

CASE: Partnering Growth in a Contract Manufacturing Organization

About the Client:

The client is a cosmetics manufacturing organization with a standing of over two decades. The company specializes in contract manufacturing. The client has invested in the significant build-up of infrastructure to meet growth plans and also enter the lucrative pharma market. Over 90% of the business was through private label exports to direct customers or merchant exporters. The client saw a significant opportunity to double sales to 50 Cr. in the next four years.

Key Challenge:

Key challenges faced by the management were:

- a. How to ensure 100% capacity utilization of the plant?
- b. What systems and processes are required to improve the efficiency of people in the plant?
- c. How to ensure on-time delivery of all consignments?

Engagement with AIRA Consulting:

AIRA Consulting deployed their research and analytics model to understand the key drivers of the business. The business of contract manufacturing is characterised by small lots, frequent changes in manufacturing, multiple packs, and customised packaging. Given these characteristics, the business depends on process and manpower efficiency.

AIRA conducted a Time-Motion Study (TMS) to understand how much time is taken to manufacture and pack a single unit and measured it against the rated capacity of the machines. The study revealed the capacity utilisation to be far below-installed capacity. Further, the business is manpower intensive at the packing stage further accentuating inefficiency and low-capacity utilisation. AIRA Consulting also studied existing processes of production planning and consequent manpower planning and deployment to arrive at bottlenecks that prevent meeting order delivery timelines.

AIRA Consulting prepared a detailed presentation based on the data points collected from the research and analytics model and the TMS. AIRA Consulting advised on the manpower, production planning process changes, and efficiency standards that need to be implemented to ensure optimum utilization of the plant. SOPs were developed to ensure timeline adherence. A weekly team monitoring process was instituted to ensure delivery timelines of each sub-process and hence the overall order timeline. Our consultants also developed a Performance-based Incentivization System to enhance the efficiency of the production and packing lines such that capacity utilisation norms are met.

AIRA Consulting worked with the founder team and the plant management team to implement and roll out the changes. AIRA Consulting handheld the operational and supervisory teams to follow the process changes and meet efficiency standards. AIRA also undertook weekly and monthly audits of the implementation status and provided status reports to the management for initiating appropriate actions.

Significant changes were noticed in on-time performance and capacity utilisation. The client is confident of meeting the business target set for the plant.