



Dedication at every turn.

CASE STUDY

Mission Foods

Unifying procedures and benchmarking enhance quality

Since 1949, Mission Food's commitment to quality has made it one of the largest processors of tortillas in the world. Operations in Mexico, the United States and Central America demanded that Mission Foods streamline transportation costs and develop key performance metrics to be used in several production plants. Partnering with Penske resulted in a uniform set of transportation procedures and technologies to provide supply chain visibility and the necessary benchmarks to track company progress.

Challenges

- To reduce overall transportation costs by centralizing Mission Foods' transportation operations
- To enable Mission Foods to handle increased transportation volume associated with a substantial increase in product demand
- To develop key performance and financial indicators to track and measure performance across Mission Foods' 11 U.S. plants

Solutions

- Penske implemented a uniform set of transportation procedures and technologies to provide supply chain visibility, including its proprietary Logistics Management System software and satellite tracking devices.
- Penske delivered a 13 percent cost-per-pound reduction, despite an increase in product demand and fuel prices.
- Penske teamed with Mission Foods' budgeting team to establish benchmarks, including transportation cost per pound, variable impact of volume, cube utilization per trailer, average miles per gallon of fuel and transportation delay times.

Getting Started

The company's plant in Fresno, Ca., realized the need to change their distribution and transportation processes. In an effort to increase productivity and reduce operational costs, Mission Foods decided to outsource the plant's transportation operations.

Already a Penske Truck Leasing customer, Mission Foods selected Penske Logistics to identify and improve areas of inefficiency in the plant's inbound and outbound transportation operations. By implementing Six Sigma quality tools, Penske reduced the plant's transportation costs by 11 percent within the first 60 days.

Mission Foods quickly saw the opportunity to drive down overall transportation costs while expanding to meet the growing demand for its products in North America. They employed Penske to manage the transportation network for eight of its existing U.S. plants.

Penske soon identified Mission Foods' greatest logistical challenge – each plant was using its own set of operating procedures and mode selection processes to manage inbound and outbound transportation. This prevented Mission Foods from maximizing its existing transportation network infrastructure.

For the past decade, Mission Foods had pursued an aggressive growth-by-acquisition strategy, which nearly doubled the company's revenue. While revenue growth was good news for Mission Foods, the company was challenged with integrating uniform process throughout their network. In essence, each plant still functioned as a separate business unit.

Setting the Standard — Penske Lays the Foundation for Measurable Results

Penske's first task was to establish key performance and financial indicators (KPIs and KFI) as benchmarks for measuring success. To do this, Penske became a participating member of Mission Foods' budgeting team. Partnering with the same people responsible for evaluating the overall financial performance of each plant allowed Penske to quickly identify areas of joint concern.

Together, Penske and Mission Foods established benchmarks, such as transportation cost per pound, variable impact of volume, cube utilization per trailer, average miles per gallon of fuel and transportation delay times. Using these benchmarks, plant inefficiencies or problem areas would be immediately



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apparent, allowing Penske to resolve transportation issues with minimal financial impact.

After establishing KPIs and KFI, Penske's next task was to implement uniform technologies and tools to track and measure each indicator. Penske's proprietary Logistics Management System software would be implemented at every plant.

Using these technologies, Penske would be able to centralize management of freight, carriers and information throughout the transportation network. Transportation information would be shared throughout Mission Foods' manufacturing and sales organizations. Visibility of inbound and outbound shipments would be increased. The result would provide Mission Foods the ability to track, anticipate and avoid shipping delays.

As Penske took over transportation operations at each plant, it began working with the plant's existing staff on the use of new technologies. Penske also worked closely with the company's purchasing organization to instill new ordering processes that communicated order quantities, priorities and required delivery times throughout Mission Foods' production and transportation operations.

Delivering Transportation Savings, Plant by Plant

Initially, the Penske/Mission Foods team tackled network and cost-down opportunities at each plant to transition to a centralized transportation management structure. A few years later, Penske took over Mission Foods' newest plant in Goldsboro, N.C. And, at the conclusion of the first year, Penske accomplished a cost-per-pound reduction by networking east coast operations.

Within the first few years, Penske saved Mission Foods over \$5.3 million based on the cost per pound benchmarks originally established. Despite an increase in product demand and fuel

prices, the team continues to deliver substantial savings. Mission Foods' net sales have grown by six percent, while transportation costs were reduced by nearly 13 percent.

In addition to cost savings, Penske has helped Mission Foods maintain a 99 percent on-time delivery rate throughout its transportation network. This helped improve productivity at the plant level, thereby reducing inventory and warehouse costs.

Optimizing Today's Network for Tomorrow's Savings

What does the future hold for the Penske/Mission Foods team? More savings.

The team is testing new cellular PDA devices for the tracking of returnable containers. Penske projects this technology will lead to significant cost-savings and increased visibility of goods moving through the supply chain.

While continuing to discover new ways to optimize freight and reduce transportation costs, Penske's commitment to success and innovation reach beyond transportation management.

"By reducing our transportation costs, Penske has helped Mission Foods gain more market share, improve productivity and increase profitability. The scope of their work may be transportation-related, but the impact they deliver extends into every aspect of our organization."

Ernest Harris, Vice President of Logistics, Mission Foods

For more information on Penske Logistics solutions, visit GoPenske.com.