

# Poultry supply chains in the netherlands



Poultry supply chains in the Netherlands are confronted with growing demands from customers and governmental rules relating to excellence and surroundings. The present way of working must change to hang about competitive in the future. In this Wings & legs combine a lean and an agile approach in its supply chain we will use the concept of validity and the decoupling points to distinguish manifold other supply chain designs. It has been performed at several companies in a poultry supply chain in the Netherlands. All companies fit to the same cooperative organization resulting in belief level between them.

Obviously, every of the above two levels of decisions need a different view point . The planned decisions are, for the most part, world wide or “ all surrounding ” in that they try to incorporate different aspects of the supply chain. Subsequently, the models that explain these decisions are enormous , and require a substantial amount of data. Often due to the extent of data needs , and the broad scope of decisions, these models give estimated solutions to the decisions they explain . The functioning decisions, meanwhile, address the day to day operation of the supply chain. Therefore the models that describe them are often very exact in nature. Due to their thin view point, these models often consider great detail and give very good, if not best solutions to the operational decisions.

The poultry processor Wings & Legs produces fresh poultry products for the consumer market. It provisions retail supply centers, which give out poultry products to the individual retail-outlets. Fresh poultry products are typical commodity products with low profit precincts. The market success in the Netherlands is motionless cost. Market qualifiers are quality, show and

service level. This holds true for the end consumer, who buys its products in retail outlets, and for the retailer, who is the direct customer of Wings & Legs. One could dispute that, because of the rising interest for food safety and recent outbreaks of animal disease, quality is moving from a market qualifier to a market victor. The risks associated with deprived quality are consequently high, that retailers and consumers are gradually ready to pay more for privileged quality. The high demands on quality, places constraints on the flexibility of the supply chain. The poultry processor itself initiates promotional activities. Typically it is provoked by the need to sell over-production of products. Over-production of poultry products will always be the case, because the demand for the different poultry products is not identical and the product organization of poultry is different.

In short, demand hesitation is fairly high and as a result, the need for production ability and thus the require for raw materials fluctuates. The production ability itself is fully utilized resulting in very low production liveness. Finally, the supply of chickens from suppliers has to be planned 12 weeks in front because of the duration of the reproduction and rising stages. Buffering is not possible in the supply chain since the quality of the supply will decline. Production planning and control is material oriented with concern to the supply of chickens, is capacity-oriented with concern to production costs and is inventory-oriented concerning shelf life of products..

The poultry processor Wings & legs is its proficient production well executed operations, planned supply chain and quality of its products. The managing of the organization is conscious of the trouble that the firm is facing, and they know it is due to many factors that are directly affecting its business.

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One of the essential factors that the supervision at Wings & legs decided to focal point on is the, supply and demand needs .

## **Q NO 2**

**What are the relative merits of each possible position of the material decoupling point and of the information decoupling point . how do they relate to each other with respect to supply chain planning and control?**

### **Ans**

Many solutions are planned for this supply chain to manage with high demand hesitation. The customer order decoupling point, the product differentiation point and the information decoupling point participate a central role in these solutions. The precise characteristics of the poultry supply chain the opportunities for a legible supply chain design are limited.

Combining nimbleness and neatness in one supply chain by the strategic use of a decoupling point has been termed validity define legality as “ the combination of the lean and agile paradigm within a total supply chain strategy by positioning the decoupling point so as to best suit the need for responding to a volatile demand downstream, yet providing level scheduling upstream from the decoupling point”. The decoupling point refers to the point at which real demand penetrates upstream in a supply chain.

According to Christopher the challenge to Supply Chain Management is to seek to develop “ lean” strategies up to the decoupling point, but “ agile” strategies beyond that point.

A basic idea in the strategy of legality is the supply chain decoupling point.

Mason-Jones state that processes upstream from this decoupling point

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should focus on leanness, processes downstream from the decoupling point should be focused on agility

The one-dimensional view point of the decoupling point and recognize two types of decoupling points in real-world supply chains. First, they differentiate the “ information decoupling point” (IDP), stating that it represents the utmost point to which information on real final demand penetrates. Upstream from the IDP processes are forecast-driven and based on planning, downstream processes can be demand-driven and based on real-time demand. The idea here is that the IDP should lie as far as possible upstream in the supply chain. The material decoupling point (MDP) is where strategic inventory is held in as generic a form as possible. They refer to the concept of “ postponement”, or “ delayed configuration” The challenge to supply chain management is all about the efficient management of these two decoupling points. However, some questions appear when you relate these two “ decoupling points” to the concept of legality. The following remarks can be made.

First of all, the IDP is not the point to which information about real end-consumer orders penetrates the supply chain, but is the point to which information about final consumer demand of an earlier moment is made evident . This means that downstream of the IDP processes are not driven by definite orders, but that they are driven by (hopefully undistorted) demand data of an earlier moment.

The demand information can penetrate the supply chain far upstream; it does not automatically mean that all processes downstream from that IDP

are designed for agility. Demand data could also be used to make production even more efficient and still pursue a lean approach. Using the legality and decoupling point's concepts proves to be very helpful in the analyses of supply chains and in the recognition process of incentive supply chain designs. However, because of specific characteristics of food supply chains the applicability of the concepts is restricted. The value of IDP information, the position of the CODP and the choice of agile versus lean production depends on the possibilities of synchronization in the supply chain

### **Q NO 3**

**Most of managers of wings and legs see the exchange of tactical information about (price) promotions between wings and legs and the retail companies as difficult to accomplish. What are the advantages for the retail companies of exchanging more timely and more accurate information about promotions with wings and legs?**

### **Ans**

A retailer's location is key to its ability to attract customers. The costs of building or leasing facilities have a major impact on the retailer profits. Thus site location decisions are more among the most important the retailer makes. Small retailer may have to settle for what every location using advance methods. The retail firms can enjoy benefits by exchanging timely precise information to the Wings & legs regarding product promotion. It increases the basic value of a product for retail companies for a limited time and stimulates the consumer purchasing, and selling efficiently. Sustaining 'competitive advantages' in the market is only possible if the retailers share

timely information to the Wings& legs, about the customer demand and market trends for a product

The promotional action initiated by the retail companies place heavy strains on the upstream supply chain. An opportunity to level demand is to eliminate all promotional activities, as mentioned, but this encounters much resistance from the retail companies involved; poultry products are favorites for promotions to bring in new customers.

Information enrichment could extend the basic idea of the exchange of EPOS-data, by including ‘ tactical’ information exchange between supply chain partners with respect to promotional activities. Longer-term information about future promotions, but also category management decisions at the retail-outlet concerning the product-assortment, can be characterized as tactical information. Simplicity of this tactical information in the supply chain can increase the sensitivity of the supply chain.

## **Q NO 4**

**The network-based approach of an agile operation strategy could solve part of the matching problems for wings and legs. In supply chain management much attention is paid to improvement of the vertical processes in a supply chain. However, wings and legs also outsource part of production (they buy poultry products from other poultry- processors) which means that horizontal processes and horizontal cooperation are of importance.**

**What advantages are there for wings and legs in outsourcing part of their production to other poultry processors? what advantages are there for these other poultry processors?**

### **Ans Part a**

The supply chain is characterized by very short required lead times (retailers

Demand a delivery between 18 to 48 hours), frequent deliveries and increasing product variety; typical elements of an agile supply chain. Lead-times are very short and therefore stock needs to be held at the poultry processor. The required service levels for poultry products are high. The poultry processor has to comply with a minimal delivery reliability of 99 percent. Production planning and control is material oriented with concern to the supply of chickens, is capacity-oriented with concern to production costs and is inventory-oriented concerning shelf life of (end) products. Production and supply are currently based on demand forecasts, which are unreliable given the market characteristics presented. The Wings & legs, they have outsourced a part of their production to the other poultry processors; the large benefit of the lower personnel costs. The Wings & legs does not have to pay



reliable salary to their possess employee. It is cost efficient method and leads to savings. If we see other side to poultry processors the production is being outsourced, they certain benefit. There is an increase in quality and profitability due to increase in orders. The employment is generated to requirement of the production demand in less time.

### **How should wings and legs outsource part of production to others poultry processors, with respect to production planning quality control and product specifications?**

#### **Answer**

The production ability itself is designed for maximum consumption to keep production expenses per kg product as low as possible resulting in low production suppleness. Finally, the supply of chickens from suppliers has to be planned 12 weeks ahead because of the duration of hatching and stuffing stages. The potential for buffering and inventory storage is limited in the supply chain since the quality of the supply (chickens) and of the consumer products will decline. Product requirement is to guarantee that the following design and development of a product meet the customer needs, Wings & legs specify their poultry products according to market demands .

The order for poultry products by end-consumers shows a very changeable pattern, and seems unpredictable. It looks strange at first view , but is explained by the important use of promotional behavior at the retail stage in the supply chain which are not always communicated in detail to Wings & Legs.

## Q NO 5

**The information decoupling point only concerns information about changes in demand and market. This is information that flows upstream in the supply chain, living chickens and perishable products are exchanges. Wings and legs therefore not only have to take into account variations in demand, but also variations in supply. What information should flow downstream in the supply chain (to the poultry processor) so that wings and legs are able to match supply with demand in a better way?**

### Answer

The rapid changes in consumer tastes, technology, and competition, companies must develop a steady stream of new products and services. A firm can obtain new products in two ways. One is through acquisition by buying a whole company, a patent, or a license to produce someone else's product. Information decoupling points in the supply chain supports the information combination between Wings & legs and its retailers, in the structure of information sharing, concerted product design and development. The basic reason is to improve supply chain coordination. This development directly relates to the company's benefit. A strong network of upstream information network in the supply chain allows such initiatives to impact inventory management at Wings & legs and revenue-enhancing measures that, in turn, increases its profit margins. Wings & legs is working with a production and logistics plan based on forecasts and estimations, helping them to meet customer demand more consistently, due to this production utilization rates have increased and production confirmation lead-times have improved. It is already achieving several initiatives particularly in the area of

lead-time reduction and the better matching of supply and demand for the company.

Demand uncertainty is comparatively high in poultry business; the need for raw materials fluctuates with the changing demands in the market. Suppliers for Wings & legs form an important link in the company's overall customer worth delivery system, they provide the certified chickens needed by the company to produce its poultry products, and supply and demand problems can seriously affect chain supply and marketing in general. Marketing managers at Wings & legs must watch supply availability with respect to demand i. e. supply shortages or delays, labour strikes and other events can cost sales in the short run and damage customer satisfaction in the long run.