Supply Chain Optimization

IPM®

SUPPLY CHAIN OPTIMIZATION PROGRAM *Generates* $11.2 MILLION COST REDUCTION

A global consumer products company was experiencing deteriorating operating performance. Unmitigated product (SKU) proliferation, poor product line management, reactive production and distribution planning, unsuccessful initiatives to reduce operating costs, and a failure to develop and utilize standard, valid operational information took root.

ASSESS, RATIONALIZE, AND VALIDATE

Utilizing its phased project management approach, Integrated Project Management Company, Inc. (IPM), in conjunction with client team members, executed an initiative to quickly develop a clear, unbiased understanding of the client's business, particularly the influencing factors of sales and operations performance. The key elements included validating the current product portfolio, redefining the sales forecast, developing comparative cost of goods sold, analyzing manufacturing capacity utilization, and determining warehousing and distribution cost drivers.

Cognizant of the cause and effect relationship of sales requirements and operating performance, the team completed a rationalization of the current product portfolio to identify those products offering the best combination of volume potential and margin contribution, while eliminating underperforming products. A revised sales forecast was developed using the rationalized product portfolio and current market-research data. The revised forecast represented the baseline requirements to guide the reconfiguration of the "manufacturing footprint."

The team also completed a comparative analysis of the COGS and manufacturing capacity. These measures were defined and standardized to facilitate valid site-to-site comparisons and identify key performance drivers. The team performed a quantitative analysis of the client's distribution network to identify opportunities to optimize the logistical configuration of the various distribution locations and customer service zones.

Provided with this baseline information, the team developed several alternatives to reconfigure the "manufacturing footprint" and reduce operating costs, while maximizing the production capacity. Each alternative was diligently evaluated with respect to feasibility, cost, risk, implementation time, and overall contribution to net operational savings. The team recommended and executed a plan consisting of 16 initiatives to guide timely implementation and effective use of client resources.

THE BOTTOM LINE

The results of this project improved the client's operating performance by significantly reducing COGS, optimizing manufacturing capacity, and dramatically increasing their ability to manage the product portfolio. The results also affected the client's ability to manage working capital by delivering significant reduction of finished goods inventory levels: A 29% cost reduction was achieved during the course of the project, without compromising customer service.