

EL REMACHE

Problems

To meet quotas is difficult
Customers ask too many details (*competitors ?*)
Salesmen do not receive adequate information about their clients = ? *identification*

Immigrants problems = language barriers / cultural misunderstanding
“To operate behind his back”
Mr Marquez solution : information pass through him
New Mr Marquez centralizes every piece of information
“A worker is going to leave you *for sure*”

Threatens ERCA monopoly by NAFTA (USMCA)
Customers can easily buy somewhere else

A simple order quotation = a couple of weeks
Responding process takes longer

Even standard products are often unavailable *MTS without reliable forecasts*
Sellers make false promises
For special articles 4 to 6 weeks, more than competitors
Some samples : 5 weeks later

If Planning ahead with major clients : two to three months = precise *MTS*
However incentive to vendedores (sellers) low 1.75%
Orders up to 19 forms !
Secretaries receive calls but cant pass on to sellers = *no answer*
No formal forecast and numerous products sold *ABC ?*

Competitors : many small Mexican companies by former employees (*fidelity problem*)
New potential competitors NAFTA (USMCA) and *possible opportunities*

Raw materials twice a month and long lead time from UK and Japan = *by sea*

Forty machines ! Aggregate planning decide by operators ???
Higher priority to urgent orders *not suitable to mass production*

Cafeteras : Useful

Interruption of lavadoras fairly often = *Bottleneck*
Only 2 workers
3 t of WIP are waiting

Quality control to high value items
Orange paper : urgent orders

Second process = responsible for the most defective : *quality needed here*
More qualified staff
Variability would benefit from higher volume

A proper balance among all capacities : pace of the bottleneck
Small customers : sell in stock, or bring a sample of as an alternative
= better service than for large customers

Commercial planning

When driving close to customers

They must visit clients at least 6 hours a day (and not come back to the office), spend time in traffic jams ...

Do not schedule their daily visits

No updated price = to recalculate price in front of customers

Absence of a forecast system

To increase price each 6 months : bad image

So big customers place pre order to cover 6 months needs : as ERCA can't deliver (customers have to wait = they grant discounts)

Delivery problems

Lack of time from drivers

Mistake in order

No delivery on expected time

Payment not given stopping delivery

Double order

...

Order refused by customers

Price wrong

Lack of raw material

....

Problems about sellers motivation

Analysis and grouping

I- Downstream study

1) forecasts are not made (vendors with customers)

so increasing stock

customers anticipate their needs to avoid price increase and because they know delivery time is too long

2) sales representatives : the big part of sales

sales force has no price list

price increase not taking account competitors

no catalogue

no incentive to vendors

quotation : a couple of weeks

3) unreliability of the availability

orders unsigned

4) order transmission :

after 4 pm (cf not the same time as customer service)
19 forms

- 5) sales in shop :
inventories information

II- Upstream study (production origin)

- 1) Quality problems in the production process drives to delay in production
- 2) No Flexibility :

urgent orders and set up time cannot exist at the same time
“uses forty machines that deliver the rivets by performing only one production step.”

40 machines 1 kind of rivet

Bottleneck Washing machines : stop quite often : only 2 workers for the maintenance, is not enough whereas more than 3 workers are waiting in front of the machine

Quality control is not made on all machines

More Skilled people are needed

Second process : boring ... most are defective

Machines are breaking down creating delay and cost

Special items : 2 weeks more

Samples : 5 weeks later

- 3) Delivery time is unreliable
- 4) Purchasing delay :

attractive cost but out of stock situation or too much inventory

Raw materials : twice a month

UK, Japan : 12 weeks delay whereas US more expensive but 6 weeks delay

III- Assumptions

- 1) information sharing does not work

No willingness from the manager, to control closely the business
centralized system

Considering so many serious problems, the company should disappear.

The problem was unsolved because of the protection of the market, which is not anymore the case

- 2) information system to feed
missing forecasts to offer quality in procurement, production and sales

IV- Issues

- 1) incentives to vendors :
- 2) goals and information sharing
No incentive policy to emphasize standards over specific products
- 3) catalogues and price list
- 4) creating inventory for standard products and small customers of shop :
= Make to Stock : ABC Classification
- 5) Cafeteras : able to be used for several processes
- 6) Opportunities and threats
NAFTA market
Able to work in a monopolistic market, not in a competitive one

CONCLUSION

Top management has to accept not to be part of daily decisions

Bottleneck is due to bad use of ressources