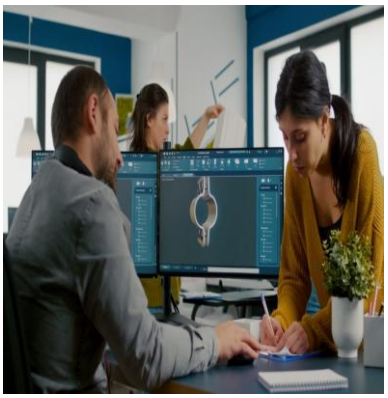
Reducing Manufacturing Complexity with Phase-Out of Low-Volume Products



One of the biggest challenges faced by industries is the difficulty in eliminating low-volume products from their portfolios. Many companies don't have a structured process for managing the withdrawal of products that are no longer a priority for the sales strategy.
These products often cause inefficiencies in production, require frequent setups and the maintenance of specific tooling, generating high operating costs.
In addition, there is significant internal resistance, especially from sales teams, who are reluctant to abandon these products due to commitments to customers who still place small orders, making the elimination of these items a sensitive point in strategic discussions.

Challenge

An industrial company was struggling to manage low-volume products in its portfolio, which were not prioritized by the sales team. These products generated small production runs and increased manufacturing complexity with frequent setups and maintenance of exclusive tooling. There was also resistance to eliminating them, for fear of affecting customers who were still placing orders, creating impasses, especially with manufacturing.

Solution

To reduce this complexity, we have developed two main processes:

1. **Elimination of Products without Replacement:** A process was implemented to evaluate all the impacts of eliminating a product line without developing substitutes. This process focused on the minimum replacement time for technical assistance components, ensuring that the elimination did not compromise customer support.
2. **New Product Development**: The new product development process has been restructured to include interchangeability analysis and the reuse of components unique to the current platform, avoiding the continuous creation of unnecessary variations of old products.

Differentials

- **Reduced set-ups:** The elimination of low-volume products resulted in fewer set-up changes in the factory, optimizing the production line..
- **Savings on tooling:** The cost of maintaining tooling and molds has been significantly reduced, since these items were only needed for small production volumes.
- **Improvements in the Product Life Cycle:** The readjustment of development processes ensured that new platforms were developed with a focus on the reuse of components, reducing production and inventory costs.

Results

- **Increased Profitability:** The elimination of low-volume products resulted in reduced operating costs, improving the profitability of the remaining products.
- **Reduced Production Costs:** With fewer setups and maintenance required, production has become more efficient.
- **Strategic Alignment:** Changes to the product portfolio and product development have been directly integrated into the product portfolio management process..

For companies facing similar difficulties, NESI Intelligence for Business offers customized solutions to optimize the portfolio and improve operational efficiency.

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