Private Equity

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It seems in many instances that the cliché about leading, following, or getting out of the way is custom-fit to describe the environment and attitude of U.S. manufacturing. For Lakeside Foods, and its Manitowoc, WI distribution center in particular, the latter two are simply not in the vocabulary.

As economic shifts have led many consumers to look more closely at ways to stretch their food dollar, Lakeside has capitalized on a couple of key trends.

1. Frozen and canned vegetables, as well as other prepared foods, allow for a less expensive alternative to buying fresh.
2. Private label brands found at larger retailers like Wal-Mart, Kroger's, or Roundy's-affiliated stores combine a lower price with a one-stop shopping option that provides cost and time benefits.
3. A premium is being placed (by both retailers and consumers) on packaging that allows food to be more easily prepared, better presented on store shelves, and more easily stored after purchase.

Working to stay ahead of the curve on all three fronts has made Lakeside a leading provider of private label canned and frozen vegetables in the Midwest. With 15 facilities in Wisconsin, Minnesota, and Ohio, the company also processes and distributes shelf-stable meals, canned meats, organic products, health beverage supplements, non-dairy frozen dessert toppings, salsa, and other sauces. Its business is 100 percent private label, so although the company handles millions of pounds of product each day, you won't see a Lakeside brand name on any of the 9,800+ unique SKUs it distributes.

Just as the company has been able to take advantage of trends in private label

purchasing and consumption that extends beyond just food products, their processes have included a number of key initiatives that all manufactures can relate to in sculpting Lakeside into the industry leader it is today.

The Right Place

In many instances, the Manitowoc Distribution Center is a bit of a flagship for much of the work Lakeside has done in improving its operational approaches. Mark Driedric is this location's general manager. A 20-year veteran of the company, he's spent the last six in Manitowoc and has seen this facility's growth mirror that of the company.

"We moved the frozen packaging business from Plainview, MN in the mid 80s to take advantage of this facility's larger labor pool," begins Driedric. "At the time we had two lines running. Then it went to four and now we have 13 lines going full speed on both shifts." Additionally, Driedric has seen the number of products handled at this facility increase by 32 percent during this time.

The growth is a combination of consumer trends and successful operational approaches. "There's obviously the overall surge in private label business," offers Driedric in explaining the growth, but he also points out the role that providing unique packaging has played.

"More of our frozen vegetable customers want unique and different packages, and as a private labeler, we need to be out ahead of our customers. So instead of waiting for them to bring ideas to us and ask, 'can you do this?,' we need to take those ideas to them. We need to continually demonstrate our ability to outperform the competition and keep doing things they can't or haven't even thought of yet," states Driedric.

The Right Equipment

Quality control practises have been key as Lakeside Manitowoc has increased in capacity and breadth of product handled.

Driving these innovative packaging approaches has been a dedicated approach to capital investment—i.e., automation and packaging equipment capable of handing unique packages without sacrificing quality, a component of manufacturing even more vital with food products. This willingness to invest also plays a key role in preserving Lakeside's on-time delivery— another critical element of a business driven by a product that is consumable, perishable, and often seasonal.

In growing the capacity of the Manitowoc facility, the company also needed to invest in costly refrigerated storage space. "Even though we've added significant refrigerated space over the years, adding more in the future is still an option," offers Driedric. "However, because this type of area is expensive to operate, we focus on shorter runs to make the most of the room we have and accommodate the shorter lead times we're usually dealing with.

"A larger refrigerated distribution center would mean we could handle longer runs, which, in turn, means we could reduce the number of equipment change-overs a line would need to perform," he continues. "Depending on the product and package, we have some lines that might do as many as 30 changeovers in the course of a day." This has an obvious impact of overall efficiency and inventory management.

Just like all manufacturers, Lakeside Manitowoc has also made investments in equipment that will help reduce waste, and the associated costs. "Many of our sustainability efforts began when oil prices dramatically increased and we were forced to examine our freight and transportation costs. That led to looking at energy consumption and how we could reduce those costs and eliminate other sources of waste," says Driedric.

With help from the Wisconsin Focus on Energy program, Lakeside has made a number of changes within its facility to help curb energy usage. One of the first was implementing forced air doors. They not only reduced electricity costs, but the fork truck drivers like their functionality better as well.

The other major energy investment was the implementation of Orion fluorescent

lighting throughout the entire facility. These units came with specialized ballasts designed to handle the harsh refrigerated storage and operational environment.

Lakeside also realizes that waste can be measured in space. In making the most of the facility's square footage, Driedric and assistant warehouse manager Erica Nonhof use vertical machine set-ups.

"Additionally, updating the lines with enhanced automation equipment and controls helps us keep labor costs down and production output up," offers Nonhof. "In many instances we can have one operator for two machines, due to the set-up, smaller footprint and enhanced control mechanisms," she adds.

All these factors help contribute to greater overall efficiency, which improves customer service and ensures that all-important on-time delivery for many of the company's short lead-time orders.

The Right People

"Safety is one of the most important things on which we focus," states Driedric. "In addition to the extra cost associated with simply running out of a refrigerated warehouse and packaging environment, these conditions demand greater attention to employee safety. We're constantly reminding them to be safe, especially because the footprint of the plant has a lot of people working in pretty close quarters."

These dynamics, combined with a workforce that is 30 percent Hmong and 10 percent Spanish, could lead to a variety of potential issues on the plant floor. However, Driedric is proud to point out that Lakeside Manitowoc has very low turnover, and has been able to completely avoid laying off any workers.

"Part of that comes from being family-owned," he states. "We take care of our employees. There are translators on staff to ensure limited communication issues and due to the somewhat unique operating environment the refrigerated products demand, we also have a nurse that comes in once a week to make sure there are no work or personal health issues. In fact, we've had many people stay here even after being recalled from another job that had laid them off."

Lakeside also keeps workers informed on what's going on with the company and how they can make it better. This includes sending many to a six-week training course on lean manufacturing. Specific course focuses can include strategies for cutting change-over times, improving line flow, or developing standardized approaches—a key element for a plant with a diverse workforce that handles a variety of unique SKUs.

Another significant investment that demonstrates Lakeside's combined focus on equipment, people, and operational efficiencies, has been the implementation of CDC's Factory software platform. Selected to help upper management with supply chain and production reporting and analysis, the software is also playing a key role in getting employees more involved in lean operations.

Although some initial bugs are still being worked through, Driedric says they've been able to shave off two percent in their costs-per-pound of product. This is in a facility that processes over 500,000 pounds a day. "The software helps reinforce a bottom-up approach to continuous improvement and demands a long-term commitment," offers Driedric. "These principles help demonstrate the value Lakeside places on employee input, and that we're in it for the long haul, so they should be, too."

Going back to the importance of standardization, which CDC Factory and lean implementation also helps reinforce, the need to do things the right way, repeatedly, is crucial to success in the food manufacturing marketplace. This not only ensures consistency in terms of taste and overall quality, but helps reassure Lakeside's customers of their manufacturing and distribution partners' capabilities.

"With our business being entirely private label, we undergo a number of third-party audits," explains Driedric. "We don't know when many of them are going to occur, but if you do things right every day, you'll be fine. The alternative is letting bad habits form, which customers will eventually notice. And there are simply too many competitors out there waiting for that to happen."

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