

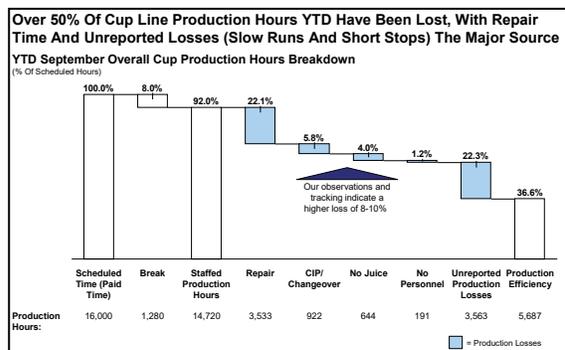
Manufacturing Operations Improvements At Foodservice/Co-pack Juice Company: Network-Wide Operating System To Turn Around Performance

The Challenge: JuiceCo, a PE-owned juice manufacturer for food service, private label, and branded retail (co-pack) channels had been experiencing stagnant earning. A recent acquisition along with significant increases in co-pack volume had caused operational performance to suffer across the 3-plant network. One plant in particular, with union labor, was unable to stabilize performance – experiencing increasing per case production costs. Within the underperforming plant, significant turmoil existed across a variety of dimensions – management (frequent turnover), production equipment (relocations and additions), and introduction of new packaging technology. The PE owner was nearing the end of the investment timeline and approached Gotham to evaluate the operators, identify cost savings opportunities, and help JuiceCo to quickly improve performance, initially at the most problematic plant.

The Partnership:

Analysis: Gotham began with a quick diagnostic of the company's operations based on a review of financial statements, first-hand observations of manufacturing operations, interviews with staff from a variety of functions, and so on, to identify addressable operational contributors to the poor performance. These contributors included:

- Excessive machine downtime from unfocused, unprioritized maintenance/improvement activity, and limited understanding of downtime and labor productivity drivers
- Ineffective production planning and scheduling leading to short runs and contributing to the high number changeovers
- No timely, detailed reporting and processes to identify/address top sources of material waste/shrink
- Legacy IT systems and few proactive processes in-place to improve operational performance.



In addition, 1 of the 3 plants had particularly problematic warehouse performance due to a poorly organized layout, space constraints, excess inventory levels, and warehouse management issues. Finally, all 3 plants were operating independently without leveraging network-wide best practices or managing with common operational metrics.

Strategy: Working with JuiceCo's management team, Gotham developed a focused plan to turn around the performance in the lagging facility and capture an estimated \$1MM in cost savings. Key elements of this turnaround included:

- Pinning down the root causes of excessive downtime and putting in place solutions to eliminate root causes
- Controlling shrink issues
- Revamping the planning and scheduling process to bring stability to the manufacturing floor.

Execution: Gotham spent the next 6 weeks developing a plant operating system and implementing it at JuiceCo's most problematic plant. This new operating system included:

- A robust downtime tracking and reporting mechanisms – e.g., detailed operator forms for each production line to capture downtime event (including short stops) data, an Access-based tool for supervisors to enter downtime data, a reporting system that enables monitoring and drill-down of efficiency and downtime performance
- A breakdown and maintenance response system to prioritize maintenance efforts so that the biggest efficiency loss drivers are addressed first and recurring issues are eliminated
- A robust process for tracking and reporting different sources of shrink
- A tool to establish statistical inventory targets based on sales history and generate an optimized base schedule for peak and off-peak seasons taking into account optimal run length and other production constraints
- Line-side scoreboards and scorecards to bring high visibility to performance results, including metrics/KPIs, daily plant manager meeting, and weekly/monthly management reviews.

The Gotham team also leveraged the information collected and line observations to identify several quick fixes and assist the client teams in implementing these solutions.

The Outcome: By the end of Gotham's initial 6-week engagement, JuiceCo's lagging plant was already showing significant performance improvement (\$0.6MM in run rate savings) with tools in place to capture the rest.

Upon reviewing the tools and results, the other 2 plant managers asked for assistance in rolling out the new operating system to their plants as well. We then launched an 8-week Phase II effort to incorporate best practices within the network in the plant operating system (with additional savings of \$2-2.5MM expected). To this end, Gotham held several cross-plant workshops (maintenance, changeover, scheduling, etc.) and created network-wide standard operating procedures. Additionally, we helped resolve the problematic warehouse situation by addressing warehouse basics through training, developing day-to-day management guidelines, and improving the layout to eliminate storage/picking inefficiencies.

Within 9 months of Gotham's initial engagement, JuiceCo was generating record EBITDA and showing a 60+% improvement in EBITDA. With this positive momentum, the PE firm decided to market the company for an exit.