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[Case Study] Menswear Supplier Improves Warehouse Management With New System

Specialty Retail Group (SRG) is a menswear retailer based in the UK, which serves both the UK and Ireland with menswear. The company primarily specializes in suits, which account for half their annual revenues. They operate 80 stores, employing 600 workers, as well as a headquarters and warehouse, which employ an additional 100 workers. This facility is located in Berehamwood, Hertfordshire, UK.

SRG sells about 350,000 suits per year, most of which are hand-made by suppliers in the Far East. The company operates under several brand names, including Woodhouse, Racing Green, Chester Barrie, and Young's Attire. They also offer men's formal wear rentals from their store locations.

Situation



Image via [Flickr](#) by Robert Sheie

SRG needed to lower operational costs, while improving the efficiency and accuracy of the orders sent to their retail stores. Before the new system implementation, it took a minimum of 21 weeks from the time they placed an order with their suppliers until those clothes arrived in stores where customers could access them.

Since the old system required humans to check incoming merchandise, stock the warehouse, and fill orders to stores, it was fraught with errors. This caused irritation at the stores, as well as customer dissatisfaction. Furthermore, the language barriers between the UK workers in Berehanwood and the suppliers in the Far East made it difficult to communicate what SRG needed and what the supplier was telling them about the orders.

Before, SRG workers identified items that needed to be replenished in stores, then created an order which was sent to a supplier. The supplier, in turn, had to place orders for the fabric required to make the garments, then cut and sew the clothing, and finally ship it to SRG. Workers at SRG had to unpack each box to see what it contained, and then stock the warehouse where orders going to individual stores were then assembled for distribution.

This process took about 20 weeks, from the time the order was placed until workers unpacked orders arriving from suppliers. It took another one to three days to unpack and shelve merchandise. Two weeks could pass before orders were ready to be sent to stores. Transportation to the stores added another one to three days.

Approach



Image via [Flickr](#) by Robert Sheie

SRG contracted Kewill to provide a solution. The new system included an online ordering system wherein SRG's workers could place orders to suppliers. The system was designed to help the UK workers communicate with suppliers in the Far East speaking different languages. Before the supplier filled the orders, SRG workers had the opportunity to verify the accuracy.

The new system also provided suppliers with UPC codes to place on the boxes of shipments sent back to SRG. This way, it was no longer necessary for workers at the SRG warehouse to unpack all the shipments to verify the accuracy of the order. Orders can now be filled directly from the shipments sent from the suppliers.

Impact



Image via [Flickr](#) by BBQ'sOnSunday

SRG workers can now easily see the status of any order with a supplier, through the states of cutting, trimming, and fully made garments. The supplier can also arrange for a delivery date well ahead of schedule. Shipments are now made from the warehouse to their stores three times per week, reducing the time it takes to replenish stores from over 21 weeks to just 18 weeks. The new system has also improved order accuracy. Stores can now do with less inventory in storerooms, because the warehouse is able to get replenishment stock in more often.

Small Pool of Sub-Tier Suppliers Threatens Stability of Supply Chain

A recent study conducted by Resilinc Corp., a provider of supply chain resiliency solutions has determined that the world's supply chains are facing a threat. Specifically, most suppliers are all depending on a relatively small set of sub tier suppliers, which means that if any of these face difficulties in production, the entire global supply chain could suffer as a result.

Why A Small Set of Sub-Tier Suppliers is a Threat



Image via [Flickr](#) by Digital Sextant

The [suppliers identified in the study](#) depend on a network of manufacturing sites, most of which are owned by just four companies: ASE, Taiwan Semiconductor (TSMC), Amkor Technology, and United Microelectronics (UMC). About half of the sites owned by these four companies are all located in one of four countries: the U.S., Taiwan, China, and Japan. Hence, any threat to any

one of these companies or the sites in which they produce is a threat to the entire global supply chain.

Even More Dangers With a Small Pool of Suppliers



Image via [Flickr](#) by danielfoster437

To make matters even more complex, most of these sub-tier suppliers are buried so deeply within supply chains that the companies' executives and management have no idea that the threats are even there. Additionally, many of these sites are situated in areas of the world that are highly susceptible to natural disasters. For example, the electronics industry took a substantial hit following the 2011 earthquake and subsequent tsunami in Japan, which set back production of critical electronics components and gadgets significantly.

How the Problem Was Discovered



Image via [Flickr](#) by Free Grunge Textures - www.freestock.ca

Resilinc Corp. [discovered these problems](#) in a global survey. The company mapped data from hundreds of suppliers, including information from thousands of supplier sites in about 50 countries around the globe. The primary focus of the study was the high tech and automotive industries, however, many other industries depend on the same suppliers for their products. The problem is, by no means, isolated to these two industries.

How to Protect Your Supply Chain From the Dangers



Image via [Flickr](#) by agentkramer

A natural disaster of the magnitude of the Japanese earthquake and tsunami, if it hit in the right place, could jeopardize one or more of these four suppliers, thereby crippling a large sector of the global supply chain. How can suppliers protect themselves from the potential disaster if one or more of these sub-tier suppliers faces critical operational issues? Basically, the protection is just good supply chain management.

- Know your suppliers
- Hold suppliers accountable
- Carefully choose carriers
- Monitor global situations
- Have a plan in place to address any potential threat
- Manage inventory wisely

Too many suppliers are unaware of their sub-tier supply chain beyond level two. This means that a disaster they knew about hits, yet they were unprepared because they had no idea the disaster threatened their supply chain. Map the supply chain all the way through. Don't depend on level one or level two suppliers to secure the supply chain beyond.

Create contracts that demand accountability from the suppliers. If they know they're liable for delivery issues or product rollout delays, they'll be more vigilant about selecting sub-tier suppliers. Also, don't overlook the issues of logistics. Whether your supplier sites are threatened by a disaster or not, if the supplies can't get through, the result is the same.

Once you know where your supplier sites are, it's a smaller matter to monitor those areas of the world for potential threats to the supply chain. But if there isn't a plan in place to address the issues, your company is no better off for the knowledge. Also, keeping more inventory on hand can serve as a buffer between lags in the supply chain and your ability to make on time deliveries to your customers.

[Case Study] GAME Stores Stay Competitive Through Automation

GAME Stores is the leading retailer of gaming consoles, games, and accessories in the UK. Formerly, the distributor operated in a single facility in Bracknell, Berkshire, which served as both the warehouse and the administrative headquarters. Since this facility was not designed with the game distributor's purposes in mind, GAME Stores decided to relocate to a purpose specific designed building in Basingstoke when the old lease expired. They found an automation company to help design the new structure and operations of the distribution center.

Situation



Image via [Flickr](#) by tbiley

GAME Stores distributes gaming consoles and accessories to stores around the U.K., but their primary product is games, which generally come in a standard size DVD case. However, since the future of gaming package isn't set in stone, the company needed the ability to adjust the system to whatever size merchandise game developers might offer. The company also needed to address peripheral items in the warehouse, such as different brands of gaming consoles and accessories.

The goals were to lower operational costs, lower their dependence on resources (particularly during the peak holiday seasons), improve efficiency and flexibility, and offer better service to the stores they ship to. They also wanted to surpass the competition in terms of delivery accuracy, delivery timeliness, and flexibility.

Approach

In addition to moving into a building designed and set up for video game product distribution, GAME Stores also implemented a system that includes a batch picking system, a sorting system, automated mini load storage and retrieval system, and automated handling of the products. This package came as part of a brand new warehouse automation system offered by Vanderlande Industries.

The system was designed to handle small, DVD size cases, as well as the peripheral products GAME Stores offers. It was built with future expansion in mind, capable of being adapted to changes in sizes of products as well as additional business from new stores ordering their video games. The system also incorporated ways to analyze the performance of the system.

Impact

After the new building was set up with the warehouse management and automation systems in place, GAME Stores saw a capacity increase of 30 percent, even as the number of staff members needed to accomplish the work went down by half. The distribution center has 10 percent less floor space than the old warehouse, but since the space is used more efficiently, it is capable of handling even more products as the business grows and expands. Another benefit to the relocation is that the new distribution center offers more space to grow the facilities in the future, and the area provides a larger base of workers as the need for new staff members goes up.

The accuracy rate of customer order deliveries has gone all the way up to 99.5 percent. This increases the confidence GAME Stores customers have in their ability to deliver, especially during holiday seasons when getting the right games at the right time is crucial in meeting consumer demands. This has given GAME Stores a considerable advantage over the competition.

What Happened to Derail BMW's Supply Chain?

Bayerische Motoren Werke AG, or BMW, is the world's largest and most recognizable manufacturer of luxury vehicles, catering to high-end customers in over 50 countries around the globe. BMW is most known for providing high quality vehicles, and catering to customers with excellent, timely parts and service. This has helped the company garner stellar customer satisfaction ratings, along with intense brand loyalty. But are there cracks in the armor? Some tell-tale problems within the BMW supply chain may spell woes to the automaker if some crucial issues within their supply chain aren't addressed.

BMW's New Logistics and WHM System



Image via [Flickr](#) by M 93

After market parts, including repair parts and performance enhancing parts, are a huge part of any auto manufacturer's profit margins. These parts also help build brand loyalty, a key factor in the success of BMW. About three years ago, BMW embarked on a new logistics and [warehouse management system](#) (WHM). At the time IBM was working on the project, but later disassociated from it, offering no explanation for the severance. SAP is providing the software for the initiative.

When the new system rolled out in June of 2013, immediate problems arose. BMW's 400 dealers in Germany, as well as over 40 dealers in China, and numerous dealers in the United States, Australia, Canada, Belgium, Romania, and South Africa began having problems getting the parts they needed to service customers.

Dealer and Customer Backlash



Image via [Flickr](#) by DennisM2

Customers have reported wait times as high as three months for parts. Gerhard Kossielny of Munich, Germany waited four weeks for repairs on his flood damaged BMW. Though BMW had increased their inventory before rolling out the system, the backlog of parts orders continued to pile up, as does dealer and customer frustration. BMW has vowed that the issues will be resolved within the month, and workers at the central warehouse in Dingolfing, Germany are working extra shifts through the end of the year to address backlog parts orders.

The Underlying Problem



Image via [Flickr](#) by Brian Smithson (Old Geordie)

On the surface, BMW's problems seem to be a temporary glitch in the supply chain, attributable to installing a new logistics and WHM system. But combined with BMW's other supply chain problems, it could be a sign of something more significant -- an insecure and vulnerable supply chain that isn't being managed the way one would expect a world-class luxury products supplier to.

Following the tragic earthquake and tsunami in Japan in 2011, BMW [began having problems](#) getting the parts they needed to build vehicles and service customers. With over 10,000 suppliers spanning the globe, it's no surprise. BMW has partnered with students at Manchester Business School to develop a system for identifying and addressing breakdowns in the supply chain before they happen.

The Bottom Line for BMW



Image via [Flickr](#) by NRMA New Cars

There is no way to forecast certain problems, such as a sudden volcanic eruption, mass riots in crucial areas of the world, or other disasters for which no one can predict. The solution might not be trying to forecast and address problems with more than 10,000 suppliers, but rather to reduce the number of suppliers the company depends on, thereby limiting liabilities.

Customers, likely, will forgive and forget about BMW's errors to date. But how long can the company continue to disappoint before customer satisfaction ratings and brand loyalty begin to erode?