

Pasco Beverage Partnership Provides Real Savings and Real Control



Pasco Beverage Company, headquartered in Dade City, Florida has been a leading provider of private label juices to the grocery industry.

When Pasco Beverage first approached PM2 for an inventory management solution that would work with their system and environment, they were carrying an inventory of \$1.2M on the books. As Pasco Beverage's business expanded, inventories had become fragmented and hard to manage. They knew they had a tremendous quantity of inventory and that much of it was not being managed within their system. They also suspected that employees were buying product "around" the system, so they really had no idea of what their actual inventory level, usage, or turns per year were.

A major cost cutting initiative guided COO, John Minton, to delve further into the inventory issues in search of a new solution; one based on gaining tighter control of the inventory through new ways of viewing, thinking about, and managing this inventory. His goal was to bring the company to new levels of operational efficiency and cost savings. He chose PM2 as his partner to help him attain this goal.

The approach was for Pasco Beverage and PM2 to work seamlessly within the organization identifying and exploiting opportunities to increase operational efficiencies, cut costs, and maximize dollars contributed to the bottom line. PM2 began with an in-depth analysis of Pasco Beverage's purchasing data, inventory management systems and processes, stock levels and locations, item usage, and stock out frequency.

PM2 conducted interviews with the people who use and manage the inventory environment, paying careful attention to internal customer needs. Then, PM2 applied their deep materials management expertise to achieve Pasco Beverages' core inventory management goals, streamline processes, and produce real cost savings.

PM2 presented this plan in a phased approach to match Pasco Beverages' budget, resources, and timeline. Each phase was planned to fund the next phase, making the plan self funding. Pasco Beverage chose to have PM2 implement the plan, which PM2 did, with the following results.

" PM2 not only implemented the solution, they gave us the tools to maintain the inventory strategies they had put in place. The return on our investment was almost immediate."

**John Minton,
COO
Pasco Beverage**

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Phase 1- Diagnostic Baseline

Phase 1 was a diagnostic baseline. Just as you would not go into surgery without a diagnosis, PM2 would not endeavor to resolve issues within a manufacturing plant without first identifying and developing a plan for addressing those inventory issues. In the diagnostic baseline for Pasco Beverage, PM2 was able to identify \$497,000 in savings from spend avoidance and process improvement the first year of implementation.

Phase 2 – Inventory Optimization

PM2 used a proprietary inventory model to establish appropriate inventory levels that supported service expectations, identified and planned for needed critical spares, identified stockpiles so they could be returned or sold, and put in place a plan to increase inventory turns resulting in a 62% (\$772,290) documented burn-off and savings opportunity over a 5 year period.

Phase 3 – Standardized Parts Catalog

PM2 tapped their extensive knowledge and experience in industrial supplies to build a customized products catalog. While technology solutions are process critical, many technicians that used parts every day did not have ready access to a computer for stock checks or issuing parts. Having a printed customized parts catalog provided a process cost savings opportunity of \$63,078.

Phase 4 – Satellite Inventory Management

PM2 identified “satellite inventories” or “stashes” of parts that had been issued out of the inventory or purchased specifically for use on projects that had ultimately not been utilized on the job. The parts had been returned to a satellite storage area and not re-entered into the inventory system. PM2 found \$398,982 of usable inventory that Pasco Beverage did not have on the books. This afforded Pasco Beverage a tremendous opportunity to experience spend avoidance by burning off parts they already owned.

Phase 5 – Establish and Manage Performance Measurements

PM2 continued to monitor performance for 18 months. Over the 18-month tracking period, Pasco Beverage experienced a 30% reduction in inventory levels which accounted for \$384,699. Additionally, they increased their inventory service levels, which had averaged around 70%, to consistently exceeding 90%.

Partnering together, Pasco Beverage and PM2 built a unique solution that streamlined operational processes, managed inventory more effectively and efficiently, and helped Pasco Beverage achieve their objective by producing real cost savings.

From baseline analysis to strategy development and solution implementation, PM2 has the expertise to solve your toughest inventory issues. Gain a new vision for your future when you see your inventory with new clarity.