

Supply Chain Optimization At National Private Label Beverage Manufacturer: Better Forecasting/Planning And Performance Tracking To Turn Around Customer Service Performance

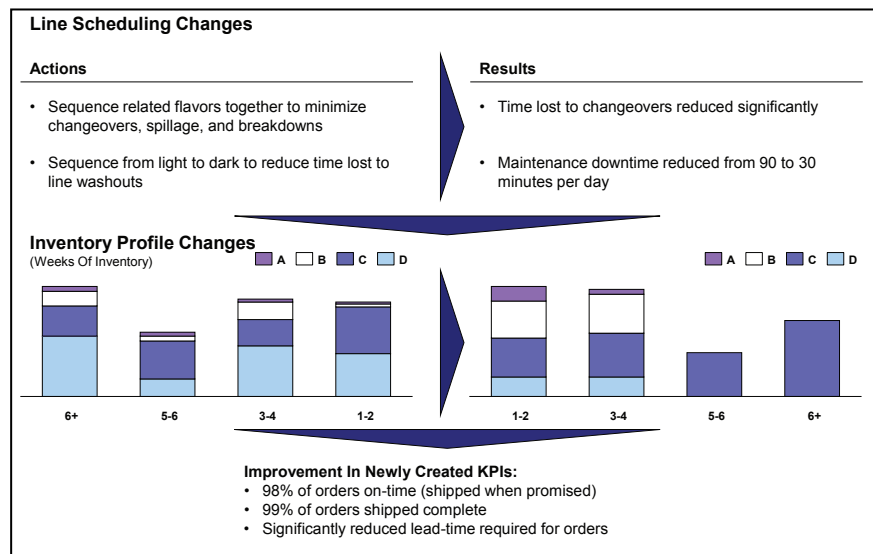
The Challenge: BigSoda, one of the world's largest private-label drinks manufacturers, built its business by contracting production from regional bottlers. In part because of a management change, the company had drastically modified its strategy and rapidly purchased all of its suppliers. Historically strong in marketing, the company found itself with a nationwide network of 10+ plants and a limited operational perspective organizationally -- hence, not well equipped to address rapidly rising supply chain costs and dramatically dropping service levels. Faced with the loss of key customers and other at-risk accounts, BigSoda asked for our operations expertise to help turn around customer service performance.

The Partnership:

Analysis: Our quick diagnostic revealed that forecasting errors and lack of disciplined scheduling were driving unnecessary inventory buildups, and chaotic, reactive line schedules on the plant floor. Further downstream, the situation was exacerbated by inadequate customer service measures and misaligned performance incentives. As a result, there was neither the will nor the means in place to proactively identify, diagnose, and rectify service problems -- in fact, not until customers expressed their dissatisfaction were problems discovered.

Strategy: Given the severity of the situation, it was critical to capture some early wins to build momentum and begin to turn the downward trend. Although the underlying drivers of the customer service problems were interrelated, our joint team felt that they could most effectively be attacked in parallel and chose a three-pronged approach:

- **Scheduling –** Time lost to scheduling inefficiencies had forced the plant into a reactive planning mode and a vicious replenishment cycle. New guidelines for schedule sequencing would reduce lost time and re-establish a proactive scheduling process.
- **Inventory planning –** Forecast accuracy would be improved by connecting the planners to salespeople and to large customers via POS and VMI data. Although demand was considered highly volatile, most was actually stable. By classifying SKUs according to demand patterns and then tailoring new inventory targets to fit, this stability could be leveraged.
- **Customer service measures –** New definitions and tracking needed to be built in parallel with the other efforts. Such measures would be used to drive focus on critical order fulfillment and to track the impact of scheduling and inventory planning changes.



Execution: Our joint, cross-functional team (our professionals, plant managers, production planners, and in-house IT) designed, pilot tested, and then rolled-out a new forecasting and scheduling logic to all plants. The logic was encoded into the nationwide MRP system, and all production planners were trained in its use.

A second cross-functional team (our professionals, plant managers, and customer service staff) focused on developing common definitions for 3 crucial measures of service that could be constructed from data already collected. These measures were tracked for 2 months, and, once their usefulness was proven, the team trained all relevant staff across the network in their use.

The Results: Within a 3-month period, order fill rates went from 85-90% to 98%+ on the two largest accounts (representing than \$800M of revenue) while inventory levels dropped. Two customer service representatives used the new measures to demonstrate the company's performance and to win a new customer. Each employee subsequently received a \$10,000 corporate award for her role in landing a new, profitable, \$14M account.