

TRANSFORMATION OF TEA MANUFACTURER SETS THE STAGE FOR GROWTH

ABOUT OBTC WAREHOUSE LLC DBA OLD BARREL TEA

COMPANY. Old Barrel Tea Company (OBTC) Warehouse is a family-owned business with three employees in Albuquerque, New Mexico, started in early 2018 to support its sister companies in Ruidoso, Durango, and Cloudcroft. The various Old Barrel Tea shops had been in operation for several years and relied on an external tea manufacturer to supply loose-leaf tea products. After the vendor decided to raise its prices by more than 50%, the tea shop owners decided to open a manufacturing facility in Albuquerque to blend their products. One of the tea shop owners took over re-creating the various tea blends and serves as the manager of the manufacturing and warehouse operation.

THE CHALLENGE. During its first year of operation, OBTC Warehouse worked to create recipes replacing tea blends supplied by the previous vendor as well as unique blends. Demand grew significantly and the manufacturing operation struggled to support the sales from its tea shops, wholesale accounts, and its online store. The layout of the warehouse did not support the efficient management, and the aisles of the warehouse were used to pack all orders. Finally, due to another vendor raising their prices on honey, the company had decided to invest in honey bottling equipment and had to decide where the process should reside.

MEP CENTER'S ROLE. New Mexico MEP (NM MEP), a NIST MEP affiliate, recommended that OBTC Warehouse begin with lean training of its employees as well as implementation projects for the warehouse processes, layout, and overall management. NM MEP worked with a cross-functional team of employees and owners to implement Lean throughout its operations. The team began by creating a value stream map and spaghetti diagram to document the flow of its orders and used this information to develop a new layout for the warehouse. This new layout included evaluating inventory levels, reorganizing the storage of raw materials and finished goods, implementing Kanban signals for reordering and triggering production, and creating a designated area for honey bottling. The team also designed a cell for its order fulfillment area, creating a "supermarket" of tea and other products that could be quickly pulled for any size order.

NM MEP also worked with the ownership team to develop initial plans to support the growth of the company over the next three years including technology integration for inventory management, website, sales, upgrading equipment, cost evaluation, pricing strategy, employee development, and managing future store expansion.

"New Mexico MEP services have made a significant positive impact on the efficiency and profitability of the OBTC blending facility. Our online sales have also increased 30% and I largely credit that to customers being able to get their orders faster. This coming year we will make an extra \$4,000 a month due to the adjustment in pricing with the manufacturing costs built into the wholesale price."

-Paola Huffmon, Master Herbalist and Warehouse Manager

RESULTS



Reduced lead time from one week to less than two days



200% revenue growth in one year

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