Change Process
North American Near Sourcing

Background

- **Globally recognized consumer product company required correcting a decrease in product quality and increased lead-time from Asian suppliers.**
- **Initial scope involved twelve of the company's most popular products.**

Our client engaged The Fennimore Group to examine, analyze, and develop Near Sourcing alternatives among a cadre of Asian suppliers. A quality decline among products produced coupled with an increased order lead-time added significant cost and accelerated the volume of potential "out-of-stocks".

Engineered product specification security and a desire to avoid alarming their supplier base dictated client anonymity in pursuit of finding alternatives closer to product demand centers. Fennimore took the lead accordingly based on its first-hand industry experience and business network to ***assist*** and ***lead*** developing a reliable Near Sourcing-North American alternative to Asian suppliers.

Action Taken

- **Analyzed, identified, and ranked potential suppliers throughout the Americas.**
- **Constructed cost-benefit tables for each product on a per unit basis.**
- **Defined sourcing responsibilities and accountability protocol for new suppliers.**
- **Of the 37 potential suppliers, seven received "passing grades" as eligible to be awarded a contract.**
- **Generated Rules of Engagement for accurate procurement, transit, and inventory reporting enabling fact-based process improvement.**

Under the veil of anonymity, The Fennimore Group initiated a series of country assessments identifying contract manufacturers capable of providing production to the client's exacting standards.

- **Manufacturing Review:** Identified 37 potential manufacturers throughout a targeted region.
- **Generated and Distributed a Request for Information (RFI):** The RFI included production requirements, engineering capability, capacity meeting a 12-month production forecast, quality control with continuous improvement, operations "health check", and both employee and management profiles.
- **Manufacturing Analysis.** Response screening included critical categories identified as: Production capacity fixed and static; Production and Operational Practices; Production Metrics; Customer Service and Value Practices; Information Management Practices; Inventory Management Practices & Metrics; and Facility Management.
- **Selection Process.** Of the initial 37 manufacturers, seven were selected as meeting or exceeding the client's scope. Following execution of a non-disclosure agreement, each was provided a more granular Request for Proposal (RFP) describing exacting specifications along with production forecasts. Samples of finished goods were provided to those moving forward at which time our client's identity was also first revealed.
- **Developed Standardized Order Process.** Where products could be produced by multiple manufacturers, a standardized product catalog was created and distributed. Fennimore generated Rules of Engagement the production allocation process as a failsafe should unforeseen constraints emerge impacting a production plan.
- **Total Landed Cost.** While responses to the RFP's were being prepared, Fennimore determined end to end transit time and total cost from order placement and acknowledgement to product receipt at point of client consumption among originating Asian sup[pliers and under a near sourcing environment. In awarding near sourcing contracts, the two components (production and transit) were combined in generating a Total Landed Cost for each product.

Measurable Results

- **Reduced Total Landed Cost between 25 and 28% for the products in scope.**
- **Order to Delivery times reduced by 25 days.**
- **Secured reliable sourcing enabling lower inventory requirements.**

Fennimore's role acting as an extension of our client delivered significant results:

- Overall Total Landed Cost between Asian sources and Near Shore produced a savings between 25.1% and 27.8%, as reflected in dollars between $12 and $15 million.
- Order to delivery time shrank by 25 days.
- Finished goods inventory dropped by 45%.
- With order to delivery time reduced nearly 70%, a Produce-Price Variance (PPV) graphic was constructed to illustrate maximizing client inventory savings when larger production lot sizes are considered. The PPV graphic use enabled creating an ideal run size to product demand.

Improved visual controls combined with new rules of engagement enabled management to observe and monitor performance in real time free of time zone constraints.