

Kilwin's[®]

Chocolates · Fudge
Ice Cream



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Kitchen Update 2008

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Thank You!





The Reality


Facts about the market:


Cocoa:  8% since Jan 2007

Sugar:  16% since Jan 2007

Key Ice Cream Ingredients:  21% since Jan 2007

Plastic:  10-20% over last 12 Mo.

Packaging Paper Products:  12% since Jan 2007

Diesel Fuel:  40% since Jan 2007

The Reality

Facts about the market:

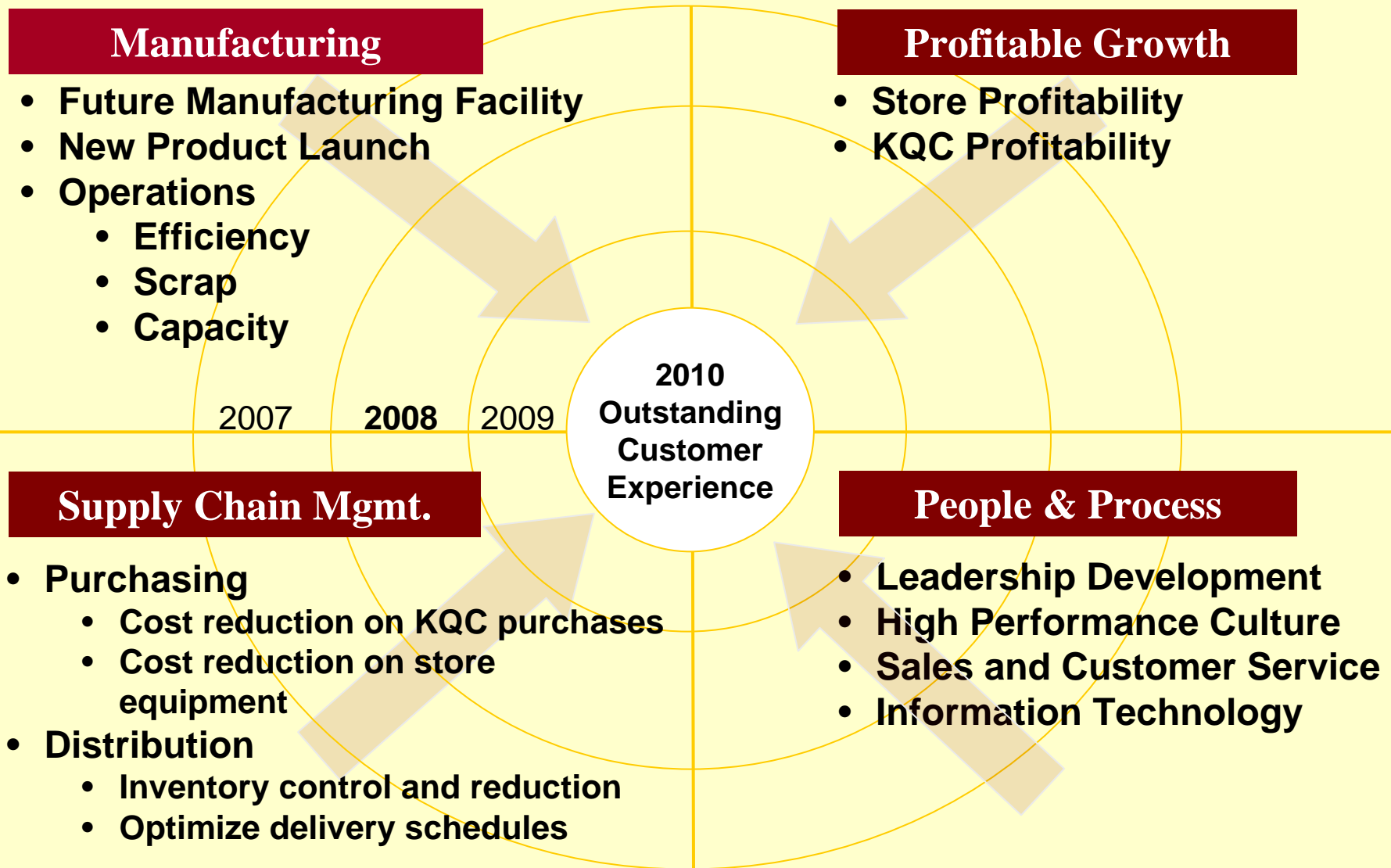
Nestle announces a 10-12% price increase late in 2007

Hershey's announce 13% price increase in Jan 2008

Hershey's and M&M Mars 10-12% price increase in Aug 2008

Hershey's announces switching to compound chocolate for some candy products

The KQC Plan



People and Process

Core Values

- 1.) Have **passion** for our business, brand, customers and confections.
- 2.) Work for lasting results with **honesty**, respect, cooperation, fairness & integrity.
- 3.) Hold ourselves and each other **accountable** through teamwork & measurable results and strive for excellence in all we do.
- 4.) Recognize that 100% internal and external customer satisfaction and "**Doing the Right Thing**" will result in Company and store owner success that is essential to our culture, growth and future.

People and Process

Strategic Vision

- 1.) An Outstanding Customer Experience
- 2.) Profitable Stores

People and Process



Information Technology



Sales and Customer Service



High Performance Culture

People and Process



All new employee performance evaluation format that is quantifiably based on the Core Values and strategic Vision.

All decisions tested for consistency to our core values and strategic vision.

Core Values and Strategic Vision that are published, highly visible and discussed at every meeting and gathering

Manufacturing Excellence

$$\text{Batch Efficiency} = \frac{\text{How much it should cost}}{\text{How much it does cost}} = \frac{\text{Earned}}{\text{Spent}}$$



Manufacturing Excellence

Value Added

vs.

Non-Value Added

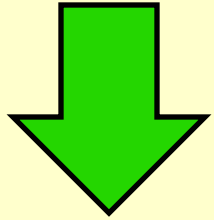


Labeling stock boxes is necessary but does not add value

Turning raw ingredients into delicious candy adds value

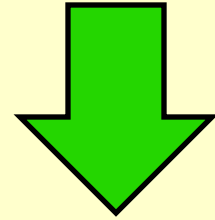
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Manufacturing Excellence

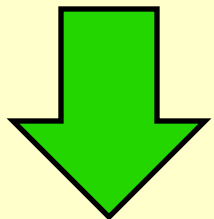


**Non-Value Added
Processes**

=

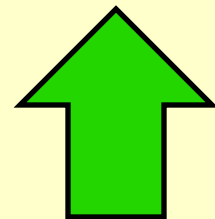


Spent Cost



**Non-Value Added
Processes**

=



Capacity

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Manufacturing Excellence

Open Capacity = Make More Candy



Sea Foam- 9000 lb/yr



Topping- 7200 jars/yr



Sugar Free-3500 lb/yr

Better tasting candy!

**Inherently drive more sales
More control over costs**

Manufacturing Excellence Accomplishments

Rearrange the unload end of the enrober to
reduce non-value added labor

Manufacture purchased candy

- Sea Foam
- S/F items
- Ice Cream Topping
- Molding more items
- Chocolate Squares

Reduce Scrap

- Improved Tuttle coating process
- Develop re-bottom process

Cross train the production

- Perform multiple manufacturing tasks
- Give Kitchen tours
- Pick orders in warehouse
- Make labels

Manufacturing Excellence

Projects

Relocate production items storage from warehouse to work stations

Flow-thru re-stocking process

Label stock boxes as they are filled

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Supply Chain Management



Jeff Deming

Supply Chain Management

Purchasing Accomplishments

Price reduction in nuts

- Pecan pcs 15% 2%-7% Reduction in certain
- Almond pcs 6.5% Solo items
- Walnut pcs 10%
 - 3% Reduction in certain burgundy boxes
 - 10% Reduction in white coconut oil
 - 2% reduction in Jaw breakers
- 2% Reduction in apple sticks

Supply Chain Management

Purchasing Projects

- New Store Equipment
- Ice Cream
- Chocolate
- Cream Powder
- Napkins
- Cake Cones
- Water

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**Drivers are
ambassadors**

Supply Chain Management



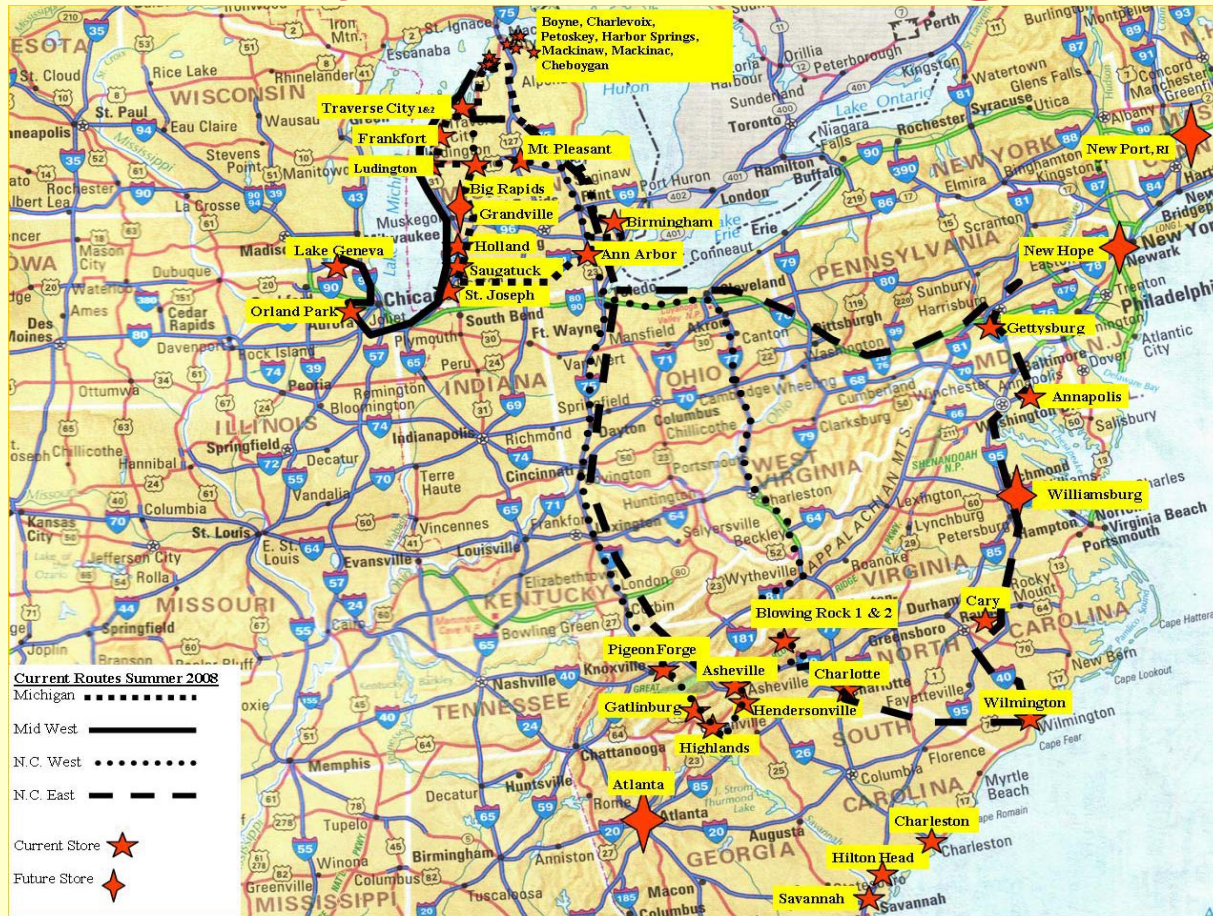
Ensure care and freshness during delivery

**Drivers assist in
unloading and moving**



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Supply Chain Management



Backhauling optimization took 6 hours on the first
 \$511,868 vs \$45,810 for same period in 2007
 and lower in-bound freight cost



Supply Chain Management

Distribution and Warehouse Accomplishments

99.7% Order fulfillment

Quarterly driver team meetings

Reduce inbound freight- backhauling our own products from our vendors

Reduced inventory by 22% over last year

Reduce 23,000 miles of MI-FL transfer distribution - trucks meets in Charleston

Develop a time study process for measuring order picking time

Stretch wrap machine at FDC

Supply Chain Management

Distribution and Warehouse Projects

- Backhauling for third party
- Seasonal delivery route optimization
- Transfer from Michigan to Florida via rail
- Seek better rates for inbound freight

Profitable Growth

Measure as many key indicators as possible:

	Std Batch	actual Batch	Batch \$ eff	center scrap \$ cost	final scrap \$ cost	total scrap \$ cost	Std Labor	actual Labor	Labor eff.
Month Base-line	38,976	37,151	-12,040	5406	2,063	7,469	2,431	3,009	-648
Prev mo	14,077	13,767	-2,761	166	363	529	854	1,014	-167
MTD Oct.	6,317	6,012	-1096	99	141	241	368	430	-80
Mon. 10/6	713	675	181	7	3	10	53	57	-6
Tues. 10/7	699	642	-317	21	10	31	40	52	-16
Weds 10/8	1,089	1,029	-170	5	12	17	52	60	-11
Thurs 10/9	672	638	-86	6	23	29	35	40	-7
Fri 10/10	993	956	-230	6	7	13	50	62	-15

Production Efficiency

Profitable Growth

Measure as many key indicators as possible:



PICK TIME									
Order #	Qty Items	Assigned Time	PICKER	Actual Time	Tickets	IC Tabs	Assigned Time	PICKER	Actual Time
8220	85	52.7	JG	48	18221	72	43.2	JM	41
8228	74	46	JG	44	18229	66	33.6	JM	31
8250	29	18	JG	16	18244	161	96.6	JM	87
8251	40	25	JG	23					
8256	24	14.4	JG	13					

Warehouse Efficiency

Profitable Growth

Measure as many key indicators as possible:





Delivery Efficiency


Profitable Growth

The Results

**KQC pricing to stores vs. market trends
since Jan 2007:**

**Perishable-  1% vs. 15-40% ingredient
increase**

**Non-Perishable-  6% vs. 10-20% raw matl.
increase**

Ice cream-  5% vs. 21% ingredient increase

**Labels- No change vs. 10-20% raw matl.
increase**

Profitable Growth

The Reason

- **It's our Culture and our Vision**
- **System growth- 40% since Jan 2007**

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Thank You!

