

Supply Chain Optimization At Global Soup Company: Improving UK Supply Chain Performance As The European Model

The Challenge: BigSoup, a multinational canned soup company, had successfully established a presence in the UK. For the past several years, the UK division had demonstrated lackluster growth and poor profit margins and consequently had not attracted new investment or focus from the corporate level. The performance gap between BigSoup's UK and North American operations had grown even wider after several successful rounds of performance improvement initiatives focused on the North American supply chain – UK COGS were now more than 15% higher (relative to sales) than in North America. We had helped in the North American efforts, and now Big Soup wanted us to bring our expertise to bear in the UK.

The Partnership:

Analysis: Our joint team (3 consultants and 8 managers from the UK manufacturing division) spent 2 months testing hypotheses, determining the scope of opportunities, and initiating pilot-testing of COGS improvement initiatives. At the end of this initial phase our team had concluded that there were 7 key areas of leverage within the operations and that the value within these areas could best be captured over a 3-year 3-phased process (see figure below).

Strategy: The key areas of leverage found in the initial analysis fell into 3 categories: complexity management, purchasing scale, and product simplification. Our team recommended that 3 dedicated groups be created, each directed by a senior operations manager, and each focused on 1 of these 3 main areas of leverage. The near-term target set for the whole effort was to capture \$5M in aggregate savings in the first year and to develop robust enough core operational processes that the groups could move on to capture value from broader optimization of the whole supply chain in the second year.

Execution: To facilitate and jumpstart these 3 groups, our team created detailed workplans and objectives for each of the 3 leverage areas. Within 2 weeks each group had rigorously quantified the savings that it expected to capture. The Purchasing Scale Group alone concluded that over \$4MM of savings could come from its efforts. The Complexity Management Group targeted a capacity improvement of 37-42% with simultaneous cost savings of over \$1MM. Finally the Product Simplification Group identified over \$1MM of opportunity from packaging standardization and additional significant savings within ingredient simplification. Over the following 10 months, each group applied a regimented workplanning methodology to turn its respective targets into actual savings.

The Results:

After 12 months, over \$4MM had been saved and ongoing initiatives were projected to bring in another \$2-3MM within another 6 months. In addition, customer service had improved and some of the unique competitive strengths within BigSoup's delivery capabilities were beginning to become apparent. The UK team was ready to broaden its focus and decided that it would begin by investigating the potential

