

CASE D-14

Soo Kee Jewellery : Managing the Supply Chain Effectively

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Case Objectives

- To understand the process and importance of supply chain
- To explore the challenges and the role of IT in supply chain management

Case Synopsis

- As jewellery is usually regarded as a luxury item, demand is sensitive to income changes and jewellery designs follow seasonal trends. Soo Kee Jewellery is an award-winning company selling contemporary fine jewellery and quality diamonds. It manages its entire supply chain process to ensure quality products and competitiveness in the industry.
- The supply chain is driven by the end-customers. Sale transactions are recorded at point-of-sales terminals in all retail outlets. Retailers will generate orders through the EDI system to the inventory department if inventory levels run low at the retail outlet. Low inventory levels at the inventory department will trigger a production order via EDI and the order will be reviewed by the production and design teams before being processed. Demand planning and forecasts are carried out by the production department who collaborates with the raw material suppliers from Belgium and India.
- Due to expanding operations, information systems are used in Soo Kee to link, coordinate and collaborate more efficiently with their vendors. EDI is used to transmit and update data instantly through the company's Intranet. This provides accurate information for planning and deliveries, helps to streamline processing and minimizes human errors. Internet is used to link the company with external parties to combine resources and collaborate more effectively.

Case Questions

Question 1

Who are the parties in Soo Koo's supply chain? What are the main objectives of this supply chain? What challenges are faced by Soo Kee in this supply chain for jewellery products? How would these challenges be different for other products such as electronic items or instant noodles?

- Parties in Soo Kee's supply chain include the customer, the retailers, the inventory department, the design teams, the production department and the raw material suppliers.
- The main objectives are to efficiently and effectively move the product from the start of the supply chain to the end customer.
- The demand for jewellery products is characterized by fluctuations due to the nature of the product as a luxury item. Jewellery designs are also seasonal as they are created to complement current fashion trends. This makes it difficult to forecast the demand and the supply chain is driven by the end-customer. The supply chain process thus has to be lean and flexible enough to cope with the demand fluctuations. Information flow through the supply chain will also have to be accurate and fast to respond to the demand. There is no standardization of order processes of raw materials due to the demand uncertainties. The high value of the product also means that inventory levels have to be kept low.
- Products like electronic items also face fluctuations in demand due to advancements in technology but are relatively more stable than jewellery as technology improvement takes time. Thus, forecasting and planning of production remains a challenge. Items are sold in larger quantities as they are relatively cheaper than jewellery and inventory levels can be kept higher depending on the cost and sales of individual items. Production has to be slightly flexible and able to produce in large quantities. Products like instant noodles on the other hand, have a stable demand and it is driven by the supplier-end of the supply chain. However, being a low cost item, inventory levels can be kept high and thus there is the risk of bullwhip effect along the supply chain.

Question 2

What are the steps in the Soo Kee's supply chain process? What are your comments on this process? How can this process be improved?

- When an item is sold, the sale is captured at the point-of-sales on the terminal at every retail outlet. The manager at the retail outlet will create a sales order to the inventory department if the stock level for an item runs low. At the headquarters, a production order will be triggered when the inventory level of an item falls below 'safety' level. The production department will then discuss the feasibility of the new order with the design team before starting the production. Raw materials are ordered from Belgium and India as and when needed according to demand planning and forecasts.
- Soo Kee's supply chain process is highly efficient as decisions can be made based on real time data. This data is also available to majority of the supply chain parties to allow more accurate forecasting and smooth flow of products and resources. Taking into account the seasonal fluctuations in demand, it is important that the feasibility of new productions be discussed first to minimize chances of overstocking due to changes in industry trends. The cross-functional processes in the supply chain also

allows for faster flow of products as certain operations can take place concurrently.

- The assessment of the feasibility of items can be done before the production order is triggered if industry trends show strong signals. This will help to reduce the lead-time and allow products to be delivered to the customers faster. In meeting immediate customer demands, purchasing managers should not bypass the EDI system as this will result in inaccuracy of data. Orders should still be made through the EDI system while also contacting the inventory department directly. Also, relevant real-time data should be shared with the raw materials supplier as well to allow better coordination of deliveries. Vendor-managed inventory can be used to speed up the movement of jewellery to retail outlets and reduce stock-outs.

Question 3

How does information technology (IT) help in the supply chain process? What are the roles of IT in supply chain? What can IT do and not do in the supply chain?

- IT can help to link, coordinate and collaborate more efficiently along the supply chain. It captures information and facilitates the flow along the supply chain to all the parties so that every party is aware of each other's needs and can thus help each other to better plan and manage the flow of materials.
- SKJ's Intranet allows instant communication of transactions, inventory levels and other information between the retailers and the various departments at the headquarters. EDI reduces human errors and automatically update or generate reports, increasing the efficiency of the supply chain. The Internet is also used to create a network and share information with parties outside the company like partners and vendors to eliminate time consuming meetings.
- While IT can help to speed up communication and the sharing of information between parties physically apart, the supply chain still requires the commitment and effort of the parties to be successful and render IT useful. For example, every sale transaction has to be manually scanned or entered into the Intranet in order for the information to be transmitted. If the retailer does not bother to enter in every transaction, IT will be useless in the supply chain as all information will be inaccurate.