Hothouse Design

Office Supplies - further feasibility studies

Rationale

A feasibility study was carried out to determine whether the office supplies section of Hothouse Design can increase profit margins by changing their purchasing strategy from a 'just in time' strategy to one of warehousing and bulk purchase. This initial study has shown that the benefits could be marginal, but different negotiations with different suppliers (from those sampled) have given us widely differing results. It is important that the sample size for this element is increased. In the initial sample we tried to ascertain which suppliers would offer significant discounts on their product ranges that we currently sell. We have tried to use the incentive of increased volumes of sales from their prospective, and a higher profile and potential sales for their products. We have also tried to investigate the idea of actively promoting one or more of their products (preferably new products) as loss leaders to stimulate sales which would be mutually beneficial. The list of suppliers and our internal codes for them can be found in the table below.

Supplier codes

Alex did the initial stages of this work, and will continue on this aspect of the project, but Fatima will also work on this phase of the feasibility study. The information relating to the number of product ranges held by us from each of these companies was found to be particularly useful in the initial study, so these are included in the form of a chart. This can be viewed on the next page:

Sampled product ranges

The initial study did not give sufficient indication of the volume calculations for the stored stock. In order to try and improve these calculations we have selected a new sample of all the low cost items with large quantities within each stored unit. The criteria for this search are different to the previous study and the sample from the database will be taken from the selected suppliers mentioned above. The result of this database search for these products gives us those with a pack size of greater than or equal to 10 and with a retail price of less than £0.80 per unit. These sample products are listed below:

The current distribution system involves buying in distribution services from a national courier company. As part of the feasibility study we will also examine the possibility of developing our own distribution system. This would include the purchase and/or hire of vehicles, the employment of drivers and storage facilities for the vehicles. There must be particular consideration for the potential purchase/rental of sufficient vehicles and staff to ensure the very high standards of service that our customers demand, even at times of maximum demand.

Shortlisted sites

There are a small number of shortlisted sites worth further investigation as distribution centres. These are located at:

Granary Wharf

Smeaton Close

The Old Warehouse, Cherry Hinton

Bridgeside Industrial Estate

College Walk

Each of these properties has its own advantages and disadvantages. The sites at Smeaton Close and College Walk are both leasehold properties with leases of 15 and 99 years respectively. The site at Airport Approach is land with outline planning permission for industrial use and warehousing. The other three sites are all Freehold properties available for purchase, although some work is required on each of these properties to make it suitable for our purposes. For each of these properties Li will investigate the costs of refurbishment. James will be tasked with establishing sound estimates for IT and security implementation for each of the properties. To this end we will require at least 3 competitive tenders for each of these aspects, company profiles and recommendations from previous customers for each company giving initial tenders. Li will also contact each of the previous customers and arrange site visits to establish their credentials and working practices of those companies tendering.

The locations at College Walk and Granary Wharf are located very close to the existing offices near the centre of the city; this has both advantages and disadvantages. The problems with traffic in the city centre would mean a potentially much less efficient delivery system (rather similar to the system running at the moment) with at least 40 minutes additional journey time for most deliveries within the UK, or to the airport for overseas dispatch. There would be a similar overhead on time for goods being shipped through the ports of Felixstowe and Harwich. The close proximity to the existing head office would improve communication and reduce travelling to and from meetings. The other sites on the outskirts of the city do not have this delay factor and on balance it may be better to go for a separate warehousing and distribution centre, perhaps located near the motorway network.

Financial incentives

The local enterprise council is trying to encourage new investment into the site on the Bridgeside Industrial Estate. They have recently been awarded a grant of 4.2 million pounds from the EU to try and redevelop this particular area of land. Their aim is regeneration, and it has been suggested that they would be prepared to provide matched funding for some elements of the initial development, refurbishment and infrastructure. In order to pursue this avenue of opportunity, Akiko and Roger have been asked to contact the local enterprise council and make enquiries relating to this financial incentive.