

# Management Review

## Supply Chain Highlights

### LEVERAGING TPM TO DRIVE PERFORMANCE

GAB continues to leverage the world class processes, technologies and culture of excellence that we have set in place to drive our strong performance. GAB's Total Productive Management (TPM) programme, now into its fifth year of implementation, continues to play an integral role in helping elevate GAB's performance to greater levels of success.

#### Developing A TPM Mindset

GAB's TPM programme is based on the global Heineken TPM programme and guided by Heineken TPM consultants. It has done much to develop a zero loss mindset amongst our people as they see the importance of improving performance and reducing costs.

To ensure the TPM mindset is continually applied to all aspects of our operation, we implement structured TPM training modules for our people. Our employees also participate in educational trips to other breweries and manufacturing facilities to assimilate their TPM and integration activities.

As a result of this training, GAB's shop floor personnel are quick to ensure that every loss in time, material or product is recovered for a better yield. They are able to speedily determine problem areas, deploy the necessary multi-skilled teams to find out the cause and prevent future recurrences.

#### Outstanding TPM Achievements (FY2006 – FY2009)

Our TPM efforts over the past four years (FY2006 – FY2009) have yielded outstanding results and brought us much closer to achieving our Supply Chain vision of being the best brewery in our class in the world.





**Cost:** On the cost front, we made good progress in spite of volume growth and people cost increases over the past four years. Through TPM, we improved productivity by 42%, reduced overtime by 24% and reduced losses by 23%. On top of this, our canning and bottling production lines improved efficiency by 18% and 21% respectively.

**Delivery:** The streamlining of our internal systems helped us deliver customer service and delivery promises despite capacity constraints. We improved the efficiency of our delivery by 17%, and were able to reduce our raw materials and finished product stock levels by over 30%, therefore improving our cash flow. Our forecasting accuracy also increased by 5%.

**Safety, Health and Environment (SHE):** Our focus on reducing the use of natural resources has paid off. We made significant savings on utility costs by reducing our water, electricity and fuel consumption by 15%, 10% and 17% respectively. We were able to achieve this by utilising our existing resources without incurring any additional investment.

**Quality:** As we relentlessly pursue improvements in quality, we continue to deliver award winning performance. Our quality efforts yielded a 50% improvement in our process capability. We have managed to reduce our already extremely low number of complaints on bottle and cans, by 60%.

**Organisation:** The streamlining of our organisation and changes to the way we work have been key to the higher levels of productivity achieved. We started with our TPM implementation in FY2006 and now have over 50 performance improvement teams running each year. Today, TPM has been embedded within GAB's organisational plans and we envisage experiencing higher levels of productivity throughout the organisation.

## MANAGEMENT REVIEW - SUPPLY CHAIN HIGHLIGHTS

### PUSHING THE BOUNDARIES ON EXCELLENCE

We continue to receive international acclaim on the product front and be ranked among the best breweries within our brand owners' global network. Winning the coveted Guinness League of Excellence Award for the third consecutive year is a significant achievement and comes as a result of consistently improving our operational capability and adhering stringently to product specifications.

This highly competitive annual competition among Guinness' breweries involves a meticulous judging process all year round by an independent panel at the Guinness Brand Technical Centre in Dublin. This award is only made after reviewing quality benchmarks across a number of measures at all 49 breweries around the world which brew Guinness. In anticipation of more challenging criteria being set in the future, GAB has already started to work on how to further improve our processes and results.

Additionally, GAB is currently in first place for the international Tiger Quality Award for 2009 for our product's freshness, packaging quality and serving standard. These awards are recognition that GAB is doing many things well as we accelerate closer to achieving our Supply Chain vision of being the best brewery in our class in the world.

### CONTINUOUS IMPROVEMENT TO OPERATIONS

As part of our commitment to operational excellence, we continue to undertake improvements on operations that enhance workplace efficiency and reduce overall costs. We fine-tuned several existing initiatives and introduced new ones.

#### Project SEAT

The introduction of a new product order system (Project SEAT) is enabling us to improve our standard of delivery to our distributors. Project SEAT allows us to fine-tune our own operations and production volumes to deliver fresher products on time and at lower costs allowing our distributors to better utilise their warehouses and manage their cash flow.

#### Safety and Health Measures

Implementation of safety and health measures remains a priority for us and we are undertaking proactive safety and health measures throughout our business. As part of our efforts to improve safety and health, we established a Safety Group via the TPM route to reduce the frequency of accidents. This involves evaluating risk areas and launching Safety Improvement Teams to reduce the frequency or possibility of accidents. An easily accessible safety information board helps promote awareness about safety and health issues.

To better manage the flow of traffic around our brewery and to reduce the accident rate, we are currently reconstructing the main entrance to GAB. Approval has been obtained from the relevant authorities and these works should be completed in the coming year.

In view of the risk of H1N1 infection, GAB is carrying out stringent preventative measures to safeguard our employees and our business. Our Business Continuity Committee implemented travel approval and tracking forms for travelling staff, and suspended brewery tours and Tavern visits. On top of this, we are undertaking health checks on all staff and visitors.

#### Capital Expenditure

Automated and integrated processes at our world-class GAB brewery are already helping us raise our overall efficiency and productivity. In FY2009, we invested RM27 million.

#### Conserving Resources

As an environmentally aware company, we conserve resources through improving our operations and reducing our dependence on water, electricity, and fuel. We achieved double digit reduction in our utilities consumption and this is proof that our efforts to produce more in less time, using fewer resources, are paying off.

On the recycling front, we are undertaking specific measures which enable us to successfully retrieve between 80% and 90% of our empty bottles from our trade partners.



### **The 5S Programme**

Our 5S programme calls for all employees to “Sort, Straighten, Shine, Standardise and Sustain” by eliminating waste through better organisation of the workplace. It improves efficiency, productivity, safety, and morale by establishing convenient work practices and empowering employees. In line with the 5S philosophy, GAB’s operational departments are also conducting maintenance work and quality control themselves without involving other departments, this increases the rate of response and reduces the potential impact of problems.

### **ISO Accreditation**

In the period under review, we once again received ISO 9001:2000 accreditation and the Ministry of Health’s Hazard Analysis Critical Control Point (HACCP) certification. GAB was the first brewery in the country to receive these two internationally recognised standards for safety and quality in 2002 and they have been successfully renewed every year.

### **GOING FORWARD WITH TPM**

As we focus on continuous cost management initiatives via TPM, we are exploring how to optimise our distribution activities. As distributor stock levels are now linked to production levels, we will build upon Project SEAT to better streamline the flow of products, ensure greater product freshness and better manage trade stock levels. We are also looking at how we can further reduce our utilities consumption to generate additional savings.

As GAB continues to build on our culture of excellence to further improve our performance, we are confident that we will make progress as we move towards becoming an icon in business and the best brewery in our class.