



Australian food manufacturer

Customer Profile

Integrated Tactical Planning
A Recipe for Success

Benefits at a glance

- Operational savings of AU\$1 million
- DIFOT now at 97 per cent
- Fully-implemented Integrated Tactical Planning process
- Improved inventory accuracy



An Australian-based company has earned a reputation as one of the country's most respected food manufacturers, winning several awards in recognition of its superior products. By investing in a programme of education and process re-design with business transformation specialist, Oliver Wight, the company has evolved to become sustainably profitable, across several channels by meeting the changing and exacting needs of customers including the major grocery retailers, airlines and restaurant chains.

With just over 130 employees, two production sites in Australia and a diverse portfolio, the company is quite different to the one launched in 1990. Migrants to Australia, the original owners set about bringing the taste of Europe to their Australian customers.

In the years that followed, the company rapidly expanded its portfolio, collaborating with some of Australia's leading chefs to create the industry benchmark for superior quality dressings, relishes, sauces, and desserts. Originally setting up shop in Sydney, it focused on obtaining locally-sourced Australian produce to make small-batch chilled products that maintain freshness and superior quality. As the business grew, the company acquired more sites in Western Australian, Queensland and Victoria, as well as opening a \$13.5 million state-of-the-art factory in Sydney, to cater to its large number of sales channels.

At the onset of the improvement journey the company was dealing with the challenges of seasonal demand peaks while at the same time wrestling with inventory discrepancies, excessive write-offs, and unplanned overtime.

Through the implementation of an Integrated Tactical Planning programme, Oliver Wight worked with the company to bring greater consistency, improved coordination, and solid customer delivery performance.

Missing ingredients

Company growth has been consistently averaging 10 per cent annually for several years, despite some sub-optimal business processes.

Although it had elements of good planning and execution in place, the company was missing the crucial connection between its monthly planning process and daily execution. "We didn't have a weekly planning process, as a bridge," recalls the Supply Chain Planning Manager, "So, when the monthly planning decisions cascaded down to daily activities, there were always gaps and mismatches between what was planned and what was actually made."

These gaps often resulted in inflated operational costs, such as too much, or too little stock, and in particular, overtime,



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as unexpected orders were expedited. “We used to get urgent requests and we just said, ‘Yes, we can do it,’ to satisfy the customer, no matter who or how big they were,” he recalls, “And occasionally, we fulfilled these requests to the detriment of other customers.”

The frequent need for overtime was also having a negative impact on employee morale. “When you ask staff to continuously work overtime to satisfy unexpected requirements or even as a consequence of other unplanned changes, you exhaust people. This negatively affects the company culture, he explains”

These issues were compounded by persistent pressure to either create new products for a fast-moving marketplace or react to the constant menu changes expected from the airline industry. “Food manufacturing is a highly competitive marketplace, which means innovation is a crucial part of our sales strategy and revenue generation, because at least 30 per cent of turnover is driven by our new products. For example, the Innovation and R&D department conducted 58 new food trials just last month,” says the SCM. Both new products and improvement of existing products have a huge impact on managing accuracy in the system, especially when it comes to inventory.

A new recipe

After one particularly brutal peak period over Christmas, the company sought expert advice, and approached Oliver Wight for their assistance and guidance. Oliver Wight made numerous site visits and interviewed dozens of employees across different departments to produce a detailed diagnostic and proposal for improvement. Rod Hozack, Partner at Oliver Wight Asia Pacific says, “Even though the company already had a monthly S&OP process, it was like falling off a cliff. It went from the bigger-picture view, down to checking in daily. It needed to regain control of the tactical horizon, particularly with regards to demand-supply-inventory balancing and management of changes to plans.”

The company embarked on a business improvement coaching programme, working closely with Oliver Wight, to take its performance to a higher level, with the initial emphasis on designing and deploying a robust weekly Integrated Tactical Planning (ITP) process.

Oliver Wight highlighted six key strategies with a three-month time frame. “We implemented some of the recommendations and partially implemented others,” says Hozack. “and because there is only a small number of people available for the



project, and these individuals are also critical to keeping the business running, the remaining two strategies are planned for implementation at a later date.”

Part of the programme focused on matching the right people with the right roles, but in some cases, it meant creating new ones. Although some positions had been filled externally, wherever possible roles were filled internally via thorough structured education and by (re-)aligning roles and responsibilities to the requirements of the business.

Cooking up success

“First up, we created a weekly planning meeting with representatives from teams, including planning team, production and procurement,” the Supply Chain Planning Manager explains, “We also introduced the innovation team to the planning meeting, as well as the customer service team.” This co-ordinated approach, alongside the existing monthly S&OP process and daily review means the team can now see what has or hasn’t been achieved every week, identifying gaps early and adjusting plans before things veer radically off track. “We can now identify conflicts and key issues before the weekly ITP meeting and make the decision on resolution in the meeting,” says the SCM “Because we now have a weekly cadence, we manage changes much more effectively,

especially between demand and supply. Previously this was either left to a monthly review, or we made decisions on the run and apologised later.”

Additional benefits include increased visibility, ownership of plans, and crucially, cross-organisation reporting. The working environment was such that informally working across functions wasn’t a huge problem, but formal communication between departments wasn’t forthcoming. This had an impact on R&D in particular, as occasionally, updates or improvements to products weren’t being communicated sufficiently to the recipe department, which ultimately resulted in manufacturing making the old/incorrect product rather than the modified one. “Since we have now involved the innovation team in the weekly process, the improvements have been incredible,” the Supply Chain Planning Manager enthuses, “We review changes to recipes every week with all the key players involved so everyone gets the same information and is working to a single plan.”

Supporting the process are four weekly supply-chain ‘health metrics’ designed to understand any knock-on impact, from suppliers through to customer deliveries:

1. Customer service, on time, in full
2. Supplier delivery, on time, in full
3. Inventory record accuracy
4. Production schedule attainment

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– Supply Chain Planning Manager

Prior to the implementation of weekly meetings, overall supply chain efficiency was consistently under 50 per cent – now it continuously scores over 80 per cent.

By establishing a reliable process addressing the daily aspect of the business, the company has paved the way for decision-making to be carried out at a lower more appropriate, level, with senior management out of the detail, unless they hear otherwise. The result? Senior management and the CEO now have the time and resources to concentrate on growing the business, addressing strategic and business planning issues as opposed to being trapped by everyday detail.

Silver (and gold and bronze) service

Another key recommendation from Oliver Wight, was to adopt a system of categorisation for its SKUs and clients. Hozack says, “During the busy periods, not only is there a clear prioritisation hierarchy that guides day-to-day decision making, but people also have the information to make the best decisions for the business.” They now class their customers as gold, silver or bronze and have a different service-level policy in place. As the Supply Chain Planning Manager explains, “We will do whatever is possible to satisfy the requirements of gold customers, whereas we limit the

resource-pulling activities to our silver customers, whilst bronze customers get a standard volume and lead-time service.”

However, even the ‘standard’ service is excellent, as the company places quality and innovation above all else and is fiercely proud of its stellar reputation; all products in its extensive portfolio share the same high quality, but some are more important in the context of business and profitability.

IBP taster menu

With a monthly S&OP process already in place, there was a consensus that full-blown Integrated Business Planning (IBP) should be implemented at a later date, but the company immediately incorporated some key elements of IBP into its processes, the most significant being integration of the financials. “We adopted the IBP concept of introducing more financial consideration into our monthly S&OP process to improve the decision-making process,” says the Supply Chain Planning Manager, “Before making a decision on changing the plan, we now consider the costs and the benefits from a financial perspective.”

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In addition to financial integration, the company has also adopted a much longer-term view of the business, “We’re doing much better than before in terms of planning ahead, regarding issues such as potential future resource shortage or constraints,” he says. “For example, earlier this year, the company decided to purchase additional machinery, because analysis had predicted a busy summer. It was a decision that proved fruitful, as the boost in sales did occur and the company was able to fulfil the increased demand.

The perfect consistency

The results of the change management programme speak for themselves; in the first year of the programme, labour costs were slashed by over half and in the second year, stayed at a consistent level even though the company opened a new facility, with more employees. DIFOT (products delivered, in full, on time, to the customer requirements) jumped from ‘variable’ to consistently above 97%. Margins also received a welcome boost, on top of operational savings of \$1 million, the company has benefitted from positive price variance.

The company is now focusing on improving palletisation to maximise product distribution by implementing a new stacking system which accommodates two pallets rather than one. With a single pallet costing \$240 to send across to South or Western Australia, it’s a significant saving. There are also

further opportunities for improvement. The Supply Chain Planning Manager says, “It’s still a work-in-progress because this type of operation involves a lot of customer engagement. Plus, some of our customers only have limited storage space, especially for our fresh products which require refrigeration, so placing bigger orders to minimise our costs isn’t an option. The good news is that we have more time to consider how we gain further efficiencies.”

With its style of manufacturing, one of the biggest operational challenges was maintaining accurate inventory records in the system. This resulted in purchasing ignoring the system and doing manual checks and running parallel spreadsheets to accommodate the inaccuracy. This previously unsolvable bugbear is now improving as cross-organisational communication builds as a result of the Integrated Tactical Planning programme; both sites now report to the same operations team, with information shared directly.

Education and training for new and existing employees will continue to prove a challenge, as the business grows and two sites become three, or possibly four. However, the company has been quick to recognise that people drive transformation, and that knowledge empowers them to motivate change. In this regard the Oliver Wight workshops and educational sessions have played a crucial role in the cultural re-orientation of the company. “One of our recent aims has been to make sure all our sites have the same culture,” the Supply Chain Planning Manager says, “there’s no doubt that



establishing a consistent company culture has played a big part in the programme, and this has been helped hugely by our improved planning process and business structure.”

The company has also had the difficult conversation with its suppliers, who were only consistent in being inconsistent. “There was no structure or certainty to deliveries, and the all-important fresh ingredients was a game of call and check every hour. There were no hourly delivery slots planned, which meant that we could have everything coming in Monday and Tuesday and then nothing for the rest of the week. With trucks lined up down the street, it was chaotic at times.”

Foreign cuisine

Looking to the future, the company is keen to build on its ever-expanding portfolio by continuing to innovate and create exciting products for the market. “We operate in food manufacturing, providing condiments and sauces for customers who include them in their own products,” explains the Supply Chain Planning Manager. “Our customers then sell their products to major retailers, like Woolworths or Aldi.” Many of the company’s customers change their menus frequently; every year or every season, and even one that changes its menu every eight weeks. Naturally, this makes taking control of the innovation agenda, a key part of the company’s long-term strategic vision.

Using its implementation of Integrated Tactical Planning as a benchmark and framework for improvement, the company has set its sights beyond the coast of Australia, as it plans to infiltrate overseas markets. It already supplies an international airline with a range of products and has a small footprint in the Middle East, and aims to secure an even bigger place on non-Australian shelves.

“We are looking forward to seeing what we can achieve in the future, having resolved many of the issues that were holding us back,” the Supply Chain Planning Manager concludes, “the Integrated Tactical Planning programme has transformed the business, and although we still have room for improvement, we will be taking the lessons learned and tools required to drive performance further and faster.”



Imagine the **possibilities**,
realize the **potential**.®

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