

Consumer Packaged Goods

CASE
STUDY

CPG Operations Improvement without Technology

Lean Six Sigma CPG Transformation

Situation – How to increase CPG operations efficiency while reducing cost

Brand-based competition increasingly included cost cutting wars. Grocery chains stepped up their usual price pressure. Activist investors pushed for brutal cost reduction. But The Lab's client wanted to achieve cost reduction and satisfy new demands from customers. For example: Consumers wanted less sugar and salt, so recipes had to be reformulated. Discount club retailers demanded new packaging. This required lean, sustainable ways to improve productivity and CPG operations efficiency.

Plant production infrastructure was up to date. Recently-installed enterprise resource planning (ERP) technology promised to increase productivity to achieve cost cutting. It did not. A frantic internal CPG operations consulting team made small gains. Then a package of The Lab's non-technology improvement templates arrived in a black folder. It offered an approach for turbocharging the existing continuous improvement and lean six sigma efforts.

Client Description, Project Scope, Objectives

The Lab helped design a non-technology, end-to-end lean process improvement effort for North America. The previous work of the internal lean operations consulting team was incorporated. The scope included three plants and support functions, such as engineering, scheduling, and maintenance.

A *Fortune* 500 consumer packaged goods producer, the company has long dominated its global product category. Over half of its total 40,000 employees were concentrated in North America. The Lab's engagement began with one division of 5,000 employees.

The objective was to increase CPG operations productivity by 10 percent to recoup the unrealized, ERP-promised gain. The Lab's effort delivered a 15 percent gain in 6 months. Implementation began with a 7-week, Phase I analysis of end-to-end operations. This delivered a self-funding, guaranteed, 6-month work plan for Phase II implementation.

Consumer Packaged Goods Process Improvement Implementation Examples

The Lab implemented 275 non-technology lean six sigma CPG process improvements. Examples:

Simplified Recipe Reformulation Process—Reordering and simplifying the traditional recipe reformulation approvals enabled process standardization. These non-technology changes improved lean operational efficiency by reducing over half of the previously-required activities. Fewer recipe variations enabled a one-third reduction in production line setup time.

Lean Logistics for Materials Handling—Inside the plant, three independent teams transported equipment and materials: Quality, Production and Maintenance. Logistical inefficiency caused delays and downtime that made it difficult to increase productivity of the plant. Kaizen events quickly launched sharing and coordination initiatives that eliminated 70 percent of logistics-related downtime.

Knowledge Worker Productivity Metrics—Productivity of industrial engineering, maintenance, scheduling and other knowledge workers was not rigorously and consistently managed. The Lab introduced formal productivity metrics that helped identify lean standard work methods for these critical employees. Within 8 weeks, unplanned schedule changes fell 80 percent.

Fortune 500 Consumer Packaged Goods Producer

Order Mgmt. Operations

North America

Project Sponsor:

Senior Vice President, Operations

Non-technology, self-funding operational improvement implementation:

- No new technology
- End-to-end lean process improvement
- 6-month implementation

Project Objectives:

- Improved productivity
- Lean management routines
- Cost reduction

Project Scope:

- Three manufacturing plants
- Industrial engineering
- Scheduling
- Maintenance
- Others

Implementation Results:

- Operating cost ↓ 18%
- Capacity improvement ↑ 15%
- Productivity ↑ 15%
- Unplanned schedule changes . . ↓ 80%
- Break even point 5 mos.
- ROI (12 month) 3X

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