

# Case Study 1 Analysis

Gestão de Operações e Logística

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# Pret-A-Manger

Case Study 1a)

Company founded in 1986 by two friends in London because they could not find sandwiches made without chemicals, additives and preservatives on the market.

Competitive priorities are the critical operational dimensions a process, an organization and a supply chain must have to create, develop and maintain a competitive advantage in the market.



### **Products**

"(...) their secret is to focus continually on the quality of the food and the service (...)"

Selling proper sandwiches without chemicals, additives and preservatives most common in fast food;

"We sell food that can't be beaten for freshness (...)"

The food they sell is prepared throughout the day with fresh ingredients they receive each morning;

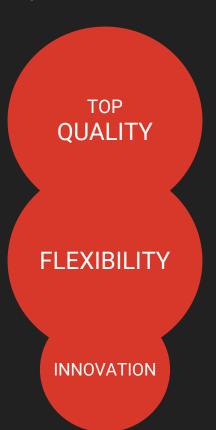


## **Service**

"We'd like to think we react to our customers' feelings (...) Pret customers have the right to be heard."

Customers' feedback taken very seriously and used for improvement.

"It's a bold approach to customer service, but Pret has always been innovative."



Due to the quality of the products coupled with the flexibility on adjusting their service to fit customers' preferences, they are also investing on gaining the confidence of the customers.





Action plan to implement mission and achieve vision.

### **MISSION**

Sell fresh food avoiding preservatives, additives and chemicals.

Provide "the sort of food they themselves craved but couldn't find anywhere else."

### **VISION**

Be innovative on the approach to customer service.

Differentiate by quality of service.

How is the product developed and the stock managed?

- Each shop has its own kitchen where fresh ingredients are delivered each morning;
- All the sandwiches are handmade by team members throughout the day;
- What is not sold is given to charity instead of being served the next day or thrown away.

Make to stock or push strategy

All operations are transforming processes...



Input (fresh ingredients + employees)

**Process** (cooking + assembling)

Output

**Process in the storefront** 



How does the company evaluate the quality of service?

- Every week, a secret shopper scores the shop on speed of service, product availability and cleanliness;
- The secret shopper rates the 'engagement level' of the staff.

How do they avoid employees' turnover?

- "They are our heart and soul."
- "(...) hardworking people make all the difference."
- The service is one of the core operations so they invest a lot in their staff.
- A key element of the company's success is the way they reward employees for their work to avoid high staff turnover that is typical in retail sector.
- "We don't work nights (generally), we wear jeans, we party!"

How do they avoid employees' turnover?

### • The incentives:

- reward schemes and career opportunities
  - The staff is rewarded in cash for delivering outstanding customer service;
  - If the store gets 43 or more points out of 50 by a secret shopper every team member receives an extra payment for every hour worked;
  - If an individual is mentioned they get an additional payment.
- concern with the employees' well being
- casual working environment

How important is the customer feedback?

- Customer feedback is examined for improvement ideas in weekly management meetings and daily team briefs in each shop;
- Employees are incentivised and rewarded to be:
  - Hardworking;
- Helpful;

Motivated;

Good team member;

■ Energetic;

Passionate;

Friendly;

Nice to customers.

These strategies exploit opportunities and strengths, neutralize threats and avoid weaknesses.

### Strengths

- Fresh and healthy food;
- Friendly customer service.

### **Opportunities**

- Increase in concern about health and awareness of danger of chemicals;
- Create ways to establish customer loyalty.

#### Weaknesses

- Waste of unsold food increases operational costs;
- Easily replicable business model;
- Low offers' variety.

#### **Threats**

- Other companies might follow on the "health" trend;
- Organic and fresh food's price tends to rise.

# Whirlpool

Case Study 1b)

"The world's leading manufacturer and marketer of home appliances in the 1990s and 2000s."

"... placed considerable emphasis on operational efficiency."

**1.** Whirlpool launched several initiatives in operations management in the 1990s and early 2000s, as a result of which, by the early-2000s, its product availability, inventory and lead times improved. Give a brief description of operations at Whirlpool. Critically discuss the initiatives.

**IMPROVEMENT DESIGN OPERATIONS** The heart of the organization. Tasks that create value for the customers. Allow to gain differentiation/competitive advantage. Transformation PLAN/ **OPERATIONS** processes. **EXECUTION/ STRATEGY** CONTROL

- **1.** Whirlpool launched several initiatives in operations management in the 1990s and early 2000s, as a result of which, by the early-2000s, its product availability, inventory and lead times improved. Give a brief description of operations at Whirlpool. Critically discuss the initiatives.
  - Operations based on Six-Sigma, a quality measure and improvement programme, and lean manufacturing skills and capabilities.
  - Globalization of **key functions**. Responsive environment.
    - Unique global platform to transfer their key innovations and processes across regions and brands.
    - Globalized procurement by selecting and partnering with the best suppliers all over the world.
    - Globalized product development to transfer consumer solutions for all markets.
      - Basic structures are designed in the global platform and customized in each region according to individual and global requirements.

**1.** Whirlpool launched several initiatives in operations management in the 1990s and early 2000s, as a result of which, by the early-2000s, its product availability, inventory and lead times improved. Give a brief description of operations at Whirlpool. Critically discuss the initiatives.

Advantages of globalization of some key functions:

### **Procurement**

"Benefited the suppliers as it gave them an opportunity to sell globally."

- High quality
- Low-cost materials and components

## **Product Development**

"Ensured that the needs of customers in diverse markets were met."

- Cut engineering costs
- Provide better performance

How far did these initiatives contribute to the success of Whirlpool? Also discuss the importance of integrating e-initiatives with other organizational processes.



- Inventory Management;
- EDI;
- Online Shopping;
- Tracking website;
- Demand Management;
- Logistics Management System and Route Optimization System;
- PDA;
- e-Partner.

How far did these initiatives contribute to the success of Whirlpool? Also discuss the importance of integrating e-initiatives with other organizational processes.



### **Inventory Management**

Software that predicted nature of forecasting errors, in every location and SKUs.

Intelligently set its inventory levels;

Argentina's warehouses cut down cycle times and inventory levels by a huge margin.

## **EDI**

Used for all major activities related to suppliers, including ordering, inventory and shipment confirmation and payment.

Eliminate Whirlpool's 300 smaller suppliers' paperwork; Save Whirpool up to \$600,000 a year in operational costs for its data interchange.

How far did these initiatives contribute to the success of Whirlpool? Also discuss the importance of integrating e-initiatives with other organizational processes.

Whirlpool's e-initiatives



e-Partner Online Sales Program launched as to reduce the gap between the company and its retailers, alongside a full online research (brand comparison engine) and shopping site;

WhirlpoolWebWorld.com set up with the purpose of creating a business-to-business link.

Allowed Whirlpool to buy from a common online catalogue from all its suppliers;

Enabled retailers all around the world to order from Whirlpool.

## **Tracking Website**

Website that tracked real-time information on customer orders.

Improve customer service.

How far did these initiatives contribute to the success of Whirlpool? Also discuss the importance of integrating e-initiatives with other organizational processes.



## **Demand Management**

i218 Demand Planner could determine the overall needs of the market, the number of repair parts to order and also prepare product forecasts. Also helped with managing the inputs received from specific customers.

Business in Australia doubled;

Customer service improved by 10%;

Product availability improved from less than 60% to more than 70%.

## **Logistics Management System**

Website that tracked shipments at the order level on a real-time basis.

### **Route Assist and communications software**

Route optimization system.

On-time delivery:

Reduce operational costs.

How far did these initiatives contribute to the success of Whirlpool? Also discuss the importance of integrating e-initiatives with other organizational processes.



### **PDA**

Software for hand-held personal data assistants which collected proof of delivery and information on product damage.

Communication of information made easier and more accessible; Collection of useful proof in case of legal issues; Faster damage control response.

### e-Partner

Website where customers can make online purchases.

Reach broader audience;

Provide customers with easily accessible information at any time; Reduce gap between customers and stakeholders.

How far did these initiatives contribute to the success of Whirlpool? Also discuss the importance of integrating e-initiatives with other organizational processes.

The integration of e-initiatives with other organizational processes allows for:

- Centralization of all the information so they can have access to it all over the world and share it with suppliers and customers;
- Automation of many processes;
- Forecasting of demand.



- Faster responses to events (orders, deliveries, damage, queries...);
- Lower operational costs;
- Improve customer feedback;
- Improve sustainability (reduce resources such as paper work);
- Higher product availability;
- Data collection for legal purposes and data mining.

**3.** Whirlpool changed its manufacturing from 'push' to 'pull'.

What are the relative merits and demerits of the push and pull manufacturing strategies? Also discuss Whirlpool's outsourcing initiatives.

### **Push Manufacturing Strategy**

Produce as much inventory as possible and send it to the distribution channels.

#### Merits:

• Plants operating at their full capacity.

### **Demerits:**

- Oversupply at the distribution channels;
- Difficulty to "give answer" to non-standard orders.

Distributed Resource Planning (DRP)

## Why?

- Eliminate the problems of the unavailability of products;
- Improve efficiency;
- Cut the inventory stock to half.

### **Pull Manufacturing Strategy**

Production based on actual customer demand.

Receive orders and send it immediately to the plant, so a highly optimized production scheduling process fulfills them.

#### **Merits:**

- Compress the cycle time (production and response time for customers orders):
- Predict demand more accurately.

Reality Applied to Distributed Resource Planning (RAD)

**3.** Whirlpool changed its manufacturing from 'push' to 'pull'. What are the relative merits and demerits of the push and pull manufacturing strategies? Also discuss Whirlpool's outsourcing initiatives.

- Up until the early 1990s, Whirlpool followed a 'push' manufacturing strategy but, in 1997, adopted a 'pull' strategy.
- However, a few months after its implementation, the strategy concept was modified to becoming a
  hybrid of push and pull, in order to combine the benefits of both methods.

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### Before the decision to revamp distribution center:

- Warehousing and domesting freights divided into 3 parts:
  - First two:
    - Shifting of raw materials and components and transporting finished goods to trading partners and distribution centers.
  - Third part:
    - Quality Express included the management of 8 regional distribution centers and network of about 60 cross docks in the USA.

### **Early 2000s:**

- Decision to have the private fleet managed by a third party;
- Outsourcing of warehouse operations to Penske Logistics;
- Penske took over Quality Express;
- Penske purchased ERX and subcontracted Atlanta and Orlando operations from KLS.

**3.** Whirlpool changed its manufacturing from 'push' to 'pull'.

What are the relative merits and demerits of the push and pull manufacturing strategies? Also discuss Whirlpool's outsourcing initiatives.

We believe Whirlpool was right to make the decision to resort to outsourcing.

Considering home appliances are the core of Whirlpool's business, they should focus their resources on producing those goods and have the logistics managed by a different company who specialises in that line of work, which is the case of Penske Logistics.

This way, they can become increasingly better and more efficient in their production as to provide customers with the best possible product at a lower cost and, as a result, with a more competitive price. Since the resources, effort and attention do not have to be spread out across different areas, there is more time and human resources to work on investigation and development, customer service and so on. The entire process becomes much more agile and practical, which reflects on sales, operational costs, customer satisfaction and so on.

# THANK YOU