

Leading Poultry Producer Reduces MRO Costs with New System

One of the largest vertically integrated poultry producers in the United States with annual sales exceeding \$1 billion owns and operates 13 fresh and further-processed facilities throughout the Southeast. The company produces more than 1 billion pounds of poultry products each year and employs more than 9,200 individuals.

Each of the poultry producer's facilities were utilizing the same standalone version of the legacy MP2 Datastream (computerized maintenance management system) CMMS to support local work management and MRO and production supplies procurement. There were no standard operating procedures in place for either maintenance activities or procurement procedures. National vendor contracts were being ignored and pricing for common items ranged dramatically from plant to plant. Each facility had a primary purchasing agent, and in some cases a secondary purchasing agent, who supported the local facilities without the benefit of centralized parts and vendor controls.

Recognizing the inefficiencies and excessive MRO costs through benchmarking their current practices against industry accepted best practices, the corporate procurement management team elected to implement the Datastream 7i Enterprise Asset Management application by engaging the services of Global PTM. This move was made to support a centralized master parts list and standard operating procedures for MRO and supply procurement. The project goals included:

- Putting a single master parts list in place
- Establishing procurement procedures to a corporate standard
- Providing control of costs via corporate contracts with universal vendors
- Providing a central corporate oversight for MRO and production supply stock levels

Two pilot facilities that affected the standardization were chosen for the initial implementation, followed by an incremental rollout of the remaining facilities over a ten month period. Global PTM worked alongside team members from the poultry producer to ensure a successful implementation at the pilot sites and to build a replicable model that would be used for the other facility locations.

Maintenance process improvement benefits were anticipated as the project progressed with the increased functionality of the D7i application.

Initial Implementation Results

With the enterprise solution in place and the procurement and MRO storeroom procedures fully affected, two extremely significant savings were realized:

- Overall MRO storeroom holdings and MRO buys in the first year were reduced by \$1.3 million dollars.
- The new procurement standard operating procedures for reduction of purchase orders along with the combined ability to maintain accurate MRO



parts stock and criticality needs led to an average reduction of thirty-five purchase orders per facility per week equating to a savings of \$33,000 per week across the corporation using a conservative \$70.00 per purchase order processing cost.

Additionally, by replacing the legacy paper requisition/purchase order procedures, the implementation provided a single application for all users in the maintenance area, operations supplies, purchasing, and invoicing which drastically decreased procurement processing man hours while equally increasing data accuracy and corporate audit efficiency.

Continuing Improvement Opportunities

With corporate level oversight in place and standardized procedures now being followed by all facilities, several initiatives were put in place:

- Identification of obsolete and surplus MRO inventory at the local level is promulgated to all corporate entities and is the first source considered for stock replenishment or direct material purchase. Vendor procurement is elected only if surplus stock is not available. This practice and returning the items to vendors will result in \$2.2 million in refunds and purchasing savings.
- Through the now accurate tracking of MRO stock levels and usage calculations, a daily snapshot of all facilities is generated for use and review to assist in lowering the overall MRO inventory value on hand by 5% by the end of the corporation's fiscal year to complement the initial reduction of \$1.3 million in the first year. In a short time, the initiative reduced the overall value from over \$11.6 million to under \$11.2 million.

- Inventory turns to lower min/max reorder points are now tracked to meet the industry standard of four turns annually.

Summary

The new system at the poultry producer was successful due to several key elements:

- Establishment of standard operating procedures for procurement
- All processes being inclusive in the EAM application with only approved invoice information being transferred to the legacy ERP for payment
- Establishing and adhering to corporate level vendor contracts, and
- The transfer and adherence to nationally recognized standards for MRO inventory management.

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