

The logo for AzulK features the brand name in a bold, italicized, blue font with a white outline. The letters are thick and have a slight shadow effect. The background is white with blue wavy borders at the top and bottom.

**AzulK**

***WE KNOW ABOUT CLEANING***



# STRATEGY FOR ENDURING SUCCESS



# ***THE COMPANY:***

AZUL K S.A is a Colombian family owned company, which began operations in the decade of the 40's, in 1958 was converted into AZUL K LTDA, and through the last 50 years has been producing and merchandising important and known house and personal cleaning articles in the Colombian market, of which the principals are laundry and toilette soaps, powder detergents and all purpose cleaners.

Its 2008 sales rises to USD48.5 millions and for this year is expecting USD54.0 millions.

It has a long experience in manufacturing to multinational companies, established in Colombia like UNILEVER, PROCTER & GAMBLE, RECKITT BENKISSER and JOHNSON & JOHNSON

## ***THE COMPANY:***

Today is one of the biggest and more important companies in the Colombian personal and house cleaning industry; participating with 12 % of its market, which includes all the well known multinational manufactures of the sector and a great number of Colombian owned companies which are all integrated in big productive chains with capital and economic behaviors different from the ones of AZUL K.

Its experience with TOC began in 1996, when was suffering a commercial and financial crisis; it used all the TOC solutions and in one year practically resolved the global situation in a very successful way.

During the last 12 years it has continued using the TOC experiences through the latest knowledge and experiences available to the market.

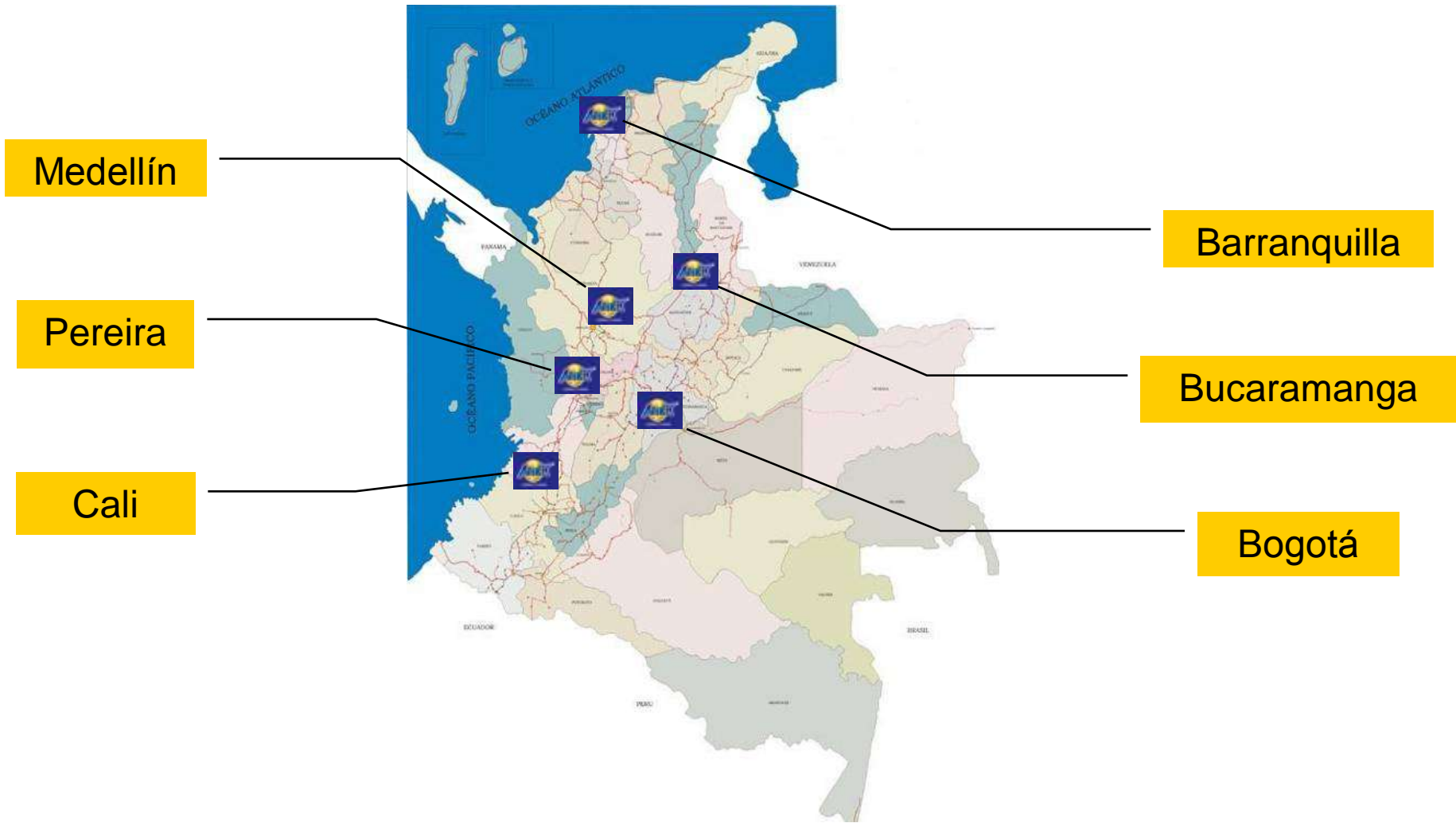
## ***THE COMPANY:***

This presentation includes the way AZUL K was transformed into an outstanding TOC company, showing the results and changes obtained, and how today with the oil and commodities crisis is working to protect the Throughput in order to achieve its GOAL.

# **COMMERCIAL COVERAGE**

The production plant is located in Bogota, distributing to its regional warehouses, located in the 5 principal cities of Colombia; making direct distribution to all the major and minor distributors, including the big supermarkets stores.

# COMMERCIAL COVERAGE



# OUR BRANDS



**AzulK**

# ***SITUATION BEFORE THE TOC IMPLEMENTATION (1996)***

Dependance in few clients.

High devolution of products.

A mess market with sales prices desestabilization.

End of the month syndrome.

Uncertainty in the income numbers and when they will be in the bank.

# ***SITUATION BEFORE THE TOC IMPLEMENTATION (1996)***

The market perceived us like a weak company.

Following of all what the leaders do.

Loss of credibility with the financial sector and the suppliers.

Employees worried, without any commitment with the company.

Total unhappiness of the share owners.

Net profit in RED

Future: not clear, uncertain, doubtful... So what???

# ***HOW TO CHANGE???***

The company adopts TOC as its working philosophy.

Applies an analytical method for continuous improvement.

Designs logical and clear measurements in order to evaluate its performance.

Uses powerful merchandising strategies in order to get a market competitive advantage.

# ***IMPLEMENTATION PROCESS OF TOC***

Management Skills Workshop

Production Workshop

Supply Chain Workshop

Start to use TOC Philosophy:

- CRT construction ( for 1996 situation)

- Find and improve the solutions which eliminates the UDES

- Construction of the PRT

- Begin to work with the PRT

Goldratt's Satellite Program

Critical Chain Project Management

Viable Vision Construction

2007 - 2008 CRT Revision and Construction of the PRT

# ***SOME SOLUTIONS***

Introduction of new commercial practices, forgetting the old ones including its paradigms.

Modernization of Azul K's portfolio:

New presentations and packaging units, so the clients manage less money in their inventories.

Improvement of the commercial portfolio with new products satisfying clients needs.

New Measurements for the sales force.

Design and implementation of a new logistical program, including reducing lead times with promised due-dated which fulfill the requirements of the clients, as they receive and manage lower inventories.

Substitution of all the Distributors that do not fulfill the new policies.

# ***SOME SOLUTIONS***

New ways of communication and interaction with clients based in a competitive edge.

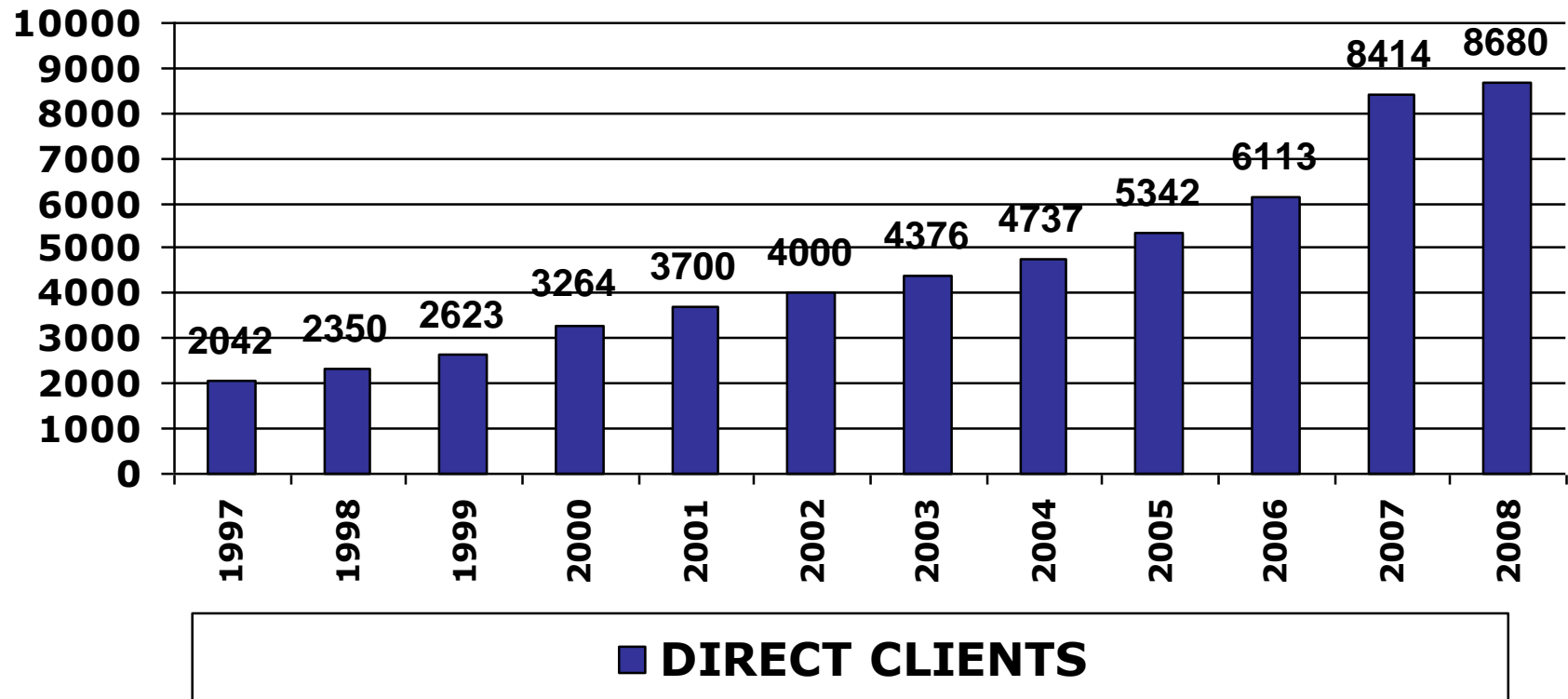
New promotional practices.

Plant capacity elevation without higher costs

Sell the plant excess capacity using the THROUGHPUT ACCOUNTING methodology.

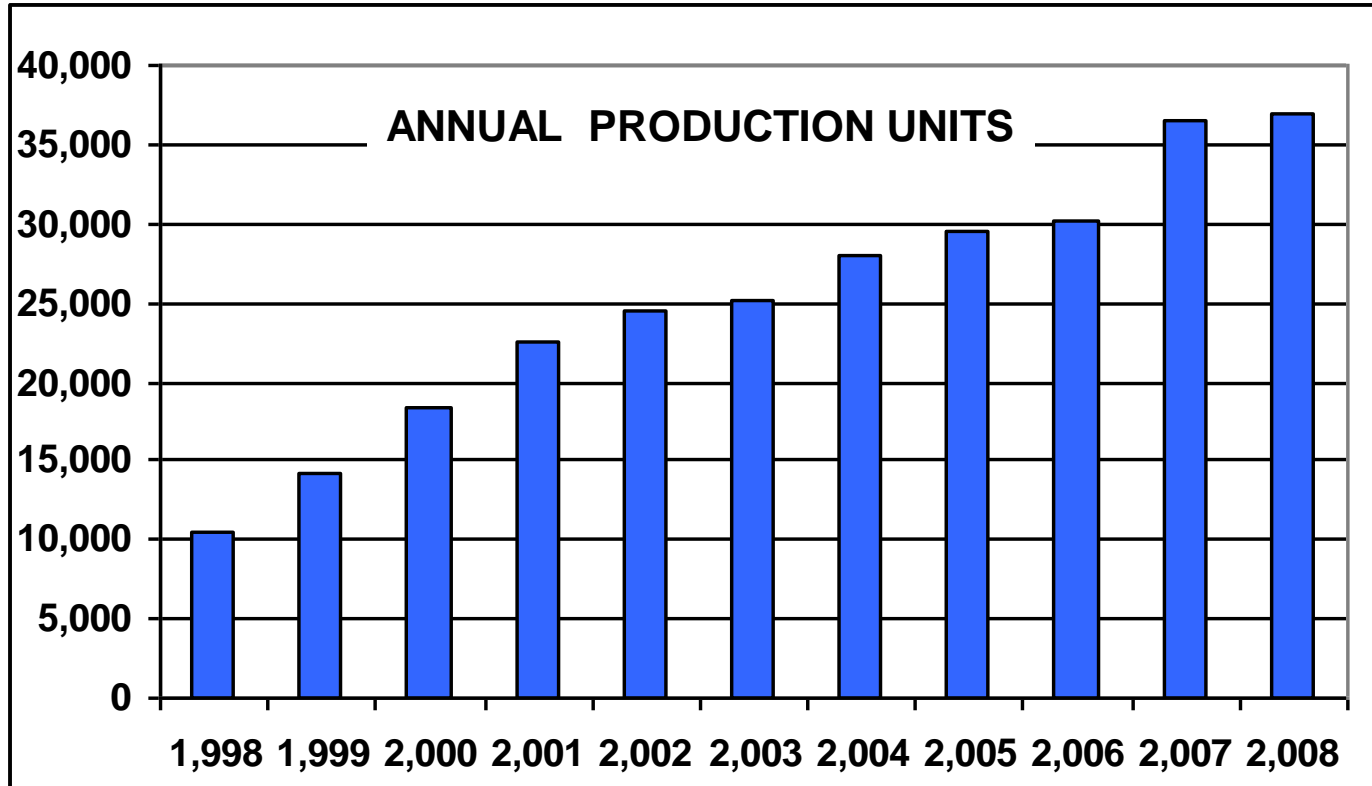
Application of CRITICAL CHAIN for the management of all the new projects.

## ***ACHIEVEMENTS: Wide distribution and presence in all sales regions***



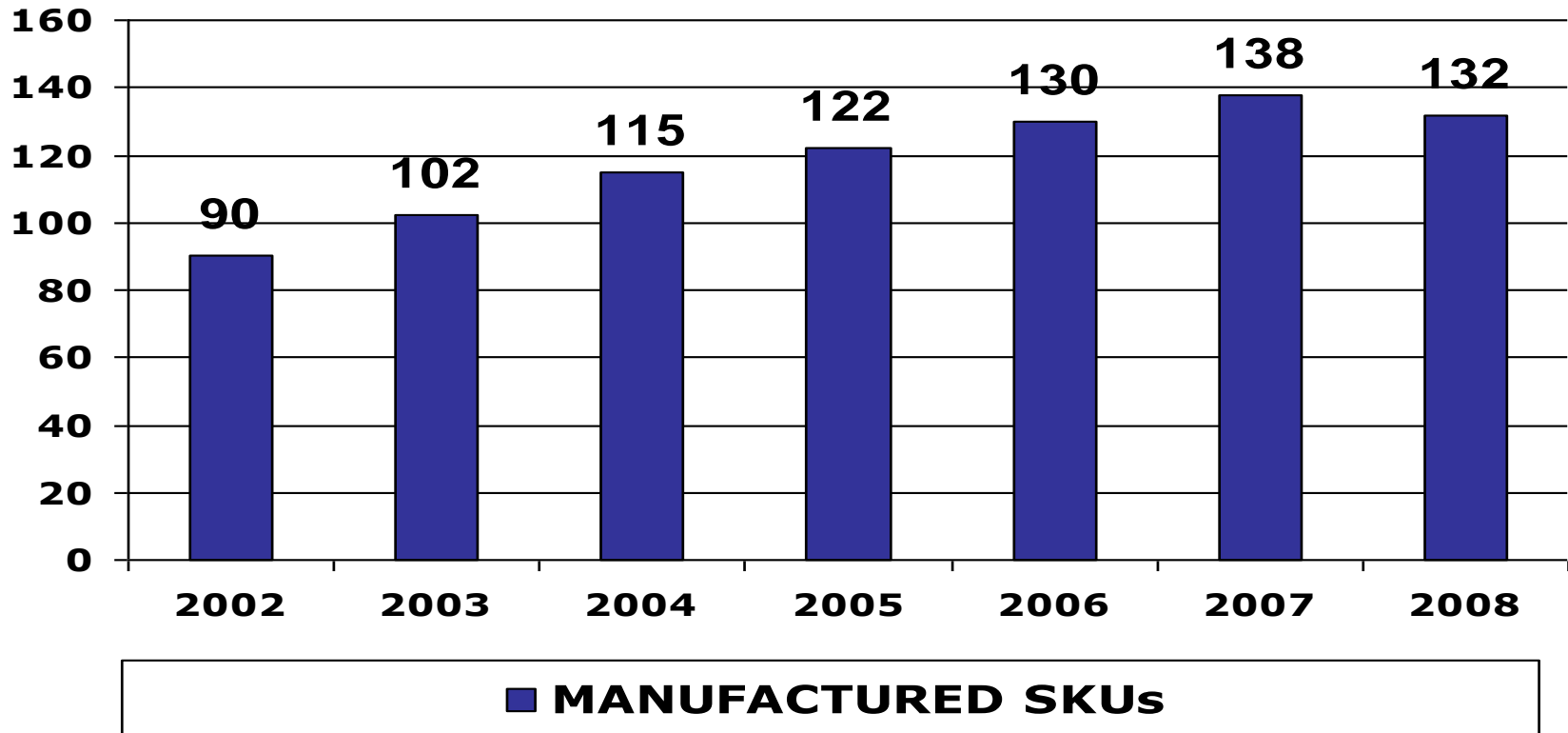
The company has accelerated its commercial development, increasing its distribution network: the number of direct clients grew from 2,000 in 1997 to more than 8,000 in 2008.

# ***ACHIEVEMENTS: Sales and production equilibrium throughout the month using S-DBR***



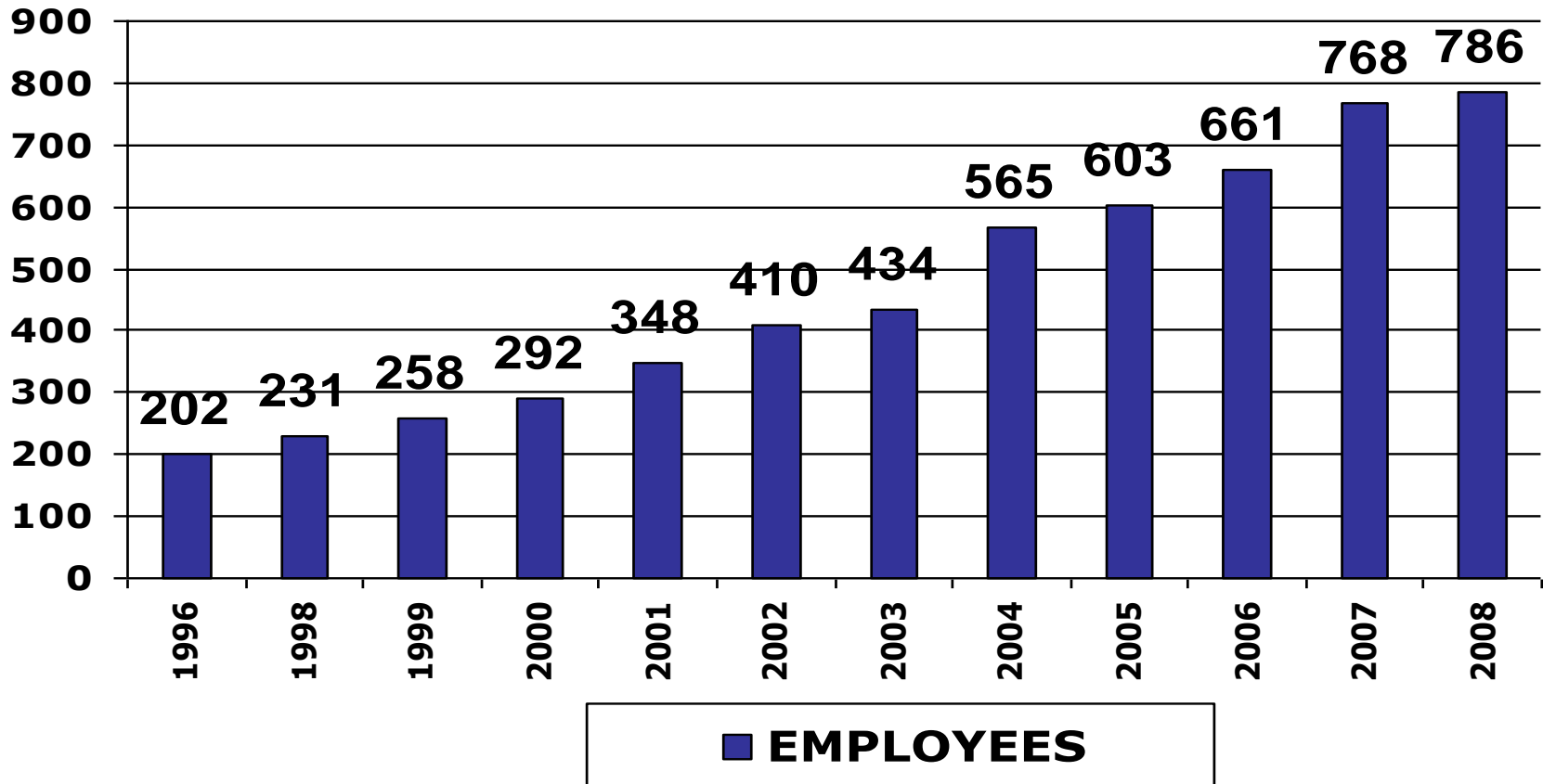
Many projects has been executed in order to improve and modernize plant capacity obtaining a substantial final SKU increase from 10,000 in 1998 to more than 37,000 in 2008

# ***ACHIEVEMENTS: A higher colombian market share due to the acceptance of the products by the final clients***



The company has developed its portfolio to be competitive in the market from 90 references in 2002 to more or less 130 during the last three years

# *ACHIEVEMENTS: Continuous Jobs generation*



**The whole personal plant has been almost quadruplicated!!!!**

# ***ACHIEVEMENTS***

Equilibrium in the negotiations with clients that organized the sales prices.

The number of active clients with regular and continuous sales increased from 50% to 85%.

The sales and credit payment uncertainty was almost reduced to a minimum.

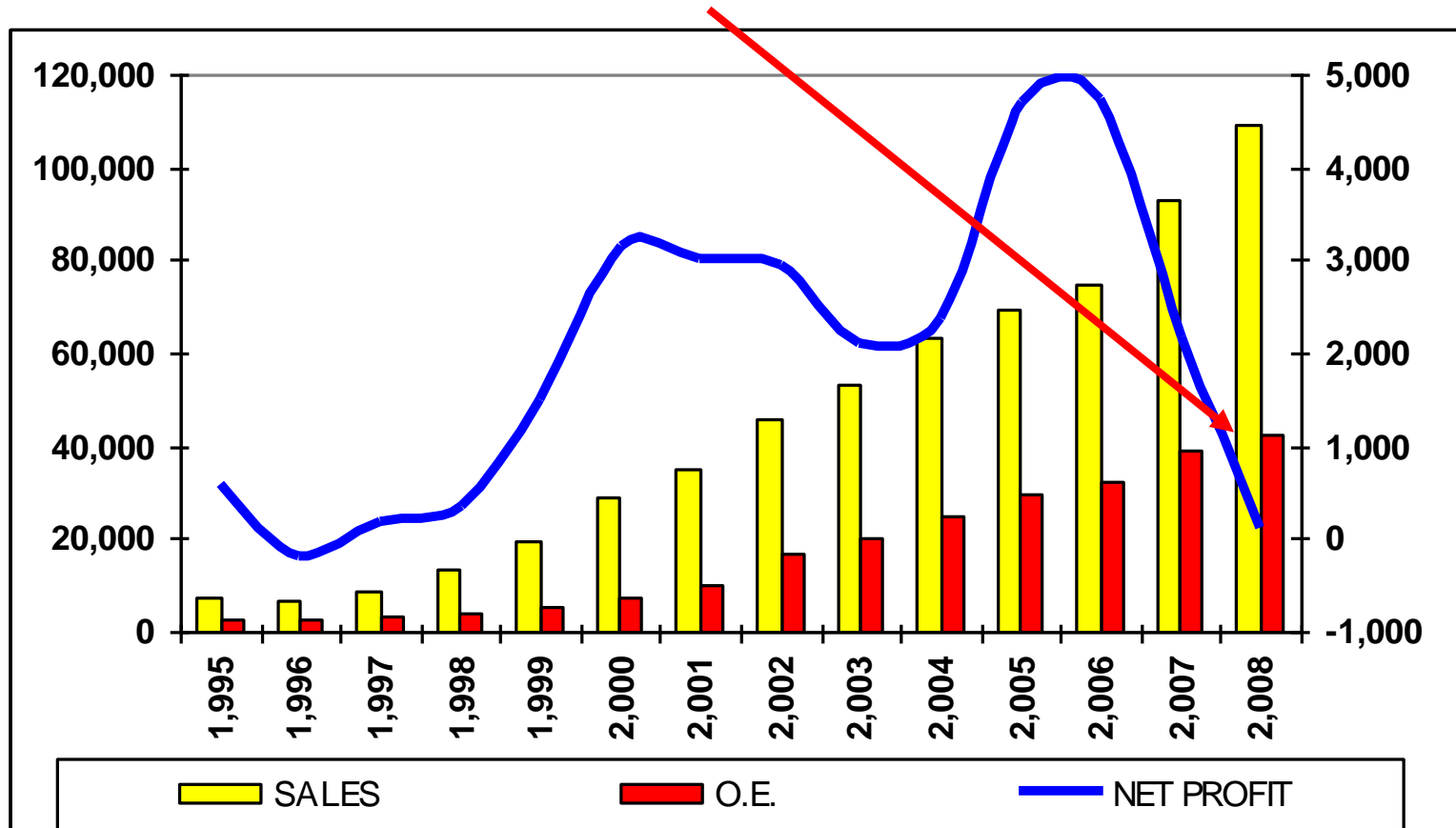
Better financial behavior, improving the relationship with the sector, increasing reputation and reliability.

Improvement of the commercial credibility with suppliers.

Radical change of the share owners perception about the company development and reliability.

ISO 9001 certification (2007).

# NET PROFITS!!! BUT...



The results probed that Azul K has been having a continuous growth in a commercial environment, that each time is more fierce!!!

# ***THE 2007-2008 COMMODITIES EFFECT***

At the end of 2007 and through all 2008, the company has been affected by this world effect.

The way use to solve it was increasing sales, with a strong control of the fixed operational expenses, so that the new Throughput generated could help to support the raw materials increase, helping to generate profits.

But the increases in the raw material cost were higher, higher and higher, reducing each month Throughput and...

Another big problem arises outside in the market: an economic recession affecting people income, reducing their buying capacity, caused by a government policy that increased the interest rates in order to stop the inflationary process.

The company inmediately decided to overview all its processes, reducing and reorganizing some of them in order to get important savings.

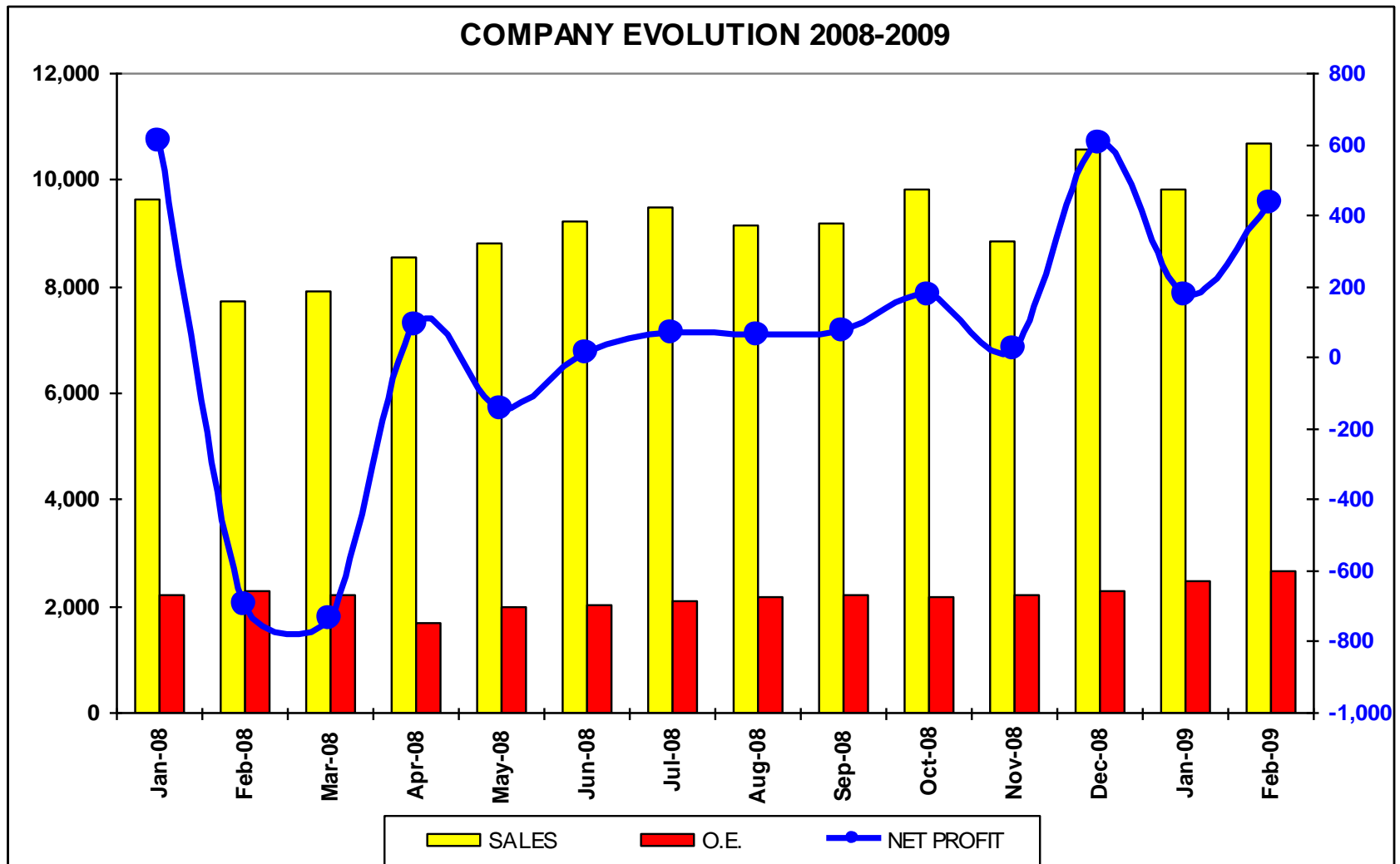
# ***THE 2007-2008 COMMODITIES EFFECT***

But, How to translate the raw material price increase to the final product price without losing our decisive competitive advantage??

So, using TOC 5 Steps:

- 1.- Identify the constraint: The increasing velocity of the raw materials costs is higher than the one of the final product price. (between June 2007 and May 2008 the raw material increased 34.0% and the sales product only 8.0%).
- 2.- Decide how to exploit the constraint: Control the fixed operative cost in all the processes; generate new clients and reassume the role of the distributors with measurements based on replenishment and inventory turns.
- 3.- Subordinate everything else to the above decision: How to get the adequate performance so that the sales force behaves, as well as the distributors and the big chain stores buys our offer increasing the inventory turns!!!

# We are here!!!



TOC has return us the simplicity and relevance of the use of common sense for the fast, clear and instant decisions takeoff with a few, but very important measurements that help us to manage the company looking only in its global efficiency and productivity.



# ¡THANKS!

