

Applied Global Logistics and Supply Chain Project

Supply Chain Optimization For ABC Eyewear

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ABC Eyewear Company Background

ABC Eyewear is an organization specializing in manufacturing and retail sales of eyewear products. Stated in Japan in 1961, the original founder of the organization specialised in metal work specific to eyeglass creation. Eyeglasses were sold on a local basis with popularity growing into the 1970s. As the company progressed, the manufacturing of eyewear became a global business and thus the need to explore sourcing options as well as a distribution network to move goods and services.

- Established a formal distribution network in the 1970s
- Supply Chain design for multiple geographies in the 80s & 90s
- Multiple business acquisitions within the 2000s
- Sustained Global sourcing and manufacturing business at present

Continued background

➤ The current ABC business model as of 2014

1

Group

11

Plants

Current Business Model for OSA
Eyewear as connected to the OSA
Supply Chain Network

130

Countries

45

Brands

>55 mn

Manufactured
frames

62,000

People

>6,300

Stores

>60 mn

Customers



Continued background

ABC continues to target a market with room to further grow and expand. Given the below details, there is a tremendous level of growth within the eyewear industry taking place over the next five years. With the correct Supply Chain Optimization, profits will be captured through efficiencies.

MARKET HUNGRY FOR PREMIUMIZATION



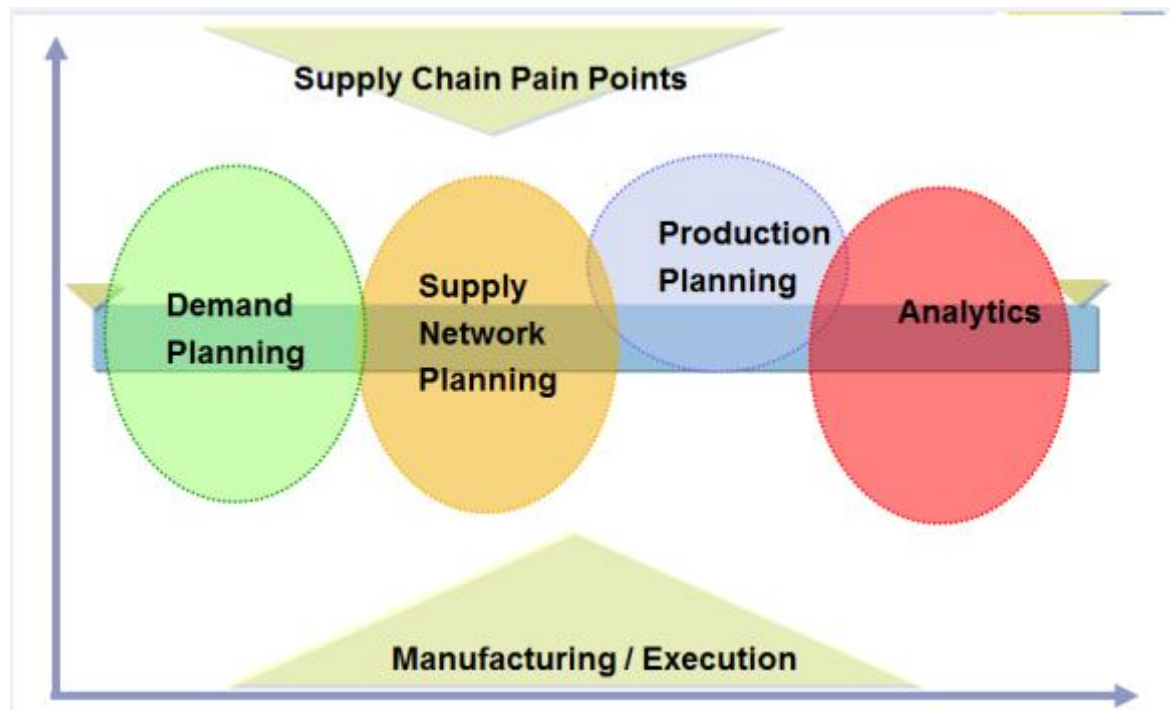
Evaluation of the ABC Supply Chain Processes

ABC Eyewear has established a supply chain which is cantered around meeting customer expectations. This is achieved through the following processes:

- Detailed focus on product design.
- Collaboration between sales and operations teams on a global basis.
- Strategic placement of facilities to meet consumer demand.
- Fewest number of supply locations to reach the largest impacting markets.
- Ability to be flexible with changing market conditions

Evaluation of the ABC Supply Chain Processes Continued

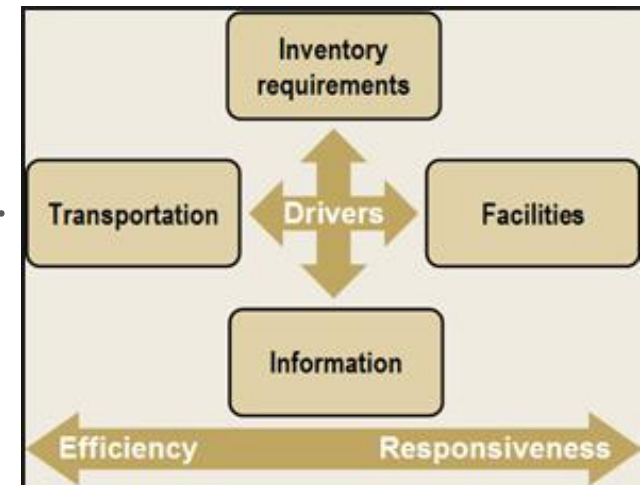
In evaluating the ABC Supply Chain, the functions related to meeting customer demand are fluid. The areas for improvement are depicted within the following diagram. Functions related to business execution are most critical to the success of planning.



Drivers of Supply Chain Performance

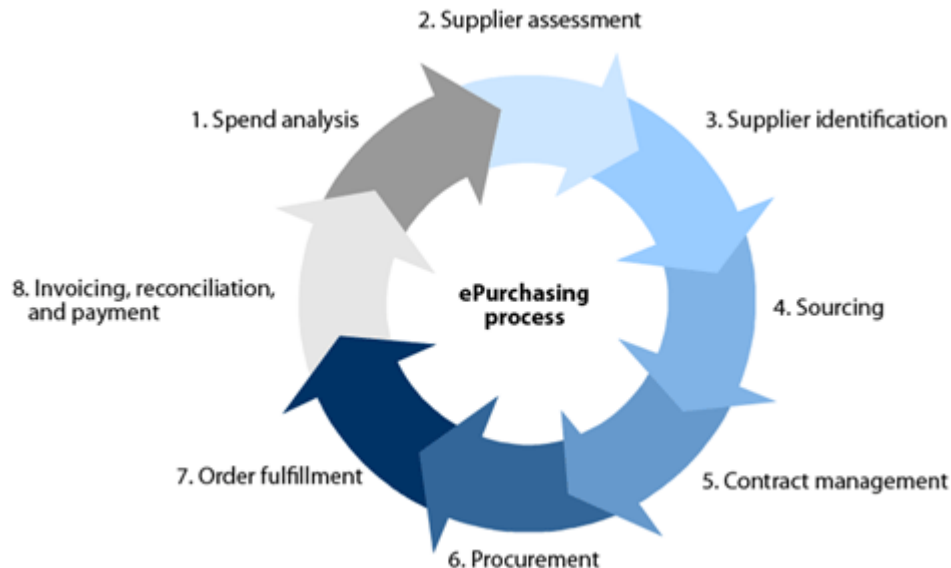
ABC is highly focused on the drivers of the Supply Chain. These elements help to ensure that more responsive approach is taken. As ABC must meet consumer demand based on fashion products, there is a need to be more responsive within the market.

- Critical view of supply chain drivers.
- Product times are important.
- Transportation costs maintained.
- Facility location costs need to be reviewed.



ABC Eyewear Network Design

ABC has emerged into an industry leader based on the ability to develop a successful network design. ABC has maintained low costs related to facility placement which has lead to increased revenue for the organization. ABC is a leader in sourcing materials in the emerging markets which has also lead to cost control and savings while offering high quality products. These functions are tied together through ePurchasing which connects suppliers through Information Technology.



Risk Mitigation within the Supply Chain

A good portion of success can be attributed to risk mitigation. ABC has been able to identify potential risks within the Supply Chain and thus ensure that there are no potential disruptions. The risk indicators which ABC has a close watch on are:

- Price fluctuations within the market.
- Exchange rate changes from conducting business in multiple markets.
- Having multiple levels of sourcing for raw materials to ensure that no stoppage occurs.
- Adding levels of redundancy to back up systems.

Forecasting Practices of ABC Eyewear

ABC uses statistical methods for planning and forecasting of market demand. As the eyewear industry is a more mature and stable market, ABC is able to plan material productions based on historical data as well as current sales data to arrive at meeting the level of inventory which is required to achieve customer demand. The goal is to ensure equilibrium in matching supply with demand. ABC employs the following:

- Push-Pull process
- Long, medium and short range forecasts used
- Quantitative method of forecasting utilized
- Use of trend progressions



Sales & Operations Planning

During the established of ABC, there was a clear need to ensure that alignment between sales and operations teams was cohesive. As there is great detail within the planning process to correctly execute on the delivery of end products, there was a clear need to join organizations together to ensure organizational alignment.

- Removed the level of generalization around the planning process.
- Clear identification around resource planning. Includes guidance of finance, human resources, marketing and information technology.
- Closely monitor monthly revenue plans set forth by executive management.
- Focus on resource capacity.

Inventory Management Practices

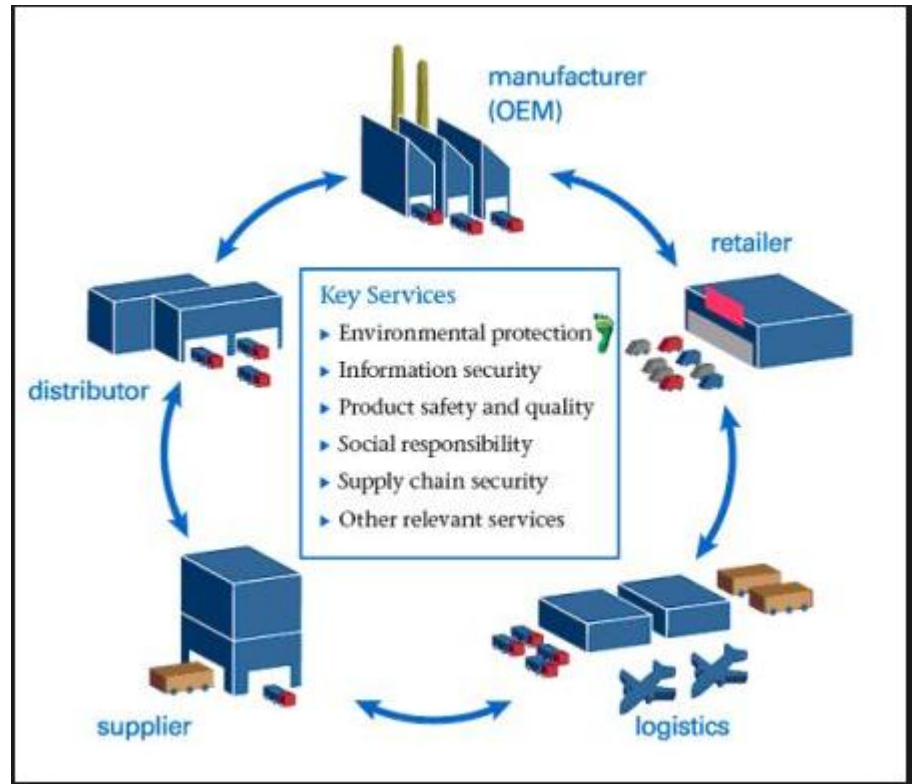
The ability for ABC to manage inventory levels is a critical component in reaching desired revenue objectives. As high associated costs come with having to hold excess inventory there is focus on cost mitigation associated with warehousing as well as removal of inventory which is not selling. ABC utilizes selling practices to help move inventory which has become out-dated. In addition ABC manages inventory levels through the practice of:

- Safety stock, to ensure that there is not gap time in filling customer orders.
- Centralized facility use to mitigate transportation costs.
- Delayed product differentiation.

Use of Transportation within the ABC Supply Chain

ABC Eyewear uses a global transportation network to manage all cargo flow processes. As ABC is both a manufacturer and retailer, there is a need for multiple types of transportation solutions. ABC is focused on:

- Cost containment
- Service
- Reliability
- Visibility
- Flexibility
- These are achieved through...



Use of Transportation continued

- Cost containment through bid proposals to ensure most effective rates are obtained in the market place.
- Vetting carriers based on the level of service ability to meet the needs of the ABC supply chain.
- Reliability in the type of transportation which is offered. Ensuring that no disruption takes place which could affect customers.
- Visibility through an integrated track and trace system. If a customer makes an order, there needs to be end to end view.
- Flexibility during times of peak season, which are the summer and holiday months for ABC. Ensuring market uncertainty is accounted for relative to capacity.

ABC Eyewear-Decisions in Sourcing

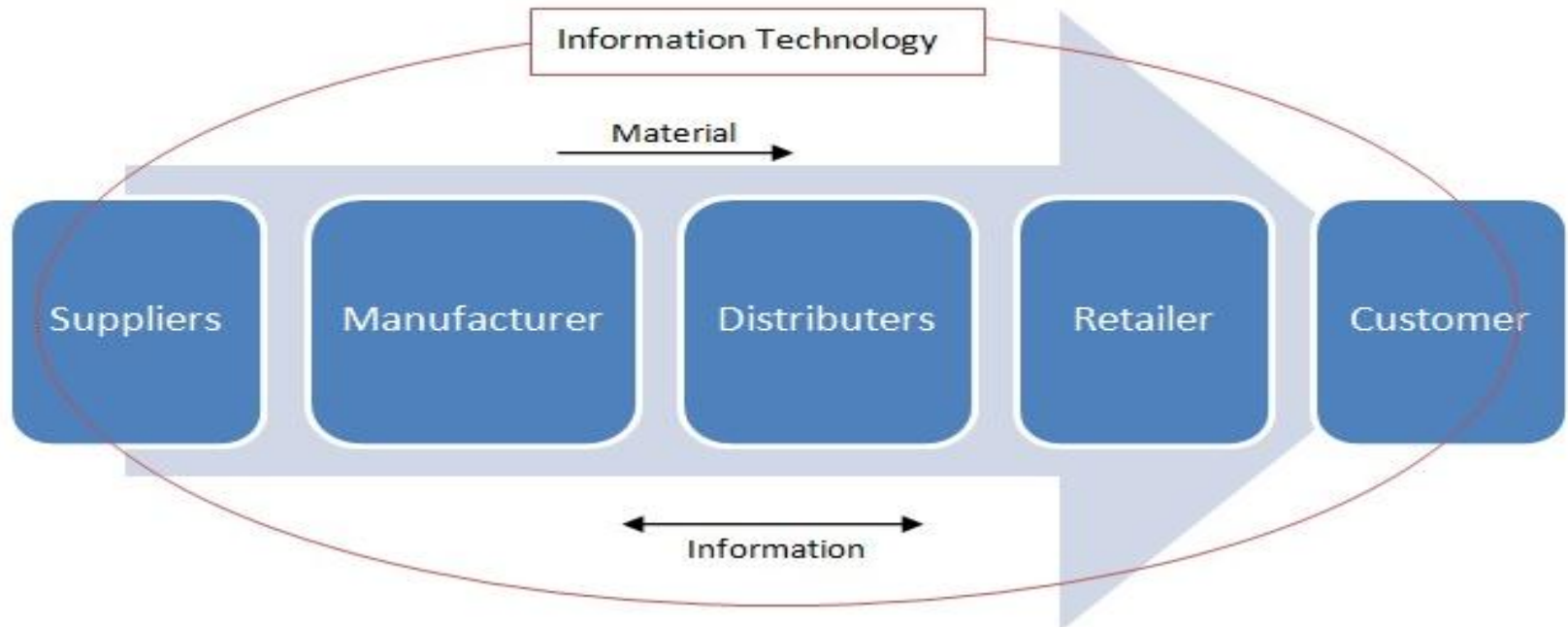
Sourcing specific to the ABC supply chain has had a great effect on the level of organizational profitability. ABC has achieved this process through, reduction of costs, design collaboration from manufacturing similar types of products, direct communication with suppliers to ensure process efficiencies and price reductions from direct sources through the process of proposals and auctions. ABC uses primarily:

- Off-shore sourcing for eyeglass materials.
- Quality can be controlled while maintaining costs.
- Ability to adjust level of strategic flexibility.
- Evaluation process if a need to change suppliers.



Use of Information Technology for Supply Chain Optimization

Information technology is a key contributing factor to the success of ABC Eyewear. Through the process of collectively managing all the organisational functions, a level of visibility is provided to ensure that transparency is available throughout the supply chain.



Use of Information Technology for Supply Chain Optimization cont.

ABC uses Information technology to monitor inventory levels related to customer demand. Market share for ABC within the eyewear industry can be attributed to the successful implementation of information systems such as Enterprise Resource Planning. ABC is provided continuous visibility within the supply chain which provides managers with important information in making critical business decisions. The benefits to having a successful ERP system for ABC include:

- A level of control over business functions.
- Improved communications with customers.
- Supply chain integration across new departments.

Supply Chain Sustainability with Learning Outcomes & Recommendations

ABC Eyewear has emerged as an industry leader in fashion eyewear products. The success of the organization can be attributed to the optimization and evolution of the supply chain process which have been reviewed. ABC has leveraged the successful task of sourcing materials used in product designs which has provided positive sales year over year. The ability to adjust with market trends as well as changing economic climates has also lent a level of success to the organization. The five and ten year focus is to remain consistent with supply chain practices, to be aware of changing market conditions and make needed adjustments to stay ahead of the competition. The following are recommendations for ABC to achieve continued success:

- Further review with respect to levels of material sourcing.
- Mitigation of high costs related to supplier selection

Supply Chain Sustainability with Learning Outcomes & Recommendations Continued

- By diversifying the supply sections there will be a higher level of cost competition which could also potentially drive a higher demand in product quality.
- I would also advise continued reviews of implemented Information Technologies.
- While there is strength in the current systems of ABC related to ERPs, the tech industry is moving at such a fast pace that there is a need to keep a thumb on the pulse of changes to technology and reporting to ensure the highest level of transparency and visibility.
- Sustainability to the supply chain is critical and ensuring the optimization is taking place on a continuous basis is vital. ABC Eyewear is an industry leader and given the current processes set in place, ABC will enjoy this level of success for years to come