

This is a good paper, but not as well written as the other example. The content does not flow as well. The author goes back and forth among topics. The author could have focused on one topic. It needs sub-headings including an Introduction and a Summary. The title should be changed to reflect the major paper topic. The paper also needs page numbers.

Operation Management Project Paper

By

Mary Jones

I work for Grass Products Corporation (GPC), in Louiville, Ia. My company is in the wet milling industry. We are a producer of industrial and beverage grade alcohol, industrial and food starches, corn sweeteners, and animal feed by-products. GPC also owns several animal feed operations, and a dry blend food packaging company. We sell both domestically and internationally. Our products produced in Louiville, are sold as raw materials. They are sold to customers who will use them to process their finished product. We sell directly to customers, and through distributors. We have distributors who buy our product for resale worldwide.

We have a continuous process system. Large volumes of similar products are produced around the clock, every day of the year. Corn is brought in daily, and stored in large elevators. It is ground daily, to break down the corn for all it's parts. Although we feel we have modernized, through updates and expansions, the plant originated in 1945. Operations management is important to GPC. It is getting more computerized, especially in the last two to three years.

Some of our distributors have taken operations management to a very high level. We have some that still run simple operations, from one or two locations. Others are highly modernized, employing all the latest trends, and technology in operations management. One such distributor will be the focus of my paper. Their impressive distribution network is noticeable every day. This is J.M. Miller Company of North Liberty Ia. They are a division of Conagra Company. This gives them the resources and the backing to integrate all the latest software, personnel, and network to be a major player in the distribution business.

Miller really started as a small distributor. Many of their accounts were meat companies, which lead to Conagra eventually buying them in the 1990s. They were so successful already at the distribution business, Conagra continues to grow them today. They are our largest distributor, and their operations are somewhat tied to ours. This is due to the tight relationship we have with them.

Since Miller has been a successful food distributor, they have expanded to some pharmaceutical accounts also. They distribute the food and pharmaceutical starches and corn sweeteners for our company. They have customers of all sizes, which they need to have ample supplies to deliver to them.

Miller does not have any production facilities of their own. They are entirely a service type organization. Their service capabilities depend on many things, such as scheduling, deliveries, inventories, and personnel.

Miller knows their service is dependent on their suppliers, and their manufacturing capabilities. This blended relationship affects both GPC and Miller, in the management of our operations. Our relationship has developed over the last two decades, to a larger

share of business for both of us. There has been an increased awareness, and effort for more planning. Larger volumes are mutually beneficial for both parties, but problems can arise. Shortages can occur when proper planning is ignored. J.M. Miller's customers are ultimately GPC's customers too.

Many customers purchase a large enough volume, to have contract price agreement. Over 90% of these agreements are contracted based upon the calendar year. This coincides nicely with the seasons in our industry. GPC's number one cost is corn. New crop corn is harvested in September and October. Then our grain department knows what corn costs per bushel are. The national crop also gives an indication, of where prices should be until the next fall. The only drawback can be, that the following falls corn crop prices go opposite of what we did this year. But there are probably just as many times, it works in our favor.

We then meet with all our distributors in October. Some years it is as late, as early November. Timing is now critical for these distributors. There are always outside factors that can have an affect on prices too. There is a narrow window for Miller to set agreed upon prices with GPC. Then they must have their sales representatives meet with all contracted customers. Then Miller gets offers and acceptance contracts done. There are special situations where GPC must renegotiate our offer to Miller on one or all products.

Once this is finally settled, then Miller can secure the volume commitments from their customers. This is for all current and new products that we supply them. Miller has a system to rank their customers. This is first their strategic alliances, partnerships, purchase agreement contracts, and finally spot customers. It is imperative to secure these customers in this order. The largest volume customers follow their ranking system. Their planning process goes much smoother, when volumes are accurate.

Miller employs their supply chain management system. It was created as an in-house system. Miller's own information services designed it, by tailoring it to their own needs. They feel this is one area of value-added service. They also feel this is of value to their suppliers. Product needs are more constant, and have fewer fluctuations. The supplier can more easily plan their production, for Miller's product needs. Miller's supply chain management also takes into account, the spot purchases that will occur. These are generally small volume customers, but together add up to enough volume to be put into Miller's plans.

J.M. Miller is a service based Company, and therefore has no production department. They explained to me that makes working closely with suppliers is even more important. They rely on sales, marketing, and purchasing to handle all facets of Operations Management. Obviously our production directly affects them. Part of GPC's policy is to let all of our regular customers and distributors, know of any shortages we have. Miller said that often they are ordering based on lead times. Usually a short-term product depletion will not hurt them. They keep safety stock in all their warehouses. Customers can be supplied off of those stocks. Miller can catch up, when we have ample supplies again.

These lead times Miller orders from, vary in time allowed. We have some products at GPC, that are produced almost continuously. These products allow Miller to build in less lead-time. This helps them keep these inventories at a lower level. These are floor stock items for GPC. When Miller gets a rush order, they can be assured that almost one hundred percent of the time, they can get it from us right away.

GPC also produces some specialty items in the food products area. These require a two to three week lead-time from all customers. Miller needs to figure in these same extended lead times, for their warehousing and direct shipments. They have these items as critical in their purchasing system. There are inventory minimums programmed in on all products. Then each product has the lead-time needed. These two major points, direct Miller when to reorder all GPC products. Their purchasing, sales and marketing personnel also watch for any developments affecting their customers.

When there are supply problems with a competitor to GPC, usually these customers will call other distributors. Miller works with GPC on these situations. They will call us, and are open about the situation. We recently had one such situation in March develop. A customer had a supplier lose a spray dryer, due to major mechanical problems. They called Miller, who in turn called us. We were able to react quickly, and Miller & GPC gained a new customer. The customer said last week, that our combined service has been exemplary. This customer is now most likely switching to us for product supply.

The products we supply J.M. Miller, are dependent-demand in nature. Due to this demand, there is less need for large inventories. Less seasonal fluctuations, means better planning capabilities for Miller. Our production is also smoother, making for better planning when making our production schedules.

J.M. Miller uses MRP software to run their system of ordering and scheduling. Their information services department designed it themselves. Miller felt they have a unique supply chain management system to adhere to. One such fact is the many warehouses strategically located throughout the United States. They also have customers with various needs. They have some customers who purchase one item from them. Then there is the customer that orders, one hundred and twenty three items from them monthly. Miller feels great pains were taken, to build a system that treats all these needs, with the same importance.

Miller has computerized inventory hooked to all thirty- three warehouses. They designed the MRP on a net-change system. There are many changes daily that occur, and Miller felt they must have current information. Working from their master schedule, they share any important changes with GPC.

Miller employs their own variation of a Kanban system. They have again internally designed this setup. They treat each warehouse as a workstation. The main location in North Liberty is considered the central location for reporting to go to. Each warehouse reports all items pulled every day. These are given to an office person, who inputs the

information, which goes into the computer. The MRP system uses this information to do its scheduling and planning work. The Kanban system helps to keep inventories lower. While not as critical in the three Miller owned warehouses, it is very important in the thirty outside warehouses. At those locations, storage and handling fees are higher. Lower inventories keep those costs down, which ultimately contribute to the bottom line.

Miller's distribution network is located throughout the United States. They are located heavily in the central part of our country. The reasons are twofold. First most of the suppliers are located here, and many of Miller's customers are located here too. There are many food related companies located in the central U.S. When looking at this, Miller management must decide on optimum locations for warehouses.

Miller management decided they wanted to help customers with their JIT inventory management. They did cost comparisons, and decided they would have their own fleet of delivery trucks. Miller management wanted complete control of their deliveries to customers. They conducted cost studies and decided on refrigerated units. These can haul items that need refrigeration. Also, products such as GPC's that are a powder, can be hauled in these units. When not shipping product requiring refrigeration, the cooling units can be shut off. The trailer can still be used, with no problem in delivery. Instead of needing to dedicate certain trailers to refrigerated goods only, they can use every trailer, for any delivery.

Miller also keeps their equipment current. They just purchased new tractors in 2002. This reduces late deliveries that could occur, with breakdowns of old equipment. Their drivers can be reached through satellite communication. The drivers can be reached immediately, if load requirements change. This ability to change instantly, adds to their superior service.

Miller does use a small core of outside carriers for some loads. When their units are all full, Miller will call on these carriers to make deliveries. Any deliveries directly to customers, are done by Miller owned trucks. The outside carriers only make deliveries to warehouses. This helps prevent any problems that could arise with a late delivery. Miller weighed the risk, and decided a late delivery to a warehouse is not critical. A late shipment directly to a customer, could cause major problems.

Miller said that none of the warehouse locations are set in stone. The thirty leased ones, are done on a year to year basis. If demographics change, they can relocate an outside warehouse to a new city. They use their inventory system to track warehouses. Any warehouse with volumes below a certain minimum, are checked out. If the reason is temporary, they can monitor it. If it seems the shift could be permanent, the sales staff for that territory are called upon to do further research. Many reasons could cause this to occur. Plant closings, formula changes, new plant openings, the economy, or competitors all could affect sales. This is another way to effectively manage their inventories and service.

J.M. Miller continues to grow as a distributor. They effectively supply their Conagra related companies, and many other unrelated customers as well. I feel they have embraced the technological revolution. All the latest techniques have been employed, to deliver product to customers. This is done at the lowest cost, on-time delivery, and JIT to the customers demanding this service. From computers, software, warehousing, and people, they have continued to flourish in a fast changing world. Their effective Operations Management has allowed them to do so. This will benefit Miller and their suppliers in the years to come.