

# Supply chain



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One of the problems that Barilla faced in its supply chain was fluctuating demand. The fluctuating demand would adversely affect the planning process of the enterprise. The variability placed a strain on Barilla's manufacturing and logistics operations. Holding sufficient finished goods inventory to meet distributors ordering requirements was extremely expensive when weekly demand fluctuated so much. Brando Vitali was the director of logistics of the company in the late 1980s. In 1988 Mr. Vitali came up with an alternative approach to order fulfillment. He realized that both manufacturers and retailers were dealing with thinner margins due to market conditions. He wanted to cut costs out of the distribution channel without compromising service. The new approach towards logistics that Brando envisioned involved rather than sending products to the distributors according to their internal planning process, the company would analyze the distributor's shipment data and send only what is needed at the stores. The solution proposed that the company take full control of its supply chain by becoming responsible for determining the quantities and delivery schedules. Brando believed that this new system would help everyone reduce inventory levels. " Each day each distributor would provide us data on what Barilla product it had shipped out of its warehouse to retailers during the previous day, as well as the current stock level for each Barilla SKU" (Hammond). Replenishing orders would be made by the company based on that data. The new proposed system was called just-in-time-distribution (JITD).

The new JITD system met with resistance to change from the employees of the company. The sales and marketing department felt that the system would interfere with their job duties. Their responsibilities would be diminished if the new program was put into action. A conflict that the JITD

imposed was that it would flatten the sales of the company. The company would not be able to adjust their shipments to changes in selling patterns or increased promotions. Implementation of the JITD system imposed the creation of a sophisticated relationship with suppliers that the company might not be ready to handle. The company would run the risk of giving up shelf space to the competition. The new system was susceptible to stockouts. The firm would not be able to run promotions that give incentives to the customers to purchase more.

The new JITD system might be visualized by the distributors as a hassle due to the fact that the system violates the confidentiality of their business.

Manufacturers should concentrate on creating the product not on telling its distributors how to do their jobs. The system itself might be flawed since it requires the cooperation of all the players in the supply chain. Most grocers in Italy are not equipped with bar-code scanners and computer linkages.

Without accurate data from the retailers the company is going to have a hard time forecasting the demand for its products. A way to try to convince the distributors and retailers about the virtues of the JITD is by emphasizing that their overall inventory levels are going to be lower as a result of the implementation of the system. If the company is not able to implement the system Barilla could improve its operation by improving the productivity of its workers through financial incentives. The company could also reduce costs by sourcing raw materials from vendors in developing nations.

Work Cited Page

Hammond, I. 25 March 2008. " Barilla SpA(A)." Harvard Business School.