


How *Dos Pinos* overcame a series of difficulties with *London Consulting Group's* guidance





Dos Pinos is a Costa Rican cooperative company that is a leading manufacturer and distributor of dairy products, beverages, juices, ice cream, and other products in Central America and the Caribbean. It was founded in 1947 in Alajuela, Costa Rica, as a cooperative made up of 20 milk producers who had the vision to join forces to take advantage of economies of scale and increase the added value of raw milk in the market.

The company now sells over 900 products in more than twenty product segments, employs over 5,000 people across its nine production plants in Costa Rica, and exports its products to over twenty countries worldwide.

Besides being the most important dairy company in Central America and the Caribbean, Dos Pinos is a pioneer in the cooperative sector in Costa Rica. It is one of the founding organizations of the cooperative movement, which is currently a pillar of the country's social economy. Over 1,400 of its members are dairy farmers, of which 92% are small and medium-sized farms.

In addition to dominating the largest dairy market in Central America, Dos Pinos sells over 3000 agricultural and veterinary products through a network of self-service stores nationwide, supporting dairy farmers with products and technology at competitive prices.

➤ THE THREAT *of external competition*

As one of the largest companies in Central America, Dos Pinos is a highly relevant organization to its markets. It provides basic food basket products to a high percentage of the population in the countries where it operates and is also responsible for the family economies of its workforce and the thousands of farmers who are integrated into its production model.

In 2014, the multilateral trade agreements established by the Costa Rican government outlined a gradual reduction of tariffs in the dairy industry from 65% to 0% by 2025. Recognizing this reality, Dos Pinos understood the need to become stronger and more efficient in order to compete with the external competition that would emerge from the new market conditions.

Dos Pinos entrusted London Consulting Group with the task of guiding the organization through a profound transformation to streamline and improve its operations, while maintaining and reinforcing the high standards of quality that have always characterized it.



➤ *London Consulting Group's Approach*

Faced with the transformation required by Dos Pinos, London Consulting Group took a holistic approach to identifying and addressing areas of improvement across the company and capturing opportunities and potential synergies. It concentrated its efforts on increasing productivity, effectiveness, and efficiency and reducing costs.

London Consulting Group started with a deep-dive assessment that focused on the following aspects of the Costa Rican operation:

MANUFACTURING

PLANNING AND LOGISTICS

COMMERCIAL

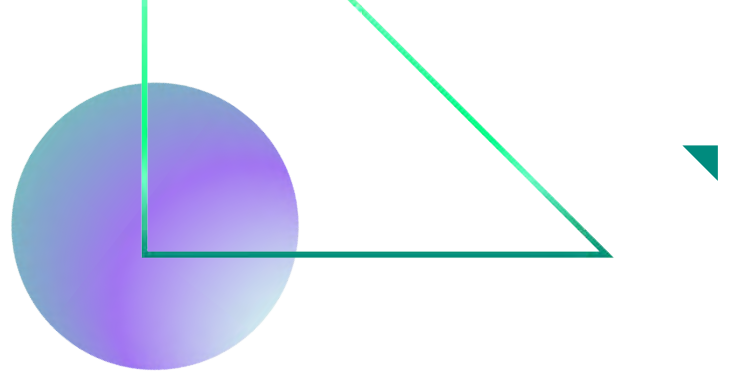
AGROCOMMERCIAL

PROCUREMENT AND EXPENSES

ORGANIZATIONAL STRUCTURE

This evaluation identified the opportunities present in each process in detail. London Consulting Group mapped the most significant and difficult-to-identify opportunities, along with internal opportunities in each department, that generated cross-cutting impacts throughout the process.

The survey identified potential areas for improvement in the processes, including planning and procurement, logistics and manufacturing, and the commercial operations. Opportunities also related to clearly defining roles and responsibilities, especially regarding supervision; redesigning the organizational structure; maximizing the potential of existing tools; and addressing the ineffectiveness of inter-area communication, among others, were identified. These inefficiencies significantly hindered the organization's ability to fully achieve its potential.



The Deep Dive analysis methodology enabled us to categorize the opportunities into the various elements that influence a successful organization: Strategy, Structure, Processes, Technology, Governance Model, and People and Culture.

After presenting the opportunities to Dos Pinos' management team, London Consulting Group proposed a comprehensive improvement project that included all the core processes of the Costa Rican operation. Although the COVID-19 pandemic crisis caused a high level of uncertainty in the world at that time, Dos Pinos made the right decision to open its doors to London Consulting Group, and the Chirripó project got off to a flying start in October 2020.



7 THE CHALLENGE

in the global environment

Over the course of a two-year project, with a multidisciplinary team made up of London Consulting Group staff and a dedicated Dos Pinos team, we launched more than 150 initiatives to identify and capitalize on operational improvements and benefits that were critical to maintaining the Cooperative's financial health in the face of the external crises generated by COVID-19, the container shortages in the global logistics ecosystem, and the increase in fertilizer costs caused by the war in Ukraine.

Manufacturing

The complexity of Dos Pinos' production process necessitated a focused and specific approach to the opportunities presented by various combinations of line-product configurations. Through an impact-complexity analysis, over 70 improvement initiatives were prioritized and implemented, substantially impacting the results.

These initiatives targeted multiple areas, including optimizing work schedules, reducing overtime consumption, and redesigning the line crew configuration, which significantly decreased personnel costs per unit produced. Additionally, we examined every detail of the production processes to identify opportunities regarding equipment availability, focusing on manufacturing products with high contribution margins, utilizing raw materials efficiently, controlling and reducing waste, and reviewing and reengineering product formulas and packaging to maintain quality while lowering costs.

Standardizing activities through more effective supervision and optimizing production programs enhanced the plant's productivity. Furthermore, advanced control tools were developed and implemented using Microsoft Power Apps and Power BI to streamline operations and support all initiatives.

Planning & Logistics

Inventory planning processes were redefined based on a more assertive sales forecast, and the MRP, MPS, and MDP processes were enhanced. This significantly improved the fill rate to branches and the service indicators (OTIF), enabling us to capture lost sales opportunities.

Furthermore, the project strengthened operational control in the warehouse by implementing initiatives that improved management over inventory at risk of obsolescence and expiration. These initiatives freed up working capital and storage space while reducing storage costs, warehouse waste, and overtime.

AgroCommercial

The main objective of Dos Pinos agribusiness is to provide quality inputs to milk producers at an optimal cost. Therefore, the project reviewed the product offerings and implemented a supplier negotiation scheme to optimize the products' cost.

Furthermore, the project focused on commercial and service initiatives in the warehouse customer service, incorporating an active supervision scheme along with impulse and cross-selling strategies. Inventory management was strengthened, particularly for items at risk of expiring.

Commercial

Dos Pinos is a very significant player in the Costa Rican market in the categories in which it operates, with majority stakes in most of them. Given this situation, we faced a significant challenge implementing initiatives in the Commercial process that would increase sales, improve coverage and increase category penetration.

We established a cross-selling model that improved product portfolio penetration and sales volume. Furthermore, we leveraged an online self-service platform for targeted customer segments, reducing service costs while boosting sales volume and product penetration.

Additionally, through a comprehensive analysis, we enhanced efficiencies in the price allocation and discount control processes, positively impacting the gross margin across various categories. Lastly, we introduced new tools and models to enhance the sales process and oversight, resulting in more effective customer interactions and enhanced sales team performance.



↗ Results

- Increase sales of kiloliters through new cross-selling tools and strategies
- The improved Fill Rate reduced lost sales and capitalized on additional sales
- Implementing a Customer Service strategy with a hybrid model that combines personalized attention with self-service, which led to a significant increase in sales to target customers.
- Boosting the digital transformation strategy by eliminating manual records and implementing digital tools to capture floor data using business intelligence models.
- Significant improvements in the production plants' OEE, with subsequent impacts the cost per kilo-liter.
- Improved use of raw materials through dosage control, formula reengineering, and waste control.
- Improved production capacity utilization by balancing production lines and reinforcing active supervision.
- Reducing cost of sales through a focus on labor, packaging material utilization, and increased productivity.
- Improving procurement prices by carrying out negotiation strategies with key suppliers.

*Through the 150 impact initiatives carried out together, an **ROI of 9:1** was achieved by the end of the project, with a forecasted **ROI of 17:1** within a year of the project's completion.*

"I have no hesitation in recommending London Consulting Group as a very professional and committed team that has shown us the ability to generate great results by working closely and in an integrated manner with our personnel, ensuring their involvement, participation, and conviction in the implemented initiatives."

- GENERAL MANAGER

Why LONDON CONSULTING GROUP

London Consulting Group's methodology is composed of three parts:

1

DISCOVERY PHASE

This one-week phase enables us to understand your business, the challenges you face, and the opportunities that can be capitalized on.

Through a series of strategic interviews, we gather information on your organization's vision, priorities, and expectations. This is followed by a site visit that allows us to observe your processes in detail, identify the technology being used, and determine how the results are obtained.

Once we have this information, we can identify possible sources of savings and establish a work plan for the diagnostic. These are presented in an initial Deep-dive Analysis Proposal that leverages your organization's vision and knowledge to maximize your return on investment. We present your organization with a report identifying the most evident improvement opportunities and their potential financial savings.

2

TRANSFORMATION PHASE

The phase is divided into two sections:

1. Deep-Dive Analysis

During this stage, we carry out a comprehensive diagnostic of your organization, your processes, and your Governance model. We analyze in detail:

STRATEGIC ALIGNMENT

MACROSTRUCTURE

INDICATOR MODEL

SYSTEMS

During these two months, you will get a precise overview of the opportunities that can be capitalized so you can get the most out of your business.

2. Design and Implementation

Using cutting-edge technology and agile methodologies, we design, implement, and monitor the improvements with your team to increase your profits and take your personnel to the next level. Our wide range of customized solutions can address many areas, including:

- Strategic planning (aligning vision/mission with objectives, initiatives, and plans)
- Marketing and sales (CRM; go-to-market; sales and channels; direct sales)
- Personnel and organizations (agile leadership; governance model; competency development)
- Supply chain management (demand and inventory planning; distribution)
- Operations (efficiency optimization; lean manufacturing)
- Information technology (digitization, dashboards, ERP, technology)
- Back Office / Shared Services (aligning HR, Finance, Procurements, Sales, etc.)
- Operational due diligence (quantification and simulation of due diligence)
- Certifications (compliance with industry standards)

3

CONTINUITY

Audits are carried out after 3, 6, and 12 months to ensure that the proposed financial benefits are being achieved.

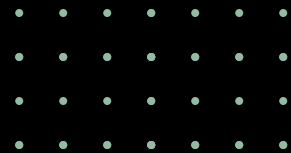
On average, the Return on Investment on a London Consulting Group project is 5 to 1 – meaning that your investment in efficiency optimization has the potential to take your business to the next level!

Let's Grow!

Ready to change your company's future?

Contact us today and discover how London Consulting Group can help you achieve immediate results, optimize your operations, and prepare you to face the challenges of the future.

londoncg.com/en/contact



Manufacture