

Delivered additional profit of US\$ 89,000 by controlling the quality specifications during purchase of raw material

BUSINESS CASE

Customer Trends:

- Delivering a high quality product containing all the nutritional parameters in prescribed proportion:
 - Increases the customer satisfaction significantly
 - Delivers competitive edge in the market
- Delivering the high quality product at an optimized cost also impacts the organization's overall profitability

CHALLENGE

What and how much is the Challenge

- To control one of the critical toxin parameters (Aflatoxin) in the final product
- The raw materials are the source of the toxin in the finished product
- However, the suppliers of the raw materials are unaware of the existence of the:
 - toxin parameter for the sustained health of living beings
 - toxin levels in the raw materials supplied
- Decreasing the toxin levels below the specified limits via processing in the plant results in an increase in the formulation cost
- Reduce Aflatoxin levels to less than 40 PPB (Parts per Billion)

Where is the Challenge

- In the procurement process of the raw materials

IMPACT

What is the impact

- Rejection of finished goods and raw materials have significantly increased due to the internal limits set by the organization on the maximum allowable toxin limit to 40 PPB
- Rejections in the last 3 months:
 - 430 MT of FG
 - 923 MT of RM
- The formulation cost has increased by US\$ 3 per MT in order to control the toxin levels
- The profitability has reduced by US\$ 46,000 per annum

TARGET

What is the Target

- To bring down the toxin levels below the specified limits without increasing the formulation cost
- Increasing awareness and eagerness amongst the raw material suppliers to introduce necessary controls in their own process
- To identify the markets to source the best raw material

OUTCOMES

Improved Profits

- Delivered additional profit of US\$ 89,000 by purchasing good quality raw material

Operational outcomes

- Completed forecasting the buying plan of raw material for the next 12 months
- Designed a decision matrix for suppliers to follow for the next 12 months and beyond
- Horizontal deployment of the decision matrix for all raw materials
- Awareness sessions conducted amongst raw material suppliers
- Pricing strategy enhanced to include benefit and penalty clauses basis the toxin levels

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