TOPIC; Efficiency in the Supply Chain

Description

Scenario:   In early 1975, brothers John and Michael Phillips founded the Stone Horse Supply Company. John and Michael, both horse riders and horse owners, had developed a horse feed to keep their own horses healthier and happier and found it in demand from other locals and neighbors. In response to that growing local demand, John and Michael converted their small home operation into a rented building in town and went forward with the business of manufacturing and selling specialized horse feeds.  Through the late 1980s and throughout the 1990s, the Rock Horse Food Supply Company enjoyed modest prosperity, providing niche products to the local area with their products selling in most of the nearby counties. However, in early 2006, the situation began to dramatically change. In early 2006, John and Michael were contacted by representative of the largest chain of stores in the region. One of the officers of the large chain was a horse owner and had been buying the special horse feed for his horse. The officer felt that because she enjoyed the product so much and knew that other local customers had used the product and perhaps the product could have success on a statewide or even a national scale.  Since its onset, John and Michael had run their business on virtually a manual basis. Suppliers were mostly local with sourcing decisions based on the supplier’s proximity. Forecasting and ordering from suppliers were completed through phone calls and faxes with new orders based on manual counts rather than any systematic process. Stone Horse Supply Company often found itself with either excess material or expediting material in from suppliers at the last minute to keep from missing a customer deadline. Likewise, Stone Horse Supply Company was in the same facility it had started in, a smaller facility that had an unusual layout that John and Michael had made minor modifications to through the years to adapt to problems encountered during those years.  While John and Michael were excited about the prospect of the company and its product becoming a mainstream product with vastly increased sales, they both knew that they were already struggling to meet current customer demand and that the current methods used to run the company would be insufficient as it entered this next phase. More specifically, John and Michael were concerned about the company’s ability to order and maintain the correct inventories to meet the new sales projections or even if many of its suppliers could meet the higher volumes. John and Michael also were concerned about how they would get the materials to Stone Horse Supply Company because they currently used a single company truck to pick up most of the local materials. Finally, John and Michael were deeply concerned about inventory levels and the cash required maintaining those inventories because they were already experiencing excess cost and issues in this area.  Having decided to move forward, John and Michael’s company faced many questions regarding the new sales opportunity. Both John and Michael knew that while the technology they had to offer was superior to any other product of that type currently on the market, they also knew their company needed help in developing a supply chain strategy to ensure that this fantastic new sales opportunity did not overwhelm the company and end in failure.  Your task starts with assisting John and Michael with an assessment of their current and desired situations. You will follow with assisting Stone Horse Supply Company in developing a supply chain that will support its future operations while also knowing that now that John and Michael’s product is going mainstream that there is great likelihood that other competitors will follow and that any strategy must address the future competitive landscape of the company.   Assignment Description (IP)   John and Michael, the owners of the Stone Horse Supply Company, are very excited about the new business opportunities their company is going to face. One of the obstacles that they are concerned about is how the business is going to support the growth in customers and locations. With that in mind, John and Michael ask that you prepare a report for them explaining stock-outs and how companies approach and resolve issues relating to growth.   For this assignment, you must submit a report consisting of 1,500 to 2,000 words in which you explain stock-outs and how companies approach and resolve issues relating to growth. For full-credit, you must address the following in your report: Explain the purpose of using stock-outs to control inventory. What are the costs associated with using stock-outs? What is the demand for stock-outs? Explain in detail the ways to measure product availability. Explain the importance of the level of product availability. Provide at least 3 of the factors that affect the optimal level of product availability. Research and discuss a company that has gone through times of growth and seen the effects of stock-outs. Provide at least 3 recommendations, to John and Michael, of how not to sustain problems with stock-outs when dealing with an expansion.