

Holt renfrew and co limited swot analysis



Holt Renfrew Situational Analysis Item| So What? | Holt Renfrew is owned by The Wittington Group, headed by Canadian business leader Galen Weston| The owner of Holt Renfrew is quite large, likely has the financial resources available to back up any capital investments required. | Tony Kelly is a new employee to Holt Renfrew| New employees in an organization are often more likely to pick up on areas for improvement than someone who has been in that environment for so long. More able and willing to promote and implement radical change. They stores peak seasons are March/April, July/August, November/December| This means that 6 months of the time Holt Renfrew sales fall significantly. This is half of the year! Significant opportunity for improvement in marketing/sales| Secondary warehouse is used for items not sold in store| It seems like a waste to have a whole warehouse solely dedicated to excess material. You should be able to significantly reduce the amount of products wasted through improved planning and eliminate the need for a whole additional facility. The DC is cluttered with merchandise everywhere, under conveyors and scattered across aisles| This likely poses significant health and safety concerns and cannot be avoided, action needs to be taken not only to improve customer service but to reduce risks for health and safety claims/issues| Problem Statement Tony must come up with a detailed and justified plan to improve warehousing operations at Holt Renfrew to result in improved efficiency and decrease in level of stock outs through the DC layout, process flow improvements, system and business processes and human resources strategy.

Analysis SWOT Strengths * One of the few retailers that sells such high end products in Canada * Company is owned by a strong business leading group, Wittington Group * Has been in business since 1837 which represents a significant time in the marketplace, likely have a reputation in the community Weaknesses * They are unable to manage their inventory levels * Poor planning practices displayed, they are constantly expediting * No order management system with suppliers Opportunities * Plenty of room to grow their market Opportunity to reduce the supply base and focus on suppliers they use (They do not use 2/3 of their current supply base Threats * The market they serve is a niche market, limits the customer base interested and able to purchase items from them * Volatility in economy, affects people's ability to purchase high end product * Market is very volatile, high levels of seasonality strain the business in off seasons

Quantitative Secondary Warehouse Costs| Square Footage Cost| $\$5 \times 60,000$ square feet =| $\$300,000.00$ | Taxes, Maintenance, Insurance Cost| $\$2.0 \times 60,000$ square feet =| $\$150,000.00$ | Variable Costs| $\$1.50 \times 60,000$ =| $\$90,000.00$ | Staffing: | 2 Supervisors (Assumed Wage: $\$50,000$ a year)| $2 \times \$50,000$ | $\$100,000.00$ | 10 Hourly Employees (Assumed Wage: $\$29,000$ a year)| $10 \times \$29,000$ | $\$290,000.00$ | Total Annual Cost of the Secondary Warehouse| | $\$930,000.00$ | Distribution Center Staffing Costs| Staffing: | 55 workers| $55 \times (\$14 \times 40 \text{hrs} \times 52 \text{weeks})$ | $\$1,601,600.00$ | Staff Benefits| 25%| $\$400,400.00$ | Total DC Annual Staffing Costs| | $\$2,002,000.00$ | Suppliers| 000 Suppliers| | 1000 used in a typical year| | % of Suppliers Actually Used in a Typical Year| 33%| Potential Supply Base Reduction| 67%| There are significant savings associated with supply base reduction. You have more time to focus on your key vendors which means improved relationships and

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more negotiating power. | | Payback Period for Mezzanine Level| 20, 000
Square Foot Mezzanine Level| \$ 1, 000, 000. 00 | | Annual Savings from
Elimination of Secondary Warehouse| \$ 930, 000. 00 | | Return on
Investment| 0. 93| Years| 12. 90322581| Months| Qualitative * The company
is well established and serves a niche market. The majority of Canadians
cannot afford the high end designer cosmetics and fragrances they sell. *
They are a major competitor in their market, in Canada they are the only
retailer I can think of that sells the level of high end designer goods. * They
have a significant inventory problem which is likely covering up other
operational problems * Holt Renfrew orders product several months in
advance, reducing the supply base will allow them to build closer
relationships with suppliers.

A result may be reduced lead time. * \$40 to \$60 Million in inventory is
received in the DC each month. This is obviously too much as merchandise
not sold is taken to the secondary warehouse. The secondary warehouse is
full. * Staff in store spend a lot of time expediting shipments- likely because
of the distribution centers inventory problem , they do not seem to have a
system, either random, fixed or hybrid * Staff are constantly following up on
order delivery status with suppliers and transportation service providers.

There is no order confirmation method so they do not have any idea when
orders are coming in or rather should be coming in. Implementing a supplier
order confirmation, supplier management, system could significantly
improve visibility of expected delivery dates of orders so planners/buyers
can be aware of when expedites are required * Every time a store called to
track down a shipment it was like a treasure hunt trying to find merchandise.

It seems as though the distribution center is causing stockouts. This supports the fact that there does not seem to be a stocking location system, they should know exactly where product is at any given time whether it be through having a fixed location system or computerized records of where product is stored in a random location system

Alternatives	Alternative	Pros	Cons	Resources	Feasibility		
Do Nothing	-No work required	-No fix to problems	Likely cause long term problems with Holt Renfrew resulting in lost customers-May eventually lead to the company having to close	Does not solve anything	None	Not Feasible At All	
Get rid of secondary warehouse and build mezzanine level	-Save money (Payback is only a little over a year)	- significant cost reduction	Do not have the secondary facility as an option to cover up or hold excess, you will need to be more proactive on deciding what to do with it	-Investment required in a turbulent time for the company	\$1 Million dollars	Feasible	
Implement fixed stocking location system	-Will always be able to find products required to pick	-Will reduce stockouts for stores	In turn improves customer service	Reduce amount of inventory lying around causing potential safety issues	-takes up a great deal of space in the facility, space that is not available	Additional capital investment required if adequate racking is not available	Somewhat Feasible
Implement random stocking location system	-Will always be able to find products required to pick	-Will reduce stockouts for stores	In turn improves customer service	Reduce amount of inventory lying around causing potential safety issues	Takes up less space than a fixed stocking location system	-a complex computerized system is required	Additional capital investment required if adequate racking is not available as

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well as investment for a complex computerized system| Very Deasible| Do a physical inventory of all material in both warehouses| -First step at fixing the problem is knowing what you have| -Take a significant amount of time-Not a fun task| Labour required to be dedicated to physical inventory until it is complete. Cost of having no operations during that time. | Very Feasible| Recommendations and Action Plan Short Term: Do a physical inventory of both the DC and the secondary warehouse.

Dispose of excess inventory in the secondary warehouse. Medium Term: Build the mezzanine level on the distribution center and move necessary stock from secondary warehouse to mezzanine level. Once you have been able to move all products to the distribution center discontinue use of the secondary warehouse space. Build a racking system that is adequate if one is not already in place to facilitate a random stocking location system. Implement a random stocking location system within the warehouse. Long Term: Maintain metrics to ensure inventory is not building unnecessarily. Reduce the supply base so you can build your relationships with your key vendors.