

Barilla spa

[Business](#), [Management](#)



Nowadays, manufacturing and services firms face growing challenges to increase profit margins amidst increasingly fiercer competition. Under such circumstances, industry analysts and supply chain experts suggest manufacturers and service providers to promote more effective supply and demand planning, management, and execution as the means to unlocking significant gains in margins. By definition, Search CIO (2007) defines SCM as the management of information, materials, and finances along a chain of process from suppliers to manufacturers and then from manufacturers to customers.

The interests in the discussion of supply chain management occur since it relates to costs reduction in all aspects of business process especially regarding the inventory reduction that suggests manufacturer produce goods when needed. The situation highlights that supply chain management will enhance lead time (time-to-market) of particular products, thus enabling all parties within an organization to manage their resources more effectively. Concerning the issue, this paper will describe supply chain management issue in Barilla spA, an Italian manufacturer that sells their products to its retailers mainly via third-party distributors.

The competition in the market has caused unfavorable situation for Barilla during late 1980s when the company faced unpredictable demands from its distributors. 2. What are the reasons for the increase in variability in Barilla's supply chain? Barilla maintains separate supply chain because the company has two general products: fresh and dry products, which required special treatment. In this situation, fresh products is mainly purchased from the two

central distribution centers (CDCs) by independent agents who further channeled the products into 70 regional warehouses across Italy.

Meanwhile, about two third of dry products are sold at supermarkets. Figure 1 explains the supply chain systems for Barilla. Figure 1 Barilla Distribution Systems 3. How can Barilla cope with the increase in variability? In order to succeed the distribution system, Barilla is known to practice the replenishment strategy, which describes an agreement between Barilla and their supplier to share the data about frequency and inventory levels to match Barilla demands (About. com, 2008).

By delivering the products under the agreement with suppliers, Barilla is able to support their Just in time (JIT) distribution system, which is considered to be the optimum strategy to accomplish the company's mission of having increased customers satisfaction. 4. What is the impact of transferring demand information across the supply chain? By sharing information between Barilla and their suppliers, there are positive impacts since the combination of JIT and replenishment strategy supports the demand fluctuations, reduced inventory level at warehouse, decreased stock-out levels etc.

5. Can the Vendor Managed Inventory strategy solve the operational problems faced by Barilla? In Vendor Managed Inventory (VMI) strategy, the suppliers have greater responsibility over the supply since they are required to determine the delivery frequency and inventory levels in order to maintain the agreed stock levels in warehouses. In addition, the practice of this system also helps Barilla to track out-of-stocks and other performance data, previous years' sales history and trends.

Therefore, the practice of Vendor Managed Inventory (VMI) has solved the operational problems at Barilla. 6. How can the supply chain meet conflicting goals of different partners and facilities? In order to avoid the conflict between different partners and suppliers of Barilla, the company must ensure that the implementation of Just in Time system will help the maintenance of satisfaction in services, inventory levels, and stock-out levels and others in which each supplier has taken part of the system.

In addition, Barilla must also ensure that within implementation steps, the use of EDI to deliver the inventory information is the same among suppliers so the reliability can be secured and the compatibility level can be reached.

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