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Business case delivers huge savings for textile giant

Case

Start >

Our client, a multinational textile manufacturer in Europe, needed to optimise expenses while increasing flexibility and production capacity. By analysing the business case, we helped our client to make the right decision. Our analysis revealed that the required capital investment (CAPEX) could actually be reduced by €33 million and in addition identified savings of €3.5 million pa in operating expenses (OPEX). Furthermore, it showed that the existing manufacturing sites are able to cope with future challenges.

What was the challenge?

Our client wants to increase textile production capacity in its European factories to meet anticipated demand. Moreover, it needs to reduce production costs in the face of rising competition from Asia. With two factories in close proximity, the question was whether it is best to extend production at the existing plants or combine them all in a new greenfield site.

Exploring every angle

We matched the existing supply chain strategy with market trends to ensure we worked on the appropriate constraint. This enabled us to define the next logical choice in the existing supply chain network.

Then we looked closely at expected sales growth for each SKU, SKU routings and key operational performance measures. We identified that additional production capacity was only needed for a particular family of products. What's more, we discovered that another product family had over-capacity. By replacing machines delivering over capacity with those needed to achieve the required growth, the new optimal machine park is able to meet future sales demand and offer flexibility.

Reduce operating costs

We organised an improvement workshop to map future production processes with the operations team, R&D and supporting departments. Realistic and feasible solutions were selected and translated into concrete OPEX savings categorised by FTE, waste, maintenance, logistics, energy/water and additional throughput from operational efficiencies. This provided a list of actions.

To estimate an accurate CAPEX, we made a technical concept of all scenarios, including energy, buildings and new equipment. Together with key financial measures, expected OPEX and CAPEX, we were then in a position to model the business case.

Addressing productivity issues

A separate problem was highlighted by deploying productivity benchmarks, which indicated that labour was underperforming, leading to decreased throughput. Our automation quick scan revealed that 77% of labour tasks could not be technically automated. This emphasised the importance of humans in the process, countering senior managers' belief in the need to invest in a highly automated manufacturing plant. The high person-machine ratio of the plants meant inefficient operator effort directly resulted in lower throughput. Investigating more closely, we discovered that the planning system for HR scheduling used historic and average data. By feeding real-time data into the planning system, operator utilisation increased by 15%.

The decision

Our study revealed greenfield investment would not deliver on key financial measures such as internal rate of return, net present value and payback time. Furthermore, we proved that by optimising the existing site, our client could cope with future growth and benefit from immediate improvements.

The result was a positive business case which guaranteed continuity and flexibility while cutting anticipated capital expenditure from €50m to €17m and delivered operating expenditure savings of €3.5m. The study helped management in their strategic decision making and future proofed the reliability of the existing plants.

Find out more about FMCG Business Case Consultancy

Would you like to know more about FMCG Business Case Consultancy? Our white paper draws on our experience to explore how organisations are making investment decisions and how they can optimise the process.

Download the white paper by clicking on the link:
How are manufacturers making investment decisions in fast-changing FMCG markets?