Detailed list of problem-solving concepts for late deliveries

These are just some of the things you should ask to understand the issue better:

* What has happened and why?
* How impactful is this problem, and what timeframes does it affect?
* What possible solutions will mitigate the situation and the associated risks?
* How do you determine which solution is the best?
* What do you do after choosing your strategy?

**To help you understand what’s going on:**

Your merchant and merchant assistant will regularly contact the production team, who in turn are constantly in contact with the factories that make the products. When production delays are discovered, your merchant team learns all the details of the issue. They then communicate that with you so you can consider the financial impact of the situation. Understanding the delay’s cause will help potentially mitigate other future delays that could transpire.

**To help you recognize the impact of this production delay:**

* Your OTB financial plan. When you hear about this delay, you immediately review your OTB plan in the corresponding timeframe that the style was due to arrive in stores. Your first action would be to create a scenario in your OTB plan by taking out this delayed order from your Receipts line and see how it affects your future inventory levels and Stock-to-Sales ratios. For example, in the Excel OTB plan you created in Task 1, if you pretend the week 14 to week 26 timeframe is well in the future (like for this example), you can do a quick mock exercise to see the impact of this problem if you take this Receipt order out:
  + If we know from Task 3 that this top T-shirt style represented half of your seasonal receipts, then let’s assume that ratio is the same for a future season. With that in mind, erase your receipts in week 19 and week 23, row 34, representing half of your season’s receipts.
  + You will see your Stock-to-Sales (row 39) run down to zero in week 14 and become too low from week 20 to week 26.
  + You will also see your end-of-season EOP inventory level go into the negative (cell AC36).

These details highlight that it’s impossible to do this many sales with such little inventory. Therefore, in this situation, you would need to reduce your sales greatly to get your stock-to-sales ratio and inventory levels back up to a reasonable, minimum-required level. It also highlights the number of sales you need to replace, so you know which solutions you research will be enough to solve this problem and which ones won’t.

**What are the possible solutions at your disposal?**

* The first thing you need to do is to work with your merchant to see if there is another similar style T-shirt in the assortment that fits the same need of the guest as this T-shirt does. If there is one, see if it can move up earlier in the production timeline and take the place of this delayed T-shirt, a swap of styles. Sometimes this can be an easy solution.
* Alternatively, another option is to increase the number of receipt units you’re buying of another similar style T-shirt that **is** arriving on time in the season with this delayed style. That way, you can still have the inventory required for your sales plan. One risk associated with this strategy is that you and your merchant have to truly believe it is possible to sell more units of that similar style because if not, you will miss your sales plan and accumulate an excess inventory of that style.
* Another consideration at your disposal is to see if another channel can fill the need for this delayed style. For example, if this delayed order is only for the US market, perhaps you already have units of this style in the Canadian market or on the website? If so, is it possible to transfer some units from that market to the US? Of course, unless that other market were over-inventoried with too much stock (which is sometimes the case), you would need to consider an alternative style swap so that the other market doesn't lose its much-needed inventory.
* One of the most common solutions is simply changing the delivery type. For example, the default delivery mode is shipping by boat, which is the most cost-effective. But, in such circumstances, it’s often recommended that you switch to shipping by air. Depending on the factory’s country of origin, switching from boat to air shipping can reduce your delivery time by four to six weeks. Of course, it’s also more expensive to ship by air, so this strategy comes at the cost of profit margin and always requires approval from your manager.
* Another more radical but sometimes utilized strategy is to see if another factory can make the T-shirt style on the timeline you originally requested. This strategy does pose some complications. Does this other factory have the capacity to fit this urgent style request into their production flow? Does this factory have the technical capability and available raw materials to make this T-shirt with the same quality standards as your original factory? That is a conversation that your merchant and the production team would need to have. Another possible benefit of this strategy is considering if a local factory can make the style. On rare occasions, this is an option that can significantly reduce delivery time, but again, at the expense of higher cost and impact on your profit margin.
* A different but sometimes employed strategy is to review your earlier season assortment and see if some styles can stretch into this problem season with the delayed T-shirt style. This means that if you originally intended to mark down and clear out similar-styled T-shirts in the preceding season, consider **not** marking it down and letting it sell slower (at a higher price) through the next season where this delayed style was scheduled to land. If you could do that with a couple of styles, perhaps that would give you enough additional inventory to sell that you wouldn’t need to reduce your sales. You may even be able to order more units of that style(s) to keep it going until the delayed style arrives.

**How do you determine which solution is best?**

* With many of these possible solutions noted above, you will need to gather the metrics associated with them (how many units are being considered, when they will arrive, and what sales forecast goes with them) and model out scenarios in your OTB financial model. Some will quickly show that they are not genuinely viable or won’t reveal that they can cover the missed sales of your delayed style. But it will be easy to see which scenario provides the best financial outcome and allow you to choose the most appropriate solution.
* It’s always a best practice to map out what you’re proposing as a solution, the impact you believe it will have, and the risk to your plan if something goes wrong. Consider a Plan-A / Plan-B approach. Plan-A is what you think will be best, but if it doesn’t work, then Plan-B will.

**What do you do after choosing your strategy?**

After you land on a strategy to mitigate the delayed style and get approval from your manager, make the final changes to reflect that in your OTB financial plan so you don’t have to remember what you did. By making the changes (revised sales, revised receipt flow), you reinstate integrity in your plans and can effectively manage your business with accuracy.