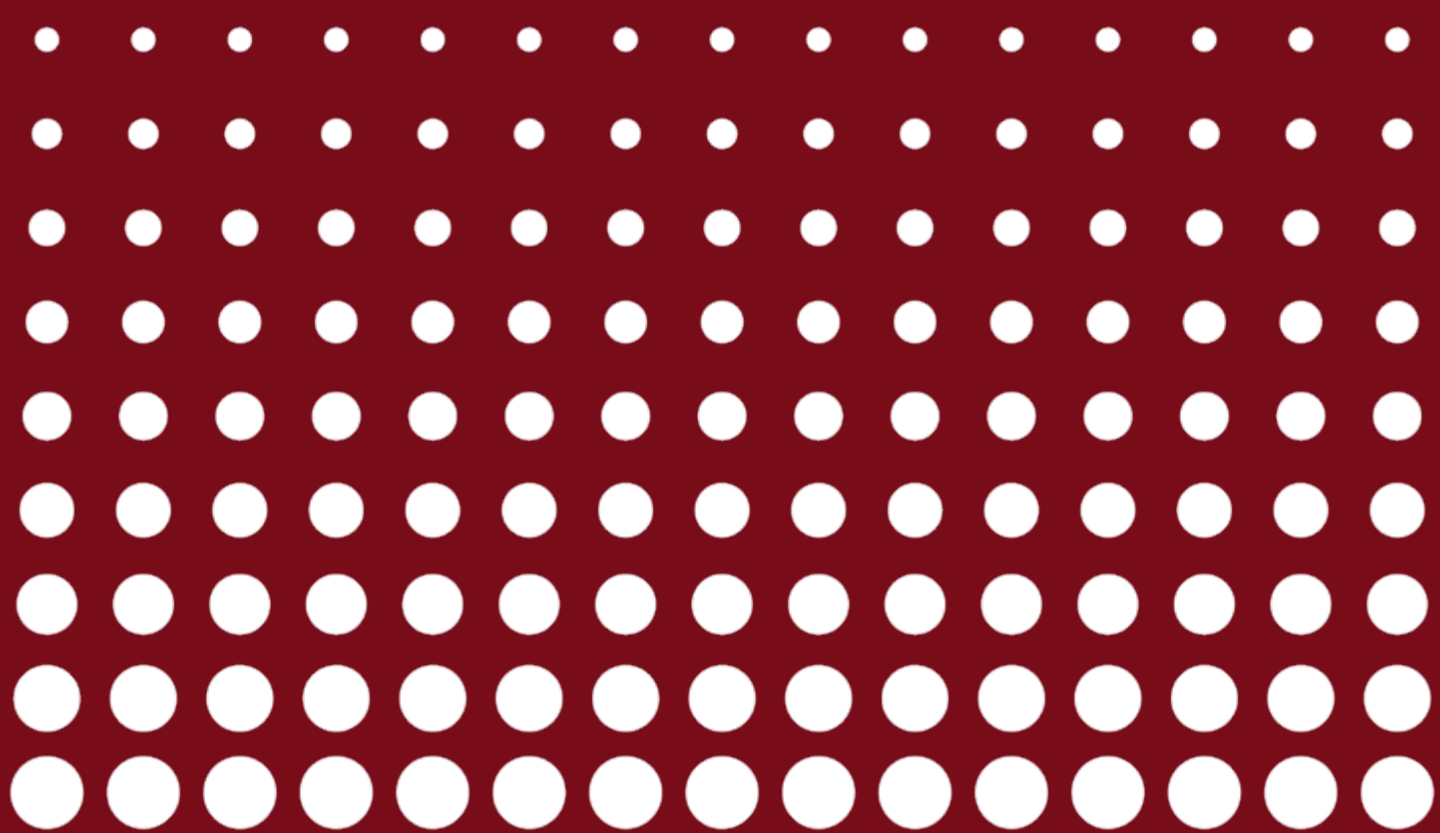




Workflow Optimization For Real Estate Savings: Learnings From A CPG Company

November 2019



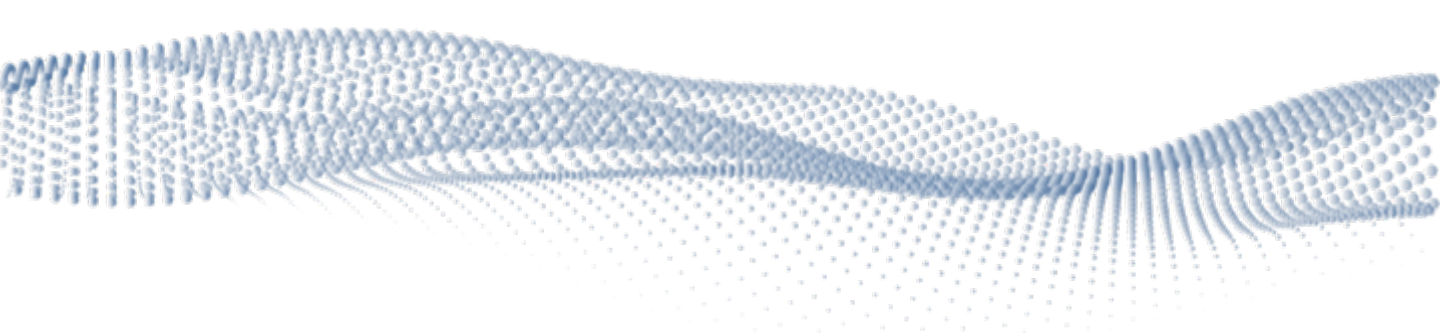


About Kelmic

Kelmic Consulting helps organizations capture opportunities and dramatically improve their operations.

Helping our clients improve their operations since 2002

We partner with our clients to drive bottom-line impact by addressing and dramatically improving efficiencies in People, Processes, and Property. Our exceptional people draw upon more than 100 years of combined experience to bring you the right perspectives and expertise to help you tackle complex challenges and realize your strategic ambitions.





Background

About the Client

- Leading packager of nut and dried fruit products
- Over \$170 million annual revenue
- Located in 4 facilities in BC, ON and WA
- 110 million lb annual processed volume across 25+ production lines
- Over 10,000 pallet position warehouse requirement

“A major requirement was to be able to fit manufacturing and warehousing into a single location.”

This leading North American nut and dried fruit packager had been recently acquired by a private equity firm.

The scope for rationalizing their facilities had been identified provided manufacturing and warehousing could fit into a single location.

Operations in BC were located in two facilities approximately 20 km apart. The larger facility contained several underutilized or redundant production lines and a poor layout.

Warehousing was utilizing old reach trucks and counter-balance equipment in wide-aisle single and double deep applications.

The engagement began with a feasibility study, including development of a proposed layout based on improved workflow and a calculation of potential inventory rationalization and warehouse redesign. Kelmic then undertook the engagement to manage the entire process of relocation, warehouse re-racking, inventory rationalization, MRP improvement and implementation of a Warehouse Management System.

Through redesign of production and warehousing layouts using narrow-aisle technology (non-guided), all snacking nuts, baking nuts and fruit product lines could be accommodated along with 8,500 pallets of storage. This, combined with the relocation other manufacturing lines to the US allowed the closure of one facility saving over \$1.2 million in annual rent in addition to millions in redundant operating costs.

Critical to success was achieving a minimum of 20% reduction in inventory space requirements (2,300 bins) without sacrificing product availability to ensure a fit.

The detailed feasibility study showed potential to reduce inventory by approximately 30% through correct forecasting and implementation of LEAN production management systems.

The feasibility phase estimated project costs and schedules and justified the project go-ahead as a result of a payback period of less than 13 months, driven by labor rationalization and inventory holding cost reduction (not accounting for savings from real estate rentals).

Implemented Solution

The project implementation entailed several workstreams, mainly:

- Removal and sale of large jam production lines;
- Demolition of internal structures;
- Revised layout of over 8,500 pallet locations;
- Construction of several production rooms for allergen control;
- Upgrades to tenant facilities such as washrooms and lunch-rooms;
- Relocation of 3 nut fryers, 10 production lines, 2 x 10,000 gal oil storage tanks and other equipment.

In addition to the above workstreams, significant upgrades to the existing electrical panels and the gas supply were also undertaken. The project also involved the relocation of chiller units required to cool a 2,000-pallet cooler.

The forklift equipment was replaced and a FML arranged for new, narrow aisle equipment at an on-going cost significantly less than the existing cost of equipment ownership.

A new WMS and MRP system were implemented resulting in a 28% reduction to inventory through improved replenishment protocols. This resulted in a reduced space requirement allowing closure of one facility and reducing inventory financing costs more than \$500,000 per year. Additional savings from rent reduction and removed duplicated resources exceeded \$3.1 million per year.

The project was fast tracked and completed on time and on budget with no disruption to customer service.

Kelmic's implemented solution allowed for annual savings in excess of

**\$3.6
million**



Key Results Achieved

- Inventory (raw & FG) reduced by over 28% with improved fill rates
- Project fast-tracked and completed on time & on budget within 7 months (including over \$2 million worth of tenant improvements)
- Multiple fryers, packing lines and over 9,000 pallets relocated with zero downtime
- Revised facility layout resulted in over 8,500 pallet positions accommodated in single facility
- Project payback in 11 months, including capital costs

ROI

11:1

28%
inventory

Reduction

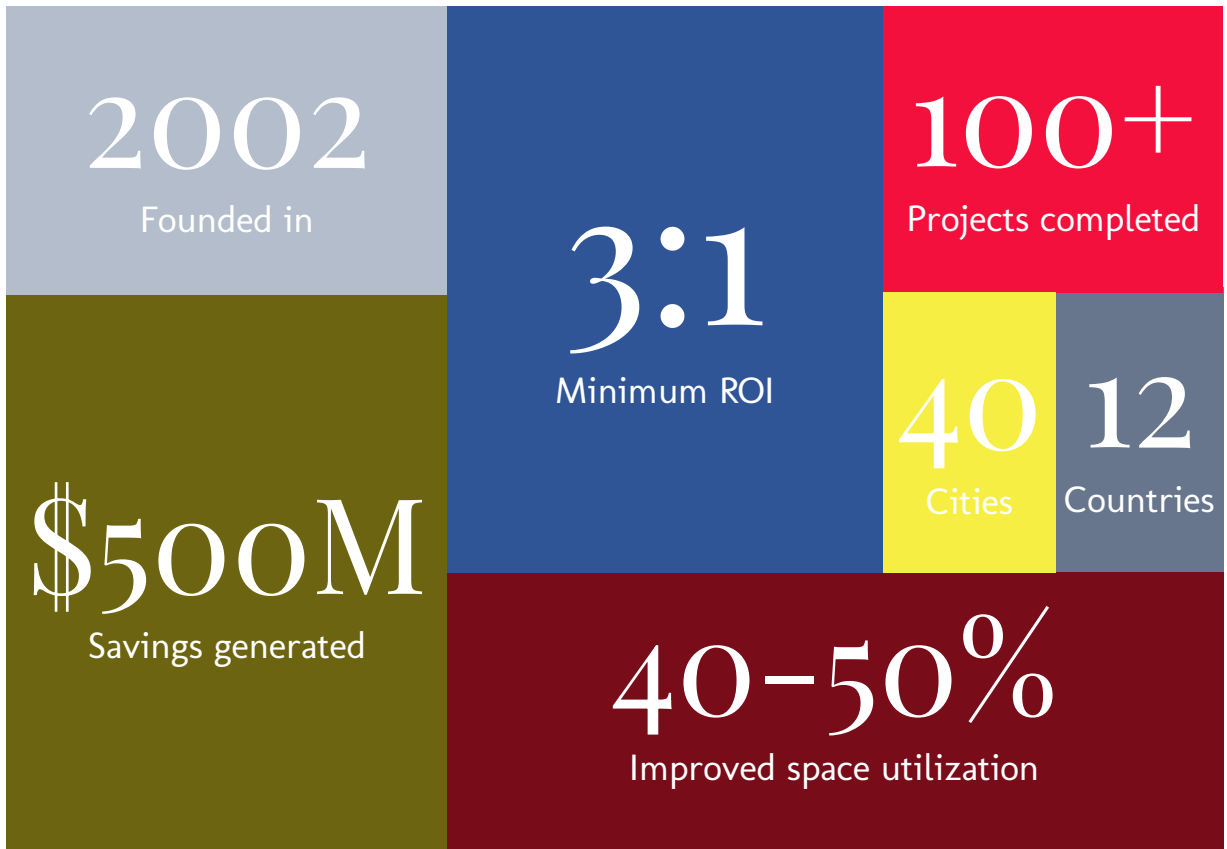
120k
sq ft

Of real estate saved

11
months

Capital payback

Kelmic at a Glance





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