

# FMCG Manufacturing

## - Stock Reduction & Cash Release

### Background

- Following 2008 market crash Business was about to breach banking covenants
- Board set challenge to release £50m 25% from stock reduction without service or cost consequences

### The Issues

- Historical efforts to reduce stock had only been temporary and had resulted in significant service disruption
- Product complexity meant the accepted manufacturing frequency was 1 run every 6 weeks
- Day to day & week to week Planning was conducted at local site level so centre had little influence over detailed planning decisions
- Forecast accuracy was seen as a significant contributor to high stocks (weighted error at 25%)

### Actions Taken

- Set up project scope to deliver significant stock reduction without service fall off (historical 98.2% but patchy) & without manufacturing cost increase
- Project structure set up & manufacturing changeover expert brought in to support
- Deep dive studies conducted in two sites that included quick cycle changeover and manufacturing time compression studies
- Planning processes at target sites changed to “Runner Repeater Stranger” patterns with much greater production frequency
- Learning's from studies implemented at sites immediately then shared with other sites
- Overhauled central residual/slow moving stock reporting and ran commercial/finance/operations decision making group to
  - ↳ clear backlog
  - ↳ eliminate causes of build up

### Results

- 30% of stock reduced in 6 months (£60m)
- Service levels improved from 98.2% to 99.2% (through faster cycling and better response to normal demand fluctuation)
- Benefit from stock reduction
  - ↳ Reduced storage charges £2.8m
  - ↳ Reduced interest payments £4.6m
- Manufacturing cycle (frequency) increased 1/3 (from 1x6-1x4wks)
- Changeover costs reduced by 20%
- Slow moving and residual stock levels halved & costs of clearing slow moving and residual stock halved (from £12m to £6m) – saving £6m
- TOTAL ANNUAL BENEFIT £20M pa