo is the North American edible oils division of an international \$10B diversified foods producer.

Senior management sought operations improvement as new technology [an ERP system] was being deployed. The effort focused on bulk products sold to other producers, as well as branded and private label consumer products sold to national grocery chains.

Improvements Identified: The Phase I effort [eight weeks] analyzed all aspects of supply chain operations from order entry through plant production and collections. Over 250 non-technology improvements were identified and incorporated into a five-month, self-funding implementation work plan, coordinated with the ERP deployment schedule. Examples:

1. **Product Simplification**—Compared to its competitors, ClientCo offered private label customers a costly, virtually unlimited selection of labeling and packaging design options. However, customers used few of these options, perceived minimal value in broad selection, and were unwilling to pay a premium for any related customization. Reducing these “low value” options by 75% delivered substantial savings in packaging inventory, related stock-outs and downstream production.
2. **Plant Maintenance**—Under-investment in scheduled maintenance created costly downtime, late shipments, cancelled orders and associated returns and inventory destructions.
3. **Vendor Quality**—Poor inbound quality from vendors, combined with under-investment in upstream quality management created production breaks, unplanned downtime and costly rework.
4. **Plant Housekeeping**—Product simplification [see no. 1] created an opportunity to reclaim scarce floor space and improve the layout, receiving and staging areas around the fill lines. Minimal investment in lighting upgrades and floor markings helped line workers better visualize the production flow and related problems.
5. **Dedicated Service Teams**—Product volumes were highly concentrated in a relatively small number of customers. Formation of a small number of dedicated service teams helped eliminate scores of repetitive issues from order entry through delivery and collections.

Overall Results: After the Phase I effort, The Lab worked with ClientCo internal teams to implement the self-funding non-technology improvements and coordinate streamlined business processes with the new ERP technology.