# **Operations Improvements At Premium Baked Goods Manufacturer:** Capturing Manufacturing And Logistics Cost Savings While Maintaining High Customer Service Levels

**The Challenge:** A premium baked goods manufacturer had just been acquired by a private equity firm and was given the challenge to cut $6MM in cost during the first year post-acquisition. To help bolster the company's' internal efforts, the PE firm asked for our assistance in reducing manufacturing and logistics costs.

**The Partnership:**
Analysis: Working closely with the company personnel, we conducted a comprehensive diagnostic across SweetGoods' operations facilities (manufacturing facilities and distribution/sales centers). Our diagnostic identified several areas of significant opportunities that helped focus the ongoing cost reduction efforts.

Key logistics cost opportunities included:
- Inventory shrink issues across the 50+ sales centers
- Frequent stock-outs caused by poor communications and planning
- Ballooning freight costs in the in-house shipping division, including frequent but preventable cross-country replenishment shipments

From a manufacturing perspective, the diagnostic uncovered:
- Disparity in cost and performance across the 3-plant network and an under-utilized/redundant asset base
- Regular, high levels of raw material and process waste and frequent line stoppages limiting throughput

Strategy: Capturing the cost reduction opportunities entailed pursuing four key initiatives:

Logistics:
- Fleet outsourcing to reduce freight costs
- Simple, integrated inventory control and planning logic tool to address inventory shrinkage and stock-out issues

Manufacturing:
- Plant closure to improve asset utilization and reduce fixed costs
- Waste/productivity tracking and reporting on plant floor to act as a driver for in-plant improvement efforts

Execution: Two teams—logistics and manufacturing comprising both SweetGoods personnel and our professionals—were formed to capture these opportunities. Over the course of 6 months, executed improvements and delivered capabilities included:

Logistics:
- Creation of inventory management and planing/ scheduling tool integrating 3rd-party warehousing data transactions and local data/ forecasts
- Implementation of a new DSD network and delivery process, including cost validation for and migration of freight services to 3rd party provider

Manufacturing:
- Closure plans for 1 of 3 manufacturing facilities
- Installation of network-wide KPIs and weekly reporting system
- Improvements in line design and manufacturing processes

**The Results:** Actual savings exceeded projections by 15% in first year ($6.9MM EBITDA impact) while maintaining customer service at 99%+ fill rates.


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