(?) đang từ 7WH chuyển thành 1WH thì ?

Steel mill: Large-scale operation, minimum 20 tons
Steel service center:

- Buy large quantities of steel from the mills, break it down into smaller quantities, and sell it to customers who need less than the mill's minimum.
- Offering flexibility and quick turnaround times.
- Providing a convenient source for various steel types and grades

The North American Steel Service Center Industry

- Most steel service centers perform stage-one processing (basic). Not to profitable, to remain customer goodwill
  - **Old way (more common in the past):** Mill does some intermediate processing → Mill sells processed steel to service center → Service center does Stage-One processing.
  - **New way (becoming more common):** Mill makes steel and does primary forming → Mill sells *unprocessed or less-processed* steel (e.g., coils) to service center → Service center does intermediate processing → Service center does Stage-One processing.

  => Service center must invest new equipment.

- Earl M. Jorgenson Co., a service center company**:**
  focused on special types of steel (alloys), and they could offer these special steels right away

1. What are the differences in logistics/operating strategy and structure between Halloran and Allied? What impact do those differences have on the kind of businesses they are and the way they operate?

Halloran	Allied
• Logistics/Operating strategy: - **decentralized warehousing and rapid delivery**: Involves strategically located warehouses, each specializing in distinct product lines to meet the unique needs of its local customer base. - Out-of-stock: maintain broad product with high inventory	• Logistics/Operating strategy - Single, massive warehouse (400,000 sq ft) housing both inventory and processing equipment - Stock significantly fewer items than Halloran (40% less) - Prioritize truckload deliveries, often using price discounts to drive sales: 3-5 day delivery, offers standard delivery times.

- Overnight delivery: enabled by a crucial **shuttle service** connecting the warehouses and a fleet of delivery trucks (both 10-ton and 20-ton) - 10,000 customer accounts -> categorized customer into 3 group: + “key”: $80,000 or more + “major”: $20,000-80,000 + “other”: less than $20,000 =>The categorization was based solely on actual billings *=> no priority cho group nào hết* => About 40% of Halloran’s total revenues came from the “others” category. - **Regardless of order size:** take care small order competitors often overlook =>believe that small orders have a significant competitive edge, target the "pain points" of customers, not just their high-volume needs. - **Build strong relationships**: encourage salespeople to work closely with customers, extend the credit time (30 days) to maintain good customer relationships. => Essentially, Halloran prioritizes **superior service and high inventory** across its warehouse network to maximize margins. ● Structure - Decentralized: Each branch operates independently as its own business, making its own decisions. - Minimal Central Oversight: **:** The head office provides basic support services but doesn't interfere much with how branches operate. - Branch Manager Initiative: Encourages branch managers to be proactive, independent, and take ownership of their branch's success	- Focus on **high-volume sales** of a **narrower product line** to a **smaller customer base**. ● Structure - **Centralized:** All operations are consolidated in one location - Emphasizes **in-house processing**, including fabrication more than Halloran - **Product Management:** Employs product managers to analyze profitability by product line. Essentially, Allied is **price-intensive**, aiming to maximize sales through discounts and fewer, larger customers, while Halloran is **service-intensive**, prioritizing speed, a wide product range, and strong customer relationships to justify higher prices.

Summary:

- **Halloran:** High service, high cost, high price, high touch.
- **Allied:** Lower service, lower cost, lower price, less touch.

Impact of Differences:

- **Customer Focus:** Halloran caters to diverse customer needs, prioritizing service. Allied focuses on large, price-sensitive customers.
- **Inventory Management:** Halloran's approach leads to higher inventory costs but enables them to meet immediate customer needs. Allied's approach results in lower inventory costs but may limit their ability to fulfill urgent orders.
- **Pricing Strategy:** Halloran charges premium prices due to their service focus. Allied offers lower prices to attract large customers.
- **Flexibility:** Halloran is more adaptable to changing market conditions. Allied may be less agile but allows for greater control and efficiency.

2. What are the strengths and weaknesses implicit in Allied's operating stance? in Halloran's? How would you expect an economic downturn to affect the two firms? an upturn?

[TRÍ] What are the strengths and weaknesses implicit in Allied's operating stance? in Halloran's?

Strengths and Weaknesses of Allied Steel and Aluminum:

Strengths:

- **Market Position:** Allied is the largest and oldest independent regional service center in the New England area. In 2000, the company achieved over $180 million in revenue.
- **Investment in Facilities:** Allied has made significant investments in its Lowell facility, particularly over $20 million in coil processing equipment.
- **Coil Processing Efficiency:** Allied has a large capacity for coil processing.

Weaknesses:

- **Reduced Customer Base and Product Lines:** Allied has significantly reduced its number of customers and product lines, focusing more on high-volume customers and products that can be moved in large quantities. As of 2001,

Allied had approximately 3,000 customers compared to Halloran's 10,000. Allied only offered 60% of the 10,000 product lines that Halloran carried.
- **Price Cutting:** Allied frequently used price reductions as a strategy to increase sales volume.
- **Flexibility:** Allied may be less flexible due to its centralized management structure.

Strengths and Weaknesses of Halloran Metals:

Strengths:

- **Large Customer Base:** Halloran serves a vast number of customers (10,000 customers in 2001) and emphasizes catering to a diverse range of clients. Approximately 40% of Halloran's total revenue comes from the "Other" category.
- **Broad Product Line:** Halloran offers more than 10,000 product lines, double the average of service centers in New England.
- **Customer Service:** Halloran prides itself on rarely rejecting an order, regardless of customer size or order volume. It provides overnight delivery service to its customers.
- **Branch Specialization:** Although its branches operate as full-service centers, each branch specializes in one or more product categories.
- **Organizational Structure:** Halloran's organizational structure reflects its belief in the crucial role of entrepreneurship in service center operations. Branches function as profit centers, and branch managers have significant autonomy in making operational decisions.
- **Worcester Transportation System:** To facilitate overnight delivery service, Halloran operates a transportation hub in Worcester, Massachusetts.

Weaknesses:

- **Higher Operating Costs:** Halloran's higher operating costs make it difficult to compete on price for large-volume orders.
- **Inventory-Intensive Approach:** Halloran's multi-location business model requires a higher level of inventory compared to competitors. With seven warehouses, the company carries substantial inventory, impacting costs.
- **Challenges in Cost Reduction:** Halloran's operational strategy makes it difficult to implement significant cost reductions. Branches cannot lay off employees or reduce inventory without severely impacting operations and customer trust.

- **Profitability Issues:** Halloran's profits declined by nearly 70% compared to the previous year.

[BÌNH] How would you expect an economic downturn to affect the two firms? an upturn?

Halloran mitigates operational disruption risk by diversifying its operations, reducing reliance on any single point of failure. This distributed approach contrasts with Allied's single-warehouse model, which, while offering cost advantages, makes them more vulnerable to disruptions like malfunctions. Halloran's strategy of targeting all customer types, regardless of order volume, reduces the risk of missed opportunities. While individual orders might be smaller than Allied's, this doesn't necessarily translate to lower profitability, as a larger customer base can generate substantial overall revenue. Therefore, they can keep low costs and gain more orders by aggressive price competition.

Allied's focus on high-volume customers and centralized warehousing provides a price advantage. Their economies of scale enable them to offer competitive pricing, attracting large orders. However, this strategy carries greater risk during economic downturns. Reduced order volumes would negatively impact Allied's operational efficiency and profitability, as their model relies on high throughput. Conversely, in an economic upturn, Allied's efficiency would be amplified, allowing them to capitalize on increased demand and potentially outpace Halloran in growth. Halloran's diversified approach, while potentially less profitable in boom times, offers greater resilience during economic fluctuations.

3. What economic risks are implicit in Halloran's logistics choices? How has the firm endeavored to reduce these? How successful have they been?

- **Risk:**
  High inventory carrying costs due to multiple warehouses.

  Increased transportation costs from shuttle operations.

  Dependence on branch managers' expertise and decision-making abilities.

***Efforts:**

1. Halloran's branches focus on specific product categories, improving pricing power and customer loyalty. This has helped in maintaining business, though it does not fully offset broader economic downturn impacts.

Result: The Lynn branch specializes in cold-rolled steels and aluminum, accounting for 57.2% of its sales in these categories, compared to 29.6% company-wide (Exhibit 5). This suggests specialization helps drive sales.

2. Centralizing bulk purchasing decisions, Halloran reduces costs and optimizes inventory, though the economic downturn still pressures margins.
   Result: Centralized bulk purchases allow Halloran to take advantage of volume discounts (e.g., $35/ton discount on orders of 100+ tons, leading to coordinated purchases among branches).
3. Maintaining strong customer relationships, emphasizing service over price. This provides some resilience but is costly in a weak market.
   Result:
   - Halloran serves 10,000 customers, compared to Allied's 3,000, indicating a broad and diversified customer base.
   - 40% of revenue comes from small accounts, showing reliance on smaller, loyal customers.
4. Halloran avoids large, risky investments by expanding opportunistically, reducing financial exposure. However, its high leverage and capital-intensive model still pose challenges.
   Result:
   - Binghamton, a new branch, broke even within three months, much faster than the typical three-year period, suggesting the opportunistic expansion approach can be effective.
   - Acquisitions often happen at below inventory value, reducing risk and upfront costs.
   - Halloran has closed or delayed underperforming branches (e.g., Harrisburg), demonstrating adaptability.

4. What should Jim Rochleau recommend to the president?

Jim Rochleau should recommend a strategic restructuring to cut costs and strengthen Halloran Metals' market position. By streamlining operations, focusing on specialization, and enhancing service offerings, Halloran can navigate the recession and drive sustainable growth.

- Warehouse Optimization: Consolidate or repurpose underperforming warehouses to reduce overhead.
- Supply Chain Efficiency: Optimize inventory management, streamline the Worcester shuttle, and minimize internal transfers.
- Focused Market Strategy: Shift from being "all things to all people" to specializing in high-margin products and key customers.
- Expand Value-Added Services: Invest in intermediate processing (e.g., slitting, leveling) to stay competitive with Allied.

- Pricing & Cost Control: Maintain pricing discipline, avoid aggressive price competition, and cut non-critical expenses.
- Cautious Expansion: Prioritize profitability over rapid geographic growth.