

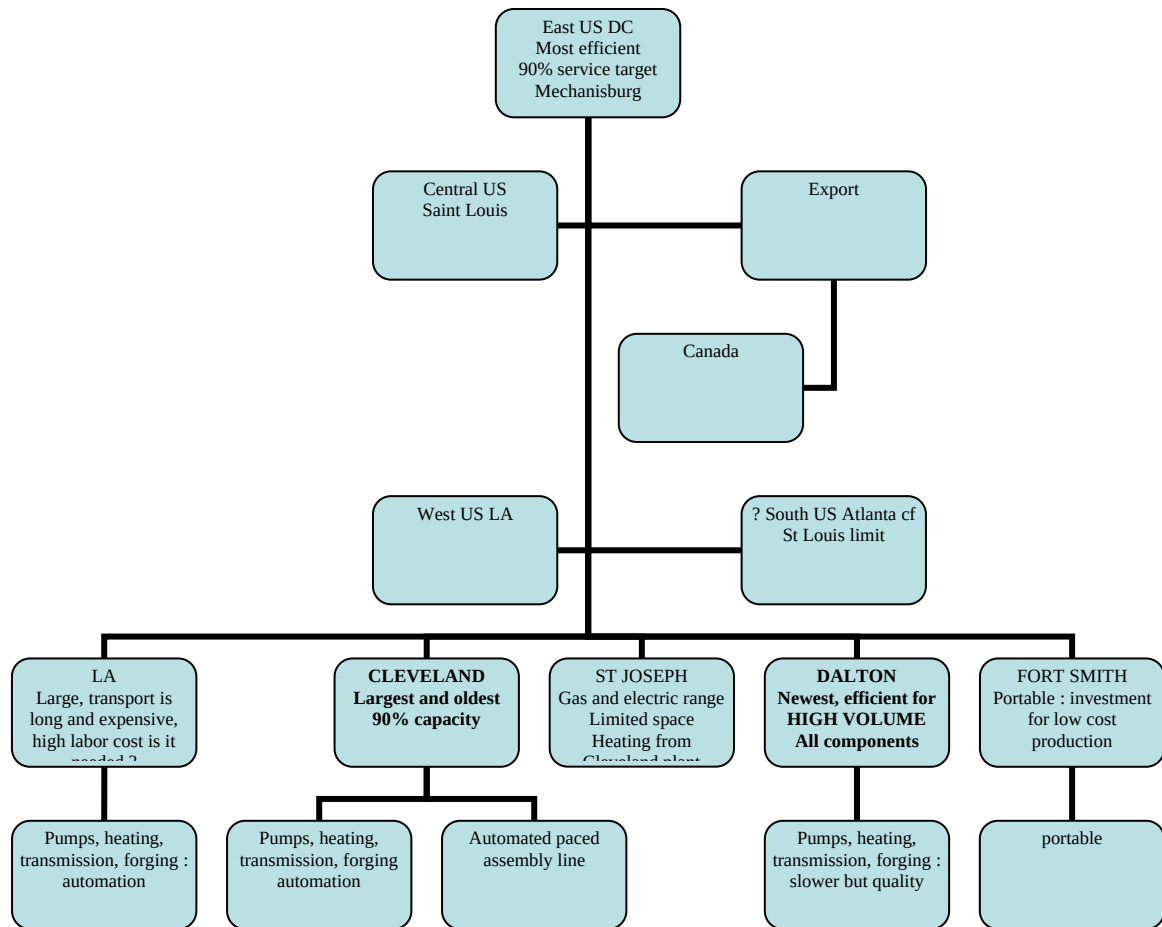
- **MARKET TRENDS**
 - Globalization to come (Europe and Japan), new markets , new competitors
 - GAC Identity
 - Reliable products, excellent after sales service (replacement market), quality
 - High level R&D
 - Plastic instead of porcelain and steel : labor cost, design, engineering = down, easier for customers, justified by high volumes more than 200000 units
Refer exhibit 3 and 4
 - GAC problems
 - Out of the new market which is increasing quickly
 - Delivery problems : long lead time + component shortages (capacity problems)
 - High prices : new market, new competitors
 - No global view of buying production management
 - Purchase per plant
 - No integration of qualified vendors : supply chain
 - Plant to plant increasing flows
 - Many distribution centers deliver the same customer zone
 - Justification of Los Angeles plant

GLOBAL STRATEGY : to develop a larger market with a more attractive price and to use high level image as plant capacities to focus on core processes (assembling, cabinet) while using outsourcing on support processes.

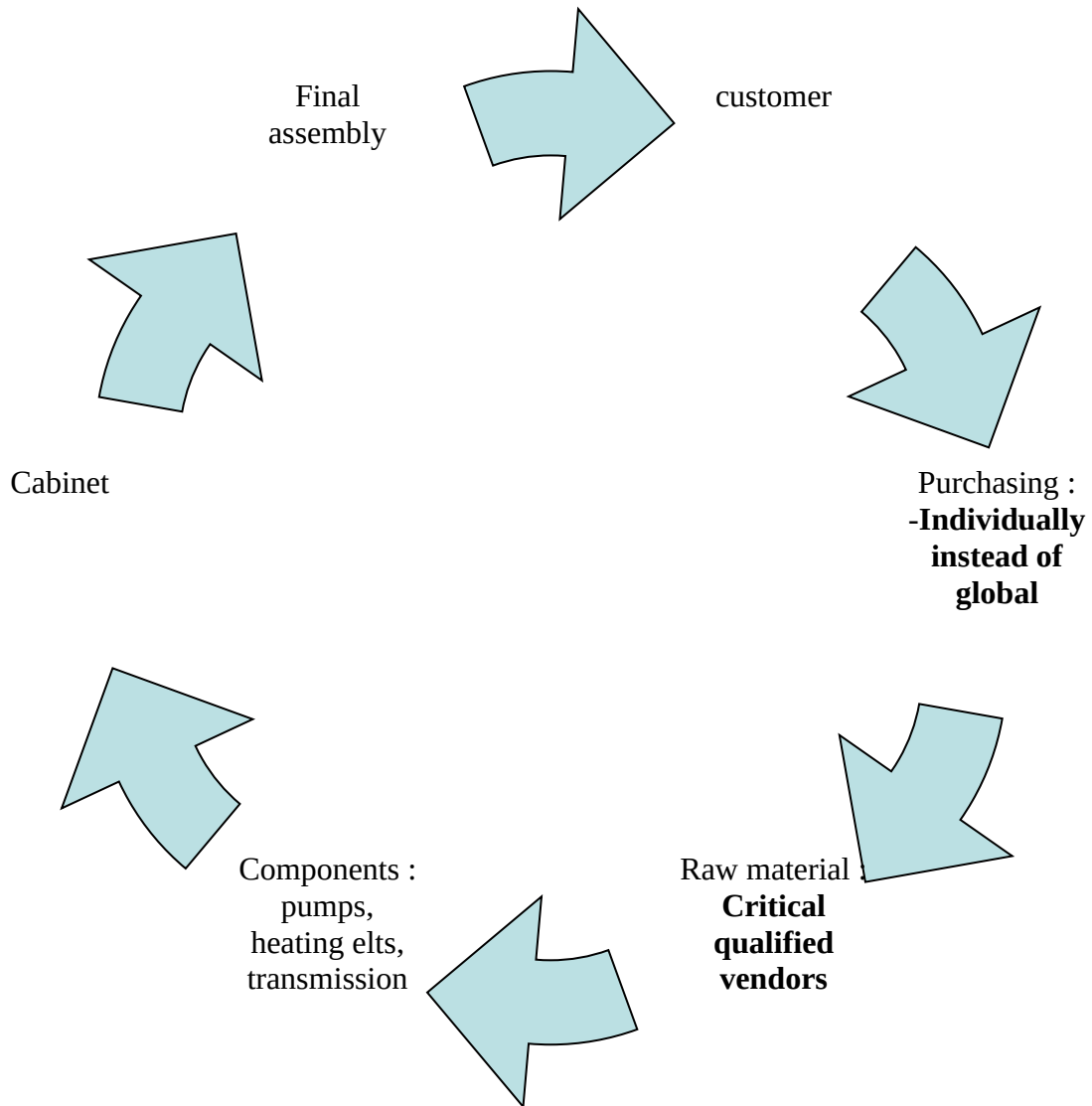
MATRIX TABLE

criteria	weighing	Low / medium value product	high value product
Competition	0,5	9	1
New products development	0,3	8	2
Production cost	0,2	9	1
Distribution cost (volume)	0,1	9	1

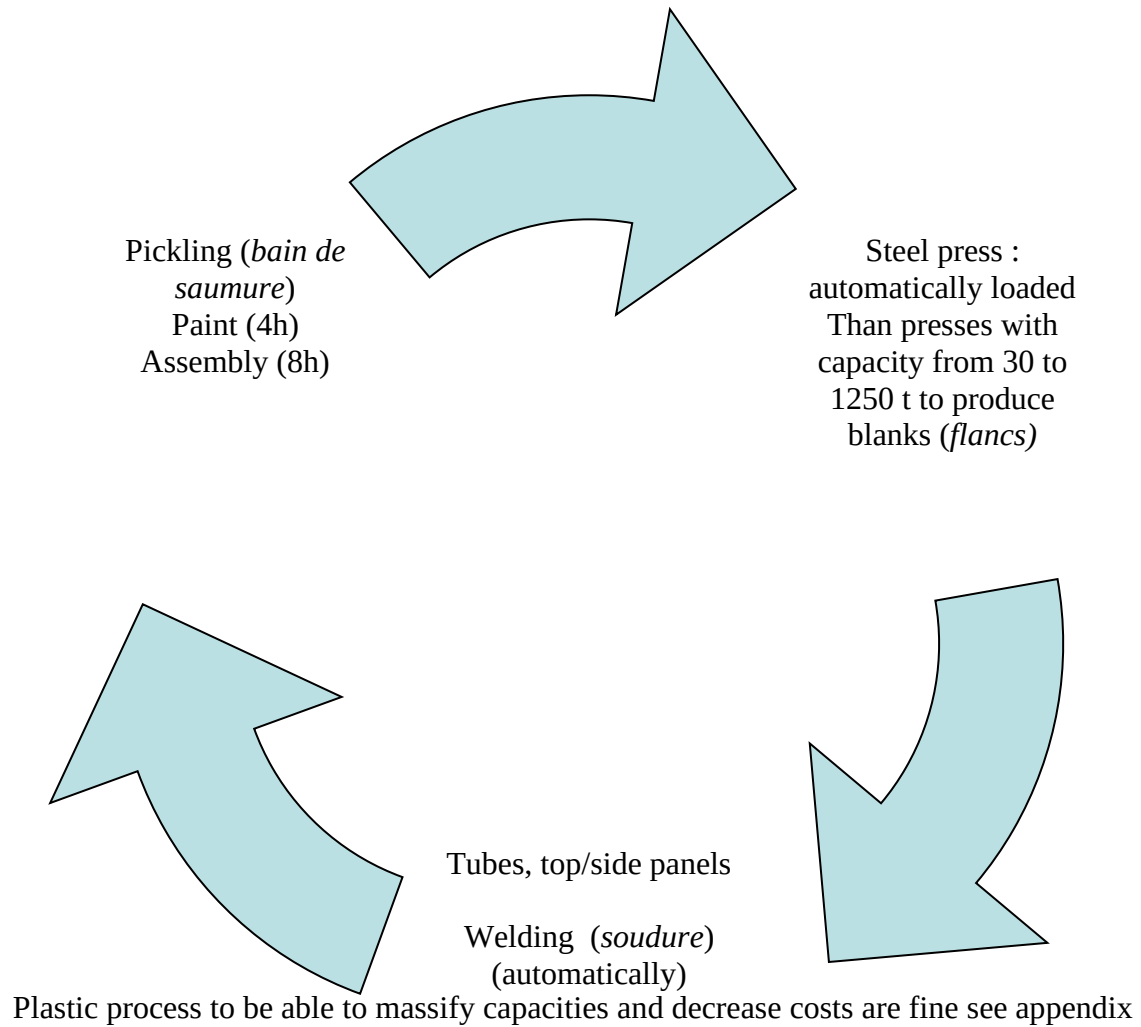
TOTAL



Process



Cabinet detail :



SOLUTIONS

Main strategy

- High demand , high volume to develop on this market with low prices (upper market is satisfied)
 - Innovative capacity is there
 - Production capacities are there
- To strength export markets (high value)

Marketing issues

- **Launching a new product range of cheap appliance**

Analyzing proper figures

Step 1 Production issues

- High volume production plants (to specialize), under capacity is the rule for assembly stage : more than 50 % ! A better production schedule is needed cf 90% Cleveland as forecasts might be easy (replacement market)
- To develop outsourcing for component
- Plastic instead of porcelain
- Production cost is higher than transport cost : high quality production specialized (Cleveland) Dalton : mass production needed
- Overcapacity is a main concern with components and not really with assembly in Cleveland
- Outsourcing development WILL INCREASE PRODUCTION CAPACITY
- Key points to control R& D, assembly part, after sales service
- To control the supply chain (exclusivity) , suppliers working with a high regarded Brand
 - Central purchasing
 - A north / South EAST production strategy considering production and transport cost see appendix

Exhibit 13

Customer zone is concentrated

ABC analysis: Atlanta, Chicago, Detroit Philadelphia, ST Louis showing more than two thirds of sales

With Atlanta as a real significant customer zone

Exhibit 7

As fixed cost of Cleveland is 30,397,500 \$ and as machines are old we have to move to assembling step at Cleveland (large and underutilized)

Exhibit 14

We can point out an under utilization of Cleveland (due to equipment which is not showing sufficient capacity level in terms of quality)

We can also point out that modern equipment such as Dalton and Fort Smith are able to increase their production by more than 50%

Resulting in a possible change in plant mix with:
Dalton and Fort Smith to develop production and by the way to stop interplant parts transport
And assembling part possibly in Cleveland to massify the transport flow

Exhibit 10

Result will be to reduce transport cost interplants
To massify transport to Cleveland and to lower transport cost the same way
Which will eliminate transport cost parts (interplant) in exhibit 10
 $21+9.65+10.90+9.65+24.20+6.06+10.90+13.10+6.06$
And main flow of finished products will be shipped from Cleveland

Remains the analysis of Los Angeles we will do later on a financial point of view (break even)

Step 2 TRANSPORT ISSUES THROUGH A TRANSIT MODEL

Distribution issues

- LA distribution center : LA is too expensive as a plant to take profit from the new production investment (plastic ... : more than 200000 and 500000 units). Actual production in LA is 266000 units (breaking point 95437)
 - Or moving distribution center to Denver (including LA Denver Seattle)
- Distribution :
 - Plants to distribution centers (havin all products) to deliver its customer zone : to list
 - High increase is expected in South US
 - Distribution cost are 25% lower in Atlanta than in St Louis. Forecasts justify the implementation too.
 - Atlanta has to be created
- Downsvew is able to deliver Seattle

Planned solutions

Cleveland dedicated to new low cost products (assembly) and outsourcing components
Dalton dedicated to high quality products currently developed
Fort Smith portable

Integrated supply chain (procurement)
Forecasts to monitor production schedule (MRP)