

Finding Concealed Capacity in a CPG Supply Chain

The Challenge:

The client supplies a wide array of food products to the foodservice, in-store bakery, retail, and industrial marketplaces in more than 100 countries spanning six continents. Management in a key business unit observed that expected market growth would soon outstrip production capacity. With a company focus on flawless customer service, plans to add another plant were in development. As a last-ditch check to see if significant additional capacity could be found at existing plants, the firm engaged Spinnaker to evaluate capacity utilization and identify any hidden capacity.

The Approach:

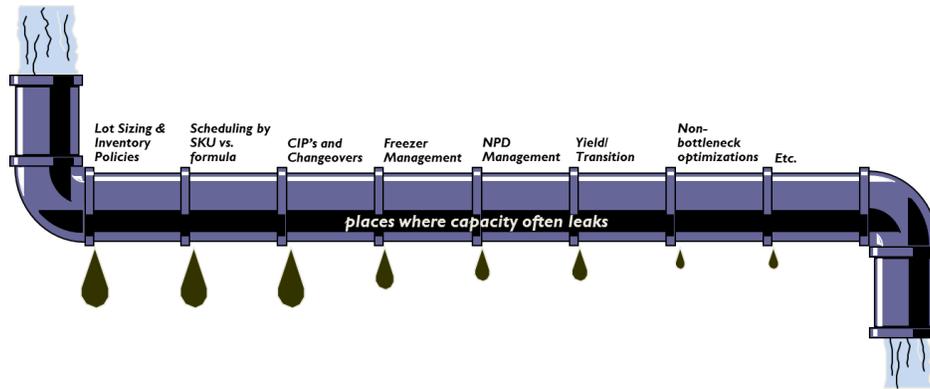
Spinnaker deployed a team of senior supply chain analysts to review how the supply chain was modeled, planned, scheduled, and executed. At the network level, centralized planning processes, inventory deployment methods, and overall network design were examined. At each plant, the team assessed detailed scheduling practices and the influence of corporate planning decisions and new product introductions. Finally, the team evaluated the plants' continuous improvement methodology and KPIs for their impact on capacity utilization.

Spinnaker identified several key areas causing capacity to “leak” from the system:

- Lack of stratified and optimized business policies to guide decisions on run sizes and inventory resulted in excess changeover time and suboptimal inventory deployment
- Scheduling production to optimize labor rather than the bottleneck resource, resulting in many avoidable changeovers each week on critical assets
- Inadequate plant focus on reducing changeover and cleaning time at the bottlenecks

In addition, planners were using subjective methods to plan and deploy safety stock, causing excess inventory carrying costs and straining warehouse capacity.

The Solution: The Spinnaker team developed a combination of changes to supply planning, plant scheduling, and operations execution that would free up the required capacity with no capital expenditures required.



Employing an ABC segmentation process to create differential rules for run sizes, Spinnaker was able to demonstrate that, by thoughtful adoption of extended run/lot sizes for low volume products and scheduling around the batching bottleneck, substantial setup and cleaning time would be freed for productive capacity. Cost and yield improvements would also occur.

The subsequent implementation included revising constraints used in the planning process, rebalancing safety stocks using analytic methods, optimizing plant scheduling around bottlenecks, and enhancements to the continuous improvement process at the plants. All improvements leveraged existing supply chain planning systems and supporting tool sets.

The Results:

Spinnaker helped the client unlock an additional 20-25% of capacity through non-capital improvements. The marginal increase in inventory resulting from larger run sizes was more than offset by better tuning of safety stocks for high volume products, resulting in lower total inventories without degradation of customer service levels.

About Spinnaker: Spinnaker is a supply chain services company that helps clients grow, manage risk, reduce costs, and improve customer service by developing world-class supply chain capabilities. Our services help clients develop the right supply chain strategy for their business challenges and implement the process and technology solutions to improve Demand/Supply Planning, Procurement and Sourcing, Logistics and Warehousing, and Reverse Logistics business performance. Spinnaker offers a unique service delivery model that combines the strength of deeply experienced management and technology consultants with a seasoned team of business process outsourcing (BPO) and 3rd-party logistics (3PL) professionals. Founded in 2002, Spinnaker has offices in Boston, Columbus, Denver, Houston, Memphis, Pittsburgh, London, and Singapore.

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