

Avon supply chain analysis

Business



Vietnam Delight Catering (VDC) is one of the most successful company in Vietnam catering industry. Since the very first step in 1995, VDC has a significant grow to expand the market in all three regions of Vietnam. The company is well known for providing food service for company events, business conferences, weddings and other special occasions.

With twenty six industrial kitchens located across five big cities, VDC established itself as an national wide recognized catering company to supply the best of service and product for its business partners throughout Vietnam. This supply chain plan will present some potential logistic and supply chain issues that VDC could face in order to provide an effective service of supplying airline meals to Jetstar Pacific. Some respective strategies also are proposed to deal with the issues mention above. ?

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Research and analysis 1. Chanel map * Key players a) Inbound logistic ?

Supplier: -Raw material supplier sources 1: Metro Shopping Center. Eggs, cheese, fresh vegetables and other spicity that needed to make ham sandwiches will be supplied from Metro. The raw materials then are

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transported to VDC industry kitchen in Tan Binh district by truck provided by Metro's service. -Raw material supplier sources 2: Kinh Do bakery chain. Kinh Do will supply sandwich bread.

Fresh sandwich bread will be delivered from Kinh Do closest bakery located on Tan Binh district by Kinh Do's truck. -Raw material supplier sources 3: Saigon Paper Corporation. Food wrapping paper and tissues will be distributed by truck from the company's manufacturer. The goods then will be stored at VDC storeroom. -Raw material supplier sources 4: Vissan Company. Fresh hams are purchased from Vissan Company.

The raw materials will be delivered by truck from Vissan distributor center to VDC refrigerated storeroom. ? Manufacture: -The components from the suppliers will be shipped to VDC industry kitchen in Tan Binh district – the same district with Tan San Nhat airport. All the process including cooking, decorating and packaging to the finished goods will be done here. b) Outbound logistic: -After manufacturing, the finished products then will be delivered by VDC freezer truck to Tan San Nhat airport. The products will be stored in a large refrigerated room. They are arranged by flight number.

-The sandwich then will be taken into Jestar's airplanes by a special truck. They are now ready to serve. ? 1. SWOT analysis: ? ? 2. Logistic and Supply chain issues: – Long lead time: the complicated procurement and the unprofessional management of raw materials suppliers can increase the waiting time for the manufacturing process.

Furthermore, the poor transportation system and inner-city truck ban law also add time to the flow of goods in supply chain. Error in order fulfillment: <https://assignbuster.com/avon-supply-chain-analysis/>

without application of modern communication such as email or electronic program, partners in supply chain mostly use telephone or face to face communication to make order. This increases the risk of causing error because of human mistakes. The result will be wrong quantity of products or late delivering. – Risk of stock out: the demand of airline meal goes along with the demand of customers using aviation service. The number of customer fluctuated between every flight and every period of time in year.

Risk of inventory perishability: raw materials and finished product is high perishable. Vietnam has a hot climate so it is easy for fresh food to perish. If they are not well maintained, or the product is not consumed on time, they will take the risk of being reduced in quality. The cost of inventory holding increases. – Weak collaboration between components in supply chain: the lack of communication and information sharing such as point of sales data may lead to the uncontrollability of inventory. It is obvious that raw materials for catering service could not be stored for a long time.

This may result in loss of revenue for the company if inventory are not well-managed. ? B. Strategy Proposal From deep understanding about 5 main issues that VDC and Jestar Pacific Airways could face in the supply chain of airline meal, 3 logistics strategies will be presented to solve the problems mention above. I. CPFR – Collaborative Planning, Forecasting and Replenishment: CPFR is a method of incorporating players in a supply chain, negotiating to meet an agreement of items demand forecast (Coyle et al, pp. 49-252, 2003).

According to Fliedner (2003), CPFR focuses on coordinating the activities of production and purchase planning, demand forecasting and inventory replenishment through collaboration among all supply chain trading partners. Through an Internet-based, the partners in a supply chain will sit together and exchange their information, negotiate, do forecasting and planning. Advantages: + Improve collaborated relationship through sharing information. + Improve forecasting by work and plan together. The supply chain adapts responsively to demand and avoid stock-out. Disadvantages: + High cost of expertise, including Web-based technology and training cost.

+ Lack of trust in sharing information among players in supply chain because sensitive data can help one partner to take advantages of the other (Hamilton 1994). CPFR is proposed because it can help VDC, ingredients suppliers and Jetstar airline collaborate together to predict consumer sale demand. Since supply chain players exchange useful data, a win-win situation is created. From deep understanding about sale demand, the catering company can prevent the surplus amount of products, increase inventory turnover ratio and improve customer service level. Beside, the cost of inventory holding and also decreases because the manufacturer does not need to hold much safety stock. Theoretically, “ an accurate CPFR forecast could be translated directly into a production and replenishment schedule since both quantity and timing are included in the forecast” (Coyle et al, pp. 252, 2003). Hence, risk of stock out is not worried anymore while lead time also is reduced. ? II. EDI – Electronic Data Interchange According to Lee and Lee (2010), Electronic Data Interchange (EDI) is a type of inter-organizational electronic commerce (EC) that allows organizations to exchange business

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document electronically in a structured, machine-readable format.

Information sharing can be improved between supply chain partners by removing the boundaries that limit how they interact and do business with each other (Ratnasingham and Swatman 1997). Nowadays, with the high spread of the Internet, EDI can be used conveniently and easily with less cost.

Advantages: + Improve speed, quality and accuracy of data interchange.

Reduce dependability on human management, cost of labour decrease.

Disadvantages: + High cost requirement for special technology application, long time consumption for staff training. + Requirement of EDI

implementation from other partners in order to apply EDI. This creates limitation of choice. Aviation industry requires a highly accuracy logistic service.

The application of EDI will bring many benefits to the supply chain between VDC-Jestar and also between VDC and the raw materials suppliers. EDI will reduce the error of order fulfilment by making the flow of information more quickly and reliable. VDC could control the exactly number of airline meal needed for a flight and also the exactly time for the flight take off so wrong delivery is decreased. Moreover, with the fast information transmission, raw materials will be ready in shorter time which can accelerate delivery process and reduce lead time as a result. III.

VMI – Vendor Manage Inventory “ The vendor monitors the buyer’s inventory levels (physically or via electronic messaging) and makes periodic resupply decisions regarding order quantities, shipping, and timing” (Waller, 1999).

The concept of VMI is relatively simple. First, an agreed about the products is needed between the supplier and customer. Second, the reorder point and economic order quantity are made. When the products is shipped or consumed, the supplier will be notified.

Finally, the supplier will automatically create an order for replenishment when the level of inventories that customer holds reaches the reorder-point. Advantages: + Respond quickly to fulfill inventory for customer. There is always a level of safety stocks so VMI can help to prevent stock out. Cost of holding inventory can be reduced, customer do not have to hold much inventory for uncertain demand. Disadvantages: + High technology requirement.

+ Suppliers have additional cost as a result of allocating human resource at customers' site. + Inflexibility in choosing supplier. In order to approach VMI, customers need to tie with their chosen supplier. VMI application can help the supply chain of VDC and Jetstar solves the issue mention above. The raw materials supplier can manage the level of inventory in VDC storehouse through the shared information. VDC uses the materials to product hams sandwiches and deliver them to Jestars, the supplier will be aware when the stock reach the reorder point which has been agreed by both parties.

Then raw material supplier will immediately make an order to replenish VDC. In the period of time since the order is made to the time VDC receive new inventory, VDC still have enough inventory for manufacturing. Beside, the cost of holding stock can be reduced since VDC do not have to hold too much safety stock because the raw materials supplier always keep an eyes on the

level of inventory. Finally, the close relationship in VMI can also help shorten lead time and decrease the risk of stock perishability. IV.

Quantitative evaluation of strategies 1. Multi – criteria decision matrix In order to find and most effective strategies that can help to cover most of the issue, a multi-criteria decision matrix is created based on the five issues mention above and their level of importance. Three proposed strategies will be marked to choose the best one. Proposed Strategies Long lead time (0.15) Errors in Order Fulfillment (0.2) Risk of stock out (0.

)Perishability and cost of holding inventories (0.15) Weak collaboration between supply chain parties (0.2) Total (1) CPFR7 (*0.15) 0.92 (*0.2) 0.

47 (*0.3) 2.15 (*0.15) 0.758 (*0.2) 1.

65.9 EDI3 (*0.15) 0.459 (*0.2) 1.

86 (*0.3) 1.83 (*0.15) 0.456 (*0.

2) 1.25.7 VMI7 (*0.15) 1.054 (*0.2) 0.

89 (*0.3) 2.76 (*0.15) 0.95 (*0.2) 16.

45 ? The issues are marked based on their impacts on the supply chain of an air catering company. Obviously, risk of stock out is the most significant concern of every company in food distribution industry so it is marked with high score (0.3). Next, errors in order fulfillment and weak collaboration between supply chain parties are marked 0.2 because both are important but not as high as risk of stock out. And finally, long lead time and risk of

inventory perishability are least concerned since they just increase cost and decrease quality of the products.

- The application of CPFR will help the firm to reduce lead time risk of stock out and improve collaboration between parties in supply chain so it is marked 7, 7 and 8 for those categories. However it does not help to improve error in order fulfillment and risk of inventory perishability. On the other hand, EDI application will minimize the error in order fulfillment and increase the collaboration as well. However, EDI just offer fast and accuracy flow of information, it does not provide any support for other issues.
- VMI is the best decision because it can solve almost of the main issues in the supply chain of VDC and Jestar. Especially, since the suppliers manage the inventory for VDC, the risk of stock out can be totally eliminated.

In general, VMI application is marked 6.45, the highest in three proposed strategies. 2. Industry example Vendor Manage Inventory (VMI) can also be known as continuous replenishment or supplier managed inventory. VMI was first used in the late 1980's. Two first companies that put the theory into practice were Procter ; Gamble (P; G) and Wal-Mart in the USA (Waller, M, Johnson, M ; Davis, T 1999).

P; G is one of the leading company producing and distributing consumer goods throughout the world while Wal-Mart is the world third largest retailer with a chain of department stores and warehouse stores selling consumer products. By placing goods in all Wal-Mart chain stores, P; G goods are introduced to consumers. P; G is responsible for managing the inventory regarding order quantities, shipping and timing as well as resupplying for

Wal-Mart in their VMI relationship. After receiving purchase order from Wal-Mart, P; G will send an order acknowledgement to the buyer which is considered as a transaction though the goods have not distributed yet. In order to help P; G manage the inventory effectively, sale reports are designed for P; G to track their goods sold from the warehouses in regards as timing, numbers of customers and profit.