

USING THE SALES FORCE TO LOWER PRODUCTION COSTS

BACKGROUND

Our client, a specialist in control technology solutions, had a solid market presence. Earlier investments in R&D had paid off and the company's products were on par with the best in the world. However, the company was under performing; production needed improving to avoid price increases, and customer service required improving to avoid loss of market share.

OBJECTIVES

GPR Dehler was engaged to help the company achieve two key objectives: the first was to bring down the cost of production; the second to improve the way production was planned.

KEY RESULTS

A number of bottom line improvements were achieved by getting people to think and act differently. The benefits of this are long term. The immediate and quantifiable results were:

- Inventory reduced by 28 per cent.
- Productivity increased by 20 per cent.
- Profit increased by 20 per cent.



The company's core business is the manufacture of solenoid and pneumatic valves used in industrial air cleaning systems. The company had healthy sales locally, in Europe and the US and their products were highly regarded. However, margins and profitability were lower than shareholders required and repeated failures to complete orders in full and on time were causing customer dissatisfaction.

The company was founded as a family business in 1935.

It is now an operating division of a diversified company, operating in global markets for packaging, wine, appliances and water heaters.

WHAT WE DIDN'T FIND ON THE FACTORY FLOOR

Tracing some of the causes to production inefficiencies took us beyond the factory floor and out into the sales force.

Communication between sales and production was a regular part of the business. However, each group was driven by a different agenda. The sales force were, naturally, keen to bring in business, production required workable parameters for forecasting and planning.

They weren't getting it. Repeated schedule changes, last minute new orders and last minute cancellations significantly increased machinery set up time. These changes also created a host of inventory problems as parts for the original production run were no longer required and parts for the new one were not available. One other casualty was performance measurement – a virtually impossible task with so many factors subject to last minute fluctuation.

WHAT'S THE PROFIT ON THAT?

Our investigation also showed that the company's sales staff lacked a technical understanding of what could and could not be done in production. Nor did they know the true cost of manufacturing individual items – margins were simply averaged

across the range. They were largely unaware of the complexity of lead times and did not know which products required more – or less – time and labour intensity to produce.

THE DATA

Over several weeks of information gathering at one of the company's sites GPR consultants had collected valuable data on use of people, equipment, production times, inventory and more.

We used that data to demonstrate to sales and operations management the impact the current ordering systems had on production efficiency.

Schedule changes were plotted and the knock on effects were quantified – re-scheduling time, lost hours due to machinery changes, overtime costs, and inventory costs.

We had also built significant credibility across the organisation which we were able to put to good use in developing new criteria for pricing and placing orders.

An agreement was reached on cut off points for orders – after which no new orders and no cancellations were accepted – unless customers were prepared to wear the additional cost.

Once those cut off points were agreed, weekly meetings, although not new to the organisation, took on a purpose and provided a basis for sound business decisions.

The increased reliability and relevance of sales and production statistics provided management with information they could use to undertake more effective sales, marketing and pricing programs.

EASY ON PAPER

This project, like many of our engagements, looks straightforward on paper. The reality is far from it. Our skill is not just in identifying problems and designing solutions, but in making those solutions work - often in a tough business and cultural environment.

GPR Dehler has an excellent record of implementing change programs in Australia, New Zealand, Asia, Europe, North America and Southern Africa. Everything we do is geared towards achieving results - not writing reports. We have the management and planning skills as well as hands-on consultants with experience to overcome obstacles and transform good ideas into effective and successful programs. Significantly, we do this with minimum disruption to our clients' business operations.