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## 'MASTER AND COMMANDER' OF THE SUPPLY CHAIN

Competition today is not only between two companies but rather between two supply chains. Two companies who have recognized this - SCOTTS (lawn and garden products) and Bose (loudspeakers for home and car) - have implemented an original strategy. SCOTTS did it in its downstream supply chain, with its customers, while Bose did it upstream, with its suppliers.

SCOTTS began wrongly, by trying to implement a big integrated software package supposed to manage the supply chain. After having spent \$60 million and set up a project with 50 consultants and 50 employees, SCOTTS gave up and put in simpler and more robust software, which gives correct information to humans who then make the key decisions.

The software is still essential to manage demand. One of Scott's performance measurements, is the "perfect customer order", or as they prefer to say, the number of untouched orders, those that are completely handled by EDI without the intervention of a human planner.

Still, the planners plan! To analyze the demand automatically input, they are organized into 6 teams by major brand (SCOTTS, MIRACLEGRO...).



In a second step, to better serve its 5 biggest customers representing more than 70% of sales, SCOTTS reorganized its planners. Instead of by brand, SCOTTS now holds a Pre-S&OP Sales Meeting *by customer* : Home Depot, Wal-Mart, Lowe's, etc.

For Carrefour, another big customer, SCOTTS has taken over the complete management of its lawn and garden products in Carrefour's U.S. stores as category captain. SCOTTS manages both the physical and the informational flow of these products at Carrefour via Vendor Managed Inventory (VMI).

As Ken Reiff, SCOTTS' Vice-President of Operations, says it : « We want to write the order for the customer », even though the standard customer order no longer exists, because the replenishment quantity is calculated by normal DRP logic and transmitted to SCOTTS by EDI.

° Distribution Resource Planning, which is MRP in distribution

Benefits have been considerable. While inventory turns 3 times for all products at SCOTTS, because of strong seasonality, it turns 14 times for customers managed directly. Customer service is 99%+.

Bose, the widely known manufacturer of audio equipment, took the opposite approach at the other end of its supply chain. The company invited suppliers to come manage categories of products at Bose.

Initially, the motivation was to improve purchasing. Instead of hiring buyers, Bose began a program to entrust procurement to selected suppliers to free up procurement people to become buyers. On the basis of 35 strategic studies, Bose created 120 partnering agreements, of which 13 were category captains, in areas as diverse as plastic injection molding, marketing documentation, packaging, and transportation and customs services. Only the procurement of strategic electronic and acoustic products continues to be done by Bose directly.



If SCOTTS wants to « write the customer order », Bose wants the supplier to write the replenishment order! Issued a badge Bose permitting access to anywhere in the company that a normal employee can go, each one of the 13 people placed on site by the key suppliers, is supposed not only to manage procurement for his category—whether his company makes the part or not—but also to look for other ways to collaborate to reduce costs.

Gains have been substantial. With G&F Industries, a plastic injection molder, Bose has reduced its inventory by 30% while G&F has increased its tool utilization by 26%. The supplier also has seen its total sales of \$3 million multiply by 6, with not all the new business coming from Bose. It's a fine example of win-win supply chain management.