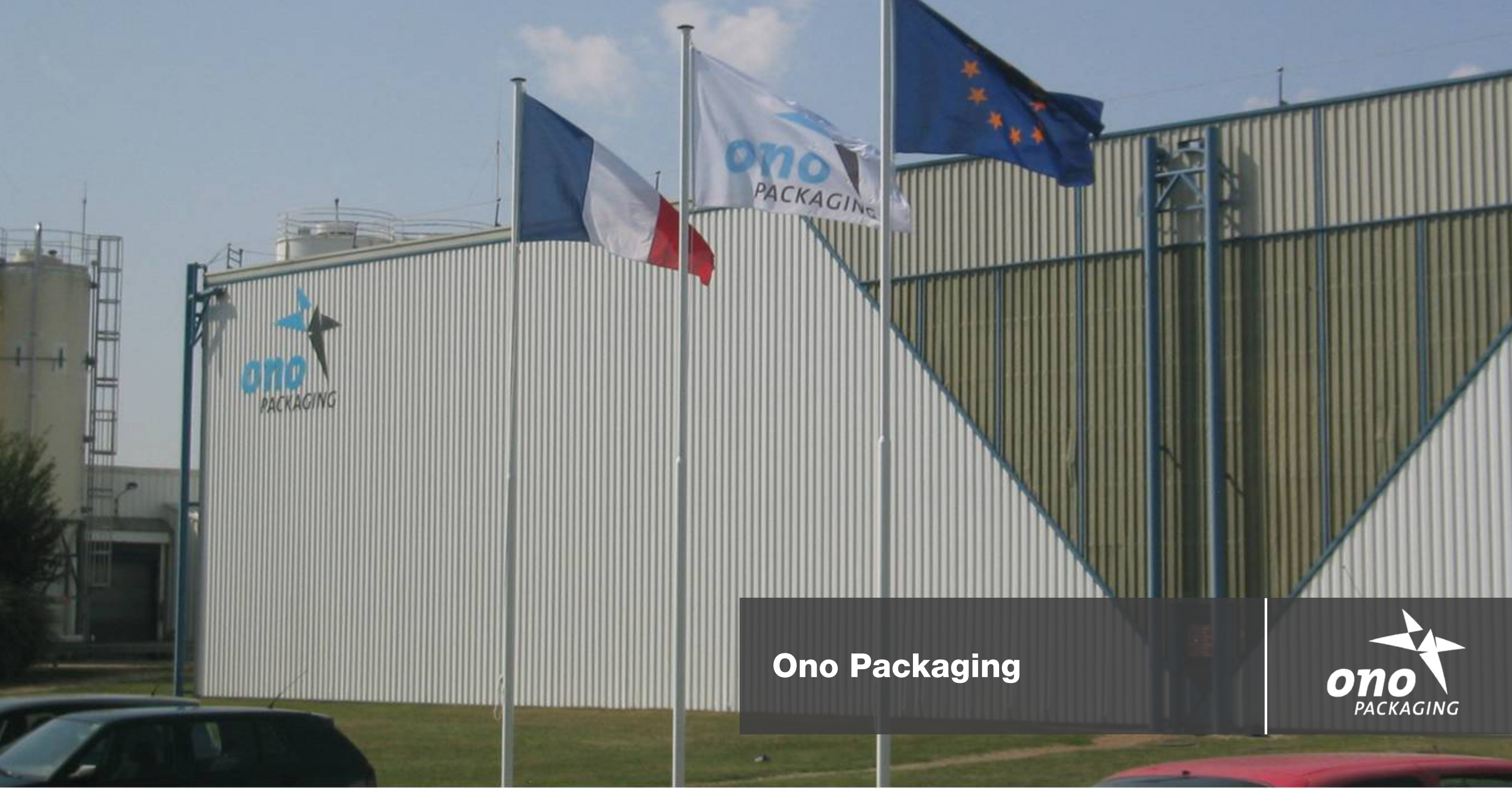

Ono Packaging

Benefits at a glance

- *30% growth*
- *Inventory days reduced by 32.5% from 40 to 27*
- *Customer service increased from 96% to 99%*
- *Forecast accuracy at SKU level increased from 40% to 80%*
- *20% saving in handling, warehousing and freight*
- *Manufacturing accuracy up from 30% to 80%*
- *EBITDA improved by 20%*
- *Market's biggest volume growth*
- *Integrated Business Planning roll out to European and African sites*

Customer profile

Integrated Business Planning brings package of benefits for Ono

Food packaging specialist, Ono, has just received Class A certification for planning and control at its French plant, following a highly successful business improvement programme with Oliver Wight. With staggering advances in its supply chain management, the company has enjoyed 30 percent growth, and reduced costs and inventory days, whilst substantially improving customer service levels.

Auneau is a small town in northern France, 60 km south west of Paris on the road to Chartres. It is the headquarters for the eponymous Ono Packaging, which manufactures expanded polystyrene (EPS) trays for the food sector. The company, which employs nearly 200 people, also has manufacturing units in Portugal (which serves the Portuguese and Spanish markets) and Morocco.

The history of the company goes back to 1962. It started producing EPS trays in 1970 and after a series of take-overs and mergers, it was the subject of an LBO in 2006. Today, the company's key customers are the French Supermarket chains: Carrefour, Intermarché, Système U, Leclerc and Champion. It also sells direct to the poultry industry.

Christophe Aynes is President of the newly structured organisation. He says that the objective following the LBO was to repay the senior debt to the banks as quickly as possible. "We wanted to be debt free within 3 to 5 years," he says. Because Ono works in a commodity market, cash generation would have to be achieved principally through rigorous working capital management, especially as it was about to enter an aggressive growth phase, requiring significant investment. The business strategy was to increase the value of the company through growth in the mature French, Portuguese and Spanish markets - using existing capacity but with increased agility. At the same time Aynes planned to break into the emerging territories of North Africa (the Morocco plant was opened in early 2009), and to introduce new products - specifically for growing market for modified atmosphere packaging (MAP). MAP is a well-established technology in the UK - gas is pumped into fresh food packs to increase the average shelf life from 2-3 days to 5-6 - but in France, where fresh food tends to be purchased and used on a daily basis, it is yet to become widely established.

"Without doubt, it is the IBP implementation, which has given us the opportunity to drive growth."

Christophe Aynes
President
Ono Packaging

To maximise velocity and efficiency of its operations, and to bring down costs, Ono improved in-line technology into its manufacturing operations – raw material (plastic pellets) is fed in at one end and the finished product is produced at the other in a single continuous process. However, Aynes believed the greatest efficiencies could be achieved in improved supply chain management and inventory reduction, and in October 2006, he engaged leading consulting firm, Oliver Wight, to implement an Integrated Business Planning programme.

Integrated Business Planning (IBP) can most simply be described as advanced sales and operations planning (S&OP) - a process originated by Oliver Wight in the 1980s - but unlike S&OP, IBP brings a far greater strategic perspective, plus comprehensive integration of all business processes. If S&OP is a process designed for supply management to plan the factory, then IBP is designed for the executive team to plan the entire business. Ono has one small warehouse - on site at the French plant - and from the outset, it was established as a rule that the company would not expand its inventory beyond that single warehouse, regardless of the level of growth. "We produce a commodity product and excess stock can become a major cost if you are not very careful. So we have to rigorously control inventory," explains Aynes.

Supply Chain Director, Patrice Blandineau has borne the brunt of this challenge. His objective has been to maximise the company's existing storage capacity (by optimising days-of-stock) and to reduce the logistics cost impact on EBITDA.

"We are obsessive about constantly driving down inventory but top of the list for our supply chain strategy is to deliver the best possible service to our customers – and any new business has to be integrated into the current SCM organisation, without any disruption at all," he says.
As well as carefully selecting & monitoring the most appropriate hauliers to work with, his objective was to get SKUs under control, by speeding up new product introduction, and discontinuing older or obsolete SKUs as new ones were introduced. "It was a case of create one; kill one," he says.

> "Manufacturing has more confidence that supply is not going to make short term changes, so they are more willing to accommodate shorter runs."
>
> ***Patrice Blandineau***
> ***Supply Chain Director***
> ***Ono Packaging***

It's clearly a strategy that's working and the company is now a model example of how to drive supply chain efficiency through improved forecasting - and back again. Despite the 30 percent increase in business over the past two years, the company has been able to run increasingly smaller batches with shorter lead times, whilst inventory days have reduced from 40 to just 27 without negative impact on customer service. In fact customer service has improved from lows of around 96 percent in 2006 to reach the consistent 99 percent required for Class A certification.

"It has become a virtuous circle," says Blandineau. "Manufacturing has more confidence that supply is not going to make short term changes, so they are more willing to accommodate shorter runs. As a result, they can concentrate on improving changeover times and so on."

As a consequence of the improved co-operation between manufacturing and supply, sales forecast accuracy at a SKU level has improved from 30 percent to 50 percent in two years, an increase of 66 percent. But this is just the average figure. Blandineau has applied an ABC classification for SKUs and for his fast runners, forecast accuracy has improved by nearly 100 percent in the same period, from just over 40 percent to 80 percent.

Blandineau says there is still the occasional short term change but they are few and far between, and always under control. And beyond the top line SCM improvements Blandineau has gone on to achieve cost savings of up to 20 percent in handling, warehousing and freight.

In manufacturing, accuracy is consistently above 80 percent (compared to 30 to 40 percent three years ago). At the same time, plant efficiency has improved ahead of expectations and now sits above 90 percent, whist the tonnes per hour ratio has improved significantly.

Christophe Aynes is quick to credit Oliver Wight for their key role in the company's success. "Without doubt, it is the IBP implementation, which has given us the opportunity to drive growth - and in a secure way," he says. The monthly IBP cycle begins with a product review on the first day of each month - this includes investment requirements and action

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Christophe Aynes
President
Ono Packaging

plans for the next three months. The demand review follows two or three days later. “This is the most important part of the cycle,” says Aynes.” It includes a forecast both by customer and SKU with a 24 month horizon for both”.

Next comes the supply review, which includes a two year horizon for HR and production, with a detailed 18 month plan for production planning.

Data for the financial review is derived from these three preceding reviews, and includes a summary of key assumptions, plus any changes from the previous month for sales volumes, raw material prices etc. A P&L, cash flow forecast and treasury plan, along with a financial projection for the next two years, are then fed through to the final stage of the monthly process, the management review, and these form the basis for discussion and decision-making on action plans, strategy and capex by the senior team.

The results over the past three years have been staggering; in 2006 Ono was number four in the French market in terms of volume growth, by the end of 2009, it was number one. And EBITDA has improved by 20 percent, an extremely healthy result for this sector. In Morocco, Ono became market leader with a 50 percent market share within six months of its new plant opening.

By the end of 2010, the company expects to only have 20 percent of its original debt to repay to the banks; even allowing for investment for growth.

Aynes believe the entire Ono team has become much more integrated and is increasingly motivated as people see the everyday benefits of IBP: accurate numbers, realistic plans, fast decision making and, perhaps above all, a complete ban on unnecessary process and bureaucracy.

“The business control IBP brings has had a huge positive impact on the credibility of the company, not just with suppliers and customers but also with the banks and shareholders,” he concludes.

As progress in France continues, Ono now plans to roll out its IBP implementation in Portugal and Morocco.

Oliver Wight has a 40 year track record of delivering business improvement to some of the world's best-known organisations. We believe that sustainable improvement can only be made through your own people. So unlike other consultancy firms, we transfer our knowledge to you, which means you can achieve performance levels and financial results that last.

OLIVER WIGHT

Oliver Wight EAME LLP
The Willows, The Steadings Business Centre
Maisemore, Gloucester, GL2 8EY

T: +44 (0)1452 397200
email@oliverwight-eame.com

www.oliverwight-eame.com

Oliver Wight Asia/Pacific
131 Martin Street, Brighton
Victoria 3186, Australia

Oliver Wight Americas
P.O. Box 368, 292 Main Street
New London, NH 03257, USA

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