

News

### » Scholle partners with TBM for lean strategy

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Everyone in the food business knows the challenge of satisfying changing tastes. Food grows slowly, but consumer tastes change quickly.

Few people over the age of 40 grew up with radicchio, for instance, or Viognier.

Now these varieties are commonplace.

Add big storms, changing global temperatures and harvest dates – which take no-one's schedule into account – to the mix and we have a pretty good picture of the dynamic nature of feeding the planet.

As all of us in the food industry know, quick changes don't affect any of us alone.

From the farmer to food processors and packers, marketers and chefs, changing tastes and global influences can have a whiplash effect throughout the industry. And let's face it, few of us are good at being truly flexible.

At Scholle, we've been looking intensively at our own flexibility and have found a few new tools for making change easier, and making constant spikes and drops in demand less harrowing.

For those of you unfamiliar with Scholle, we are the creator of bag-in-the-box packaging.

Most people know us for the bags we make for Bag in Box wine, but our technology is used to keep everything fresh in environmentally friendly bags – from concentrate syrup for fountain dispensers to milk and all types of aseptically packed fruit purees and juices like tomato, banana and mango.

Our business means we partner with companies throughout the food and beverage industries, often helping to design packaging lines inside our customers' facilities.

We see everyone struggling to reduce inventories and getting prepared for the next big thing, whatever that is. At our plant in Adelaide, for instance, we used to think that having enough finished product – along with the raw materials to make bags, spouts and taps – on hand was the way to deal with demand volatility.

We had a lot of money tied up in resins, film and fittings and warehousing, and we were not prepared for customer needs to change. In all, we were only turning over our inventory three times a year.

By implementing tighter controls and reducing our maximum stock target levels we managed to reduce our inventory by 25 percent but we knew we needed to go further.

To do this we had to change our value chain model from how we manage our customer orders, plan manufacturing through to dispatch.

We decided on a Lean strategy and partnered with TBM Consulting Group to accelerate our progress and internalise Lean by getting all of our employees involved to create a new culture for change.

Teams of employees went to work reducing our inventory levels, making machine changeover times quicker and more reliable, and improving first-pass quality.

We also improved our information flow through customer service and production planning.

Now, we turn over inventory seven and a half times a year and well on our way to double figures.

We quickly discovered that low inventory levels can be nerve wracking, however, if you pride yourself on being completely responsive to customers.

A more efficient plant and visible key performance metrics help keep service levels high.

At Scholle, we accept that improvement is part of doing business and knew that reducing inventories would generate the need to further improve our operations and responsiveness.

So we've taken three methodologies from lean and are calling it Hybrid Planning.

The three major elements of our system are kanban, production wheels and demand segmentation.

We use kanban to create clear visual cues as to current inventory levels and immediate needs, providing production with a simple way to plan upcoming work.

Production wheels are used to sequence scheduling, minimising the time between production runs and triggering production quantities based on actual consumption.

Demand segmentation offers a more systematic approach to forecasting. Instead of relying on the guesses of our sales team, we examine 52 weeks of historical demand.

Using spreadsheets, we can add a few variables – such as new customers coming on line or a radically changed harvest – and then flatten the spikes in demand with very little inventory.

That means we can have a lean system without sacrificing customer responsiveness.

Concepts such as kanban and demand segmentation, and using teams of employees to make changes in kaizen events, were all popularised by the Toyota Production System and are now commonly referred to as lean manufacturing.

It may be surprising to some how easily improvements from car factories translate to the food industry.

But we've begun taking some of these ideas to our customers and we're finding that food companies are primed for change and innovation.

At Scholle we understand that success is a result of good information flow with customers backed up by a responsive production system, not carrying 'just in case' inventory.

We also know that a Lean business strategy will only work when all of our employees are involved and focusing on the customer.

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