

# HOW A CUSTOM FURNITURE PRODUCER DOUBLED PROFIT IN ONE YEAR

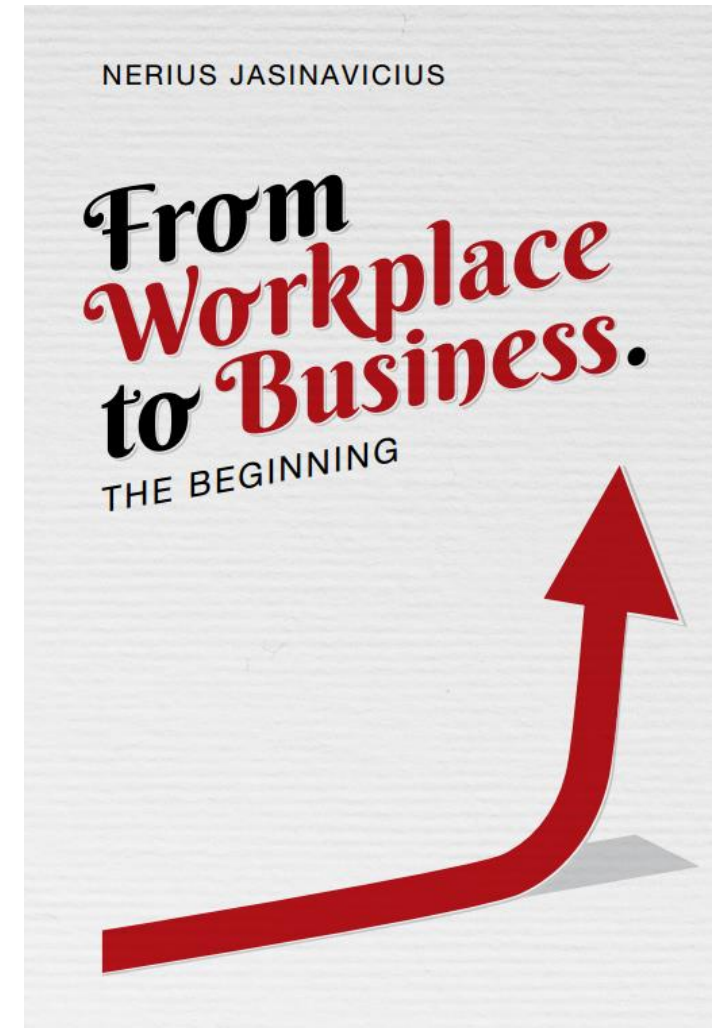
Nerius Jasinavicius  
TOC sprendimai, Lithuania

# List of topics

- Who we are
- Production company
- Unique problems of the company
- Improvement project
- Results

# About me

- 7+ years of managerial experience
- TOC, LEAN exposure since 2000
- 14+ years of consulting *unique* clients
- Certified by TOCICO, ICMCI
- Passionate about adapting Big Businesses' methods for Small and Medium companies
- Author of special program to increase managerial skills for owners of SME
- Blogger, author, husband, father



# The goal of the business

Make money  
now and in the future

# The Company

- Custom furniture producer (offices, shops, bedrooms)
- ~60 employees
- Sales ~ 2.4 mln. EUR, TVC ~ 50%
- 50% of sales – for export

# The *unique* problems

- Sales growth for last 2 years – 25% per year
- Always faced with challenge to employ enough qualified staff
- Due date performance ~85%
- Significant staff turnover (more than 25%)
- Company is profitable
- Restricted cash-flow
- Waves of overtime and slow periods

Business – as usual 😊

# The problem

- Suddenly DDP started to deteriorate
- In less than 3 months DDP around 50%
- Overtime did not help
- Had visits from 2 biggest export clients
- Negative comments in internet from local clients
- It was not the season
- Impact on sales

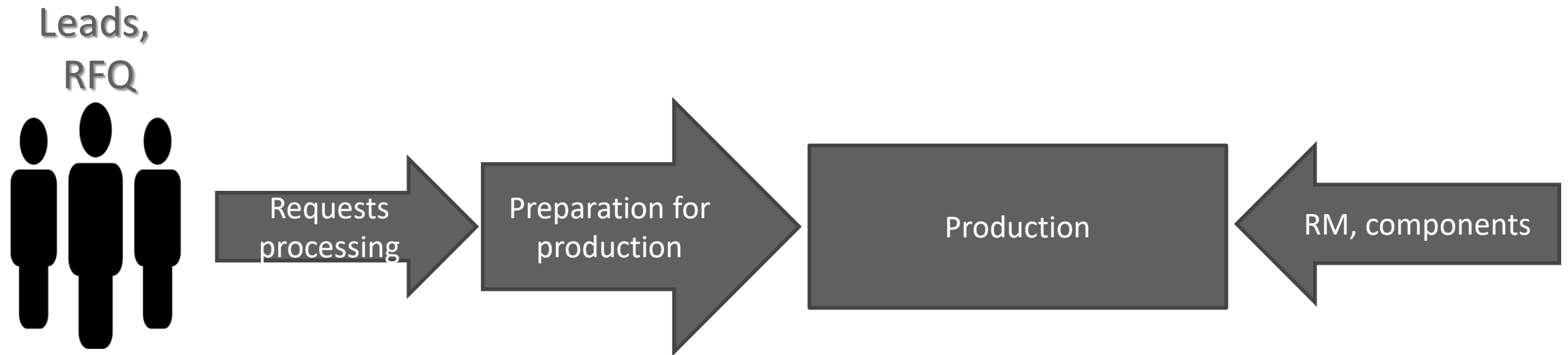
**This is THE PROBLEM**

# 3+3 months project

- Current reality analysis (1<sup>st</sup> week)
- Team training + planning (2<sup>nd</sup> week)
- Implementation (3 months)
  - Measurements and reporting
  - Request processing
  - Production planning and execution
  - Procurement (RM and components)
  - Improvement activities / Kaizen
- Stabilization (2.5 months)



# Current reality analysis



# Current reality analysis

- No pro-active sales process
- Sales people work as order takers
- No standardized request processing
  - Sales people multitasked
  - Many interactions with customer during preparation and production
  - Sales people spend lots of time with delayed orders
  - Requests get lost

# Current reality analysis

- 3 furniture technologists
  - Very high multitasking
  - Participates in preparation of quotations, production requirements, lists of materials
  - Corrections, adjustments
  - Always late and overworked
- Pricing based on TVC + “fair margin” depending on work hours
- Long time for price quotes

# Current reality analysis

## Production planning and execution

- Work load calculated as total work hours
- Order dates are given *based on experience*
- Capacity constraint resource not identified
- No clear picture of where the order is
- Orders released to shop-floor as soon as possible (to avoid being late / make sure everybody has work)
- Orders released not ready
- Many semi-assembled orders

# Current reality analysis

## Procurement of RM and components

- No clear list of needed material
- No systematic RM and components management
- A lot of urgent orders for (re)supply
- *OOPS* methodology

# Solution

- Standardized RFP process (Excel, later CRM) with dates and actions
- Standard questionnaire
- Pricing rules
- Changed rules for technologists (reduced bad multi-tasking)
- Production planning based on detailed assembly schedule
- Choke the release
- Priorities according to the buffers
- Kanban for PTA materials, standardized Purchase Order

# Team training + project planning

- 1<sup>st</sup> day: understanding the problem
  - Production simulator
  - Efficiency syndrome, big batches, detailed planning, balanced capacity
- 2<sup>nd</sup> day: understanding solution
  - DDP as main measurement
  - sDBR and Buffer Management
  - New scheduling procedure and buffers
  - Production plan execution
  - Production order preparation
  - Warehouse and procurement
  - Full Kit

# Team training + project planning

- 3<sup>rd</sup> day: planning
  - Key measurements (DDP, confirmed T, earned T, CCR load, sales pipe-line)
  - Reporting – team reports to management
  - Sequencing the tasks
  - Small improvement teams



# Implementation

- Finance
- Standardized request processing steps
- Preparation for production
  - Significantly reduced multi-tasking
  - Standard questionnaires to collect information from clients
  - Library of standardized components / solutions
- Production
  - Due Date Performance
  - Cost of quality (scrap and rework)
  - Work load for assembly (in days)
  - Promised dates – planned assembly date + 5 days

# Implementation

- Procurement (RM and components)
  - Basic order in warehouse of RM and components
  - Kanban system for fast-movers / usual components
  - Standardized order form (to be filled by technologists) for non-standard components

# The results (per month)

- Increase in sales (better exploitation) – 12%
  - Increase in sales - 24K EUR
  - Increase in T – 12K EUR
- Increase in price ~ 3%
  - Increase in T – 6K EUR
- Increase in OE ~ 6%
  - Increase in OE – 6K EUR
- Increase in monthly profit  $(12K + 6K) - 6K = 12\ 000$  EUR

Any questions ?

