

Barilla case analysis

Business



Barilla SPA 1990 : Barilla Spa had become largest Pasta manufacturer.

35% Pasta sold in Italy 22% sold in Europe. A) Plant Network Barilla owned and operated an extensive network of plants located throughout Italy. B) Barilla Divided its entire product line into two general categories . Fresh Products (Shelf Life 21 days) and Dry Products (Shelf Life 18-24 Products) C) Distribution Centres South CDC(Central Distribution Centres) North CDC(Central Distribution Centres) Plant Most Barilla products were shipped from the plants in which they were made to one of the two Barilla DO for independent supermarket GD for Chain of Supermarket Chain

Barilla Maintained separate distribution systems for its fresh products and dry products. Dry products were shipped to first one of the vanilla CDC , where they were purchased by the distributors .

The distributors in turn shipped the product to super markets . JITD proposal was focused solely for dry products. D) Retailers Small Independent Shops : They typically held over two weeks of inventory . They purchased the product through brokers who dealt with purchasing and distribution personnel. Supermarkets : 70% to supermarket chains and 30% to independent supermarkets : They typically kept 10-12 days of inventory.

Important : Dry products destined for a supermarket chain were distributed through chain's own distribution organization GD And those destined for independent super market were destined through DO E) Sales And Marketing Advertising : Barilla Brands were heavily advertised.

Positioning in quality Trade promotions Heavy Discounting. Volume Discounts F) Distributor Ordering procedure Most Distributors used simple periodic

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review inventory systems. G) Issues in Demand Variability Extreme Demand Variability affected manufacturing and logistics operations. H) Just In Time Distribution to minimize the product variability Internal Resistance Sales representatives feared in reduction in responsibilities. Risk of inability to adjust shipments quickly to stock outs.

Lack of infrastructure to adjust shipments quickly to stock outs. External Resistance Unconvinced Distributors. Lack of faith in Barilla's inventory management. Questions 1. What are the reasons in increase in variability in Barilla's Supply chain? Demand Forecast.

Long Lead times. Order Batching. BullWhip Effect Increased inventory holding cost Strained manufacturing and logistics operation. Holding buffer to meet distributor's requirement. Inflated orders in high estimated demand scenarios.

. How can the firm cope with the increase in variability? Reduce Uncertainty Sharing information Centralising demand information. Reduce Lead times. Information lead times : EDI Order Lead Times : Cross Docking. Strategic Partnerships Quick Response Continuous Replenishment Advanced Continuous Replenishment. Vendor Managed Inventory.

Reduce the excess promotional activity. 3. What is the impact of transferring the demand information across the supply chain? BullWhip Effect will be reduced. Total Supply chain cost will be reduced. Demand Variability will decrease. Product response will increase.