



1993 AWARD WINNER

THE FOLGER COFFEE COMPANY

The primary Objective of the Folger Coffee Company is to *improve consumer and customer satisfaction*. It is detailed in the Company's Vision 2000 which starts "The Folger Coffee Company today is the leading marketer of quality coffees in the U.S." We are achieving this by constantly focusing on consumer and customer needs and consistently delivering superior value through Total Quality Management.

For the past two years at Folger, the primary Objective has been supported by four "break-through" Strategies - **Product Quality, Process Reliability, Customer Service, and Cost**. In the 1992-93 fiscal year at Kansas City, we significantly improved all four areas compared to 1990-91, our base year for current results. Product Quality "defects per hundred units" were down 83%, Process Reliability was up 20%, "Perfect Orders" to customers was up 40% and Manufacturing Expense was down 13%.

FOLGER COFFEE-KANSAS CITY: A SNAPSHOT

The Folger Coffee Company began operations in 1850 in San Francisco, opened its first Kansas City production site in 1908, and moved to our present location at 701 Broadway in 1938. The Procter & Gamble Company (P&G) acquired Folger as a wholly owned subsidiary in 1963.

Kansas City produces packaged coffee prod-



ucts for two separate business entities -- the Retail Coffee Category and the Commercial Services Product Group (CSPG). CSPG supplies the national volume of Folger's Coffee for the Office Coffee market and Foodservice operations. On the Retail side, the Plant produces vacuum-packed cans and bags of Regular coffee for the north-central U.S. and Canada and Decaffeinated coffees for the entire U.S./Canadian market. The Plant made over eight and a half million cases of coffee in 1992-93 which required the receipt, processing, packaging, and shipment of 750,000 pounds of coffee per operating day.

The major operating processes are green coffee and packing material receiving, material storage, roasting, grinding, packaging, warehousing and distribution. Each process has specific targets and performance measures that link to the key Strategy areas.

Recent investment in state-of-the-art continuous roasting and brick bag machines and innovative application of new computer-controlled technology to our 1940 vintage batch roasting and can packaging equipment have made our production processes leading-edge systems.

The plant operates 24 hours per day, seven days a week and employs 250 people. Our total compensation package of salaries, wages and employee benefits including Procter & Gamble Profit Sharing is among the best in the Kansas City area. District Lodge 71 of the International Machinists and Aerospace Workers represents the 200 production technicians under one Working Agreement. A strong Business partnership characterizes our Management/Union relations.

TOTAL QUALITY MANAGEMENT

The Strategic Development and Deployment System (SDDS) is the starting point for Total Quality Management. It is a structured planning tool that focuses the organization on those critical choices that will win in the marketplace. They are based on consumer needs and a long-term Business vision for success.

The primary Objective and attendant Strategies are communicated throughout the Company

in an annual deployment from Corporate leadership. Every level of the Company down to the smallest work team develops its own action plans linked to the Objective and Strategies, checks those plans with its leadership for alignment, and conducts monthly and quarterly reviews to report progress and plan effectiveness. All employees are expected to participate in reviews which are also occasions for team recognition and/or requests for additional resources to support plans.

Each action plan within the four Strategy areas has an "owner" responsible for plan execution, results measurement (e.g., control charting), evaluation of "gaps" between actual and planned performance (using "fishbone" and Pareto diagrams), plan adjustment, and monthly reviews.

Product Quality (PQ) is measured in Defects Per Hundred Units (DPHU). The most important attributes we control are flavor, aroma, particle size, color, moisture, and package weight. Each characteristic has sampling frequencies, process targets and specification limits. Our major effort is to reduce operational variation through the use of on-line Statistical Process Control (SPC) procedures which include computer software that provides real-time information for key quality variables. Standardization is achieved via Current Best Approaches (CBAs), the best mode of control known at the time. We calculate and report Target Z and Capability Ratios for all process variables monthly.

Process Reliability (PR) is a measure of the efficiency of our roasting and packaging operations and is calculated as total system output divided by total system capability. PR is measured and analyzed daily for performance and impact on quality and customer service. Key measurements include cases produced versus scheduled, quality "holds" generated, and missed shipments. The daily morning PR meeting is the focal point for day-to-day plant operation and includes production area leaders, operating technicians, quality and maintenance specialists, and warehouse operators.

The tool we are using for PR improvement is Total Productive Maintenance (TPM), a Total Quality methodology whose objectives are "Zero Accidents, Breakdowns and Defects." In just one year, we have seen dramatic increases in the reliability of "model" projects where TPM has been applied.

Customer Service is measured in "Perfect Orders." A perfect order is one that delivers on time, complete -- every item included and none damaged, and billed accurately -- correct quantities and prices. Our Logistics team monitors all



orders to ensure that product is available, carriers are scheduled, and that the carriers have arrival dates with the customer. Any deviation or anticipated outage is communicated to our Customer Service Center and to the customer.

Cost is measured by Total Delivered Cost (TDC) which has five components-Green Coffee, In-freight, Packing Materials, Manufacturing, and Delivery. Each item is budgeted and controlled in cost centers throughout our plant operation.

We also manage our Plant through the use of **Daily Management Items (DMIs)** for those areas that simply relate to running a good manufacturing operation. DMIs include Safety, Appearance, Sanitation, Training, Material Losses, and Rework control. Each DMI has an owner and falls into one of three designated levels of control-Improve, Maintain or Track.

Employee involvement is not only encouraged but is expected in running the daily business. We have been working since 1981 to develop self-sufficient production teams that have the functional leadership needed to run the day-to-day business. Every employee receives periodic performance reviews and career planning sessions. Folger encourages all employees to continue their formal education through the Employee Education Plan and develop their technical and interpersonal skills by attending in-house training programs. The role of managers and area leaders is to support the production teams by monitoring progress, providing feedback on team performance, and leading future business initiatives and challenges.

For more information, contact:

Thomas B. Anderson
Logistics Manager
Folger Coffee Company
701 Broadway
Kansas City, MO 64106
Phone: (816) 346-1700
Fax: (816) 346-1771