

Hp deskjet printer supply essay



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As Manager of Special Projects, Material Department at HP Vancouver division, it is my decision to move towards to postponement of Product Differentiation. The decision regarding the postponement strategy is of very strategic importance to future growth of HP. I recommend full review of inventory management system for desk jet printers & design a strategy to implement processes leading to postponement of product differentiation, in order to reduce inventory imbalance & satisfy customer demands.

The short term strategy will include recalculation of safety stock, reorder points & reorder quantity, Identification of certain models that needs to discontinued and improvement in demand forecasting system. New Key Performance indices (KPI's) reflecting performance of entire supply chain will be developed. We will have to design the product & realign the manufacturing & distribution activities so that customization step leading to product variation occur at most efficient point in the supply chain, giving lowest supply chain cost .

In long term the design of printers & subsequently manufacturing process will be changed to enable installation of power supply unit at final DC levels. We would be moving towards Design for Localization. Finally possibility of developing universal power supply will be explored. A time line will be setup to implement postponement strategy & development of universal power supply. This report will be used for further discussion with Operation Manager & Worldwide Distribution Manager Issue & Issue Analysis Inventory Imbalance & Customer Service Levels The European Distribution center was overflowing with inventory of printers for which they had no customers, while inventory of in demand printers had reduced to very low levels. Senior

corporate management had expressed concern on high levels of inventory levels and low customer fill rates.

Lack of Common Supply Chain Metrics & Organizational Barriers Though the overall performance of entire supply chain depends on the joint performance of all the channel members, the objective of each member have little to do with supply chain's performance. Each entity of supply chain (design, factory, dc etc) has their performance measures & evaluation responsibilities.

There is no performance measure for the complete supply chain. Vancouver plant has its quest for zero inventory & high production rate. The DC's have their own index for customer fill rate. **Competition & Marketing Channel** The printer industry is highly competitive. The low quality printers like dot matrix are getting outdated in favor of inkjet & laser printer. With increase in demand of computers, the peripheral products like printers were becoming commodity products. The customers wanted these products off the shelf. The brand name was no guarantee of sale.

Customers used criteria like cost, reliability & availability to make the decision. More & more sale was generated by retailers, who wished to carry no inventory & expected HP to provide high levels of product availability. The computer dealers were no longer important part of marketing channel. **Inventory Management System** The manufacturing plant at Vancouver worked on safety stock & replenishment level set arbitrarily. The current parameters were set up when dot matrix models ruled the market & others printers were either non existent or being developed.

As result they made & shipped more of old version & few of laser & inkjet printers. This left DC with high inventory of slow movers while in demand printers were often out of stock. Inventory stocking policies have never been adjusted to reflect the market realities. Product-Process Design The current design of manufacturing process though very efficient & geared for high production does not allow for any product modification once printers were tested & ready to go. The existing product & process design does not allow for rapid response to ever changing market scenarios. Alternatives Realignment various models.

As reflected by monthly demand data there are certain models that have been facing downturn in the market. It is these products that are occupying space at DC. This products needs to be declared as obsolete & their stock needs to be reduced. The inventory of high movers needs to be improved so that we can start filling out customers demand. Both this action needs to take place simultaneously, so that Dc will not have space problems. For example European option A & AY can be liquidated, in favor of option AB, AB& AQ, while US Dc needs to focus on model A only. Revamping of Inventory Management system

We need to strengthen our forecasting system, recalculate the safety stock & stock replenishment controls. Though new versions of printers are being introduced in market, the printer industry in general is at maturity stage of product life cycle. The demand of printers follows the demand of computer. A simple forecasting method like monthly moving average or 3 months moving average can be used to forecast the demand. Since now we have data for monthly demand for various models, we can rework the safety stock &

establish the reorder points. For detail sample working see Appendix A based on 98% fill rate.

The calculation has to be done at fixed periodic levels to ensure that we are using current demand data. This would ensure that we have right inventory in place & in pipe line. However this will be short term measure as the nature of industry does not allow us luxury of carrying high inventory (As we can see from current high inventory of obsolete models) Design for Localization or Design for Customization Improving forecast accuracy of product-mix demand is always going to be formidable task especially when we deal with global markets & highly competitive products.

In rapidly changing market we cannot guarantee sales through inventory stocks. We need to look at product/process design changes to ameliorate the impact of poor forecast Competitive advantage lies primarily in integration of product design & the supply chain. We will have to design the product & realign the manufacturing & distribution activities so that customization step leading to product variation occur at most efficient point in the supply chain, giving lowest supply chain cost . Vancouver manufacturing plant should make & ship generic product without power supply & manual.

The DC would then localize the generic product to different specific options as needed. This is similar to Risk Pooling. Thus Vancouver is to manufacture two types of desk jet printers 1) Fully localized US option. 2) A generic product without power supply module & manual for Europe market for further localization. This would drastically improve the response time as DC would have stock of generic product, which can be modified as the customer

orders come through. On the down side, changing existing design & process will entail capital expenditure but which can be justified as customer demand will be met & sales will improve.

We may be able to reduce transportation cost as we can ship generic printers without boxes & free of packing material. We are likely to face resistance from our DC staff, but once they see reduced stockout, improved fill rate they will embrace the new system. As an off shoot to this alternative in long term we may eliminate the California DC altogether & serve US market by using Vancouver as DC for North America. Recommendation & Implementation Short Term — Ramp up Inventory We will ramp up the inventory of high demand printers. If required certain quantities will be Air freighted to meet the demand.

This will reduce the profitability, but we will be able to retain the customer for future demands & after sales & service. Short to Medium Term - Recalculate Safety Stock & Re order points Non moving or obsolete products to be liquidated once for all, either by deep discount or reshipping to Emerging markets in Asia. All safety stock calculation will be redone & inventory levels adjusted as needed. To certain extent this will hit the P/L & books of HP, but this will ensure that we are making right product-market mix, freeing up space in DC for products that are we are able to sell.

Long Term-Design for Localization The product to be redesigned to ensure that power supply unit can be assembled at Local Dc with ease.

Subsequently manufacturing process will be changed to enable this. The staff at DC will have to be trained to carry out this localization. We will

design the products that are more modular, using large number of common & standard parts . This policy will be made standard for all new future product development Ongoing We will establish common supply chain metrics such as Total Inventory across the chain, Fill rate.