

WHITE PAPER

ROI QUESTIONS

UNLOCKING MAXIMUM ROI IN MANUFACTURING OPERATIONS



Unlock Maximum ROI by Asking the Right Questions! Take the first step towards efficiency and profitability. Explore how strategic questioning can revolutionize your processes.

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UNLOCKING MAXIMUM ROI IN MANUFACTURING OPERATIONS

This whitepaper delves into critical questions to guide manufacturing operations in maximizing Return on Investment (ROI). Businesses can strategically enhance customer satisfaction, increase operational capacity, reduce material costs, and grow operating margins by addressing these critical inquiries.

- **Increase Revenue through Improved Customer Satisfaction:** Real-time actionable data significantly improves product quality and increases customer satisfaction. To leverage this for increased revenue, businesses should analyze factors such as customer sensitivity to perceived quality, the impact of social media and reviews on marketing, and the relationship between manufacturing quality and customer satisfaction.
- **Increase Revenue through Increased Operational Capacity:** Explore the potential for revenue growth by optimizing labor and machinery efficiencies. Evaluate manufacturing capacity as a revenue governor, assess demand versus production capacity, and determine the direct correlation between revenue and productivity, efficiency, and quality.
- **Grow Operating Margins through Reduced Material Costs:** Consider whether excess material usage affects your bottom line. Ask questions about minimum material requirements, product volume, average giveaway, and the total dollar value of giveaways annually to identify opportunities for reducing material costs.

- **Grow Operating Margins by Reducing Non-Value-Added Activities:** Evaluate the efficiency of your processes by addressing non-value-added activities. Examine time spent on manual data recording, data manipulation before analysis, and sorting suspect products due to delayed inspections. Identify opportunities to minimize data filing and reduce the occurrence of inaccurate records.
- **Reduce Asset Levels by Improving Inventory Turns:** Assess how real-time actionable data can impact asset levels by focusing on inspection bottlenecks, products in Work in Progress (WIP) awaiting rework or repair, and the subsequent effects on cash, receivables, and credit ratings. Could you consider streamlining processes to enhance inventory turns and overall operational efficiency?

By posing and answering these crucial questions, manufacturing operations can strategically leverage real-time actionable data to achieve optimal ROI, enhance customer satisfaction, and drive sustainable growth.

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INCREASE REVENUE THROUGH IMPROVED CUSTOMER SATISFACTION

ROI Questions

Real-time actionable data demonstrably improves product quality and enhances customer satisfaction. This higher level of satisfaction adds leverage to a company's sales and marketing initiatives. Here are some questions to help you determine whether this applies to you:

1. How sensitive are your customers to perceived quality?
2. How important are social media, Internet reviews, and word-of-mouth sales to your marketing mix?
3. Have you measured and calculated the relationship between customer satisfaction and sales?
4. Can you predict the impact on sales if customer satisfaction goes down one percentage point?
5. What role does manufacturing quality (for example, compared to design quality) play in customer satisfaction?
6. What is the relationship between manufacturing quality levels and customer satisfaction?

Increase Revenue through increased operational capacity

Real-time actionable data can help improve labor and machinery efficiencies, thereby increasing output from a fixed level of resources. Can you increase capacity and thereby increase revenue? Here are some questions to help you explore that more fully:

1. Is manufacturing capacity a governor of revenue?
2. Does demand for your product exceed your capacity to produce it?
3. Is there a direct relationship between revenue and productivity, efficiency, or quality?
4. Is rework (or regrind in plastics) an "accepted cost" of doing business because "it has always been this way"?

Grow operating margins through reduced material costs

Can your business do too much of a good thing? Here are some questions to help you dive into that in more detail:

1. Does your product require a minimum material level, and is material over that minimal level given to the customer? (Examples include any fill operation where the package is sold by a predetermined label weight, metal or paint coating, or ink coverage.)
2. What is the volume of packages?
3. What is the average giveaway?
4. What is the total dollar value of the giveaway per year?

Grow operating margins by reducing non-value-added activity and increasing value-added activities

Here are some questions to help you evaluate whether you can reduce non-value-added activity and thus grow operating margins:

1. How much time do your people currently spend on activities such as:
 - Manually recording data on paper?
 - Compiling, sorting, massaging, or cleaning up data before you can analyze or report it?
 - Sorting suspect product(s) because you don't have time for timely in-process inspection? (For example, if you inspect twice a shift instead of hourly, an out-of-control alarm means you must sort four hours of production instead of one hour.)
2. How much data gets filed in a filing cabinet (or in some database silo), never to be used again?
3. How often are inaccurate numbers recorded, causing false alarms or a false sense of security?

Reduce Asset Levels by Improving Inventory Turns

Here are some questions to help you evaluate where real-time actionable data might impact asset levels:

1. Is inspection, analysis, or reporting a bottleneck for releasing raw materials to WIP or WIP-to-Finished-Goods Inventory?
2. How many products do you have in WIP that are waiting for rework or repair?
3. What is the impact on cash and receivables?
4. What is the impact on your organization's credit rating?

In conclusion, navigating the intricacies of manufacturing operations requires a strategic approach to maximize Return on Investment (ROI). The questions presented throughout this whitepaper serve as a roadmap for organizations to enhance customer satisfaction, increase revenue through optimized operational capacity, and grow operating margins by addressing material costs and minimizing non-value-added activities. By leveraging real-time actionable data, businesses can unlock new levels of efficiency and profitability.

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ABOUT HERTZLER SYSTEMS INC.

Hertzler Systems is a leading provider of seamless, accurate, actionable manufacturing intelligence solutions that drive business value. Their customers' experience:

- Increased revenue through improved customer satisfaction and increased operational capacity.
- Higher operating margins through reduced material costs, reduced non-value-added activity, and increased value-added activities.
- Reduced asset levels by improving inventory turns.

Hertzler's clients include Daiken, Taylor Made Golf, Altium, Reynolds Consumer Product, Campbells Snacks, Titleist, Pactiv Evergreen, Textron, and Graphic Packaging International, to name a few.

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