

Planning for the Unexpected

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velocity

CONNECT + ACCELERATE + INNOVATE

**BAKE. FLIP.
CRUNCH. SIP.**

velocity
CONFERENCE

*Inspiring the world to create,
share and connect through food.*

Welcome to Continental Mills™ 

“

As a family-owned business, we never lose sight of the honor and responsibility that comes with providing the products that bring friends, families and communities together.

Andy Heily, President

”



TODAY

TOMORROW



CONTINENTAL MILLS
FOOD PRODUCTS OF CHOICE

PIONEERS OF THE NORTHWEST

Based in Seattle, WA, the innovative spirit that helped us grow from a popular Northwest tradition to a national favorite continues to inspire us to develop quality products that help you keep it real in the kitchen and create moments to savor every day.



OUR CORE

Purpose, vision, values, behaviors.



Create the best food in the industry

We recognize that people have made us successful in the past, they do today and they will tomorrow.

We're fiercely proud of who we are and what we do.

We are collaborative. We are accountable to each other.

Engage consumers with irresistibly cool brands

We do the right thing.

We treat everyone with the dignity and respect they deserve.

Committed to employee safety and well being. We make Quality a way of life so our customers can take it for granted.

Advance the industry with breakthrough innovation

We strive to be the best.

Our customers' and consumers' needs are central to every decision we make.

We commit to being verifiably better than our best competitors. We relentlessly challenge the status quo.

A supply chain that reliably makes things happen

Our profit has a purpose.

We invest in our people.

We invest in our communities.

We invest in our future.



CONSUMER PACKAGED GOODS

- 1 **Bake:** Muffins, Cookies, Cornbread, Crumb Cakes, etc.
- 2 **Breakfast:** Pancakes, Waffles, etc.
- 3 **Snack:** Snack Mixes, Flavored Tortilla Chips, etc.
- 4 **Gluten Free and Other:** Brownies, Crumb Cake, Pancakes, Cornbread, Almond Flour, etc.

CPG BRANDS

We offer a complete portfolio of baking mixes and snacks for our customers.

CM BRANDS



LICENSED



BAKING MIXES FROM CONTINENTAL MILLS



BRANDS





FOODSERVICE



- 1 Griddle:**
Pancakes, Waffles & Griddle breads
- 2 Oven:**
Rolls, Bagels, Pretzels, Biscuits,
Cornbread, Muffins, Scones
- 3 Donut:**
Yeast-raised and cake donuts
- 4 Batters & Breaders:**
Sophisticated coatings
- 5 Dessert:**
Brownies, Cookies, Cakes, Icing
- 6 Beverage:**
Fruit tea blends, Lemonades,
Ciders, Coffee shop drink blends

BRC CERTIFIED AA GRADE MANUFACTURING

Gold standard, HIGHEST rating available!



- 25,000 sites in 130 countries are certified to the BRC GFSI standards
- It's not just an audit, but an everyday way of managing food safety, quality and legality to protect our brands
- AA is the top grade and goes to only the top 10% worldwide



Hopkinsville:	AA rating
Kent:	AA rating
Effingham:	AA rating
Manhattan:	AA rating

MANUFACTURING & DISTRIBUTION FOOTPRINT



Legend	
4	4 CM Plants, 1 DC
9	Outside Warehouses (including materials)
1	Distribution Center



Over 20 Co-Manufacturing partners across North America!

Planning for the Unexpected

Background, Scenarios, Impacts and Learnings

Unexpected?

If your job is planning...

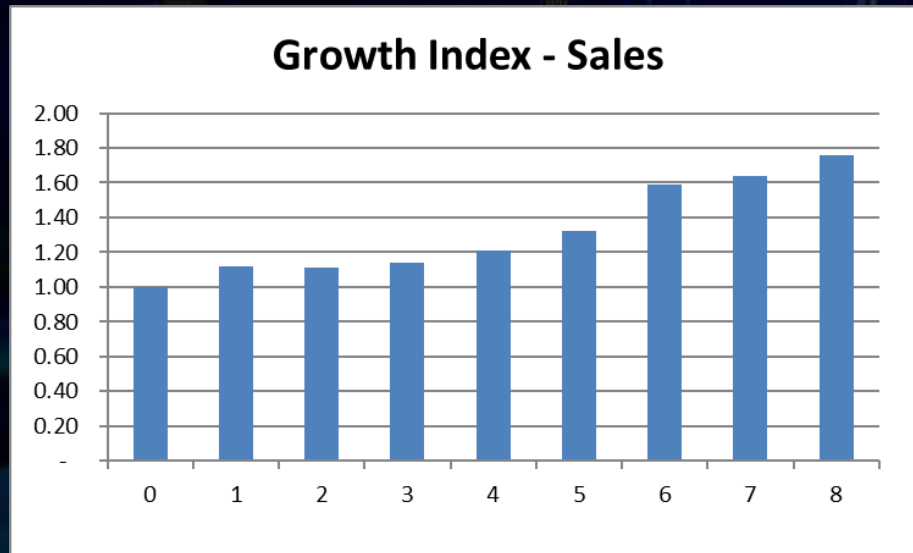
- ▶ In supply chain, the day to day successes are rarely celebrated
 - It's the elephant in the room of our profession...
- ▶ We strive to be proactive managers but our relative success is achieved in crisis
- ▶ The best S&OP process in the world is often viewed as a burden - until something happens - then it is imperative!
- ▶ Hindsight is always 20:20 but you want to come out of challenging situations with positive results...
- ▶ There were 3 issues in the past couple years that significantly challenged CM...



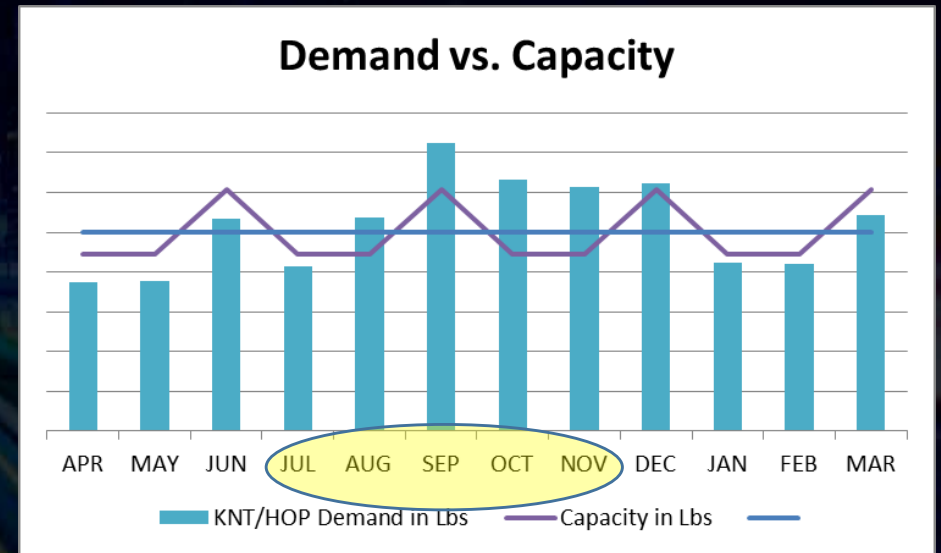
BACKGROUND

- ▶ Context for understanding impact of issues

GROWTH



CAPACITY



Problem 1

Unknown Sensory Issue emerges

- ▶ Mid September - CM notices consumer feedback regarding an off flavor in one of our key retail products
 - Single sku of product is placed on hold throughout the network
- ▶ Investigation into the situation progresses as consumer feedback expands
 - Investigation started on ingredients, facilities, lines, process
 - Source of off flavor is traced back to paperboard used to manufacture our Cartons
- ▶ 63 Retail Products affected
 - Most network inventory placed on hold
 - Voluntary market withdrawal issued for affected Lots

Problem 2

Eggs, or more specifically, the lack thereof

- ▶ Early May 2015 - An outbreak of bird flu in the Midwest claims an increasing number of chickens – significantly affecting roughly ~90% of National dried egg supply
 - CM Uses >2 mm Lbs. of dried Eggs annually.
- ▶ Current On-Hand inventory plus open orders covered our production through July in most cases
- ▶ Current projections have **supply being re-established in March 2016**
- ▶ We are building for peak season

NOT AGAIN!?!?

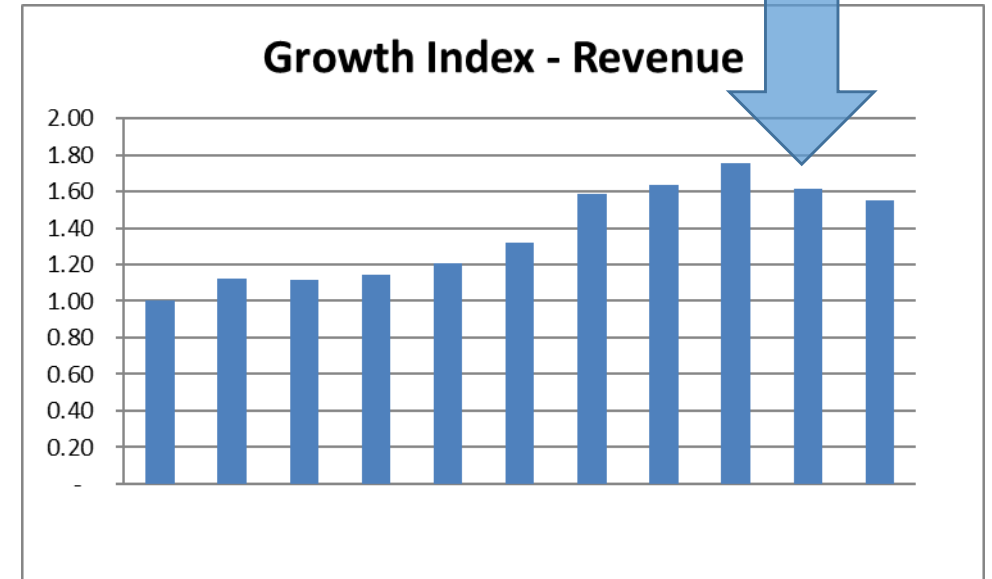
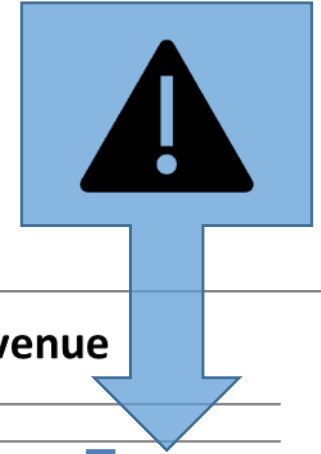
Problem 3

Trajectory of growth, gets a dose of reality!

- ▶ New packaging that tested “off the charts!”
- ▶ New Marketing investments!
- ▶ Tons of new product commercialization...

- ▶ When business hits a speedbump – do you have the People, Process, and Tools to Manage through?
 - Manage inventory when shelf turns drop...
 - Adjust demand and production when the goals aren’t achieved...
 - Account for new products, and adjust to the results...

“Wait, what’s going on?”
-Sales Person



Similarities of the situations...

They challenged our organization ...

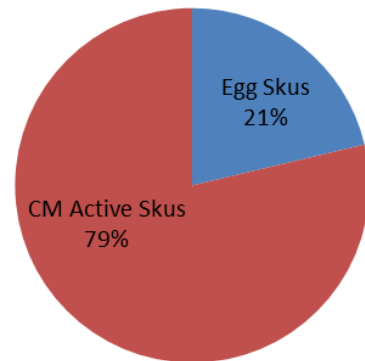
1. Significant implications to customer service and company performance
2. Required coordinated efforts by the entire company to manage through
 - Heavily leveraged cross functional processes
 - Rapid coordination on recovery principles to guide activity
3. Objective data to make informed decisions was mandatory!
 - Situations required nimble modeling as the situations evolved over time
 - Integrated systems were imperative to keep operations in sync with changing situations

SERVICE IMPLICATIONS

- ▶ Similar potential impacts to CM business

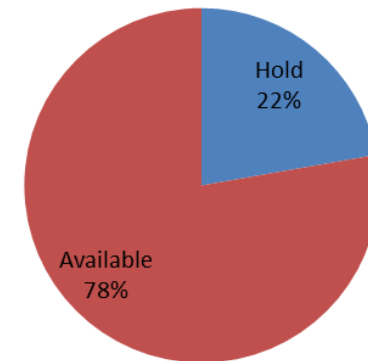
EGG SERVICE IMPLICATIONS

Egg Skus Affected



CARTON SERVICE IMPLICATIONS

Carton Network Inventory Impact



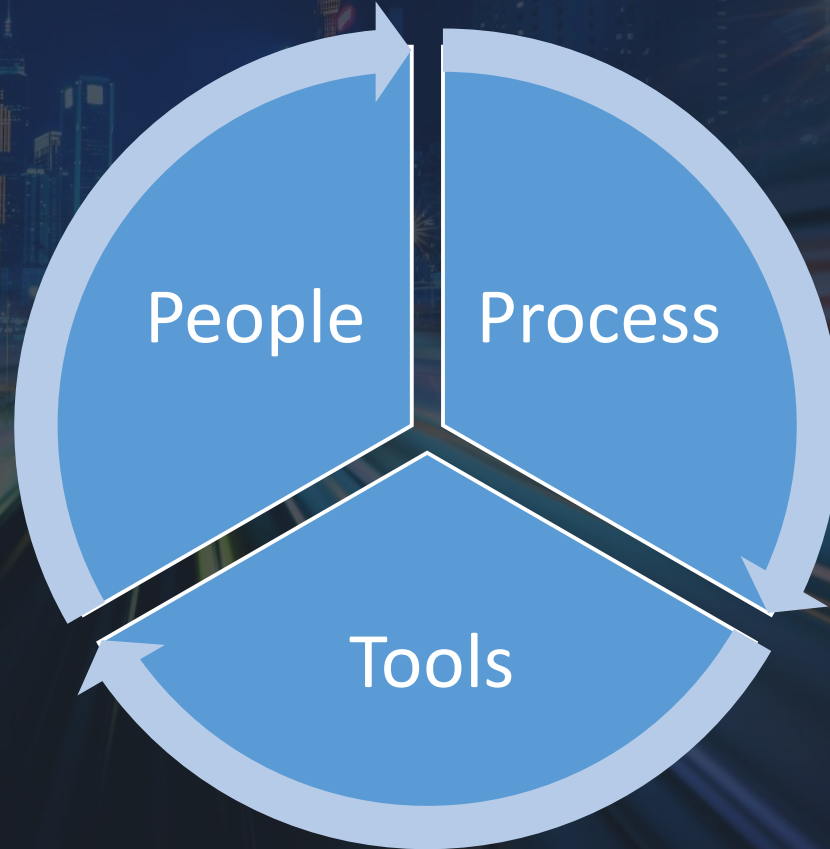
Focus of Response and Recovery

PEOPLE: Alignment
of Leadership, and
focused purpose

PROCESS: Leverage of
S&OP / IBP

TOOLS: Integrated Tools
to Provide
Objective information

Foundational Elements of our Business



Coordinate Efforts

Define the Problem!

▶ Prioritize

- Published Recovery principles that provide clarity to the efforts in front of you
- Provides a strategic anchor
- Makes everyone accountable for the noise

▶ Communicate

▶ Focus

Create Clarity



Recovery Principles

Our Recovery efforts will be primarily focused on Key Items to Key Customers (As defined by our sales and marketing teams)

Our recovery efforts will work to maximize all available assets (including contract manufacturing where applicable)

We require clear direction from sales on Promotional volume to protect.

Recovery plans will not protect capacity for upside to current forecast. Un-forecasted demand will be weighed against recovery efforts.

Short-term (3-week) schedule changes at the plants will be eliminated to provide them the best possible chance for efficient operations and material availability.

We will NOT focus on replacing Seasonal/Holiday items & Shippers.

Raw, Pack, & Intermediate availability will significantly influence our recover efforts.

Consistent application of above principles, especially fixed near-in schedule, will maximize supply certainty, output, and recovery pace.

Coordinated Effort

Communication, Communication, Communication

- ▶ Foundation of effort was rooted in our S&OP / IBP process
 - Linkages, trust, common understanding of needs and constraints
- ▶ Crisis communication was imperative
 - Internal and external messaging
 - Daily updates moved to weekly...
- ▶ Data transformed to information as needs evolved
 - Service updates and projections
 - Financial implications

Coordinate Efforts

Simplify the Goal!

Identify 250,000 pounds of Eggs

Search

- Additional Sources and incremental cost.

Stretch

- Reduce utilization in certain formulas.

Replace

- Alternate ingredients with similar attributes.

Rationalize

- Prioritize the portfolio.

Objective Data

Nimble Modeling

► Situations required us to:

- Quickly assess impacts of Hold Inventory
- Rely on robust, trustworthy, Statistical forecasting information
- Prioritize demand signals
- Rapidly re-plan our entire network
 - ▶ Identify bottlenecks
 - ▶ Quantify overflow needs
- Provide different scenarios based on evolving information:
 - ▶ What if we service this promotion, what if we pull it?
 - ▶ What happens if this goes on hold?
- Project service and inventory into the future

► Having process and tools to run multiple scenarios in a day were absolutely critical to navigating the crisis

Objective Data

Integrated Planning Systems

- ▶ ERP – JD Edwards
- ▶ Logility Voyager **Version 8.5**
 - Demand Planning – 12/2007
 - Inventory Planning – 05/2008
 - Supply Planning – 05/2008
 - Manufacturing Planning – 7/2010
- ▶ Modeling Changes in Logility and passing them through to our ERP seamlessly kept the entire organization aligned to our decisions and progress

Review...

Similarities...

- ▶ Significant implications to customer service and company performance.
- ▶ Required coordinated efforts by the entire company to manage through.

PEOPLE + PROCESS

- ▶ Objective data to make informed decisions was imperative.

TOOLS

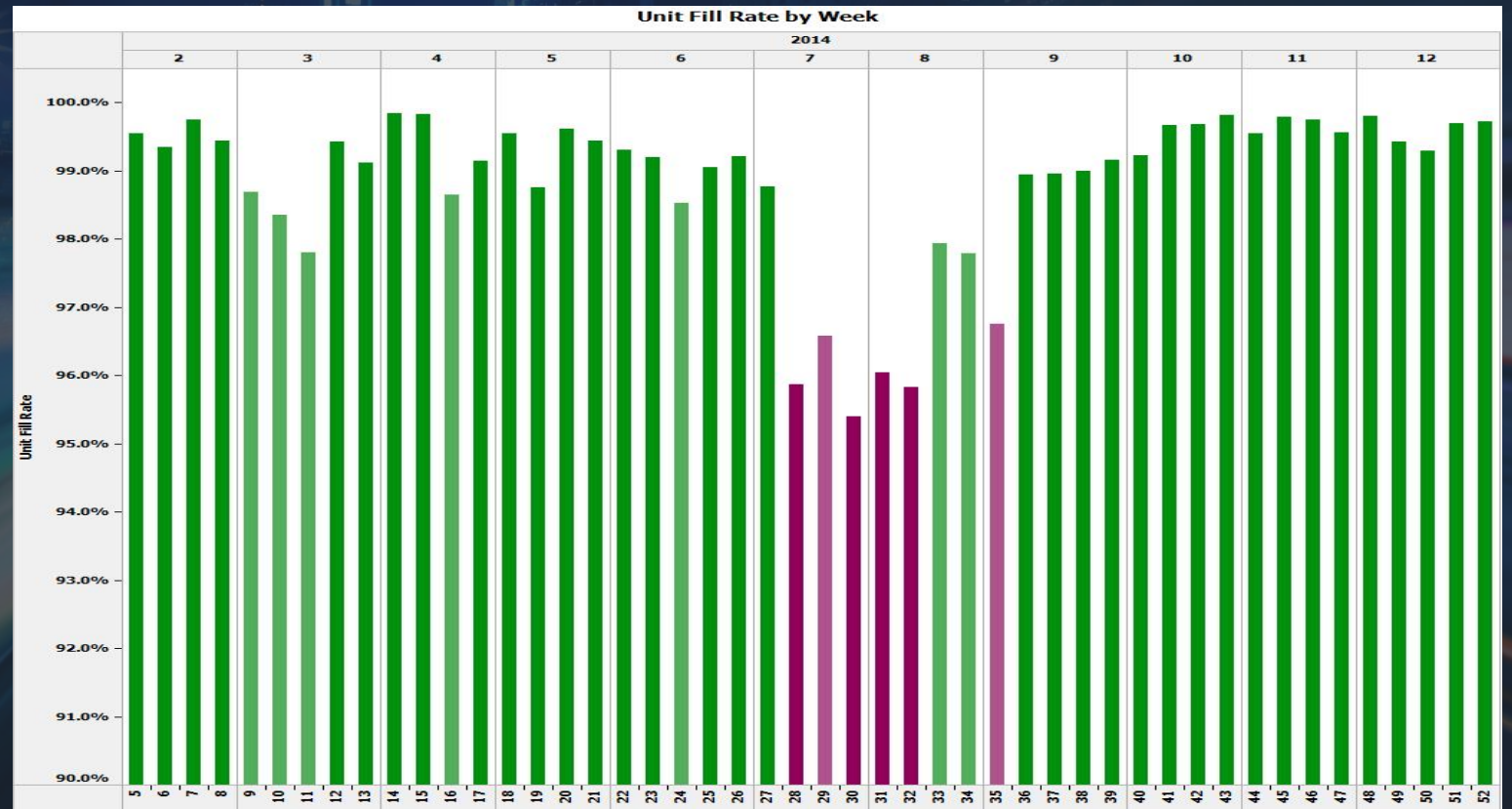
SO...WHAT HAPPENED?



Results

Carton Service
Impact &
Recovery

Case Fill Rate



Results

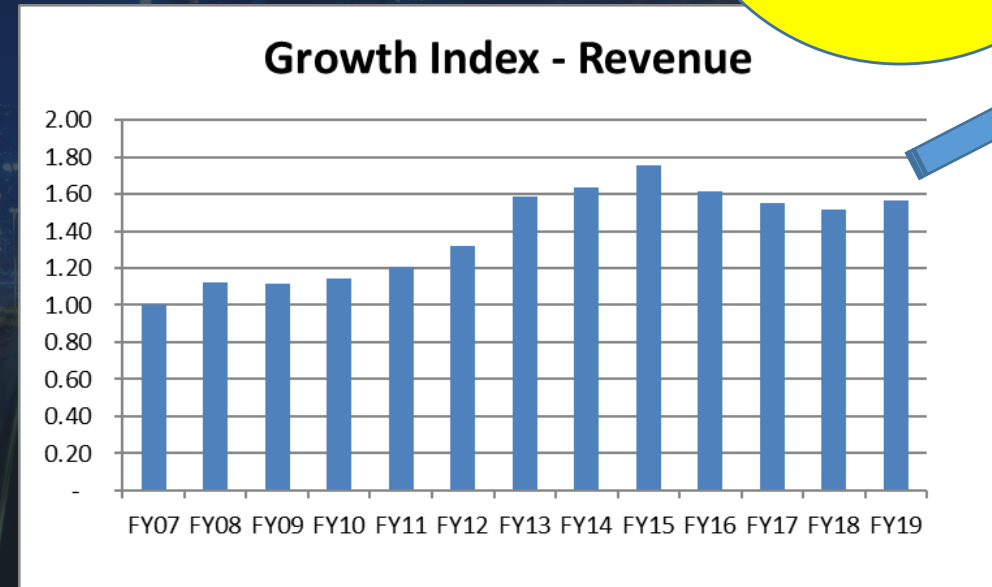
Egg Situation

- ▶ Effectively covered our supply gap from July to March
- ▶ Reduced cost of many formulations without compromising quality
 - Offset incremental cost of spot purchases of ingredients
- ▶ Improved our collaborative relationships with many key customers
 - Proactive management
 - Ability to pass along costs
- ▶ Identified Skus that need additional “work”

Results

CM Comeback!

- ▶ Redesigned packaging launched across the marketplace
- ▶ Integrated business planning bringing renewed objectivity to sales plans
- ▶ Improved focus on core business and capabilities
- ▶ Bottom line turn around has been substantial!





THANK YOU

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