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WARWICK BUSINESS SCHOOL
THE UNIVERSITY OF WARWICK

**For the
Open
Minded**

**Effective Supply Chains:
Triple A and 4R**

How do you design effective operations within supply chains?

- ⦿ The holy grails of supply chain management was seen as high speed and low cost—But no more? Though necessary, they aren't sufficient to give companies a sustainable competitive advantage over rivals.
- ⦿ In today's environment, designing a supply chain for cost and speed is not enough to meet customer value needs
- ⦿ Today's supply chains need to be designed by considering additional features such as 3A and 4R in addition to cost and speed.

Triple A



Agile



Aligned



Adaptable

Lee, H.L. (2004) The Triple A Supply Chain. *Harvard Business Review*. (October), 1–14.

Triple A by Lee (2004)

Agility

Objectives:

Respond to short-term changes in demand or supply quickly; handle external disruptions smoothly.

Methods:

- Promote flow of information with suppliers and customers.
- Develop collaborative relationships with suppliers.
- Design for postponement.
- Build inventory buffers by maintaining a stockpile of inexpensive but key components.
- Have a dependable logistics system or partner.
- Draw up contingency plans and develop crisis management teams.

Adaptability

Objectives:

Adjust supply chain's design to meet structural shifts in markets; modify supply network to strategies, products, and technologies.

Methods:

- Monitor economies all over the world to spot new supply bases and markets.
- Use intermediaries to develop fresh suppliers and logistics infrastructure.
- Evaluate needs of ultimate consumers—not just immediate customers.
- Create flexible product designs.
- Determine where companies' products stand in terms of technology cycles and product life cycles.

Alignment

Objective:

Create incentives for better performance.

Methods:

- Exchange information and knowledge freely with vendors and customers.
- Lay down roles, tasks, and responsibilities clearly for suppliers and customers.
- Equitably share risks, costs, and gains of improvement initiatives.

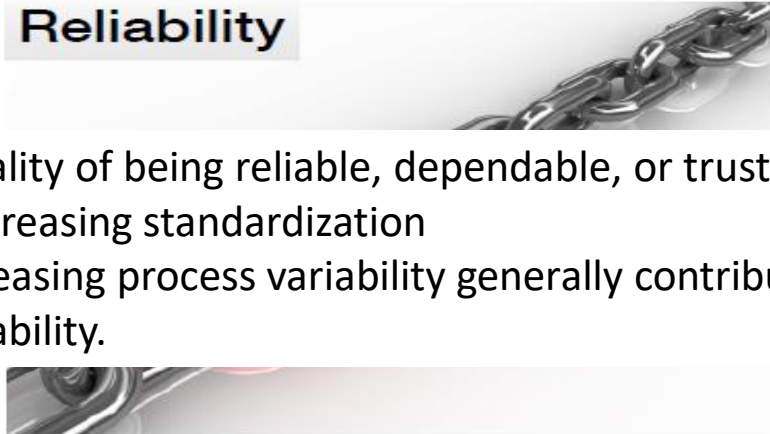
4R by Martin Christopher Textbook

Responsiveness



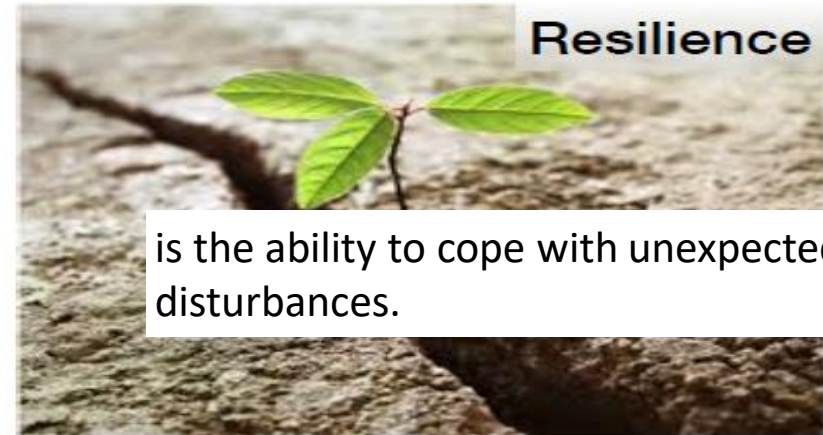
is the ability to meet customer demands by responding to changes in the market

Reliability



is the quality of being reliable, dependable, or trustworthy. Increasing standardization and decreasing process variability generally contributes to reliability.

Resilience



is the ability to cope with unexpected disturbances.

Relationships



is the ability to manage relationships. Every business is built on relationships.

Similarities and Differences of 3A and 4R

- ◎ Agile = Resilient
- ◎ Adaptable = Responsive
- ◎ Aligned = Relationships
- ◎ Reliability is the difference. In other words, quality is a dimension that is not explicit in 3A

Case - ZARA: - Very fast, very responsive and adaptable

Zara's Secret for Fast Fashion

Spanish retailer Zara has hit on a formula for supply chain success that works. By defying conventional wisdom, Zara can design and distribute a garment to market in just fifteen days. From *Harvard Business Review*.

The journey of a single Zara dress

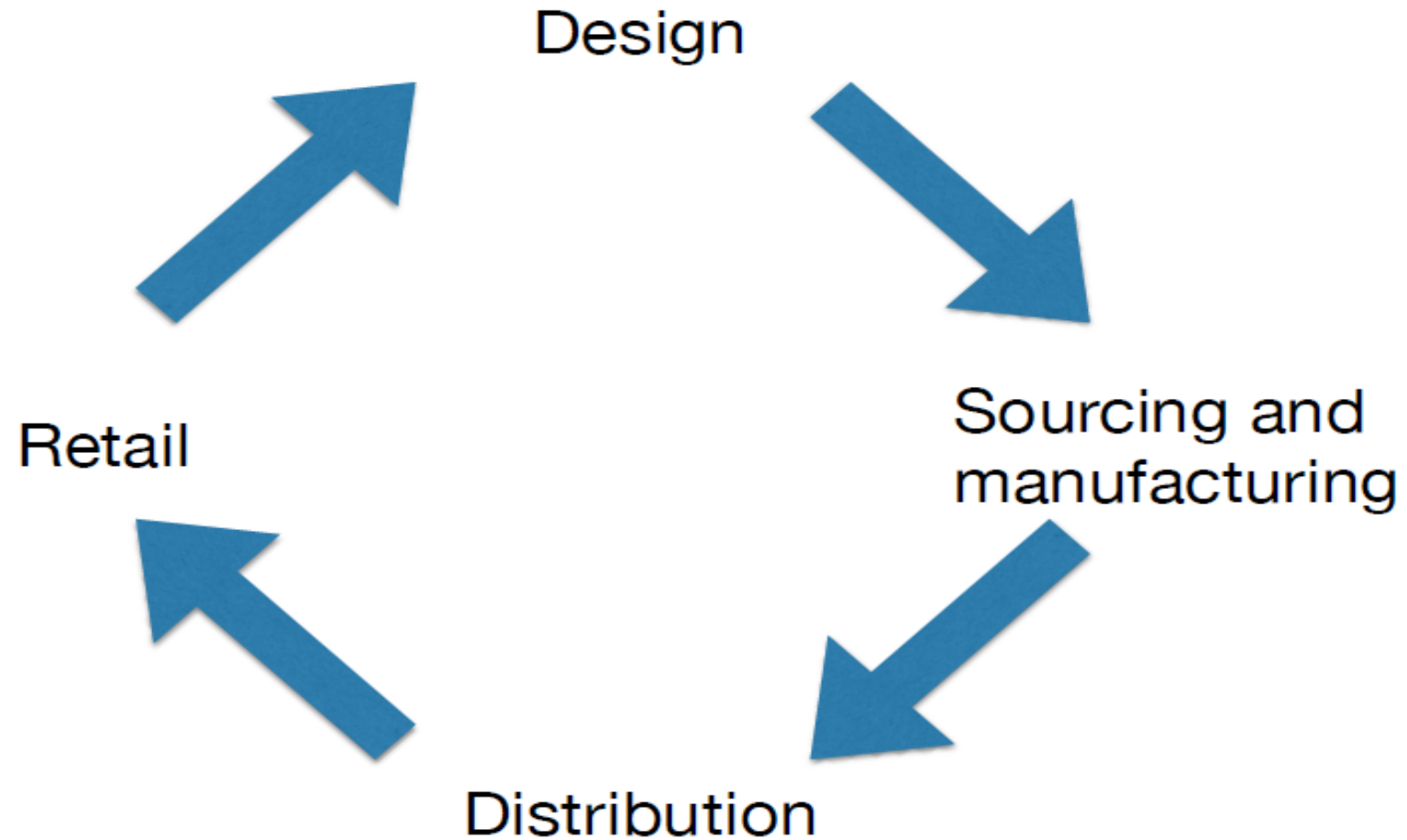


<http://uk.businessinsider.com/why-zara-is-crushing-the-retail-industry-2016-5>



http://www.bbc.co.uk/news/business-39337204?utm_content=buffer39d6&utm_medium=social&utm_source=linkedin.com&utm_campaign=buffer

ZARA's Supply Chain



Zara's Design

How to get the right information from the stores?

- ⦿ What was sold
- ⦿ What could have been sold

Three options for something that doesn't sell

1. Take it out
2. Amend it
3. Introduce something new

Zara's Manufacturing

Where is the merchandise made?

- 80-90% in Europe
- 65% in Spain
- 32% in Zara

Cutting (internal)

Assembly (external)

Quality control and final preparation (internal)

How does ZARA achieve Triple A and 4R?

➤ Agile & Resilient

- Zara has a vast SC of commodity products such as buttons, zips, hooks etc. but they have an extensive inventory so that they can finish clothes even if SCs break down.

➤ Adaptable & Responsive

- Zara delivers new products twice each week to its 1,670 stores around the world. This adds up to more than 10,000 new designs each year! It takes the company only 10 to 15 days to go from the design stage to the sales floor. Because of this streamlined model, Zara is not forced to be ahead of the curve. Rather, they exist on the curve, evaluating trends first, then following.

➤ Aligned & Relationships

- Most of the supply base at later stages of the supply chain is small garment workshops responsible for assembly and sewing together the garments. These are mostly in one region in Spain - very different to other competitors which outsource from Asia.

➤ Reliability

- Cutting (internal), Assembly (external), Quality control and final preparation (internal)