

Handm supply chain



Introduction:-

H & M, (Hennes & Mauritz) is a Swedish clothing company which is worldwide recognised for its fast fashion for men, women, teenagers and the children. H & M is operating in about 40 countries with almost 2200 stores. According to the recent 2011 datas, H & M employs about 87000 people. Its products are outsourced to about 800 factories in Europe and Asia. The business concept of H & M is “ Fashion and quality at the best price.” It can guarantee the best price by minimizing middlemen, buying large volumes, buying right good from the right market, resourceful distribution, being cost conscious etc.

Supply Chain is the collection of activities that connect suppliers to end users, forming a chain of events. From the ‘ Essentials of supply Chain Management’ by Micheal H. Hugos, Supply Chain management is the synchronization of production, inventory, location and transport among the participants in a supply chain to get the best mix of receptiveness and competence for the market being served. In other words we can say that Supply Chain Management refers to the method of strategically administering the flow of goods, service, knowledge, finance, along with relationships among and within organizations to attain or support enterprise objectives. According to Martin Christopher who is a professor in the Marketing and Logistics at Cranfield School of management, put forward that: Supply Chain is the linkage of companies that are tangled, through upstream and downstream associations, in the different processes and activities that produce value in the form of products and services in the hands of the ultimate consumer. The Supply Chain Management outlooks the supply chain and the organizations in it, as a single body. The aim of it is to

bring a logical approach in understanding and running the different activities required to coordinate the flow of the product and services to the ultimate customer. This approach offers the framework in which to act best in response to the business needs that would have been otherwise seemed to be in conflict with each other. An effective supply chain management necessitates simultaneous improvements in internal operating efficiencies of the organization and customer service levels.

Logistics:- The Council of Logistic Management views it as “ the procedure of scheduling, applying and supervisory the efficient, effective flow of storage of goods, services, and linked data from point of origin to point of ingestion for the purpose of conforming to customer requirements.. According to The Chartered Institute of Logistics and Transport, Logistics means, ‘ Getting the right product to the right place in the right quantity at the right time, in the best condition and at an acceptable cost’.

In 2004, Paul Larson and Arni Halldorson surveyed about 200 working professional so as to differentiate between Logistics and Supply Chain. They got 98 usable response, out of which 50 respondents replied that there is no differentiation between Logistics and Supply Chain Management. The second most popular view articulated by 22 out of 98 respondents counted Logistics to be a part of Supply Chain Management. The Council of Logistics Management, in 2004 defined Logistics to be the part of Supply Chain Management process that plans, implements and controls the flow of goods. The third view of about 16 out of 98 respondents reported that Supply Chain Management is simply an aspect of Logistics. According to it, Supply Chain Management is more narrowly focused on the moving of materials while

Logistics means the overarching discipline. According to the fourth view stated by 10 respondents expressed that the Logistics and the Supply Chain Management were interrelated fields which overlapped in some areas like in the handling of goods, which was seen as a division of how each field functions.

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This report will analyse and describe how logistics and supply is conceived, supported, delivered and developed in H & M addressing the following:-

- The nature of logistics and international Trade.
- Supply Chain Strategies.
- Logistics service providers.
- Procurement and outsourcing.
- Inventory, warehousing and materials management
- Transport planning.

The Nature of Logistics and International Trade:-

H & M controls every stage in the logistic chain by acting as importer, wholesaler as well as retailer. The continuous IT development offer great support to the H & M Logistics. The transport is contracted to third parties while the stock management is principally handled within H & M. A major part of flow of goods is routed via a transit terminal in Germany from the production sites there. There have been distribution centers set up in every country. Whenever the goods arrive, they are inspected and then allocated either in a store or in the centralized stock room which is known as the ‘ Call Off Warehouse’. The task assigned to the warehouse is to stock up item

levels in the H & M stores according to the selling trends. The process through which each company makes its decisions on various characteristics of logistics management is a character of several things, e. g. the nature of products or services it proposes, the country where it sources its products, the international rules and regulations, resources etc.

A comprehensive diagram of logistics

Supply Chain Strategies:-

ECR philosophy states that Supply Chain Strategies require a total system view of linkages in the chain that work together efficiently to create customer satisfaction at the end point of delivery to the consumer. Supply Chain strategies are quite dissimilar from the supply management. Supply Chain Strategies describe how the supply chain should function in order to be economical and competitive. Supply chain strategies is a procedure that should be repeated to calculate cost profits of the operational mechanism. The logistics and supply chain strategies depend indirectly on the corporate strategy and directly on the business unit strategy. This can be shown from the figure below.

Link between SCM Strategy and Corporate Strategy

Global logistics and supply chain management By John Mangan, Chandra Lalwani, Tim Butcher

Mangan et al (2008) stated that there are two main types of Supply Chain Strategies:-

a) Lean Strategy:- In the lean strategies the focus is given on reducing waste in the manufacture of goods and services. Lean strategy relies on having all the resources and the information obligatory for the production and the distribution and it also relies on being able to envisage or forecast the consumer needs so that there is no waste of the products.

b) Agile Strategy:- According to Agile strategy, it is not always feasible to have accurate resources and foresee consumer needs when there is a great instability in the demand and the production process. This strategy helps the organisations in coping with the needs made on it by embarking on the mass production and differentiation.

Both these strategies are not commonly elite and the organisations can choose to use both of them for the products with diverse lead times, consumer needs and the product cycles.

H & M's Supply Chain Strategy:-

The mission of H & M is "Fashion and quality at the best price" Further it goals for increasing its number of stores by 10% to 15% per year. Expanding and sustaining the financial stability are the strategic goals of financial stability. The behaviour of the consumer is not always predictable because the fashion industry is always characterised by high instability and low certainty.

According to (Zipkin, 2001, p. 18), " Mass customisation is the capability ... to offer individually tailored products or services on a large scale". It is a one of the key technique used in the agile strategy. H & M uses this strategy by offering mass produced clothing in many diverse colours shape, fashion so

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as to make differentiation in the taste, interest and attention of the costumer.

Logistic Service Providers:-

Logistic Service Providers i. e. LSPs are those organisations which handle the transport and the distribution networks of other companies. Identifying the cost effective view in the international transport and logistics leads to allegiance and resources (Rushton et al 2008). So to save resources and increase their profitability, many companies outsource the haulage of raw materials and finished products to Logistic Service Providers so as to focus keenly on their own core competences. But there have been some companies that provide themselves their own transport and distribution services. (Mangan et al 2008). While there have been some organisations that provide integrated logistics services acting as a one stop market for the other agencies commonly known as the Third Party Logistics Companies i. e. 3PLs or even Fourth Party Logistics Companies i. e. 4PL. These organisation provide the facility of Transport, Warehousing and Packaging and Distributions for the other agencies.

H & M comes under the type of company which provides its own Logistics Services. H & M provides a comprehensive service in the handling and the efficient distribution of its goods, all thanks owing to the fact that it has more than 18 years of experience and it has been an active member of the professional Movers Association (PMA). As the demand in the manufacturing and distribution section has been increasing rapidly, H & M logistics is among the few companies that can really offer a door to door service. H & M emphasize on adding value to company along with giving clients the desired

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peace of mind. H & M offers Specialized Packing and Crating, Commercial Storage, Dismantling and the Installation of the Workstations and Filling Systems, Unpacking, Computer moving services, Insurance and lot more.

Procurement and Outsourcing:-

Procurement can be defined as the organisational process through which all products, materials, labours and services enter the supply chain from the primary, secondary or service economic sectors. In simple we can say Procurement refers to the method of buying and acquiring the materials and services required for a business. For a fashion retail clothing company like H & M, it requires to buy fabrics, sewing material and skilled labour in manufacturing clothes. The process of procurement is slowly and steadily becoming more and more difficult owing to the fact of differentiation in the cost and the quality of the materials and services all across the globe. So in a bid to remain competitive and economical, the organisations have to buy materials from the areas where there is maximum value for money. Owing to the international regulations on buying and selling all across the globe means that the organisations are subject to factor in laws, customs and excise duties while buying the material. Procurement can be direct as well as indirect. The direct procurements applies because the manufacturing organisations are required to buy raw materials and equipments for their products while the indirect procurement applies to all the organisations as it spotlights on the facilities that are important to run the organisation like labour, marketing, office supplies etc. H & M has many subsidiaries like COS, H&M Hennes & Mauritz LP etc. H & M mainly outsources its production (50% of its production in Europe). It is operating in almost whole of Europe. In Asia

it is operating in Japan, United Arab Emirates, South Korea etc. The subsidiaries are doing relatively well for H & M. It has got many call centres in Europe and Asia and employs thousand of employers there. In addition H & M also recruits its own staff through its own websites and advertisements like [www. hm. com/us/jobs](http://www.hm.com/us/jobs) and many others like [Indeed. co. uk](http://Indeed.co.uk) which takes the candidates back to H & M website.

Inventory, warehousing and material management

H & M storage area is quite large clean and enclosed. The supervisors are assigned to prepare an inventory of all the items taken away for storage. For packing only and only clean high quality packaging material is used so as to protect the furniture and goods. H & M has a running trips every 7 days between, Cape town, Gauteng, Port Elizabeth and Durban while the local deliveries are done everyday to all the major city centers. H & M dont bother about the company requirements, no matter how small or big the consiignments are. Some of features of H & M are pick & pack, cross docking, break bulk, distribution coverge all over Europe and Asia, specialization in the high end manctured furnitures, competitive rates and excellent services.

Simplicity, Reliability and Transparency are the keywords of H & M logistics.

Simplicity:- Logistics should not become too much complex or problematical.

Reliability:- The fastest is not at all times the excellent or the best. Instead H & M ranks the most reliable and the greenest mode.

Transparency:- This implies to the information exchange flanked by all links in the logistic chain.

H & M's warehousing and distribution operations are continually reviewed so as to maintain efficiency and minimize risks to its property, warehouse breakdowns, capacity storage etc. H & M protects the costumer's goods with the help of protective blankets and portrays a thorough inventory of the belongings.

Transport Planning:-

Transport is used to perform two major functions in Logistics:- Product movement and Product Storage. Transportation is one of the most important element in logistics. A successful transport planning involves the movement of products from one destination to another with minimizing the temporal, financial and environmental resource cost. Further the expenses for loss and damage should be minimized. H & M uses all the methods of transport.

Logistics is a big challenge for every fashion organisation. The right product has to be arrived at the right time, at the right place and at the right cost. H & M opts for the greenest possible transport that is in line with the ongoing determined work towards sustainability. An example of this can be given as H & M has almost halved its airfreight volumes in just a few years. H & M scrutinize the environmental performance of logistics services providers like road hauliers and the shipping lines. The merchandises arrives in the distribution centres that are located in the different sale markets. After arriving, the garments are unpacked and allocated to the stores. These centres support the individual stores as they don't have the backup stocks

and they are stocked up or refilled from the central stockrooms. A request for replenishment is sent to the central stockrooms as soon as the product is sold. So every day, H & M receives new goods.

Conclusions and Recommendations:-

Logistics is very necessary for a global organization. It includes the process an organization sources its products, produces it and transports it. H & M is very much dedicated to make profits by reducing costs and increasing demand for its products by providing customers what they want. So therefore H & M uses both the lean and agile strategy to manage its supply chain management. Although its recession, but still is making profits compared to the other competitors in fashion industry. It can be recommended that H & M should outsource some of its supply chain functions to independent agencies so that it can pay more focused attention on its core competencies which will make it a market leader by making improvement in its quality and standards. Now H & M could be called the Jack of all Fashions but still it has to do a lot for the quality management. H & M should realize that outsourcing procurements wouldn't mean that H & M has lost its control of its sourcing and buying process.