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CSL: Supply Chain Case Study

Summary/ Abstract

CSL is doing very well in the POS equipment market. However, the main problem with CSL is that the POS equipments are changing fast. This is causing the demand to dry up in some of the areas. To battle with the reduction in demand and fresh investments, it is of utmost importance that CSL runs its supply chain efficiently so that the profitability of the company remains high. CSL currently has Asian and Local European suppliers. Asian suppliers send parts on a monthly or bi-weekly basis to the CSL subsidiaries in Europe. Most of the shipments are done via airplane. That is why the cost of supply chain is very high for CSL. If CSL can manage to forecast well and can provide accurate forecast figures to its Asian suppliers, then a huge scope of improvement is possible. CSL can then opt for shipping as a transportation mode instead of air transportation. In that case, probably CSL will only be able to place an order per month and the lead time is high. Furthermore, there should be some consolidation from the supplier side to take advantage of economies of scale and reduce administrative cost.

Explanation:

Part 1: The Diagram on the left shows the supply chain scenario between Asian suppliers of CSL and the subsidiaries.

Part 2: Based on the information provided in appendix (Table 4), the value of the total business with Asian manufacturers is calculated. Weight is derived based on the weight to value table (Table 5). Number shipments are derived from within the case study.

Part 3: The average and total shipment costs for POS and Server are calculated based on the assumptions that all shipments are done via air, and the cost of air transportation is taken from Table 7.

Part 4: Finally, as Cash counters are extremely heavy, the volume to weight ratio is very low. Because of the weight of the cash counters, it will be very costly to ship them via air. It is more cost effective to ship the cash counters via air. The average cost of shipping and the total cost of shipping for cash counter are calculated.

Part 5: The total cost of transportation for the supply chain is calculated and shown in Table D. The total cost is 1.95 million euros.

Option 1: Reduce Number of Shipments for Cash Counter

Option 2: Consolidate Suppliers for each components

Explanation:

Option 1: As per the current shipment plan, cash counters are ordered weekly. Now, as per our assumption in the previous task, cash counters will be shipped from Asian Manufacturers via shipping. The lead time for shipping is almost 27 days. Ordering weekly on orders which have a lead time of 27 days does not make sense. It is recommended that the number of orders placed should be reduced for cash counters. From weekly and bi-weekly ordering cycle, a monthly ordering cycle can be established.

Option 2: Reduction in the number of shipments per year is absolutely necessary from Asian Manufacturers. Over and above that we can consolidate suppliers for part sourcing. Anycomm can supply all the Server requirements for Benelux. It can supply its requirements and also the requirements for Eposcorp. Eposcorp can only supply to Spain (Server),

France (POS) and Scandinavia (POS). Furthermore, similar consolidation can be done for Cash counter sourcing as well. General Retail can be dropped as a supplier to Scandinavia and that demand can be passed on to the supplier from Dalian, China. This way the overall supply consolidation will happen. This will improve the container utilization for Dalian cash counter shipments and also will reduce the administrative cost for AnyComm for servers.

Transportation Consolidation and Impact

Explanation

Part 1: Option 2 in the previous task will help in the reduction of the transportation cost. First, the cost will reduce due to the consolidation of demands from multiple locations to a single location for a particular subsidiary. Furthermore, the second type of cost reduction will come from better container utilization. This will help in the reduction of shipping cost. By implementing the above two things as discussed in option 2 of task 2, we get a huge savings in the transportation cost. The transportation cost is reduced from 1.95 million euros to 1.42 million euros, making a saving of almost 0.5 million euros.

Part 2: As we will reduce the number of shipments from Asian suppliers, we will require less staff to manage inventory and warehouse stocks. Because of the consolidation, the number of shipments in Benelux and Scandinavia will reduce too. This reduction in manpower will give CSL annual savings.

Explanation

Part 1: We propose that all the shipments from Asia are done through ships and not through air. Air shipments are very costly incurring a huge amount of

money as transportation cost for the company. Shipping everything via ships will reduce the overall cost drastically. From the total transportation cost of 1.95 million euros, the cost will come down to 0.95 million euros, thus making a saving of almost 1 million euros.

Part 2: The only problem with this approach is a long lead time but as for most of the parts CSL has local suppliers who can supply within a short notice, this problem will not be a big challenge to the company. In fact, if the lead time uncertainty arises or shipment delay happens then a fall back option is there for the company. However, there is another challenge for the company. Currently, air shipments have a lead time of maximum 7 days and even sales forecasts which come in at the last minute can be accommodated in the procurement orders. But if CSL shifts to ship based transportation method then they need to have a robust system which will be able to forecast the orders fairly accurately at least a month in advance for the procurement department to place the order. If CSL can establish a good demand forecasting practice, then this method of transportation will be successful. However, with a poor demand planning department, CSL may face some challenges by shifting to ship based transportation from Asian manufacturers.

Appendix:

Detailed calculations are done in the embedded excel file.