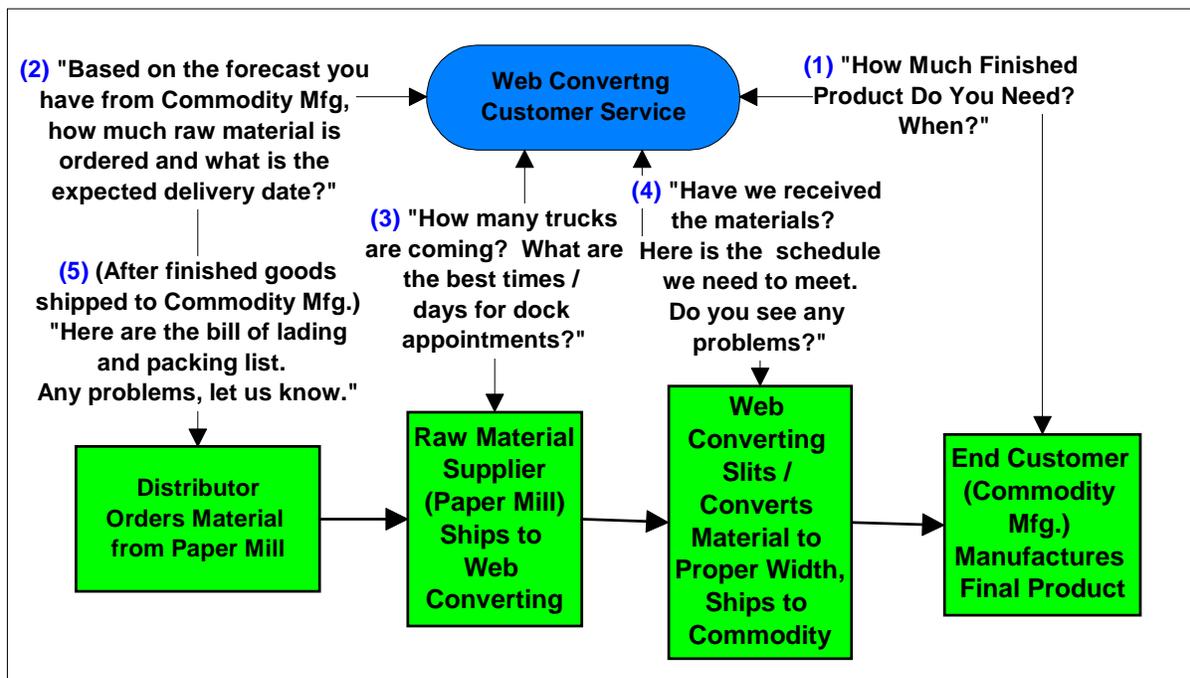


Process Improvements and JIT Help Manufacturer Profitably Expand Low Margin Product Line by 5-fold!

Basic “Blocking and Tackling” of JIT and Customer Service Helps Manufacturer Stay Profitable

by Tom Ingram, PMP

Key Questions In Superior Customer Service



Are you in a commodity business facing terrible margin pressures? Is it possible that your supply chain could become so efficient at delivering what you need, when you need it, that your margins could improve significantly?

Is it possible that your margins could also be improved by specialty materials that could give you an edge in the marketplace? Following is a case study of how Web Converting teamed up with a manufacturer and its supply chain to help improve margins and production volume by 5-fold.

Hopefully this case will hold some lessons that may be of use to you, if you ever face a similar situation.

"I'm not sure anybody could do this as well as Web Converting. They've made my life a lot easier."

Bob Wallace, Mfr's Rep for Distributor

Background: (The names of companies and individuals in this case have been changed to prevent any possible disclosure of competitive information.)

Refer to the Customer Service illustration on page one for a diagram of the parties involved. Simply put, Commodity Mfg., the end customer, places an order for materials with the Distributor, who in turn places an order with the Raw Material Supplier, who happens to be a paper mill.

“Web slitted / converted the product the instant that the raw material arrived in order to make the fastest possible delivery. They have never complained about what this might be doing to their internal schedules – they just got the job done.”

Barb Nichols, Account & Customer Service Manager for Distributor

The Raw Material Supplier ships materials to Web Converting, which converts/slitsⁱ the material into the needed widths. Web Converting ships the converted/slitted materials to Commodity Mfg., where the final product is produced.

“If a problem arises, [Web’s Customer Service Manager] doesn’t worry about blame, but focuses on making sure **Commodity Mfg’s machines are never shut down because our materials weren’t there on time.** When she sees a hiccup or bump, she lets me know. She anticipates what each partner is going to need from a standard monthly usage report, and helps us manage our lead times. **Some of these lead times can range from 3 days to 30 days.**”

Bob Wallace, Mfr’s Rep for Distributor

We’ve chosen to call the end manufacturer Commodity Mfg. because this case highlights how focusing on the right things can help make commodity products more profitable. In this situation, the right suppliers, good customer service and process improvements have helped Commodity Mfg. prosper in a market where

many of the competitors see the margins as too low.



Teresa Langley, Customer Service Manager

The Opportunity: Bob Wallace, manufacturer’s rep for the Distributor, explains the situation. “Commodity Mfg. had a new product coming out, and needed to source the materials. The tolerances (meaning widths of finished rolls) were critical and needed to be consistent. This was necessary to eliminate as much scrap as possible. There were several other factors that were crucial in choosing the right supplier:

- Service the geographically diverse locations of Commodity Mfg.
- Just In Time (JIT) delivery for these diverse locations.
- Overcome the physical size challenge. Commodity Mfg. needed rolls that were 40” X 1”. Very few suppliers are able to do this.
- Because of the many partners involved, the supplier needed to be able to coordinate both end customer orders and all the intermediate steps.

- A specialty material was needed for the new manufacturing line.”

Wallace continues, “The ultimate finished product is an unusual shape, which presented some unique problems to Commodity Mfg. The unique shape made packaging difficult, and any damage in shipment results in 100% waste because the material is not worth the shipping cost to rework.”

Solution: The distributor would normally have converted/slitted the material themselves. In this case, however, the unique requirements made it necessary to outsource the converting/slitting. The solution developed by Web Converting had three main components.

(1) Extra Effort on Customer Service: Bob Wallace outlines the service issues. “Teresa Langley, Web Converting’s Customer Service Manager, is great at coordinating the many parties involved. She acts as the main source of order information between the distributor, the raw materials supplier and the end customer (Commodity Mfg.) [see diagram on first page.] Teresa coordinates with all parties to meet Commodity Mfg’s Just In Time needs. She makes sure the orders are right.

Another issue is making sure we have the right size of raw material to minimize waste during slitting/conversion. Commodity Mfg. sent a digital picture of what was needed to Web Converting. Teresa helped get the correct roll size and width fed back to the distributor and raw material supplier.”

Exceptional customer service is not an accident. Teresa is talented, capable, well trained and has a good sense of how to work with business partners. She is well supported by an advanced computer system and the infrastructure needed to manage a high volume of time-sensitive orders. Teresa focuses on doing the fundamentals.

(2) A Custom Product From Custom Raw Material: Commodity Mfg. needed a 40”x 1” output roll made from a specialty custom laminate of paper and plastic film. Only one machine in the entire U.S. is capable of making this laminate. Web Converting is one of only a handful of converter / slitter services firms that can produce this custom product.

“In the year and a half that I have personally been dealing with Web Converting, there has never been an inaccurate packing list.”

Barb Nichols, Account & Customer Service Manager for Distributor

(3) Just In Time (JIT) Shipping: Teresa Langley, Web Converting’s Customer Service Manager explains some of the mechanics behind the JIT process.

- “Web Converting’s Customer Service department monitors Commodity Mfg’s orders, even though those orders begin two steps away from us. We make sure that the distributor, the paper mill and our converting / slitting operation are all aware of Commodity’s schedule and what they have to do to meet it.
- Web Converting’s Customer Service makes a special point to communicate with the distributor on when to order and in what quantities. This is important because Commodity Mfg. does not want to receive too much inventory too early because of limited inventory space and difficulties with end of the month reconciliation.
- Web Converting’s Customer Service creates and schedules stocking orders for converting/slitting well in advance of Commodity Mfg’s order placement to the distributor. We

have learned over time to anticipate the needed orders.

- Web Converting's Customer Service then actually schedules shipping of finished goods to Commodity Mfg. to meet the JIT schedule."

"Web Converting has done such a good job that they have been kept as sole supplier for all five manufacturing lines of the existing product, plus chosen as supplier for two new product lines."

Bob Wallace, Mfrs. Rep for Distributor

Results: Bob Wallace describes some of the results from the project. "The only way for Commodity Mfg. to be profitable in a tough market like this is with automated production lines that run uninterrupted. It is also necessary to have absolute minimum labor and overhead costs associated with supply.

Labor has been saved by using 40-inch rolls, resulting in fewer roll changes. Commodity Mfg. has made some excellent internal process improvements as well. The combined effect of Web Converting's service and Commodity Mfg.'s improvements have resulted in a profitable, five-fold expansion of the product line.

"Web Converting coordinates with us as much as possible to keep waste to an absolute minimum."

Barb Nichols, Account & Customer Service Manager for Distributor

Web Converting has done such a good job that they have been kept as sole supplier for all five manufacturing lines of the existing product, plus chosen as supplier for two new product lines."

The expansion to a total of five manufacturing lines in five different plants occurred with no disruptions. As each new manufacturing line came on line,

Commodity Mfg. enjoyed uninterrupted supply.

Wallace also adds, "Web Converting's performance has helped expand my business 400-500% over the last three years."

Future: Wallace describes possible future work. "We have the potential to use Web Converting's plants all around the country to minimize shipping costs. We also appreciate Web Converting as a competent emergency supplier. We are confident that, if a plant had a problem, Web Converting would get our product produced as soon as we could get the raw material to them.

I'm not sure anybody could do this as well as Web Converting. They've made my life a lot easier."

"We know that we do not need to follow up on something that we have asked Teresa [Web Converting's Customer Service Manager] to do – the job will be done. "

Barb Nichols, Account & Customer Service Manager for Distributor

Tips for Those Facing Similar Situations: Wallace mentions a few suggestions: "If you are doing something with any unique packaging or shipping requirements, do a trial shipment first. If you don't, you risk quite a bit of waste."

Some Concluding Comments: Wallace mentions a few additional items. "Teresa has done a marvelous job. Communication has been excellent. If a problem arises, she doesn't worry about blame, but focuses on making sure Commodity Mfg's machines are never shut down because our materials weren't there on time.

When she sees a hiccup or bump, she lets me know. She anticipates what each partner is going to need from a standard



monthly usage report, and helps us manage our lead times. Some of these lead times can range from 3 days to 30 days.

Web Converting has a wonderful system for the end customer. If you are looking for a precision converter/slitter, Web

Converting can offer a whole 'grocery basket' of options to help you get the job done. If you think Web Converting can do what you need done, I'd definitely recommend giving them first shot."

***One Customer Service Manager to Another –
Comments from Barb Nichols, Account & Customer Service Manager for the Distributor:***

"The occasional crisis happens to us, as it does in every business. Web Converting performs its job very well, and even helps us deal with problems that are outside of their responsibility. For example, a carrier may not show up when scheduled. Teresa [Web Converting's Customer Service Manager] calls us immediately to alert us, and works to get another delivery truck.

In a couple of cases the paper mill was late in delivering raw material to Web Converting, causing a potential late shipment to our customer. Web slitted / converted the product the instant that the raw material arrived in order to make the fastest possible delivery. They have never complained about what this might be doing to their internal schedules – they just got the job done.

Working with Web Converting, we have developed an almost foolproof system for getting the slitting / converting orders to Web Converting and getting product on order from the raw materials supplier (the paper mill). It is almost impossible for something to fall through the cracks. In the year and a half that I have personally been dealing with Web Converting, there has never been an inaccurate packing list.

Waste may be a little bit higher than we would like, but this is caused by the paper mill, not Web Converting. Web coordinates with us as much as possible to keep waste to an absolute minimum. All new product lines are reviewed by everyone at every level to insure minimum waste.

Every request for change by Commodity Mfg. is reviewed carefully by all concerned to ensure that there are no hidden "speed bumps" during Web Converting's slitting / converting processes. Web Converting has been able to take all changes in stride, almost seamlessly.

Commodity Manufacturing is a major account for us. Teresa has made it an almost trouble-free account on our end. She has complete and accurate knowledge of all our product lines and she has always been able to answer all questions without hesitation. It is rare that a customer service person has their arms around the situation as completely as Teresa does and she is a real pleasure to work with.

We know that we do not need to follow up on something that we have asked her to do – the job will be done. I really can't say enough good things about Teresa – she is just awesome, with an absolutely great service attitude."



For more information,
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About this Case Study...

The research for this paper has included multiple interviews and sources of data to help provide a balanced picture and confirm key assertions. It is written as a teaching and communication tool and is not intended to fully describe exact details or dialog. Contact Tom Ingram & Associates, Inc. if you have questions about this case. This paper has been prepared for a fee. **You are free to duplicate and redistribute this paper**, provided you distribute it as a whole, with credit to Tom Ingram & Associates, Inc.

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Since 1983, Tom Ingram and his project teams have delivered over \$15 million in project contracts substantially on time, on budget and as promised. These projects have generated some **\$55 million in measured benefits for clients**. Ingram has published two dozen articles and newsletters. His book, *How to Turn Computer Problems into Competitive Advantage*, was published by the Project Management Institute in 1998. This case study is part of Ingram's ongoing efforts to recognize, promote and teach about *High Impact Projects*.



ⁱ Slitting / converting is the process of taking large rolls of raw material (24 inches and larger) and “slitting” the material into smaller widths.