



SUCCESS STORIES

INDUSTRY CASE STUDY

Private Label Manufacturing
Of Dry Consumer Goods

CLIENT PROFILE:

Gilster- Mary Lee (GML) is a private label, dry goods manufacturer of cereal, pancake, waffle, brownie and cake mixes, popcorn, instant potatoes, macaroni, gelatin and hot cocoa. They operate multiple manufacturing facilities, and have more than 5,000 stock keeping units (SKU's).

CHALLENGE:

GML has always taken pride in the fact that they have "taken care of the little guy." With private label growing significantly faster than their branded counterpart, GML found customers requiring even more SKU's, with even smaller annual demands, per SKU.

The challenge for GML, was finding a solution to reduce inventory levels and obsolescence, while still being able to offer competitive pricing and quick turnaround to these smaller customers.

GML Reduces Inventory and Obsolescence by Leveraging Mod-Pac's Standard Cost, Just in Time Business Model.

Gilster- Mary Lee (GML) partnered with Mod-Pac Corporation, a folding carton manufacturer specializing in the private label market. Mod-Pac's unique pricing model, in addition to their "order what you need, when you need it" Just in Time (JIT) manufacturing philosophy, enables private label manufacturers the ability to offer customers high-end litho printed cartons at competitive prices.

One of the toughest challenges was being able to maintain costs, while significantly reducing order quantities. GML's previous model required larger run quantities; sometimes as much as two to three years of inventory, for the smallest of customers. Another problem was working with combination runs. Combo run quantities quite often did not match GML's required quantities; leading to excessive inventory. Additionally, the private label industry is known for changing copy on a fairly frequent basis. Add these factors together, and it takes private label companies to one place: high inventory and obsolescence.

By utilizing Mod-Pac's "Order what you need, when you need it," GML has been able to order folding carton requirements which more closely align with their production schedules. Not only have they benefited with improved inventory positions, but production run rates and scrap have been improved due to the "freshness" of cartons, running on automated equipment. By filling cartons within 30 days of being manufactured, they have optimized efficiencies with production lines in multiple facilities.

"The Mod-Pac team had presented a solution which included blending a few of our high volume items with all of the low volume ones; to achieve stable and competitive pricing, in addition to reducing inventory and eliminating obsolescence. Our sales team is extremely happy in being able to service these smaller markets, without sacrificing lead time or margin. Mod-Pac's dedication to customer service is evident throughout the organization."

*- Tom Welge,
Vice President, GML*

Customer Benefits:

- Increased revenue by 10% in certain categories due to a targeted marketing effort at smaller retailers
- Reduced obsolescence over 50% in some categories
- Increased inventory turns (including inventory at vendors) from 3.4 to 8.6
- More responsive to customer requests in copy changes due to lower inventory positions of old copy, and faster turn-a-round time with new production