

€16M
ONGOING COST SAVINGS

CASE STUDY



END-TO-END SUPPLY CHAIN ADVANCEMENT

INDUSTRY: **CONSUMER PRODUCTS**

DESIGNING A BEST-IN-CLASS END-TO-END, GLOBAL SUPPLY CHAIN TO PROVIDE MAXIMUM CUSTOMER VALUE AT THE LOWEST TOTAL COST

Opportunity Analysis Client Challenges

The client, a leading consumer products manufacturer with global operations, was challenged with a complex, fragmented, and expensive distribution network.

Management systems were focused on functional silo performance vs. system-wide connections, which resulted in high costs and inefficiency for the organization.

With looming market pressure for shorter lead times and rising competition, the client partnered with LeanCor Consulting to redesign its supply chain into a best-in-class, lean model. LeanCor would help create leadership collaboration and management systems that would support supply chain-centric

decision making and use supply chain performance as a feedback loop to drive process design, effective measurement systems, and process improvement. In turn, the client would focus on its core, value-add competencies, developing the right team and skill sets to drive service, working capital and cost improvements.

In a 12-week **opportunity analysis**, LeanCor used a **three-step methodology** to identify actionable opportunities for the client's end-to-end supply chain:

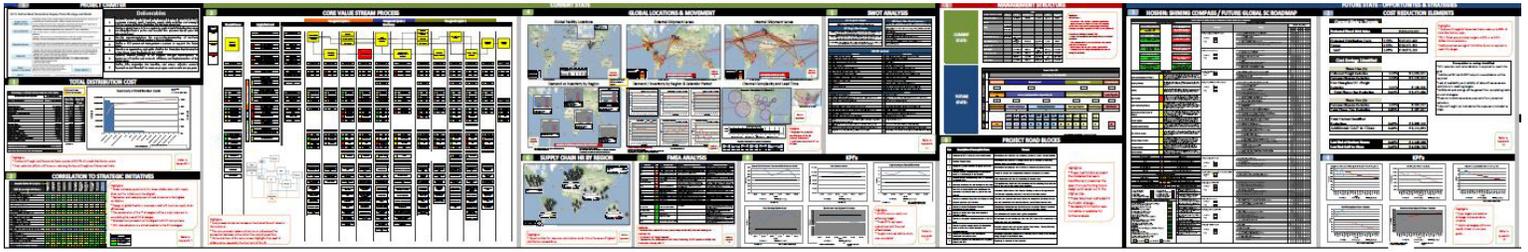
Step 1: Current State Analysis and Benchmarking

LeanCor created a deep-dive review of subprocesses relative

to people, process, technology, network infrastructure and advanced operating principles. This included:

- **The Global Logistics Network**
"Do we have the right transportation and facility network to support our current inventory strategy?"
- **Supply Chain Operations**
"What opportunities exist to create an end-to-end supply chain that is better connected to increase the perfect order performance at optimal operating cost?"
- **Management System**
"What opportunities exist to improve the overall management system on the end-to-end supply chain?"

3-STEP OPPORTUNITY ANALYSIS



Step 2: Global Supply Chain Vision

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Using the inputs gathered from the current state analysis, LeanCor worked alongside the client to develop a global supply chain vision for the future:

■ First, LeanCor **drew several correlations from ongoing corporate initiatives to the client's supply chain strategies.** They found that distribution, operations, IT, and SKU rationalization were critical enablers for successfully executing the strategies.

■ Next, a **core process value stream map** focused on the horizontal flow of value to the customer. By understanding the connections between information and material flow, it highlighted the opportunities for more collaboration – especially at the front end of the supply chain.

■ LeanCor then **mapped the client's global distribution network** in order to understand locations, shipment

lanes, demand patterns, and lead

time. Lead time varied from 37 to 55 days.

■ LeanCor recognized that **personnel was the second highest distribution expenditure**, and that opportunity for optimization existed in this area.

■ To identify risks and containment strategies, LeanCor conducted an **FMEA Analysis** around core processes.

■ Lastly, **new KPIs were developed** for greater operational and financial impact.

Step 3: Multi-Year Road Map

This road map would serve as a step-by-step guide to:

■ Implementing the Global Supply Chain Vision

This included:

- Leadership Collaboration Process Design
- Improvement Targets Management System Design

- Logistics Network Design
- Supply Chain Infrastructure Recommendations
- Advanced Supply Chain Operating Principles Determination

■ Transforming Supply Chain Operations

This involved improving all processes and subprocesses of the end-to-end supply chain to drive advanced performance, and identifying two key areas of opportunity where LeanCor would support the transformation activity.

■ Implementing the Management System

This would require organizational structures and management systems to drive collaboration and cross-functional decision making.

Results

LeanCor found that when implemented, the global supply chain vision would yield **€16.3M in identified cost savings, adding 2 percentage points to the bottom line profit margin.**

IMPLEMENTATION SUPPORT

Two major initiatives from the supply chain advancement road map included transforming both the distribution and operations networks. The client continued its partnership with LeanCor to execute these projects.

Distribution Network Transformation

After a major cross-country DC consolidation, the facility was challenged with new and different products, a new WMS kickoff, duplicate staff positions, and service concerns with being limited to one DC. This unstable environment created 42-day+ lead times and 32+ days of wait time. In addition, the DC experienced un-leveled flow of activity, high employee turnover, inefficient put-away and replenishment processes, traffic and aisle congestion, and more.

Through a tiered strategy deployment process, LeanCor helped the client clearly identify and execute tactical projects to support overall improvement goals. These included:

- Standardization of Process
- Development of Visual Workplace
- Technology to Support Business Process
- Develop Continuous Improvement Culture
- Level Flow and Work to Takt
- HR Strategy
- Development of Safety Process
- "Perfect Order" Execution
- Quality at the Source
- Vendor Management

Amidst increased volumes, these improvement projects yielded strong results:

Total Labor	-19%
Overtime	-63%
Total Operating Expenses	-11%
Freight	-19%

Operations Network Transformation

From overproduction with batch processing, to long wait times and extra motions, a multitude of wasteful activities were occurring in the client's production facilities. These activities were adding no value to customers, and in many cases, were creating delays and defects.

To solve this challenge, LeanCor helped the client utilize advanced supply chain operating principles to drive out waste and gain efficiencies in its operations network.

■ Pilot Facility Transformation

- Value Stream Mapping All Major Product Families
- Operational Process Assessments (*Transformation Opportunities*)
- Waste and Complexity Reduction (*Drive Reduced Lead Time and Improved FTQ*)
- Material Flow Improvements
- Takt Time/Process Time Analysis to Right-Size Labor

■ Operational Playbook Development to Transform Remaining Facilities

- Documentation of Current State
- Creating a Future State Vision
- Transformation Timeline
- Implementation
- Sustaining and Driving Continuous Improvement

This projected yielded:

Total Labor	-3%
Average Savings Per Facility	€225K
ROI in First Year	255%