



CASE STUDY: BENCHMARKING & STRATEGY

A business unit (The Company) of a \$500 million North American based specialty chemicals producer was having no trouble meeting market requirements for service performance, yet were challenged by periodic, intense sales runs. While the operations groups typically worked, with success, on operational metrics for the first 10 weeks of the quarter, these sprints, along with tension between supply chain functions (sales, sourcing, etc.) over conflicting views of service and financial priorities, took their toll.

Transforming Trade-offs for Specialty Chemical Business

The Company approached ChemLogix seeking both a comprehensive view of supply chain performance and a significant boost in overall performance levels — with a goal of besting its opportunities for incremental, functional improvements. In order to achieve these goals, The Company had to navigate the aforementioned trade-offs, including:

Sales vs. Service – Sales negotiation strategy was focused on revenue or volume; contribution, service terms and conditions were a secondary priorities.

Service vs. Sourcing – Sourcing focused primarily on service delivery (short lead time, JIT orders), which drove a high proportion of local, rather than regional and global, suppliers and source points.

Production vs. Service Flexibility – The sales and operations plan emphasized flexibility (to meet service requirements) at the expense of operational efficiency (as reflected by plant throughput and yield).

Service vs. Distribution – Given highly constrained service performance, delivery required multiple stock points and high inventory levels, as well as non-optimal freight modes and carriers.

SUMMARY

Challenge:

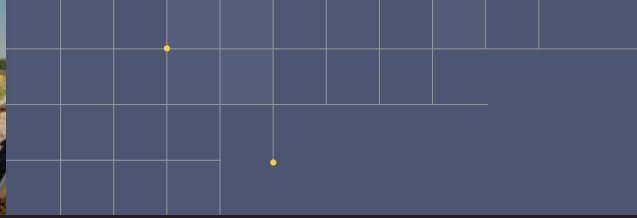
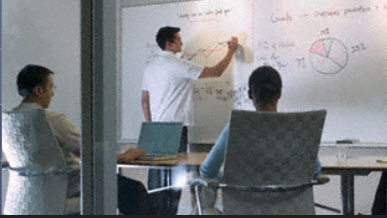
Overcome departmental conflicts and periodic sales fluctuations to ensure a tighter supply chain and greater performance.

Solution:

Established category-specific performance baselines and benchmarked against them to define opportunities for performance improvements.

Results:

- Initiated seven pilot programs in four key areas.
- Reduced stock locations by half and inventory by 30%
- Introduced new “tiered” pricing strategies
- Increased sales by 1.5%, and profitability by 20%



The Solution

To deliver on the organization's requirements, ChemLogix assembled a multi-functional team to complete an in-depth analysis of supply chain opportunities based on categories of business common to specialty chemicals.

This analysis included:

Categories – Defined the business unit's unique mix of categories common to all specialty chemical companies.

Baseline and Benchmark – The team developed a comparison of category performance including service, revenue, contribution and asset return.

Pilot Opportunities – The team defined seven pilot opportunities for implementation during the following fiscal quarter. Pilot success was a requirement for roll-out in the business unit.

Performance Reporting – The team developed an interim performance reporting utility to document the economic value of changes in the pilot program.

Results

ChemLogix recommended seven pilot demonstration projects in four key areas. The combined impact of these programs was a 1.5% bump in sales, which translated into a 20% increase in profitability.

Sales – The team developed and tested a system of pocket pricing, including a "tiered" pricing scheme based on service requirements.

Sourcing – The team implemented an inbound supply management program focused on global, regional and local categories of materials supply to multiple plants.

Production – The team implemented a plant layout and sequencing protocol that eliminated nonstandard production runs and switchovers.

Distribution – The team completed a network distribution optimization system (in concert with Sales), reducing stock locations by half and inventory by 30%.

About ChemLogix

ChemLogix is a leading provider of chemical industry supply chain consulting services, transportation rate optimization and comprehensive transportation management services that enable our clients to improve performance and increase profits. ChemLogix delivers both "point" and "end-to-end" logistics solutions through CI3PLUS, our unique business model that combines the efficiencies of outsourcing with strategic insights and industry-leading best practices to provide world-class logistics performance for chemical organizations.