

Case Study: Production and Operations Improvement

Strategic Improvement Planning

Business Context

Industry consolidation pressured a US food manufacturer to significantly cut costs. The client implemented an enterprise-wide Zero-Based Budgeting initiative, with the goal to drive efficiency in various areas of the business. CGN was engaged to assess cost inefficiencies in one such area—the Point of Purchase (POP) materials process—with the goal of identifying and planning the execution of opportunities that would deliver 10% reduction in cost against the initial project scope of \$36.5M.

Objectives & Scope

The two major client groups with a stake in the POP process defined value differently. Marketing defined value as innovation and revenue growth while Supply Chain defined value as cost savings. In identifying opportunities to deliver a 10% overall cost reduction without inhibiting innovation, CGN developed the following objectives:

- Identify waste in end-to-end POP display value chain
- Drive out costs from value chain while concurrently reducing inventory and improving order effectiveness
- Support cross-functional alignment and visibility to prevent siloed efforts
- Determine if vendors are optimally producing for demand or if there is room for improvement

Approach

After establishing concrete business objectives, CGN approached the situation by analyzing the current state. Tools included:

- Stakeholder interviews to gain a comprehensive understanding of the business across all functional areas
- Waterfall chart to detail current spend breakdown
- End-to-end value stream mapping for three different processes
- Physical material and distribution mapping for two different networks
- Assessment of third party vendor agreements and performance
- Network modeling to validate cost saving theories in the distribution network

Results

- Identified over 2X expected spend (\$77.9M)
- Identified a 10% (\$7.7 million) annual cost reduction opportunity, doubling the savings deliverable
- More than \$2.1 million in inventory asset reductions
- Improved supply chain response time by 7-10 days
- Greatly improved end to end process visibility across all functional areas
- Provided roadmap to implementation of 7 work streams

