

# Chicken run – the poultry supply chain essay sample



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How might Wings and Legs combine a lean and agile approach in its supply chain?

The lean and agile paradigms, while particularly different, can be and have been joint within effectively designed and operated total supply chains. In the Wings and Legs case, cost is an important market winner and this is reduced by leanness. In the case of agility the key point is that Wings and Legs operate in an extremely volatile marketplace. Therefore the solution is to develop a hybrid supply chain.

### Combining Lean and Agile

The main concept used in regards to combining lean and agile is the decoupling point. Hoekstra and Romme (1992) define it as the “ point that indicates how deeply the customer order penetrates into the goods flow”. Determining the location of the decoupling point aims at finding a balance between the costs of procurement, production, distribution and storage on the one hand and the customer service to be offered on the other. According to Hoekstra and Romme there are three important aspects to the decoupling point: -

1. The order driven and forecast driven activities are separated by the decoupling point.
2. The decoupling point is the main point of inventory from which the customers are delivered.
3. The forecast driven activities can be optimised in some way, as they are not directly influenced by the irregularities of the market.

The main determinants of the decoupling point are divided into two groups.

1. Product and market characteristics such as required delivery reliability, required delivery time, predictability of demand and specificity of demand.
2. Process and stock characteristics such as lead times and costs of steps in the production process, risk of obsolescence, costs of stock holding and value added between stock points and controllability of manufacturing and procurement.

All of these factors influence the location of the decoupling point for example the shorter the required delivery time the closer the decoupling point will be towards the consumer. Hoekstra and Romme (1992) identified five basic locations for the decoupling point:-

1. Make and ship to stock
2. Make to stock
3. Assemble to order
4. Make to order
5. And purchase and make to order

## Question 2

In Wings and Legs case delivery times are short and delivery reliability needs to be consistently high (99%). Although demand is currently unpredictable the odds are the retailers have point of sale data which could and should be

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shared with Legs and Wings. Better co-operation would be beneficial and open up possibilities for longer lead times. As noted in the case study, Wings and Legs have a large diversity of products, originating from differences in packaging size, labels and brands. The best before date adds to the specificity in two ways. First of all because the best before date is a technical safety limit to sell the product, and secondly because retailers do not accept the same best before date on subsequent deliveries. As such the commercial best before date is much shorter than the technical best before date suggests.

### Stock Characteristics

The case study mentions that although quality is controlled variations can occur. The result of this is a downstream effect on the decoupling point. Cleaning and set up times are also important factors in Wings and Legs situation. Long set up times have a downstream effect on the location of the decoupling point. The perishability of chicken means products may become obsolete very easily due to the limited shelf lives of food products. Another point to consider is the value of stock. Two factors should be taken into consideration here the value added in the process and the value of purchased materials. If the cost of the value added is high it causes an upstream movement of the decoupling point, as it is more profitable to stock low value materials instead of high value finished products.

### Merits of current situation

The inventory buffer is placed before the packaging and label process takes place and inventory is placed last. The merits of this situation include: -

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1. Less packaging and labelling waste as buffer is placed before this process. How beneficial this is depends on the cost of packaging and labelling as discussed above.
2. Longer lead times due to length of time for packaging and labelling.
3. Less chance of products becoming obsolete as inventory comes after inventory buffer

#### Merits of postponing the labelling operation

1. Faster delivery times due to decrease in lead time causing an increase in reliability
2. Less waste of raw materials as inventory comes after inventory buffer

#### Merits of postponing the packaging operation

1. Faster delivery times due to decrease in lead time causing an increase in reliability
2. Larger chance of products becoming obsolete as inventory level is after packaging.

#### Summary of factors effecting Wings and Legs decoupling point

1. High variety of demand causes a upstream effect on the decoupling point
2. Their high risk of obsolescence results in a upstream effect on the decoupling point

3. If a bottleneck is present in the supply system the decoupling point should be placed upstream from the location of the bottleneck.

### Question 3

1. Although demand is currently unpredictable the odds are the retailers have point of sale data which could and should be shared with Legs and Wings. Better co-operation would be beneficial and open up possibilities for longer lead times
2. Less Stock outs for the retailer.
3. Improved quality
4. Increased customer satisfaction: - due to less stock outs and improvements in quality.
5. Financial performance increase due to the above factors

### Question 4

#### Advantages to Wings and Legs from outsourcing

1. Less waste
2. Reduce operating costs especially co-ordination costs.
3. Increased flexibility by cutting cycle times
4. May be performed more cheaply by outsourcing company
5. Increases response times

6. Improves company focus by allowing Wings and Legs to concentrate on their core competencies and further develop your competitive advantage

Advantages for poultry processors

1. Increase in quality due to Wings and Legs high quality control system
2. Increased profitability due to increase in quality
3. Increased profitability due to increase in orders.

Part (B)

1. When outsourcing Quality control must be at the highest standard possible due to the negative effects which will occur if quality is not up to standard. E. g. Retailers switching suppliers
2. With regards to production planning demand information should be passed from Wings and Legs to outsourcers as quickly as possible in order to give outsourcers enough time to complete orders properly.
3. Product specifications should include strict weight specifications.

Question 5

Information that flows downstream in poultry supply chain:-

1. High delivery reliability causes a downstream effect on the decoupling point
2. Short delivery time causes a downstream effect on the decoupling point.

3. Unpredictability of demand causes a downstream effect on the decoupling point

4. Wings and Legs high lead times cause a downstream effect on the decoupling point

Therefore information on delivery reliability, delivery times, demand patterns and lead times should flow downstream in order for Wings and Legs to match supply and demand.