

Marketing: inventory problems solutions assignment

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A ??? Class or Mass Summary (100 word) Neptune is the North America's third-largest seafood producer in a high-end business. The company is an upmarket player. Main distribution channels: ??? grocery chains and retailers; ??? the best restaurants on its region; ??? wholesalers; ??? its own fish market. They are facing a big inventory problem. Reasons ??? new technologies; ??? new lows; ??? growing demand. Proposed solutions ??? slash prices launching a new mass-market brand; ??? slight discounts; ??? sell old ships and launch new product; ??? new markets. Issues of Sanchez's proposal ??? destroy premium image, erode brand equity; ??? price war; cannibalization; ??? distribution; ??? markets. B ??? A similar situation In the everyday struggle with the lifecycles of the market, companies face inventory problems. It is important for them to have adequate inventory levels to accommodate the needs of customers. However, in some cases, as it happened to Neptune, having too much inventory can become a weakness. Idle inventory can be costly and therefore could be a potential threat to company's success. Hence, several companies such as Dell computers, McDonalds, and Toyota have been very successful using an important approach: the Just In Time Management.

Company's situation: Toyota Motor Corporation and the JIT Japanese corporations cannot afford large amounts of land to warehouse finished products and parts. This was thought to be a disadvantage because it forced the production lot size below the economic lot size. The undesirable result was poor return on investment for a factory. In the same Situation was Toyota Motor Corporation that had to find a strategic solution. Inventory problem solution Usually excess inventory is marked down and sold for a

reduced price. The chief engineer at Toyota, Taiichi Ohno,, examined accounting assumptions and realized that another method was possible.

The factory could implement JIT system which would require it to be made more flexible and reduce the overhead costs of retooling and thereby reduce the economic lot size to fit the available warehouse space. They created an automatic replenishment system. Because of this system, the company hardly ever had excess inventory because once the inventory levels reached zero it would automatically re-order the product. - The Just In Time (JIT) approach. JIT is an inventory strategy implemented to improve the return on investment of a business by reducing in-process inventory and its associated costs.

The process is driven by a series of signals that tell production processes when to make the next part. When implemented correctly, JIT can lead to dramatic improvements in a manufacturing organization's return on investment, quality, and efficiency. New stock is ordered when stock drops to the re-order level. This saves warehouse space and costs. However, one drawback of the JIT inventory system is that the re-order level is determined by historical demand. If demand rises above the historical average demand, the firm will deplete inventory faster than usual and cause customer service issues.

To meet a 95% service rate a firm must carry about 3 standard deviations of demand in safety stock. Actions they took and outcome for the company
Just-in-time (JIT) inventory systems are not a simple method that a company can adopt. It has a whole philosophy that the company had to follow in order

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to avoid its downsides. In short, the just-in-time inventory system is all about having ' the right material, at the right time, at the right place, and in the exact amount' but its implications are broad for the implementers.

To set up this process, over a period of several years Toyota engineers redesigned car models for commonality of tooling for such production processes. Some of the initial results at Toyota were horrible. When a process problem or bad parts surfaced on the production line, the entire production line had to be slowed or even stopped. Many people in Toyota predicted that the initiative would be abandoned for this reason. In the first week, line stops occurred almost hourly. Today line stops fell to a few per week. The result is a severe quality assurance crisis, and a dramatic improvement in product quality.

Eventually, Toyota redesigned every part of its vehicles to eliminate or widen tolerances, while simultaneously implementing careful statistical controls. Communication is also a king in a JIT rich supply chain. There is a risk involved with JIT when there is a communication breakdown and the company cannot get the right amount of supplies needed to keep the just-in-time system running smoothly. Therefore, Toyota has developed its own software that connects dealers to factories and factories to suppliers. The integration of the value chain creates visibility for all members of Toyota's supply chain.

When a request from a dealer is received by Toyota their " software is able to figure out the availability of parts nearby, the time to resequence the assembly line and whether the change would unbalance the line by

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scheduling, for example, too many models loaded with time-consuming options one right after the other” (Fahey, 2004). Because of their new approach, they are known as the “ master and pioneer” of just in time and are currently entering the market to provide customized vehicles to customers with a minimal wait. Source: Business & Finance on http://www.associatedcontent.com/article/5481124/justintime_management_is_the_solution.htm HBR <http://www.leandeployment.co.uk/pages/just-in-time.php> Similarities and differences between the two companies issues Even if both companies had to face the same inventory problems, services, markets and customers are clearly different. Hence, the same solution would be not be applicable at both companies. Moreover, Neptune had to solve a problem of getting rid of rising excess of stocks. On the other hand, Toyota had to avoid creating inventories.