

Four star case study

Business



Four Star is a mattress manufacturer known for a focus on quality, productivity and customer service. In order to meet market demand from customers as well as competition Four Star increased proliferation of mattress varieties offering a total of 230 different model types at one time. This change caused Four Star to experience operational issues and bad inventory management, resulting in low profitability and productivity.

Of the many problems faced by Four Star, proliferation of mattress varieties and its impact on operations and inventory management is their biggest issue.

This has had a major impact on the things that Four Star once prided itself on: quality, productivity and customer service. Having 230 product variations created extremely long order fill rates resulting in a loss of customers and created a great deal of customer dissatisfaction. There was also added pressure placed on Four Star employees to fill orders. Having so many unsatisfied employees put Four Star at risk for losing employees which would add additional stress to the production process.

In addition, large dealers who would typically sell and inventory Four Star products began limiting the number of mattresses stored due to their inability to predict which of the 230 varieties a customer would purchase. Instead, dealers would wait until a customer placed an order to request inventory from Four Star. Upon order placement dealers expected fast inventory arrival which is the level of service they were used to getting but due to the stress placed on the Four Star manufacturing operation they were having trouble filling orders.

This resulted in dealers no longer committing to placing orders with Four Star. Four Star took on the burden of carrying inventory which was an additional expense for the organization placing added stress on the overall manufacturing process. Four Star soon began to see decreased sales revenue.

Asia Meg considered several options to smoothly manage its operations. The first option was to reduce the number of mattress models manufactured back to 40 or 60, levels at which the company produced in 1996 and 1998.

This would be a very effective solve to the Issues being had with Four Star since historical data shows that revenues and customer satisfaction levels were up and the company was not experiencing such turmoil In Its manufacturing. In Dalton, It has also been proven by the behavior of the dealers that there are too many mattress varieties. Reducing model levels would help increase revenue. Another option being investigated by Asia Meg is to insist on a minimum order size by dealers.

This requirement from dealers would help streamline the order and production process and allow Four Star a window of opportunity to fulfill orders within a reasonable timeshare and increase customer satisfaction. The last option being considered is to reduce safety stock requirements for finished mattresses. This is not a viable option for Four Star. The company is already having major issues and relocating would not fix the internal turmoil that exists.

Below are my recommendations for how Four Star can reconfigure Its product design, manufacturing and order fulfillment process.

<https://assignbuster.com/four-star-case-study/>

Product Design Four Star should begin all mattresses with the same basic design and alter the product to meet customer's needs. This could include adding more coils and the quilted cover depending on ten customers request. It would allow Hour 5 inventory and produce a limited number of materials needed to produce a mattress cause all mattresses would use the same basic formula with modifications.

For example, if Four Star received an order for one of its premium mattresses, the number of coils added to the mattress would be adjusted accordingly as well as the quilted cover. Doing so would reduce the fill rate and limit frustration of employees working on the production line as they would be working to produce a less complicated product with less moving parts.

Manufacturing It is recommended that Four Star keep its facility where it is currently to work out the production issues they are experiencing before determining whether moving to another location would be more lucrative.

There are currently too many other issues looming with the production line to isolate any one main cause for the issue. To Order Fulfillment To improve the order fulfillment process it is recommended that Four Star enforce a minimum order quantity on its dealers. Doing so may initially increase inventory costs for Four Star but the long term benefits could outweigh this short term frustration. Enforcing a minimum order quantity would also allow dealers to set better expectations with customers and increase customer satisfaction.